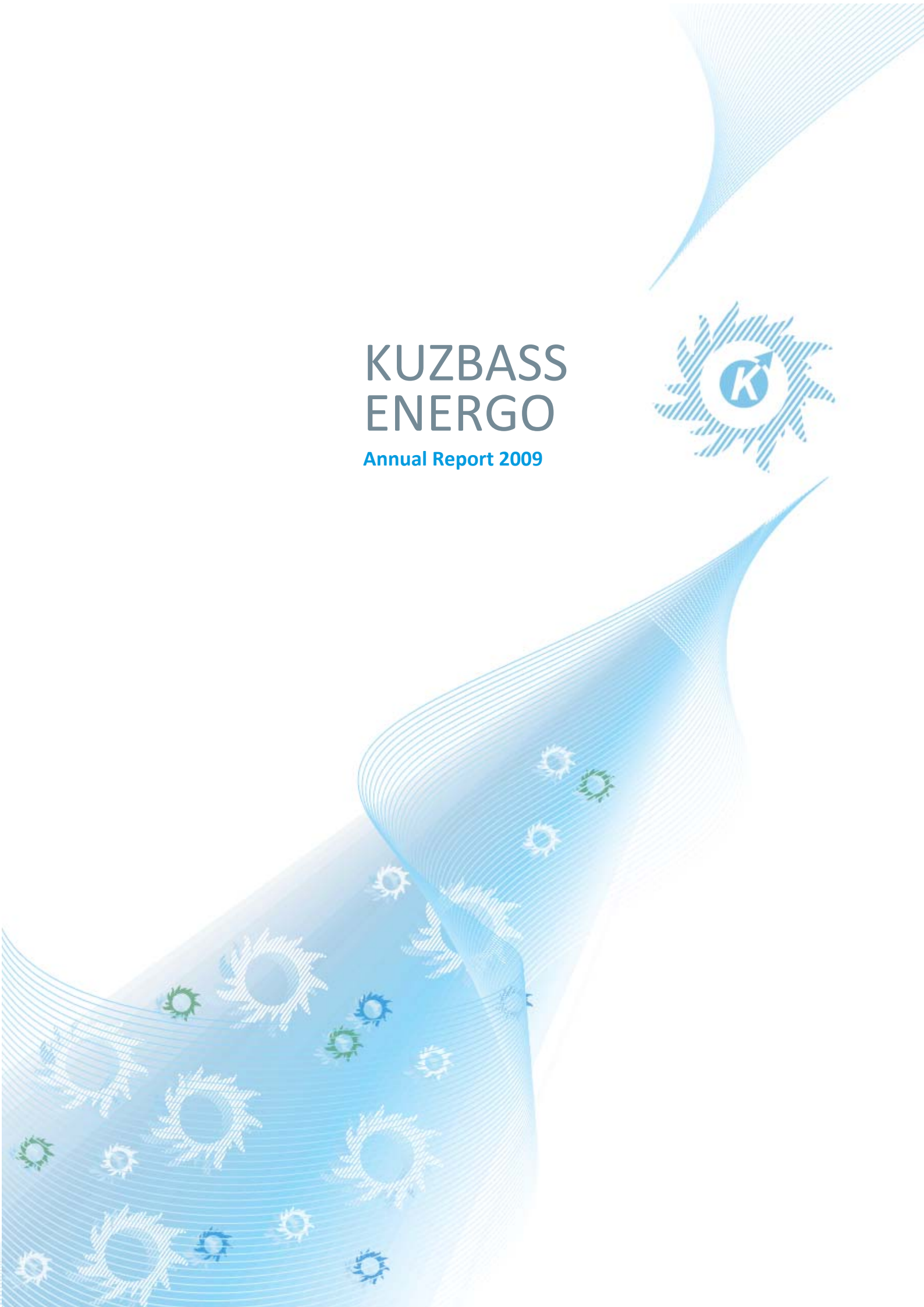


KUZBASS ENERGO

Annual Report 2009



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Annual Report of OJSC Kuzbassenergo
for 2009 approved by the Board of Directors
of OJSC Kuzbassenergo
on 20 May, 2010, Minutes No.10/17,
and submitted for approval to the
annual General Meeting of shareholders
of OJSC Kuzbassenergo on 25 June, 2010





COMPANY MISSION

OJSC Kuzbassenergo mission consists in uninterrupted and reliable supply of customers with heat and electric power, ensuring production efficiency and investment attractiveness of the Company.

OJSC KUZBASSENERGO TODAY

Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) is one of the largest enterprises of Kuzbass region and Altay krai. OJSC Kuzbassenergo is an integral part of the power pool system of Russia and an entity of the electric power wholesale market.

The Company produces and sells electric and thermal energy, and supplies heat.

OJSC Kuzbassenergo incorporates today six power stations in Kemerovo region and three power stations in Altay krai with an installed a capacity of 4,500 MW. All the stations burn coal. The installed electrical capacity of the Company is 4.5 thou. MW, and the installed heat capacity is 8.9 thou. Gcal/h.

The volume of electric energy production in 2009 was 22,220 million kWh; heat production volume - 14,956 thou. Gcal. The Company proceeds for the year amounted to 26 bln roubles.

Territorial generating Company OJSC Kuzbassenergo was established within the framework of reforming of the Russian electric power industry by way of amalgamation into a unified production Company of generating assets of Altay krai and Kuzbass region.

In July, 2008, upon completion of reorganisation of RAO UES of Russia, OJSC SUEK became one of the largest shareholders of Kuzbassenergo.

The generating capacities of the Company ensure at least 13% of electricity production in Siberia and about 68% of heat supply to consumers of Kuzbass and Altai. OJSC Kuzbassenergo is one of the most attractive companies in the Russian power industry, considering a high quality of its assets and proximity to sources of low-cost fuel.





OPERATIONAL HIGHLIGHTS

BASIC PERFORMANCE DATA

Parameter	Unit of measure	2007	2008	2009
Installed electrical capacity	MW	4,392	4,400	4,500
Electric power output	million kWh	23,232	23,635	22,220
Installed heat capacity	Gcal/h	8,842	8,745	8,905
Heat power output	thou. Gcal	14,630	15,079	14,956
Personnel employed	persons	7,273	7,058	6,535

BASIC FINANCIAL AND ECONOMIC PARAMETERS

Parameter	Unit of measure	2007	2008	2009
Assets	million roubles	30,428	31,582	28,999
Equity capital	million roubles	27,987	25,573	25,615
Sales proceeds	million roubles	18,720	20,926	25,888
Sales profit	million roubles	631	(1,163)	1230
Net profit	million roubles	2,924	(2,142)	7
EBITDA	million roubles	1,980	2,652	1,850

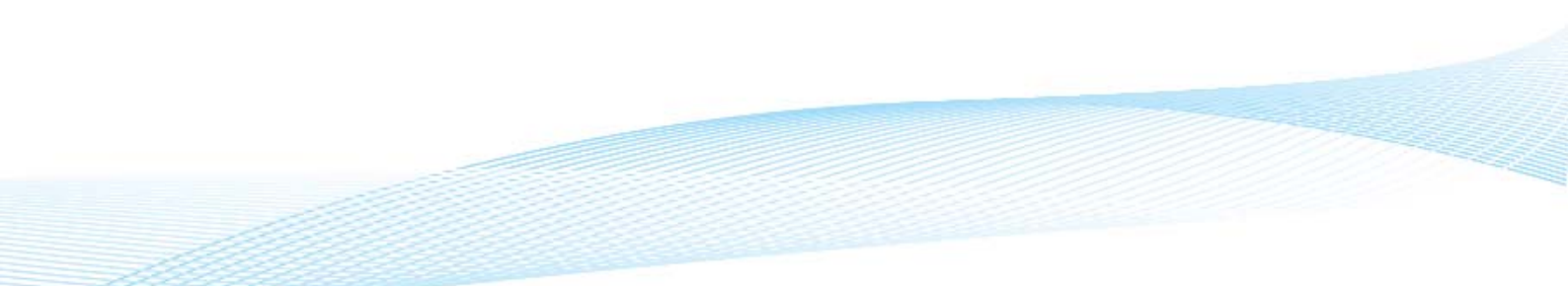
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ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR OF THE MANAGEMENT COMPANY OF OJSC KUZBASSENERGO TO SHAREHOLDERS

Dear shareholders!

Summarising the results of the last year, it should be noted that our operation in 2009 was determined by three major factors: structural transformations carried out by the majority shareholder of OJSC Kuzbassenergo, echoes of the economic crisis in the region which affected all branches of economy, and the largest accident at Sayano-Shushenskaya Hydraulic Power Plant which made us review our near-term plans and the attitude to the power industry as a whole.

Within the framework of transition to the new management model in June, 2009 shareholders of OJSC Kuzbassenergo approved the corporate Charter in a new wording.

Sergei Grigoriev,
Chairman of the Board of Directors of
OJSC Kuzbassenergo



Shareholders resolved to delegate authorities of the sole executive body of the Company to the Management Company - Limited Liability Company 'MC Siberian Generating Company'. An enormous work was carried out for the purpose of unification and optimisation of the organisational structure.

In 2009 power station of OJSC Kuzbassenergo generated 22,220 million kWh, by 6% less than during the same period of 2008. the Company also supplied 14,956 thou. Gcal of heat energy.

One of the main factors which affected the Company's performance, is the decrease of power consumption by production plants due to the economic crisis.

Sergei Mironosetsky,
General Director of MC Siberian Generating
Company, LLC -
OJSC Kuzbassenergo's Management Company



ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL DIRECTOR OF THE MANAGEMENT COMPANY OF OJSC KUZBASSENERGO TO SHAREHOLDERS (CONTINUED)

The reforming of the of housing and communal services sphere and the change of the heat supply and marketing organisation scheme has materially affected the operation of the generating Company. Deterioration or total absence of payment discipline of newly created homeowners associations and housing management companies entailed significant growth of overdue debt receivable and added difficulties in preparation of power stations for operation during the autumn-winter period.

Considerable corrections to Company operation were brought in by the largest technogenic accident at Sayano-Shushenskaya Hydraulic Power Plant. It became a major challenge for the whole power supply system of Siberia. To provide for uninterrupted supply of consumers, emergency capacities with a total capacity of 862 MW were addition involved. Kuzbassenergo stations took upon themselves almost one fifth part of the lost capacities of Sayano-Shushenskaya HPP.

In 2009, despite negative effect of external factors on the Company's activity, the Company management, and all employees did a huge work aimed at raising effectiveness of the Company's operation and reducing costs.

The Company managed to reduce considerably the share of unpaid power, to reach the targeted effect from optimisation of the procurement program. Total economic benefit of the comprehensive implementation of cost reduction measures was more than 248 million RUB.

The Company was able to achieve inclusion of the shortfall in income of the previous two years in the established tariff for 2009 that resulted in increase in profit on energy sale in the regulated contracts market. For the accounting year the Company's proceeds increased by 23.7% to 25.9 bln RUB. The net profit in 2009 amounted to 7 million roubles.

The Board of Directors of the Company by its activity brought a weighty contribution to OJSC Kuzbassenergo's operation. Modernisation of available fixed assets, their technical upgrading and construction of new state-of-the-art generating capacities - all these priority lines of business of the Company were in the focus of constant attention of the Board of Directors during the accounting year. In 2009 the Board of Directors held 19 meetings at which 447 issues were considered.

In the reporting year OJSC Kuzbassenergo successfully continued activity on development of generating capacities. Putting into operation of the new turbine unit No.15 type T-120-12.8 at Novo-Kemerovskaya CHPS became the main investment project of the year. The commissioned turbine unit allowed to increase power and heat production and to optimise production of heat energy due to the use of more powerful modern equipment. The new turbine is capable to provide with heat more than 600 thou. sq. m. of housing in Kemerovo, that is more than 8 thousand families. The heat supply pipeline constructed in the context of the regional project "Housing" will provide with heat and hot water new houses of the residential quarter 7B at Pri-tomsky avenue.



Already within the framework of new the management structure, despite difficult operating conditions, OJSC Kuzbassenergo successfully carried out a repair campaign aimed at preparation of power equipment for operation during the autumn-winter period. In 2009 the Company allocated for scheduled maintenances a record for the last years amount - 2 bln 269 million RUB., by 15% more than it was spent for these purposes in 2008. Besides, taking into account additional loading of capacities of power stations because of the accident at Sayano-Shushenskaya HPP, the Company's management decided to allocate additionally 188 million RUB. for raising reliability of operation of the equipment. In total, 14 km of pipelines were replaced, and capital and medium repairs were performed on 15 boilers and 7 turbine units. These measures allowed to ensure trouble-free operation of all production facilities.

Further implementation of investment projects, modernisation and technical upgrading of equipment, improvement of overall performance of the Company are priority challenges that the Company will have to tackle in 2010.

The Company's management fully realises that socially oriented business should run with the highest degree of reliability under any external condition. Skilful, accurate and harmonious work of the team of adherents ensured reliable and stable operation of the Company in difficult conditions of the previous year.

Today our efforts are concentrated on achievement of maximum efficiency of the business. We are confident that transformations of the management structure fulfilled by the Company, other measures aimed at enhancing efficiency and decreasing costs will guarantee steady operation in the free power market environment and will allow OJSC Kuzbassenergo to pursue its development and to provide for reliable and uninterrupted power supply of consumers.

Sergei Grigoriev,
Chairman of the Board of Directors of OJSC Kuz-
bassenergo

Sergei Mironosetsky,
General Director of MC Siberian Generating Company,
LLC - OJSC Kuzbassenergo's Management Company

KEY EVENTS OF 2009

JANUARY

The Company got down to implementation of the repair program of 2009. It was scheduled to repair 138 units of basic thermal and mechanical equipment, to replace about 13 km of pipelines at generation facilities of Kuzbass and Altai.

According to the decision of the Administration of the city of Kemerovo the Company was recognised winner of the all-city competition "Benefactor of the year" and awarded a Memorable sign.

FEBRUARY

On 26 February at Novo-Kemerovskaya CHPS of OJSC Kuzbassenergo, with the assistance of Aman TULEYEV, Governor of Kemerovo region and Vladimir RASHEVSKY, General Director of OJSC SUEK, a new turbine unit No.15 type T-120-12.8 was solemnly put in operation. The turbine unit had been built for more than two years. Its maximum electric capacity is 120 MW, and heat capacity, 160 Gcal/h.

MARCH

The Scientific and Technical Council discussed tasks to be fulfilled by the end of the current year. Total costs of the repair campaign will amount to 2,269 million roubles. The investment program stipulates allocation of 1,473 million roubles.

APRIL

The Company's Quality Management System (QMS) was certified for compliance with the requirements of the international standard ISO 9001:2008. The audit was carried out by Bureau Veritas Certification, a subsidiary of Bureau Veritas group, France. The Company has developed, documented and implemented the quality management system according to the requirements of the standard. The audit has not revealed any material noncompliance.

During the audit the area of application of the certificate was defined more exactly and specified as follows: "Development of services relating to production of thermal and electric energy and power and heat energy transfer. Production of thermal and electric energy, heat energy transfer, sale of electric and heat energy, and power".

The independent auditors highly appreciated the obtained results and confirmed that the QMS of OJSC Kuzbassenergo complies with the requirements of the international standard ISO 9001:2008. On the basis of conclusions obtained Bureau Veritas Certification issue the international certificate to OJSC Kuzbassenergo.

The results of the 2008 Golden Pole contest among heat energy consumers were summarised. The most disciplined consumers of heat energy receiving heat directly from the power facilities of OJSC Kuzbassenergo became winners of the Vth regional contest and were presented awards. The main criteria of the estimation were: implementation of power saving technologies, arrangement of a strict accounting of heat and timely payment for power resources. Along with the best consumers the worst consumers, which do not comply with the heat energy accounting technological requirements and delay payments for received energy, were revealed. Special antiprizes were prepared for the worst consumers of heat energy.



MAI

The Board of Directors of OJSC resolved to terminate authorities of the General Director of the Company, Sergei N. MIKHAILOV, and to elect Yury V. SHEIBAK the General Director of the Company. This change in OJSC Kuzbassenergo's management is due to the forthcoming change of the Company's management structure.

On the threshold of celebration of the Victory Day, the 9th of May, the Company allocated 1.436 million roubles for rendering material aid to veterans of the Great Patriotic War and home-front workers. 628 veterans from Kuzbass region and Altay krai received this welfare assistance: veterans of war - 4,000 RUB. each, and home-front workers - 2,000 RUB each.

JUNE

The annual General Meeting of shareholders of OJSC Kuzbassenergo was held at which the Annual Report, and the annual Financial Statements including the Profit and Loss Statement were approved. A new composition of the Board of Directors of the Company and the Internal Audit Commission was elected. Closed Joint Stock Company BDO Unikon, Moscow was approved Company's auditor. A number of documents in a new wording were approved: the Company's Charter, the Regulations on Preparation, Convocation and Holding of the General Meeting of Shareholders of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo), the Regulations on the Board of Directors of Kuzbass Power and Electrification Open Joint-Stock Company, the Regulations on the Internal Audit Commission of Kuzbass Power and Electrification Open Joint-Stock Company. It was resolved to cancel the Regulations on the Management Board of Kuzbass Power and Electrification Open Joint-Stock Company. According to the resolution of the meeting the authorities of the sole executive body of the Company were transferred to the management company.

Novokuznetsk branch of OJSC Kuzbassenergo celebrated 65th anniversary of Kuznetskaya CHPS. The power station is the oldest one in the regional power supply system in the south of Kuzbass. Today Kuznetskaya CHPS satisfies the needs in heat supply of several large residential and industrial districts of the city of Novokuznetsk.

The 29th of June is the 45th anniversary of Belovskaya SDPS - the youngest and one of the largest power stations of Kuzbass power supply system. Current installed power capacity of the SDPS is 1,200 MW, and thermal capacity - 272 Gcal/h. It accounts for almost one third of all produced electric power in Kuzbass. Through high-voltage power lines the energy generated by the power station is transferred to Kemerovo, Novokuznetsk, Belovo, other cities of Kemerovo region, as well as to the neighbouring regions.

JULY

GRIGORIEV Sergei Alexandrovich, Deputy General Director, Director for Relations and Communications of OJSC SUEK was elected Chairman of the Board of Directors of OJSC Kuzbassenergo.

On 01 July Kemerovskaya SDPS - the first district power station of Kuzbass region built according to GOELRO plan - celebrated its 75th anniversary. Currently Kemerovskaya SDPS is the leader in implementation of modern high technologies. The installed electric capacity of the station is 485 MW, thermal capacity -1540 Gcal/h. It satisfies about 70% of requirements of the left-bank part Kemerovo for heat and hot water.

AUGUST

On 17 August, 2009 there was the largest technogenic catastrophe at Sayano-Shushenskaya HPP. As a result of the accident 75 persons perished, and serious damage was inflicted to the equipment and premises of the station. Electricity generation activity of the station was suspended.

Due to the accident at Sayano-Shushenskaya HPP additional generating capacities were involved by OJSC Kuzbassenergo to ensure uninterrupted power supply of consumers of the region. On the instructions of the Kuzbass Regional Dispatching Office OJSC Kuzbassenergo put into operation all turbine units and a number of boiler units which were under cold standby at Tom-Usinskaya SDPS, Belovskaya SDPS, Kemerovskaya SDPS and Novo-Kemerovskaya CHPS.

SEPTEMBER

OJSC Kuzbassenergo, the first generating company of Siberia certificated under the new international standard, was presented with the international certificate of conformity of the Quality Management System to the requirements of ISO 9001:2008 standard.

The Board of Directors of the Company approved conclusion of the contract for delegation of authorities of the sole executive body between OJSC Kuzbassenergo and MC Siberian Generating Company, LLC. According to the agreement, OJSC Kuzbassenergo (Managed Company) shall transfer, and MC Siberian Generating Company, LLC shall accept and carry out the authorities of the sole executive body of the Managed Company established by the Charter of Managed Company, other by-laws of the Managed Company and the effective legislation of the Russian Federation.

Within the framework of agreement signed with the Administration of the city of Kemerovo the Company built and put into operation new heating mains supplying heat and hot water all new apartment houses around Pritomsky avenue. Total length of the heating mains is 935 metres. The project was financed jointly with the municipal and regional budget. Total amount of investments was about 157 million RUB.

OCTOBER

On the 4th of October 4th one of the oldest power stations of the Company the Kemerovskaya CHPS celebrated its 70th anniversary. The station was built on the right-bank part of the regional centre to supply with electric and heat energy a large chemical integrated works - Production Association Progress. Today the installed electric capacity of Kemerovskaya CHPS is 85 MW. The station is the largest heat source in the right-bank part of the city. Its heat capacity is 784 Gcal/h. It supplies with heat consumers of Kirovsky and Rudnichny districts.

NOVEMBER

The Commission of the Ministry of Energy of the Russian Federation finished check of the Company's readiness to operation during the autumn-winter period of 2009-2010. The Commission noted that despite rigid criteria of estimation, the preparation for the forthcoming winter was carried out at a high organisational and technological level, the basic conditions of readiness to operation during the autumn-winter period were met. OJSC Kuzbassenergo and its power plants and heat networks have been qualified to receive the Certificate of readiness to operation during the autumn-winter period of 2009-2010.

The publication of Barnaul branch of OJSC Kuzbassenergo for heat energy consumers 'Energichnaya gazeta' became the winner of the annual international contest of acknowledgement of professional achievements in the sphere of PR and advertising 'Golden Sable'.

On pages of the newspaper the readers receive answers to their questions, get acquainted with recommendations of specialists - employees of the power company, as well as get to know prompt and trustworthy information relating to power supply, payment for heating and hot water.

DECEMBER

OJSC Kuzbassenergo was presented with the Certificate of readiness to operation during the autumn-winter period of 2009-2010. All power stations of the Company located in the territory of Kemerovo region and in Altay krai received documents confirming their readiness to carry peak loads.

In 2009 the Company has successfully accomplished the repair campaign, and accumulated an above-standard reserve of fuel. Due to increased loads because of the accident at Sayano-Shushenskaya HPP additional amounts of works were performed with the purpose of raising reliability of operation of generating equipment and auxiliaries.



JANUARY, 2010

The Company proceeded to implementation of the repair program of 2010. It is scheduled to repair 129 units of basic thermal and mechanical equipment at generation facilities of Kuzbass and Altai and to replace 11.654 km of pipelines, including 9.81 km in Kuzbass and 1.844 km in Barnaul.

FEBRUARY, 2010

The Chief Executive Officer of OJSC Kuzbassenergo and the Chairman of the Regional Trade Union Committee 'Electroprofsoyuz' signed an Agreement on extension and amendment of the Collective agreement of OJSC Kuzbassenergo for 2010. The Agreement stipulates that all the obligations of the Company with respect to social protection and benefits provided by the Collective Agreement of 2007-2008 (which was also extended in 2009) shall be retained.

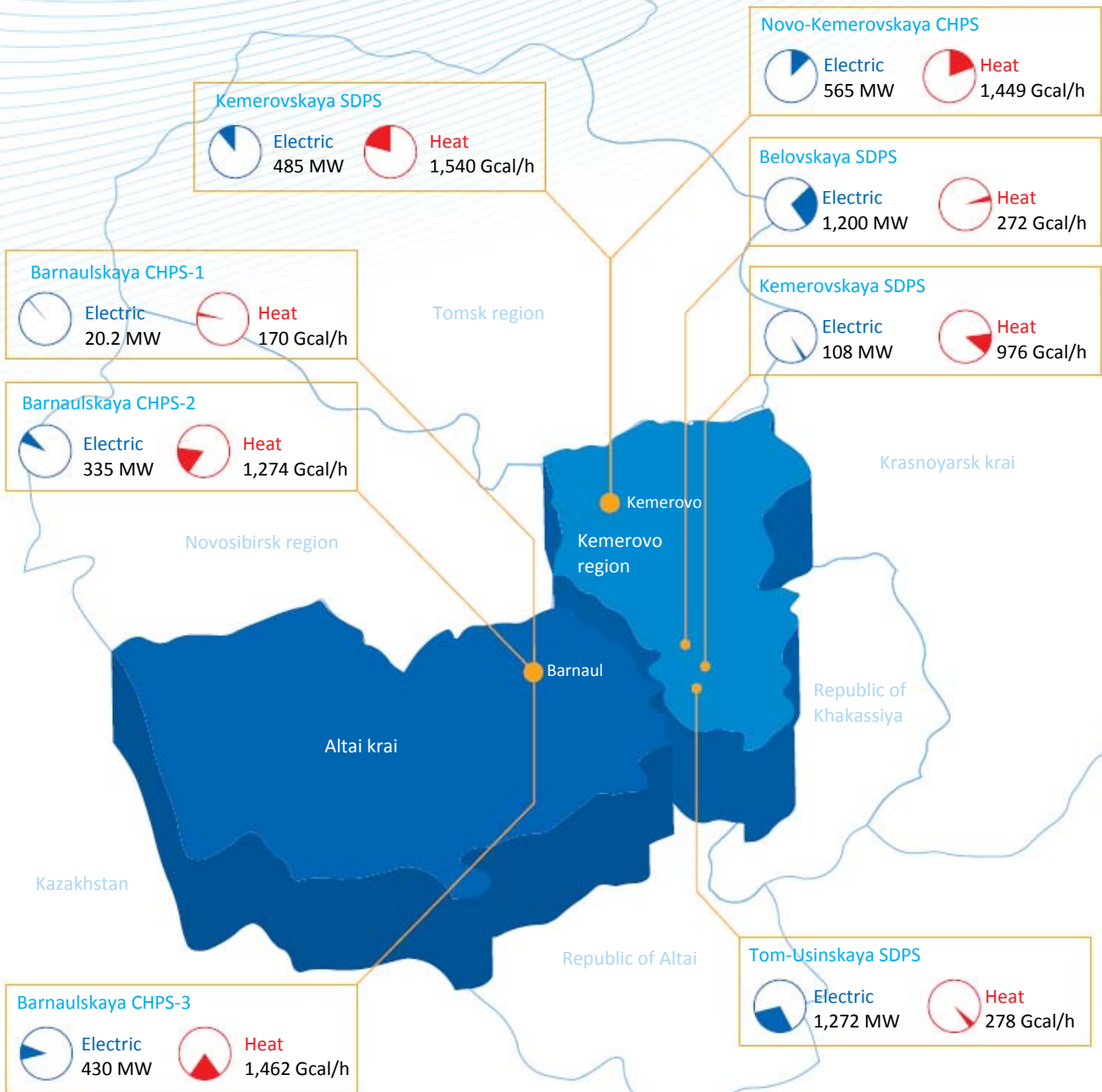
On 27 February Barnaulskaya CHPS-2 celebrated its 55th anniversary. With its commissioning in 1955 a new stage of development of Barnaul power industry begun. In 1950 the Council of Ministers of the USSR adopted a resolution on construction in Barnaul of the second combined heat and power station to eliminate power shortage due to construction of large factories in the regional capital.

Today the installed electric capacity of Barnaulskaya CHPS-2 is 335 MW, and installed thermal capacity - 1273.5 Gcal/h.

MARCH, 2010

On 22 March, the extraordinary General Meeting of shareholders of OJSC Kuzbassenergo in the form of an absentee vote was held.

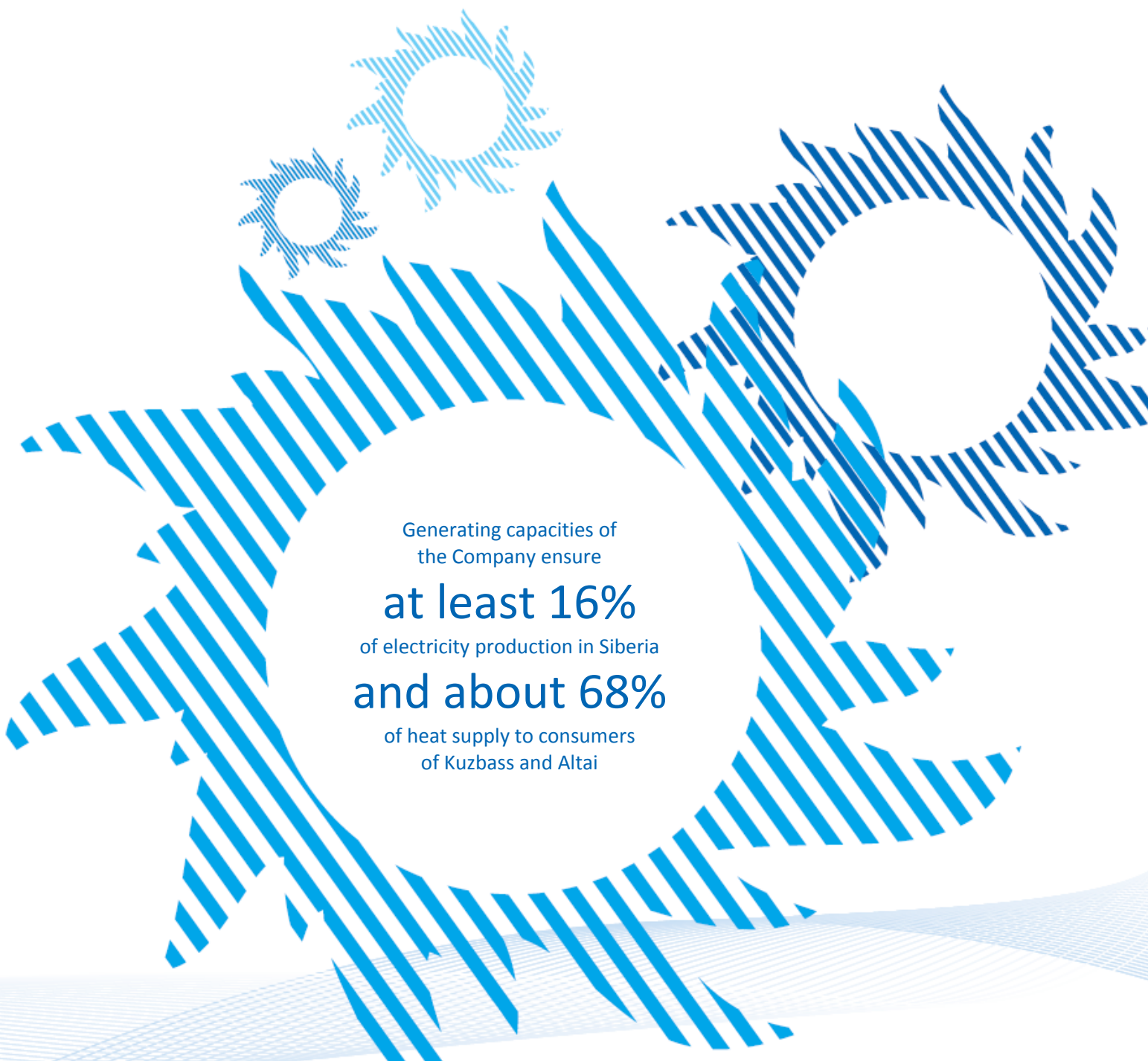
Shareholders adopted resolutions on non-arms-length transactions, as well as approved a number of documents in a new wording: the Company's Charter, the Regulations on Preparation, Convocation and Holding of the General Meeting of Shareholders of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo), and the Regulations on the Board of Directors of Kuzbass Power and Electrification Open Joint-Stock Company.





Macroeconomic and branch environment

- 1.1. Company status in the country, region, industry (16)
- 1.2. Competitive environment (energy market in the region) (18)
- 1.3. Legislative environment (19)



Generating capacities of
the Company ensure
at least 16%
of electricity production in Siberia
and about 68%
of heat supply to consumers
of Kuzbass and Altai

COMPANY STATUS IN THE COUNTRY, REGION, INDUSTRY

Kemerovo region is one of the most developed regions of the Western Siberia of the Russian Federation. Expert RA rating agency annually evaluates the rating of investment attraction of regions. Throughout the last five years Kemerovo region has been assigned the rating 2B, characterised as a zone of moderate risk with good development potential.

OJSC Kuzbassenergo plays a considerable role in the social and economic development of regions of its presence, being the largest producer of both electric and thermal energy in Kuzbass and Altai krai. Our supplies are one of basic power resources for the plants and population of the regions.

Fast development of the Company for the last few years allows our customers to rely upon stable deliveries of energy in a long-term outlook, and all interested parties, upon sustainable development in compliance with admissible ecological standards.

Within the total balance of electricity production by the electric power system of Siberia in 2009 the Company share was 13%.

In the sphere of sale of electric energy and power OJSC Kuzbassenergo in 2010 schedules:

- Increasing volume of sales in the wholesale market of electric energy and power at free prices due to extension of liberalisation of the electric energy and power market up to 60% (from 1 January, till 30 June, 2010) and 80% (from 1 July, till 31 December, 2010). This situation will allow to increase the electric energy and power volumes sold under free agreements, that in its turn should bring about an increase in economic benefit for the Company from electrical energy sale in this segment. At the same time some risks (associated with losses/lost profit) remain for the Company in case of low prices in the free market (Day-Ahead Market);

OJSC KUZBASSENERGO'S SHARE IN THE TOTAL
AMOUNT OF POWER GENERATION BY THE
UNIFIED POWER SYSTEM OF SIBERIA
(IN TERMS OF PRODUCTION)



31% - OJSC Irkutskenergo
9% - OJSC Krasnoyarskaya HPP
13% - OJSC Kuzbassenergo
12% - OJSC RusGidro
6% - OJSC Novosibirskenergo
7% - OJSC Yeniseiskaya TGC (TGC-13)
1% - TGC-11
4% - WGC-4
4% - WGC-6

- Starting from 1 October, 2010, to participate in the futures market launched by ARENA Exchange (OJSC) which will supplement successfully functioning market of electric energy and power, will allow to hedge the price of electric energy, thereby ensuring stability of prices for a certain period;
- Since 1 December, 2010 to participate in the long-term competitive market of power (for 2012-2015), which:
 - will create a stimulus to reduce costs and to increase generation efficiency;
 - will allow to gain additional revenue in two markets: power market and electric energy market;
 - will promote development of competitive relations and improvement of transparency of pricing in the Electric Energy (Power) Wholesale Market;
 - will give suppliers a possibility to specify prices for power in their bids.

OJSC Kuzbassenergo is the largest producer of heat energy in Kuzbass and Altay krai. Sources of heat energy of OJSC Kuzbassenergo are located in the cities of Kuzbass and Altay krai: Kemerovo, Novokuznetsk, Barnaul, Belovo and settlements of Inskoy and Myski in the markets of which the produced heat energy is sold. Favourable location of sources of heat supply in large heat consumption regions is an important competitive advantage of the Company.

In 2009 the crisis adjusted expectations regarding consumption of heat energy and its aftereffects resulted in decrease of volumes of consumption by the industrial sector consumers.

As a result of the reform of the housing and communal services carried out in Kemerovo region in 2009 the pattern of contractual relations and the procedure of payments for heat energy by the housing sphere consumers in the cities of Novokuznetsk and Kemerovo changed.

Despite the consequence of the crisis phenomena and the reform of the housing and communal services OJSC Kuzbassenergo retains the leading position in the largest markets of heat energy of Kuzbass and Altay krai. The Company's share in heat energy production in the city of Kemerovo is 90%, in Novokuznetsk - 49%, in Barnaul - 88%.

COMPETITIVE ENVIRONMENT (ENERGY MARKET IN THE REGION)

OJSC Kuzbassenergo is one of the largest companies of Kuzbass region, Altai krai and Siberia.

The Company share within the total balance of electricity production by thermal power stations of Siberia in 2009 was 21%.

The main market on which major part of Company products are sold is the Wholesale Electric Energy (Power) Market established by the order No.643 of the Governmental of the Russian Federation dated 24.10.2003. Relatively small share of produced electric energy and power is sold on the retail market.

A significant share of hydraulic power plants in covering the energy consumption of Siberia is a distinctive feature of the second price zone of the Wholesale Electric Energy (Power) Market (corresponding to the Unified Electrical System of Siberia). Low cost of production of electric power at river plants preconditions the advantage of river plants as compared to thermal power generation in the wholesale market.

Currently the following companies operate in the competitive market of thermal generation within the second price zone Wholesale Electric Energy (Power) Market (besides OJSC Kuzbassenergo):

1. Territorial generating companies:

- TGC-11 operating in the territory of Omsk and Tomsk regions;
- TGC-13 operating in the territory of Krasnoyarsk region and the Republic of Khakassia;
- TGC-14 operating in the territory of Chita region and the Republic of Buryatiya.

2. Power stations of wholesale generating companies (WGCs):

- Haranorskaya and Gusinoozerskaya SDPSs (WGC-3);
- Krasnoyarskaya SDPS-2 (WGC-4);

- Berezovskaya SDPS (WGC-6).

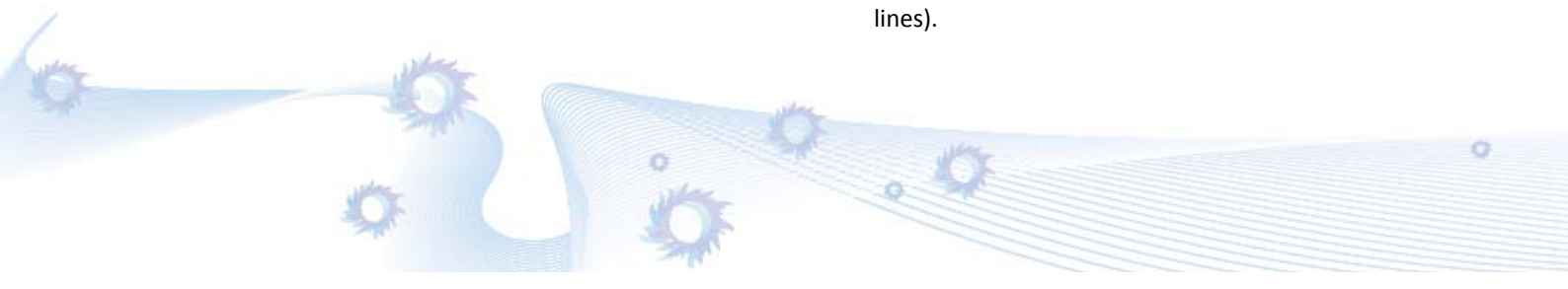
3. Other suppliers (isolated generating plants, separate power stations — subjects of the Wholesale Electric Energy (Power) Market).

In the heat energy market OJSC Kuzbassenergo supplies heat to consumers of the cities of Kemerovo and Novokuznetsk of Kemerovo region, and of the settlement Inskoy and the city of Barnaul of Altai krai being actually a monopolist there. But besides OJSC Kuzbassenergo in the above cities there are some factories having their own boiler-houses and power stations: OJSC Teploenergo and OJSC Azot in the city of Kemerovo, and Zaiskitimskaya Boiler-House (branch of OJSC Western-Siberian CHPS) and OJSC Novokuznetsk Power Company in the city of Novokuznetsk.

Recently we have been witnessing a steady tendency of decrease of share of heat energy supplied to industrial consumers in the form of steam, and growth of supply of heat energy for hot water supply. First of all it is attributed to construction of own sources of heat energy by large consumers, as well as construction and development of the housing-and-public utilities sector of the cities. In the heat market where heat energy in the form of steam of various specifications is sold we currently observe a trend of construction of own heat generating facilities by industrial consumers.

NEAREST COMPETITORS

- OJSC The Fourth Generating Company of the Electric Energy Wholesale Market (OJSC WGC-4) (Berezovskaya SDPS; 1,500 MW) due to:
 - low production cost of electric energy;
 - close geographical location (Krasnoyarsk krai);
 - availability of a developed electrical network infrastructure, and consequently, absence of restrictions for electricity production; low difference of basic prices combined with absence of material system restrictions (repair of power transmission lines).



- OJSC The Sixth Generating Company of the Electric Energy Wholesale Market (OJSC WGC-6) (Krasnoyarskaya SDPS-2; 1,250 MW) due to:
 - close geographical location (Krasnoyarsk krai);
 - availability of a developed electrical network infrastructure, and consequently, absence of restrictions for electricity production; low difference of basic prices combined with absence of material system restrictions (repair of power transmission lines).
- Proximity to fuel (coal) extraction places and, accordingly, relatively low cost of its transportation.
- Availability of generating capacities with competitive technical and economic parameters, low production cost.
- Availability of large state district power stations and their independence of the heat market that ensures their loading in the summer period.
- Geographical location of thermal power stations of Kuzbass in the middle of Siberia and availability of a developed electrical network infrastructure of a high voltage class allowing to transmit produced electric power with relatively low losses at its transfer both to the west and to the east.
- Availability of highly qualified personnel possessing operational experience on the electric energy and power market.

COMPETITIVE ADVANTAGES

Electric energy generated by CHPs of the Company is competitive with the electric energy produced by majority of CHPs of the Unified Electrical System of Siberia, and has a number of advantages:

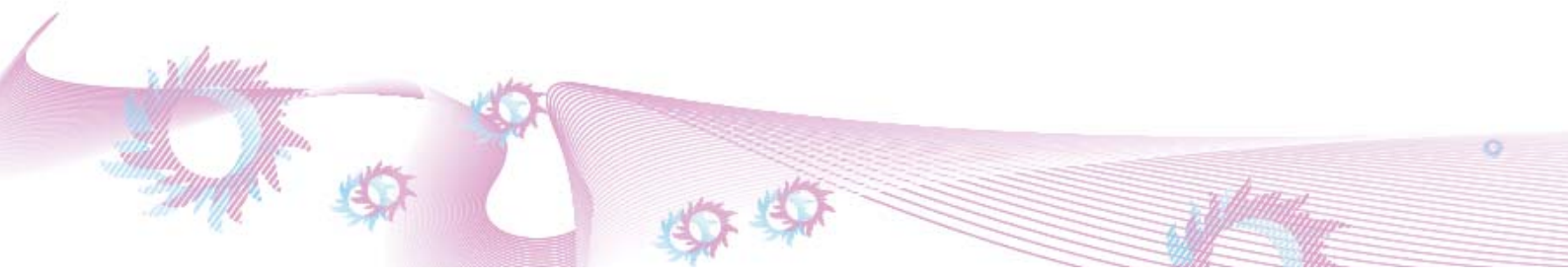
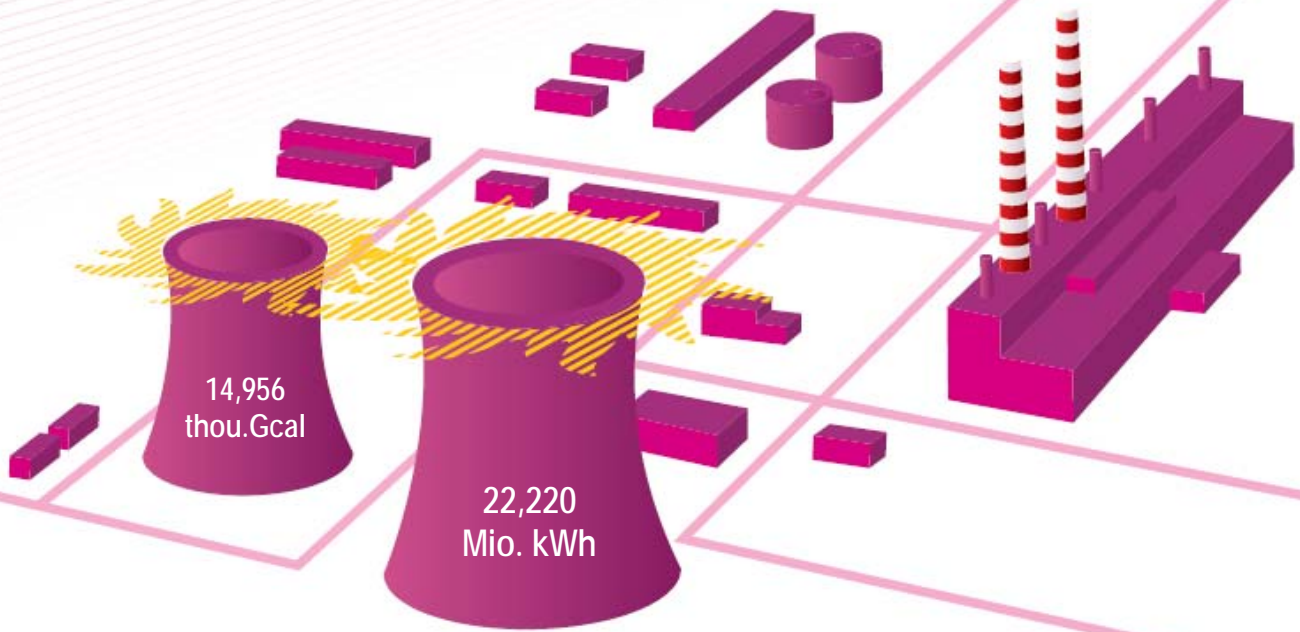
LEGISLATIVE ENVIRONMENT

OJSC Kuzbassenergo carries on its activity in compliance with the legislation of the Russian Federation, Decrees of the President of the Russian Federation, Orders of the Government of the Russian Federation, by-laws of the ministries, federal services and agencies, the Charter of OJSC Kuzbassenergo and local statutory acts.

OJSC Kuzbassenergo's activity is controlled by state authorities: Ministry of Industry and Energy of the Russian Federation (Federal Energy Agency), Ministry of Finance of the Russian Federation (Federal Tax Service), Federal Antimonopoly Service, Federal Tariff Service, Federal Service for Environmental, Technological and Nuclear Supervision, as well as Federal Financial Markets Service of Russia and others.

By today, an extensive legal framework has been built, which regulates mutual relations at electric energy and power markets. Basic statutory acts include: Federal Law No. 35-FZ of 26.03.2003 "On Electric Power Industry"; Order No.643 of the Government of the Russian Federation dated 24.10.2003 "Rules of the Wholesale Market of Electric Energy (Power) During the Transition Period"; Order No.530 of the Government of the Russian Federation of 31.08.2006. "On Approval of Rules of Functioning of the Retail Markets of Electric Energy During the Transition PERIOD of reforming of the Electric Power Industry".

OJSC Kuzbassenergo's management conducts active consultations with public authorities, and municipalities concerning development and expansion of generating capacities of the Company. On the other hand, executive authorities of Kemerovo region pay careful attention to the state of affairs in the power industry of the region.





Productive activity of the Company

2.1. Energy production (22)

2.2. Energy sale (26)

2.3. Tariff policy (31)

A large, stylized graphic of interlocking gears. The gears are filled with a diagonal hatching pattern of purple and white lines. The background is white with a subtle purple wave pattern at the bottom.

In 2009 power stations
of the Company produced
22,220
million kWh
of electric energy

In 2009 OJSC Kuzbassenergo
stations produced
14,956
thou. Gcal
of heat energy

ENERGY PRODUCTION

GENERATING CAPACITIES

Production capacities of OJSC Kuzbassenergo are based on 9 power stations equipped with 58 cogeneration turbines, 91 boiler units, 2 type E-160/1.4 (PU) power-generating boilers and 16 hot-water boilers, including 7 boilers at boiler houses. Two stations of the Company (Belovskaya and Tom-Usinskaya stations) are state district power stations primary goal of which is electric power generation by condensing turbines, while all other power stations are combined heat-and-power stations intended for combined production of two kinds of energy — electric and heat energy — using the same equipment (cogeneration turbines). Belovskaya SDPS and Tom-Usinskaya SDPS use equipment operating based on modular scheme; total number of modules is 15. Other stations are with cross-links.

OJSC Kuzbassenergo generation facilities include two water-heating boiler-houses equipped with seven hot-water boilers with a capacity of 100 Gcal/h each.

The installed capacity of OJSC Kuzbassenergo in 2009 increased by 100 MW and by the end of the year amounted to 4,500.2 MW.

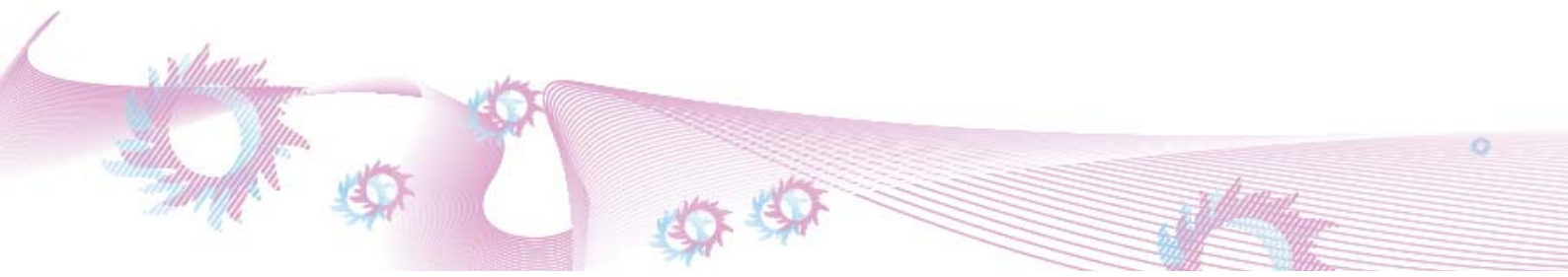
The change was due to:

- commissioning of turbine (station ref. No. 15), type T-120-130, at Novo-Kemerovskaya CHPS with an installed electric capacity of 100 MW and thermal capacity of 160 Gcal/h.

The efficiency of utilisation of the installed capacity of power stations depends on many factors: type of equipment installed, equipment readiness for bearing maximum (minimum) load, participation of equipment in deep off-loading modes of operation and covering peak loads of daily dispatching schedule or equipment operation in the base mode with a steady load, changes in the thermal load of power stations, etc.

GENERATING CAPACITIES AS OF 01.01.10

Branch name	Total generator output as of 31.12.09, MW	Total heat capacity, Gcal/h	Commissioning date			
			Boiler units		Turbine units	
			the first	the last	the first	the last
Tom-Usinskaya SDPS	1,272	278	1958	1965	1958	1995
Belovskaya SDPS	1,200	272	1964	1968	1996	1996
Kemerovskaya SDPS	485	1,540	1934	2005	1973	2001
Kemerovskaya CHPS	85	784	1939	1971	1962	2004
Novo-Kemerovskaya CHPS	565	1,449	1963	1999	1966	1995
Kuznetskaya CHPS	108	976	1945	1969	1954	2006
Zaiskitimskaya Boiler House		200	1980	1980		
Barnaulskaya CHPS-1	20.2	170	1936	1946	1944	1997
Barnaulskaya CHPS-2	335	1,273.5	1955	1971	1955	1969
Barnaulskaya CHPS-3	430	1,462	1981	1986	1982	1986
Barnaul Central Heating Station		500	1969	1975		



PRODUCTION OF ELECTRIC ENERGY AND POWER

The mode of operation of power stations of OJSC Kuzbassenergo in 2009 was determined by:

- schedules of electric power supply by power stations (except for Barnaulskaya CHPS-1) under concluded Regulated Contracts in the Wholesale Electric Energy (Power) Market;
- schedule of electric power supply by Barnaulskaya CHPS-1 under concluded contracts of sale and purchase of electric energy in the retail market;
- initiative of the System Operator on loading/unloading of power stations having a range of regulation, taking into account consumption trends, availability of water resources and system restrictions imposed by the carrying capacity of power transmission lines of the Unified National Power Network within the Unified Electrical System of Siberia;
- price strategy of behaviour of the Company in the Wholesale Electric Energy (Power) Market;
- mode of operation according to the heat schedule (CHPS).

crease mainly occurred at Tom-Usinskaya SDPS, Belovskaya SDPS, Kemerovskaya SDPS, Barnaulskaya CHPS-2 and is caused by the decrease of load for the following reasons:

- Tom-Usinskaya SDPS: Increase in the spinning reserve at forming by the System Operator of the Preliminary Dispatching Schedule and at introduction of the regime (Preliminary Balancing Market Plan, Balancing Market Plan) for ensuring the required spinning reserve in the Free Power Flow Zone of the Southern Power Area of Kemerovo region;
- Belovskaya SDPS: Increase of scheduled maintenances, increase of the stand-by reserve according to the operating mode of the Unified Electrical System of Siberia due to big water content at river plants (before the accident at Sayano-Shushenskaya HPP);
- Kemerovskaya SDPS: Increase in a cold provision for operating mode Unified Electrical System of Siberia due to big water content at river plants (before the accident at Sayano-Shushenskaya HPP);
- Barnaulskaya CHPS-2: Decrease of available power due to toughening of power restrictions for type “R” turbines imposed by the System Operator

In 2009 power stations of the Company produced 22,220 million kWh of electric energy that is by 1,415 million kWh (-6%) less than in 2008. Production de-



ELECTRICAL ENERGY GENERATION STRUCTURE IN 2009



36.0% - Tom-Usinskaya SDPS

25.6% - Belovskaya SDPS

11.7% - Kemerovskaya SDPS

0.7% - Kemerovskaya CHPS

9.0% - Novo-Kemerovskaya CHPS

2.6% - Kuznetskaya CHPS

0.2% - Barnaulskaya CHPS-1

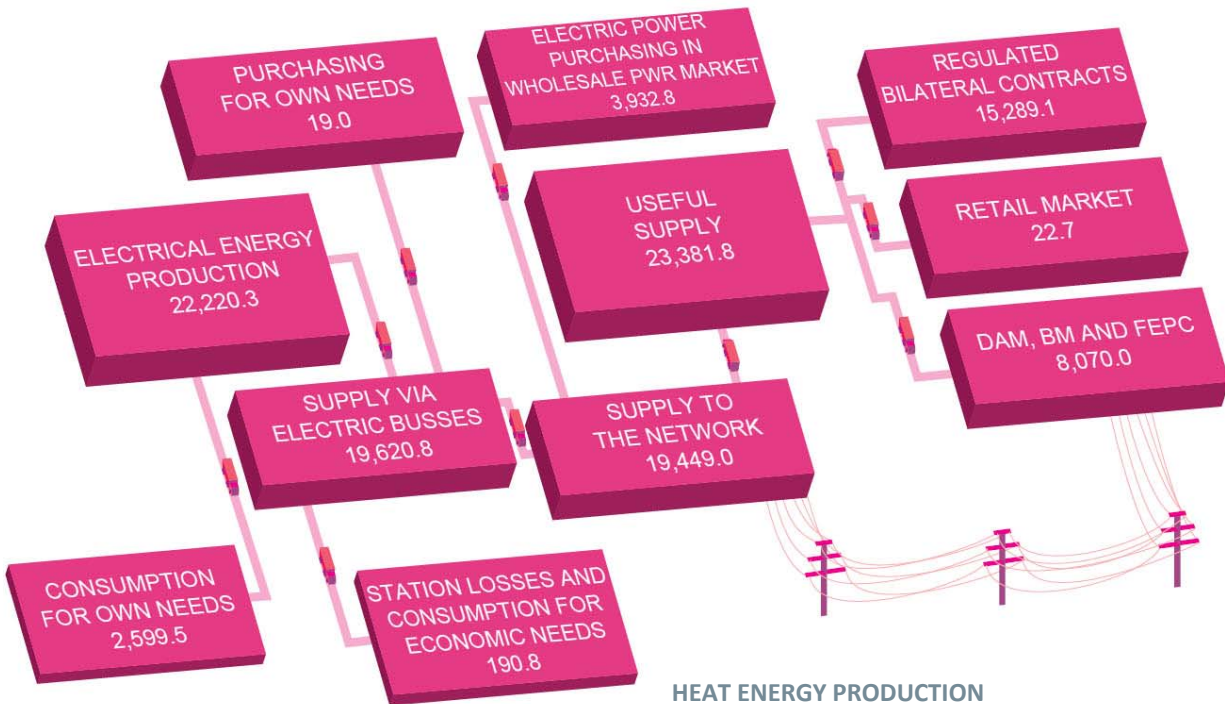
5.2% - Barnaulskaya CHPS-2

9.0% - Barnaulskaya CHPS-3

LOAD AND POWER RESERVE OF POWER STATIONS OF OJSC KUZBASSENERGO IN 2007-2009

Power stations	2007		2008		2009	
	Load, MW	Reserve, MW	Load, MW	Reserve, MW	Load, MW	Reserve, MW
Tom-Usinskaya SDPS	926	145	990	65	912	167
Belovskaya SDPS	794	227	757	67	650	267
Kemerovskaya SDPS	276	79	300	13	296	50
Kemerovskaya CHPS	16	6	18	1	18	3
Novo-Kemerovskaya CHPS	205	96	192	4	228	41
Kuznetskaya CHPS	70	6	68	1	67	1
Barnaulskaya CHPS-1	3	3	4	8	4	10
Barnaulskaya CHPS-2	140	86	137	69	133	54
Barnaulskaya CHPS-3	222	115	225	34	228	70
Total:	2,652	763	2,691	262	2,536	663

ENERGY BALANCE OF OJSC KUZBASSENERGO IN 2009



HEAT ENERGY PRODUCTION

OJSC Kuzbassenergo is one of the largest power companies operating in the heat market of Siberia. OJSC Kuzbassenergo share in supply of thermal energy to customers is about 25% of total heat supply by power companies of the Unified Power System of Siberia.

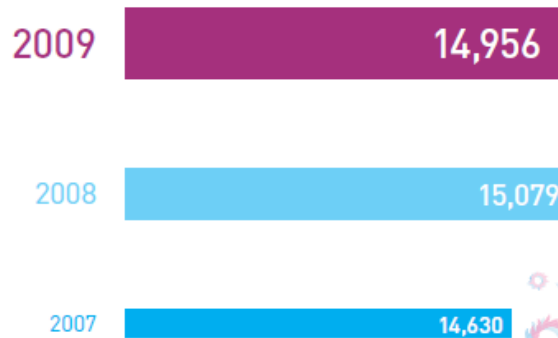
In Kuzbass OJSC Kuzbassenergo share in heat power consumption centres exceeds 55%.

In the heat market of the city of Barnaul consumers are supplied with heat for 88% by OJSC Kuzbassenergo subdivisions.

In 2009 OJSC Kuzbassenergo stations produced 14,956 thou. Gcal of heat energy.

HEAT ENERGY PRODUCTION, MIO GCAL

Power stations	2007	2008	2009
Kemerovskaya SDPS	3.020	3.090	3.185
Novo-Kemerovskaya CHPS	2.710	2.552	2.322
Zaiskitimskaya Boiler House	0.120	0.131	0.139
Kemerovskaya CHPS	0.594	0.638	0.665
Kuznetskaya CHPS	2.346	2.494	2.514
Tom-Usinskaya SDPS	0.292	0.308	0.303
Belovskaya SDPS	0.269	0.262	0.257
Kuzbass, total	9.350	9.476	9.386
Barnaulskaya CHPS-1	0.201	0.212	0.223
Barnaulskaya CHPS-2	2.244	2.265	2.274
Barnaulskaya CHPS-3	2.683	2.888	2.869
Barnaul Central Heating Station	0.152	0.239	0.204
Barnaul branch, total	5.280	5.603	5.570
OJSC KUZBASSENERGO, TOTAL	14.630	15.079	14.956



HEAT ENERGY PRODUCTION RECORD, MIO. GCAL

ENERGY SALE

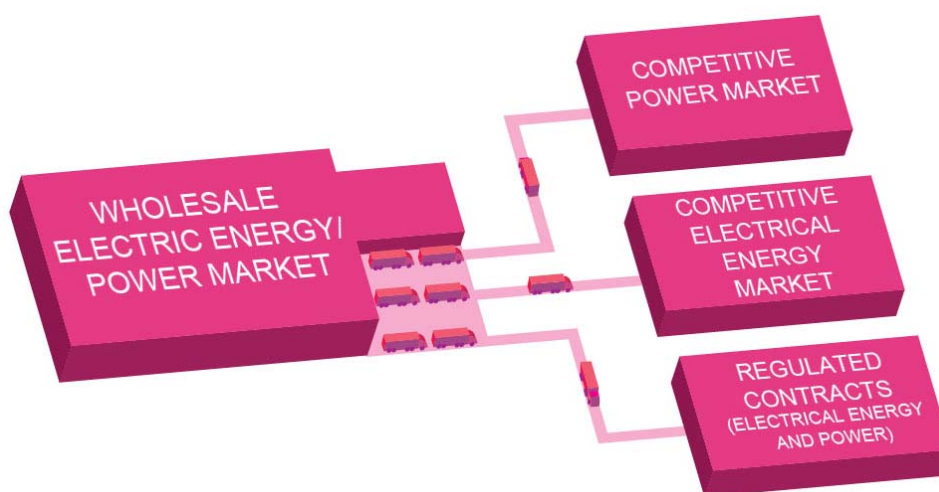
SALE OF ELECTRIC ENERGY AND POWER

In 2009 OJSC Kuzbassenergo sold electric energy and power in the wholesale and retail markets.

By today, an extensive legal framework has been built, which regulates mutual relations at electric energy and power markets. Basic statutory acts include: Federal Law No. 35-FZ of 26.03.2003 "On Electric Power Indus-

try"; Order No.643 of the Government of the Russian Federation dated 24.10.2003 "Rules of the Wholesale Market of Electric Energy (Power) During the Transition Period"; Order No.530 of the Government of the Russian Federation of 31.08.2006. "On Approval of Rules of Functioning of the Retail Markets of Electric Energy During the Transition Period of Reforming of the Electric Power Industry".

WHOLESALE ELECTRIC ENERGY/POWER MARKET STRUCTURE

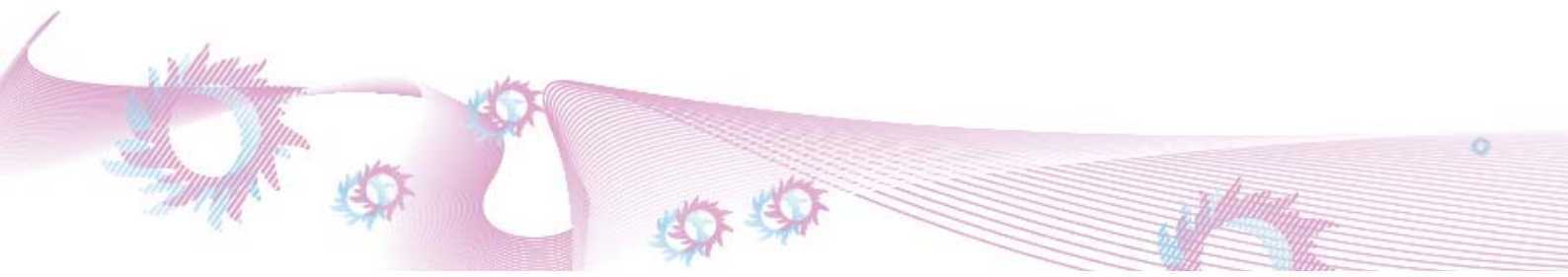


Wholesale Electric Energy/Power Market

In 2009 further liberalisation of the power market of the Russian Federation - transition from the state determination of tariffs to market pricing in compliance with the Order of the Government of the Russian Federation No.205 of 07.04.2007 "Amendment of some acts of the Government of the Russian Federation concerning determination of volumes of sale of electric power at free (nonregulated) prices". According to this Order the

share of regulated contracts on 01.01.2009 decreased as compared to the end of 2008 by 5% and amounted to 70%; on 01.07.2009 it decreased by another 20% to 50%.

In the accounting period proceeds from sales on the Wholesale Electric Energy/Power Market increased as compared to 2008 by 3,166 million RUB. (+23%) and amounted to 16,728 million RUB. in spite of decrease of



production by Company power stations by 1,415 million kWh (ref. section 2.1. 'Energy Production') caused in particular, by the reduction of power consumption under conditions of world financial crisis.

The proceeds increase was due to:

- the growth of tariffs for electricity and power established by the Federal Tariff Service Russia: in 2009 the weighted average tariff for electricity grew as compared to 2008 by 121.32 RUB/MWh (+36%), and tariff for power, by 18,008.69 RUB/MW (+19%);
- the growth of sales on the Day-Ahead Market volumes on the Day-Ahead Market as a result of application of the mechanism of redistribution of volumes Regulated Contracts between Delivery Point Clusters of Tom-Usinskaya SDPS.

The Wholesale Electric Energy/Power Market stipulates several trade mechanisms:

Regulated Contracts (RC) Market regulates the sale of 2 products: electric energy and power under tariffs approved by the Federal Tariff Service of Russia (ref. section 'Tariff Policy').

In 2009 of OJSC Kuzbassenergo concluded with consumers on the Wholesale Electric Energy/Power Market 244 regulated contracts for sale of electric energy and power. In the accounting period the Company faced a problem of non-payments for the supplied electric energy and power being the effect of the global financial crisis. The debt receivable under Regulated Contracts on 31.12.2009 amounted to 133,179 thou. RUB., increasing as compared to 31.12.2008 by 41,584 thou. RUB. (+45%). The major debtors are: OJSC Altajenergosbyt - 73,581 thou. RUB., Tyvaenergosbyt - 55,864 thou. RUB., OJSC Barnaul Municipal Electrical Network - 8,444 thou. RUB., OJSC RuSaL-Novokuznetsk - 3,518 thou. RUB.

In 2009 the Company offered on the regulated contracts market of the Wholesale Electric Energy/Power Market:

- 15,289,115 MWh of electric energy (including 3,165,486 MWh at the expense of purchasing);
- 2,860.772 MW of powers.

Actual proceeds under regulated contracts amounted to 10,908,045 thou. RUB.

Day-Ahead Market (DAM) functions in the form of an auction where bids for full planned production and consumption volumes for the next day are presented and based on results of competitive selection of price bids

hourly equilibrium regional prices and planned hourly production and consumption volumes are determined. In 2009 the Company sold on the Day-Ahead Market 6,815,209 MWh of electric energy. Actual proceeds amounted to 3,126,274 thou. RUB.

Balancing Market (BM) functions in a real time mode to compensate for deviations from planned production and consumption. Supply volumes and prices are determined as a result of competitive selection of bids by the System Operator (OJSC System Operator of the Unified Energy System). Price bids which were not selected in the Day-Ahead Market may be attracted to the balancing market thus influencing the prices. Participation in the Balancing Market is compulsory for all subjects of the Wholesale Electric Energy (Power) Market.

In 2009 the Company sold in the Balancing Market 1,185,634 MWh of electric energy. Actual proceeds amounted to 571,168 thou. RUB.

Competitive Power Market was established on 01.07.2008 by the Order of the Government of the Russian Federation No.476 of 28.06.2008.

The Competitive Power Market is used to sell power selected by the System Operator as a result of competitive procedure. The trade in power is performed with a view of ensuring reliable and uninterrupted supply of electric energy. Upon selling power suppliers are obliged to maintain their generating equipment in the state of constant readiness for power generation, and in case of suppliers' failure to meet these obligations decreasing coefficients are applied to them which reduce their power sales proceeds.

Free power is sold (besides Regulated Contracts) under the following contracts:

- **Free Bilateral Electric Energy and Power Sale-and-Purchase Contracts (FEPC).**

The volume and the price of sale of power are determined by the terms and conditions of contracts. Conclusion of FEPCs allows to hedge market price, and to gain an additional profit thanks to power sale at prices higher than the tariff approved by the Federal Tariff Service of Russia:

- **On-exchange FEPCs** - contracts are concluded through stock exchange auctions arranged in compliance with the legislation on commodity exchanges and exchange trade.

In 2009 the auctions were organised on OJSC Stock Exchange Arena where 44 contracts were concluded under which the Company sold:

- 68.167 MW of power for an amount of 98,364 thou. RUB.;
- 66,519 MWh of electric energy for an amount of 29,296 thou. RUB.

Economic benefit amounted to 13,507 thou. RUB., and proceeds, to 127,660 thou. RUB.

Off-exchange FEPCs - contracts are concluded 'in pursuance of regulated contracts', that is with counterparts under Regulated Contracts in the given month, the volume of power not exceeding the liberalised part of the respective contract.

In 2009 the Company concluded 139 contracts, and supplied to counterparts 153.606 MW of power for an amount of 216,109 thou. RUB.

Economic benefit amounted to 15,762 thou. RUB.

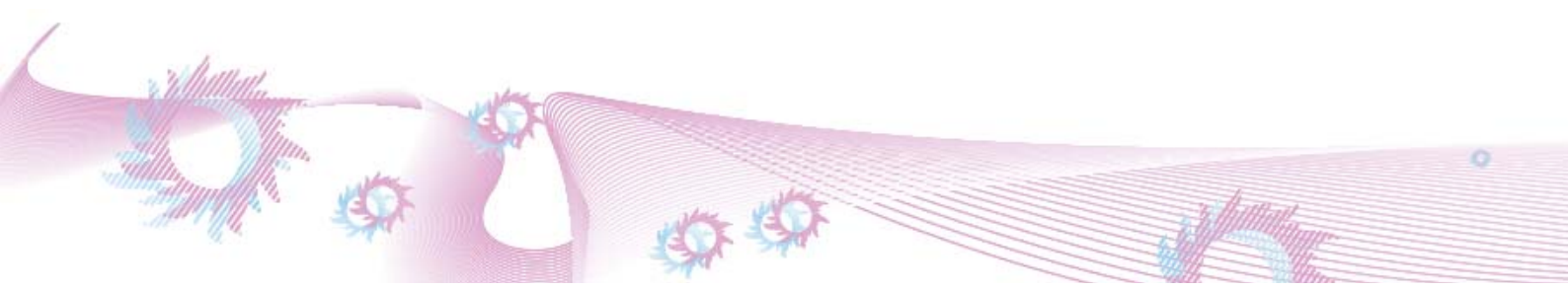
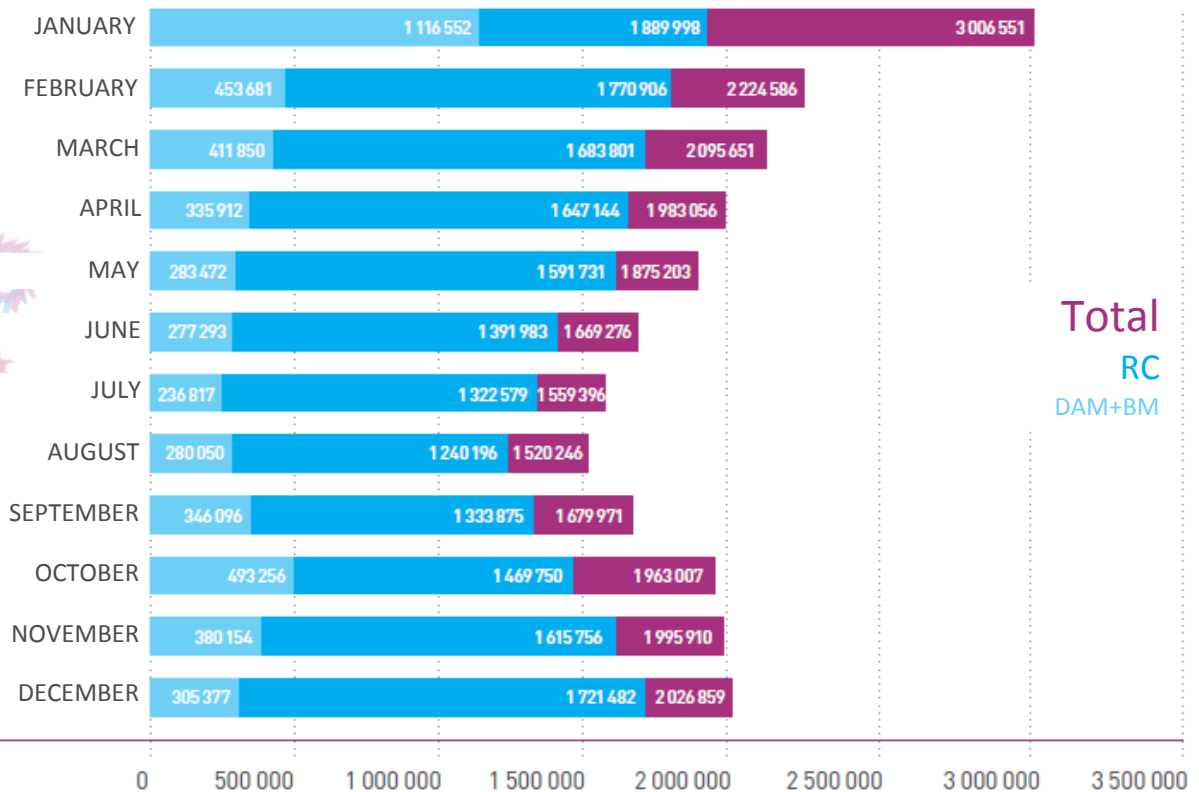
- **Commission and Power Sale and Purchase Contracts based on results of competitive power take-off.** The proceeds are formed from the sale of a part

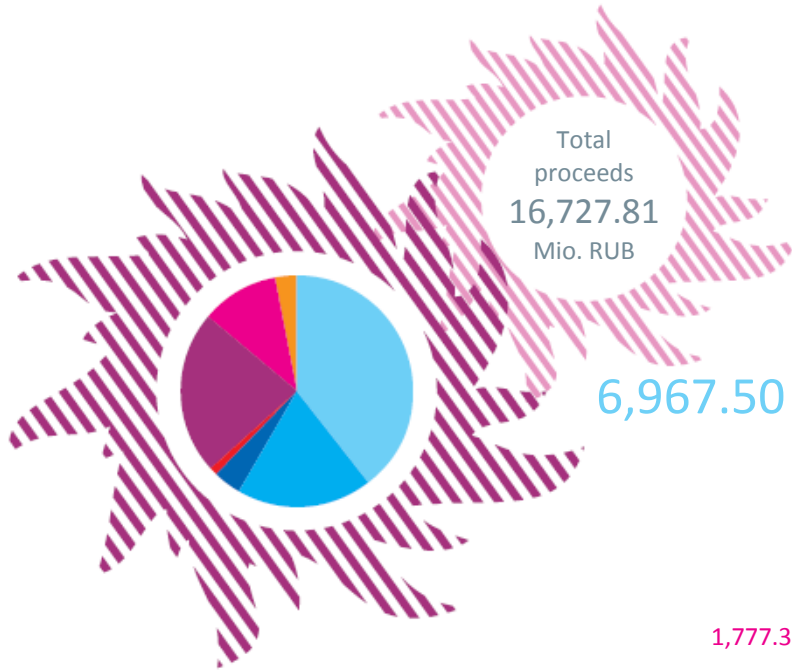
of certified volume of power which has not been sold under Regulated Contracts and Free Bilateral Electric Energy and Power Sale-and-Purchase Contracts, at a bid price with allowance for a seasonal factor.

In 2009 the Company sold 1,065.841 MW of power for 1,777,297 thou. RUB.

In the process of liberalisation the share of regulated contracts decreases and the playground of competitive markets of electric energy and power extends. Price uncertainty and high daily and seasonal volatility of electric energy selling and purchasing prices and price uncertainty when trading through the exchange became main risk factors for the Company. To ensure financial stabilisation and to increase profits the Company envisages development of an optimal strategy of behaviour on the Wholesale Electric Energy/Power Market: price risks hedging by forming packages of free bilateral contracts (forward contracts), and with the market development — participation in exchange trade in term contracts (futures and options), provision of bundled services of delivery of thermal and electric energy.

RECORD OF ELECTRICAL ENERGY SALES ON THE WHOLESALE ELECTRIC ENERGY/POWER MARKET IN 2009, MW/H





Total
proceeds
16,727.81
Mio. RUB

6,967.50 (42%) - RCs (el/en)

3,126.27 (19%) - DAM

571.17 (3%) - BM

30.55 (0%) - FEPCs

Power

3,940.54 (24%) - RCs

1,777.30 (11%) - Competitive power take-off

314.47 (2%) - FEPCs

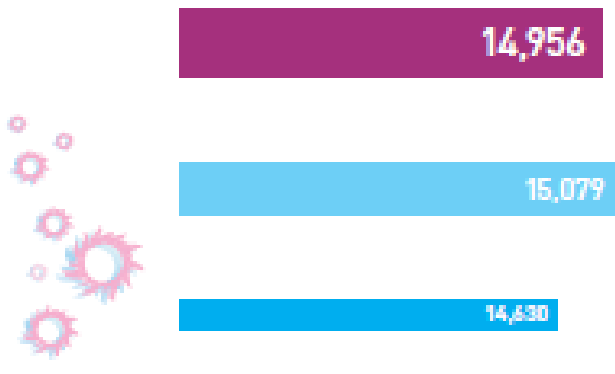
STRUCTURE OF PROCEEDS AT THE WHOLESALE ELECTRIC ENERGY (POWER) MARKET FOR 12 MONTHS OF 2009

Retail market of electric energy

In the regional market of the electric power the Company supplies electric power under sale-and-purchase contracts with OJSC Altaienergosbyt and OJSC Kuzbassenergosbyt for its resale to individuals and legal persons. In 2009 actual proceeds from sale of electric power in the retail markets of Kuzbass and Altai amounted to 31,688 thou. RUB.



HEAT ENERGY SALE

RECORD OF HEAT ENERGY SALES,
MIO. Gcal

In 2009 the Company supplied to consumers 14,541 thou. Gcal of heat energy. From the total amount of useful supply of heat energy by OJSC Kuzbassenergo 69.6% (10,120 thou. Gcal) were sold in the local markets of Kemerovo region, and 30.4% (4,421 thou. Gcal) - to consumers of the city of Barnaul.

In 2009 there was some decrease of useful supply with respect to 2008 due to decrease of consumption of heat energy in the form of steam by industrial organisations since the 2nd quarter of 2009.

Thermal energy is sold in the form of hot water and steam. Municipal consumers are main consumers of thermal energy in the form of hot water, while industrial enterprises are main consumers of thermal energy in the form of steam.

HEAT ENERGY SALE

	2008			2009		
	Useful supply, thou. Gcal	Proceeds, thou. RUB	Tariff, RUB/Gcal	Useful supply, thou. Gcal	Proceeds, thou. RUB	Tariff, RUB/Gcal
Kemerovo	5,924	2,575,680	434.81	5,792	2,866,920	494.98
Novokuznetsk	3,825	1,561,696	408.28	3,839	2,114,220	550.72
Myski	301	53,884	179.00	297	164,100	552.54
Belovo	208	81,611	391.86	191	101,210	529.9
Kemerovo region	10,258	4,272,871	416.54	10,120	5,246,450	518.42
Altay krai	4,332	2,714,945	626.65	4,421	2,666,530	603.15
OJSC Kuzbassenergo	14,591	6,987,815	478.93	14,541	7,912,980	544.18

TARIFF POLICY

ELECTRIC ENERGY

On 13.05.2008 OJSC Kuzbassenergo submitted to the Federal Tariff Service of Russia a calculation of tariffs for electric energy (power) to be delivered to the wholesale market of electric power for 2009 by the Company power stations, executed according to Formulas of indexation of regulated prices (tariffs) for electric energy (power) applied in contracts of sale-and-purchase of electric energy (power), the procedure of their application as well as the procedure of determination of planned and actual parameters used in such formulas approved by Order No.348-e/ of the Federal Tariff Service of Russia dated 12.05.12.2006.

By order No. 272-e/8 "Tariffs for electric energy (power) sold in the wholesale market under contracts within the limits minimum and maximum volumes of sale of electric energy (power) at regulated prices (tariffs)" of 25 November, 2008 the Federal Tariff Service approved tariffs for electric energy (power) for 2009.

HEAT ENERGY

According to the Order of the Government of the Russian Federation No. 109 of 26 February, 2004 "Pricing with respect to electric and thermal energy in the Russian Federation", OJSC Kuzbassenergo submitted on 28.04.2008 to the General Department of Economics and Investments and on 30.04.2008 to the Regional Energy Commission of Kemerovo region a calculation of tariffs for thermal energy, executed according to the "Guidelines for calculation of regulated tariffs and prices for electric (thermal) energy in the retail (consumer) market" approved by Order No.20-e/2 of the Federal Tariff Service dated 06.08.2004.

Regulatory authorities, having considered the submitted documents, started the procedure of determination of tariffs for 2009.

TARIFFS FOR ELECTRIC ENERGY (POWER)

Station	Tariff for electric energy, RUB/MW-h	Tariff rate for installed capacity, RUB/MW per month
Tom-Usinskaya SDPS	458.62	119,107.59
Belovskaya SDPS	401.86	119,107.59
Kemerovskaya SDPS	406.22	127,521.36
Kemerovskaya CHPS	606.06	241,051.07
Novo-Kemerovskaya CHPS	478.17	128,802.38
Kuznetskaya CHPS	497.64	119,107.59
Barnaulskaya CHPS-2	697.15	101903.71
Barnaulskaya CHPS-3	548.62	96,252.41

As a result of consideration of proposals of OJSC Kuzbassenergo the Regional Energy Commission of Kemerovo region adopted Regulation No.320 of 26.12.2008 according to which average tariff for thermal energy was established at 511.6 RUB/Gcal.

General Department of Economics and Investments of Altay krai approved adopted Regulation No.138 of 25.11.2008 according to which average tariff for thermal energy was established at 603.6 RUB/Gcal.

ACTUAL AVERAGE TARIFF ESTABLISHED PROCEEDING FROM THE APPROVED TARIFFS BY GROUPS OF CONSUMERS (IN 2007-2009)

	2007, RUB./ Gcal	2008, RUB./ Gcal	2009, RUB./ Gcal
Kemerovo region	371.48	416.54	518.42
Altay krai	566.09	626.65	603.15
OJSC Kuzbassenergo	426.93	478.93	544.18





Engineering support of production

- 3.1. Supply with fuel (34)
- 3.2. Repair activity (35)
- 3.3. Procurement (36)
- 3.4. New equipment and technologies (38)

Reliable supply
with resources,
high-quality repair and
consistent engineering policy
**guarantee stable
operation
of the Company**

In 2009 the Company allocated
for full-scale maintenance and
repair of production facilities
a record amount for the recent years:

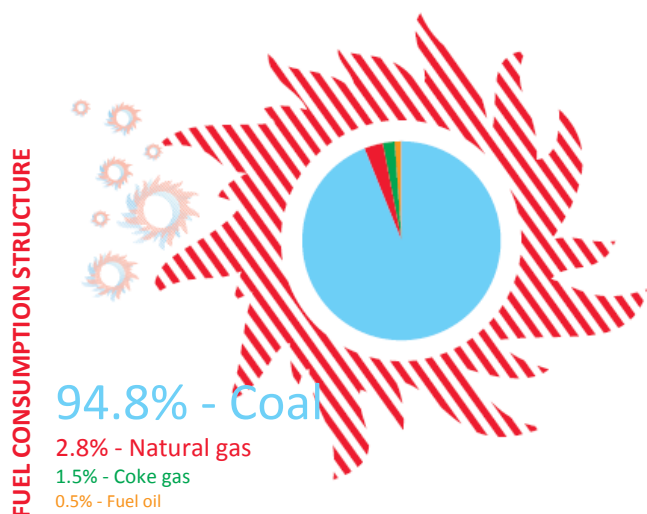
2 bln
269 Mio RUB.

SUPPLY WITH FUEL

The main kind of fuel at OJSC Kuzbassenergo power stations is coal.

In 2009 the Company purchased:

- 10,324.757 thou. tn of Kuznetsk coal;
- 1,324.641 thou. tn of Brown coal (2BR) of Kansk-Achinsk basin;
- 299.977 thou. tn. of Khakass coal.



Besides the Company consumed 232.962 million m³ of natural gas, and 254.209 million m³ of coke gas.

Furnace fuel oil (77.373 thou.tn) was used as starting fuel, and at Zaiskitimskaya Boiler House it was the main kind of fuel (total volume delivered was 18.151 thou.tn).

As of the beginning of 2009 there was no delay from the schedule of accumulation of standard operational reserves of coal (the target being 1,010 thou. tn, actual reserves of coal amounted to 1,912 thou. tn), same as for fuel oil reserves (the target being 23.4 thou. tn, actual reserves of fuel oil made 26.3 thou. tn).

During the calendar year, there were no significant interruptions in supply of power stations with fuel. This allowed to maintain necessary fuel reserves in warehouses of power stations and to meet targets on milestone dates.

In 2008 coal was supplied by OJSC SUEK (74.0% of the total amount delivered), OJSC UK Kuzbassrazrezugol (15.3% of the total amount delivered), OOO TD SDS-Ugol (9.6% of the total amount delivered) OOO Uglemetkhim (0.6% of the total amount delivered), OJSC SHU Anzhersky (0.5% of the total amount delivered).

FUEL CONSUMPTION OF OJSC KUZBASSENERGO

Kind of fuel	Unit of measure	2007	2008	2009
Coal	thou. tn	13,078.91	13,564.41	12,752.96
Fuel oil	thou. tn	60.72	76.33	62.00
Natural gas	thou. cu.m	237,723	222,892	232,962
Coke gas	thou. cu.m	296,577	278,527	254,209

CHANGE OF PRICES FOR BASIC RAW MATERIALS

Kind of fuel	Average price, RUB, net of VAT		
	2007	2008	2009
Coal, average, tn	642.03	728.11	832.43
Kuznetsk coal, tn	642.56	727.55	828.72
Khakass coal, tn	570.53	693.40	918.81
Kansk-Achinsk coal, tn	644.15	735.36	848.29
Fuel oil, tn	5310.54	7911.87	6,463.33
Natural gas, thou. cu.m	1,668.94	2,330.58	2,660.25
Coke gas, thou. cu.m	393.29	450.00	450.00

REPAIR ACTIVITY

Repair activity is a major component of the electric and heat power production process ensuring reliability and efficiency of operation, as well as increase of the expected life of power station equipment.

In 2009 the Company actually expended for full maintenance and repair of basic production assets 2,360,884 thou. RUB.

Expenses by method of fulfilment of repairs:

- using own forces and means: 697,741 thou. RUB (30%);
- by contract method: 1,663,142 thou. RUB. (70%).

Expenses by kinds of repair:

- for capital and medium repairs: 611,191 thou. RUB. (26%);
- for current repair: 1,749,692 thou. RUB. (74%).

Expenses by groups:

- equipment: 2,056,415 thou. RUB. (87%);
- buildings and structures: 304,468 thou. RUB. (13%).

According to the approved program of repairs for 2009 and in compliance with schedules of capital, medium and current repairs, power companies of OJSC Kuzbassenergo in 2009 repaired 145 units of capital equipment, including:

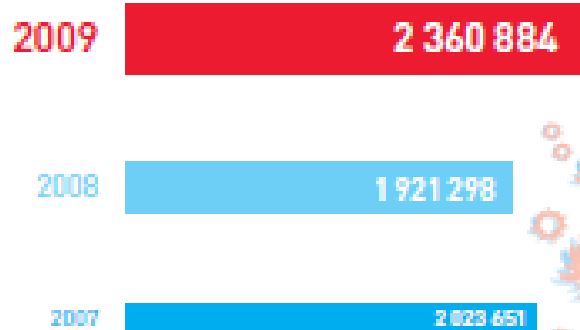
• Capital and medium repair:

- 14 boiler units with total steam production capacity of 4,445 tn/hr.
- 6 turbine units with total capacity of 685 MW;
- 7 generators with total capacity of 777 MW;
- 2 transformer with a capacity of 65 MVA.

• Current repair:

- 68 boiler units with total steam production capacity of 18,780 tn/hr.
- 48 turbine units with total capacity of 3,625 MW.

14.432 km (or 110% of the year plan) of pipelines were actually replaced under the thermal networks repair program.



OJSC KUZBASSENERGO EXPENSES FOR REPAIR OF BASIC PRODUCTION ASSETS IN 2007-2009, THOU. RUB

Major operations performed:

- Replacement of heating surfaces pipes of boiler units type 728tn.
- Replacement of crusher No.14 at Tom-Usinskaya SDPS.
- Rehabilitation of blades (station ref. Nos 16, 17), repair of low-pressure cylinder diaphragms (station ref. Nos 13, 14, 15, 18, 19, 20) of turbine unit No.3 of Tom-Usinskaya SDPS.
- Replacement of gas duct and collectors of K-2A-46.8tn scrubbers at Belovskaya SDPS.
- Replacement of blades Nos 42, 43, 44, 45 of stage 31 of low-pressure rotor of turbine unit No. 6 at Belovskaya SDPS.
- Repair of the 4th section of the main steam pipeline of HP part at Kemerovskaya SDPS.
- Replacement of internal consumption boilers of boiler No.10-115tn at Kemerovskaya CHPS.
- Replacement of blades of the first (regulating) rotor stage, undercutting of the high-pressure rotor vanes and repair of the generator rotor bearing at Novo-Kemerovskaya CHPS.
- Installation and commissioning of the new heat-supply system makeup circuit at Barnaulskaya CHPS-3.
- Replacement of 40 expansion glands in Heat Networks Directorate.
- Topping of ash dump dams at power stations: 173,949 thou. RUB. disbursed, 161.8 thou. m3 of earth moved.
- Installation of 14,525 linear meters of hydraulic ash removal pipes at Barnaulskaya CHPS-3.

PROCUREMENT

The structure of the logistics system of OJSC Kuzbassenergo is built according to the corporate procurement standards system and is aimed at providing purposeful and efficient application of Company funds, as well as ensuring economically reasonable costs (market prices for products) and preventing possible abuses by personnel in charge of procurement.

Substantive provisions of OJSC Kuzbassenergo policy in the field of procurement are set forth in the "Regulations on procedure of regulated purchases of products, works, services for needs of OJSC Kuzbassenergo" approved by the resolution of the Board of Directors of the Company (Minutes No. 17/15 of 27.03.09). In the end of 2009 the adjustment to the "Regulations on procedure of regulated purchases of products, works, services for needs of OJSC Kuzbassenergo" were approved by the Management Board of the Management Company (Minutes No.1 of 08.12.09.)

Procurement regulation:

- is based upon reasonable use of special methods for purposeful intensification of the effect of market laws in each case of purchase;
- is carried out through application of compulsory procedures to be followed by purchasing employees at each purchase the cost of which exceeds certain limit. These procedures stipulate:
 - careful planning of product requirements;
 - market researches;
 - actions aimed at achieving whenever possible reasonable level of a competition between potential suppliers and when it is not possible — enhanced internal control;
 - fair and reasonable selection of the most preferable offers with comprehensive analysis of benefits and costs (product price and quality first of all);
 - control of contract performance and use of purchased products
- is based on systems approach which means for the Company the availability:
 - of regulating environment;
 - of established organisational structure of procurement management and control;
 - of qualified personnel entrusted with procurement;
- of streamlined procurement infrastructure.
- is carried with observance of corporate integrity of rules of procurement;
- is based on authorities and responsibility of personnel in charge of procurement.

Till December, 2009 strategic planning of activity of OJSC Kuzbassenergo in the field of purchases was entrusted to the permanent Central Procurement Authority in charge of general management of organisation and making of purchases, as well as control of compliance with statutory rules and procedures of carrying out competitive and regulated out-of-competition purchases of products. The Central Procurement Agency's activity was aimed at maintaining transparency and maximum economic efficiency of purchases. Personal composition of the Central Procurement Agency (10 persons) was determined by the Board of Directors of OJSC Kuzbassenergo.

To enhance the efficiency of the procurement process and to benefit from the experience acquired by the companies during procurement activity, Permanent Procurement Commissions (PPCs) operated in the following areas:

- PPC for Investments;
- PPC for Material and Technical Resources;
- PPC for Repair and Operational Activity.

In December, 2009 together with the Management Company the Procurement Policy was reviewed. The Central Procurement Agency, PPC for Investments, PPC for Material and Technical Resources and PPC for Repair and Operational Activity ceased their activity.

According to Minutes No.1 of 08.12.2009 the following new purchasing commissions were established:

- Central Procurement Commission
- First Permanent Procurement Commission (1st PPC)
- Second Permanent Procurement Commission (2nd PPC)

The functional responsibilities have been distributed according to the approved Regulations on the Central Procurement Commission, the 1st PPC, and the 2nd PPC.



Current procurement control in OJSC Kuzbassenergo is carried out by a regular structural subdivision — Marketing and Procurement Department which bears responsibility for purchases based on competitive procedures. Besides direct activity on organisation of the process of determination of counterparts, the Marketing and Procurement Department deals with marketing researches of suppliers/contractors to monitor current prices in the market and analyse prices for purchased products.

Procurement planning is performed through development of the Annual Comprehensive Procurement Program (ACPP). The ACPP is formed on the basis of the production program of the Company and shall be approved by the Management Board of the Management Company. This program includes the list of planned purchases and specifies subjects of purchases, their terms, preliminary costs and other requisite details of the procurement subject. The ACPP is publicly available on the corporate site of OJSC Kuzbassenergo to inform potential suppliers/contractors on planned purchases.

According to the “Regulations on procedure for regulated purchases of products, works, services for needs of OJSC Kuzbassenergo” regarding definition of compulsory sources of publication, when carrying out open competitive and regulated out-of-competition procedures, the information on scheduled purchases shall be placed in the electronic trade platform B2B-energo (www.b2b-energo.ru), and on OJSC Kuzbassenergo site (www.kuzbassenergo.ru).

The control of implementation of the ACPP is carried out in the form of quarterly reports of the Company to the Management Company. The report of the Company on procurement activity in 2009 is presented in the Forms Nos 1 and 2 to the Annual Report.

The Annual Comprehensive Procurement Program for 2009 approved by the resolution of the Board of Directors of OJSC Kuzbassenergo (Minutes No. 04/14 of 11.04.08) as amended by the adjustments (Minutes No.17/15 of 27.03.09) stipulated in 2009 1,439 purchases for a total amount of 6,137,529.88 thou. roubles.

The Company actually performed 1,196 regulated purchases for a total amount of 4,703,366.06 thou. RUB.

The repair fund of 2009 amounted to 2,360,883 thou. roubles. Scheduled procedures were carried out for an amount of 1,795,595.09 thou. roubles or 76.06% of the total amount.

The investment fund of 2009 amounted to 1,323,372 thou. roubles. Scheduled procedures were carried out for an amount of 1,161,197.1 thou. roubles or 87.75% of the total amount.

The maintenance fund of 2009 amounted to 2,317,768.3 thou. roubles. Scheduled procedures were carried out for an amount of 1,448,485.37 thou. roubles or 62.49% of the total amount.

Total purchases on regulated basis (disregarding fuel purchases) in 2009 amounted to 4,405,277.56 thou. roubles.

Total purchases made by an open method (including open tender, open request for proposals, open request for quotation, etc.) amounted to 2,653,166.58 thou. roubles (55.46% of the total amount of purchases), of them open tender for an amount of 1,821,918.14 thou. RUB. (38.08% of the total amount of purchases).

The share of purchases made by a closed method (closed tender, closed request for proposals, closed request for quotation), was 0.01% of the total amount of purchases.

The increase in the share of purchases from a single source up to 42.84% against 23.79% according to the plan was due, first of all, to aborted open tenders announced in all mass media specified by the Board of Directors of OJSC Kuzbassenergo, with less than two bids submitted. According to item 7.8.1.6. of the “Regulations on procedure of regulated purchases of products, works, services for needs of OJSC Kuzbassenergo” in case of an aborted tender the Central Procurement Authority of the Company is entitled to take a decision on purchasing from the single source provided the submitted bid fully complies with the Customer requirements.

No advisors on matters of conducting of competitive and regulated out-of-competition purchases on contractual basis were involved.

NEW EQUIPMENT AND TECHNOLOGIES

ENGINEERING POLICY

New equipment and technologies in 2009 were implemented in order to ensure reliability and cost efficiency of operation of active equipment by means of replacement, rehabilitation, and modernisation.

In the accounting year the following works were carried out for development and implementation of new equipment and technologies:

- To maintain the installed capacity of power-generating unit (station ref. No.9), of Tom-Usinskaya SDPS and to improve power production reliability, crusher SH-50 (station ref. No.14A) with an exhausted service life was dismantled, and a new crusher with an auxiliary drive was installed. The work was performed according to the modernisation plan; the cost of work amounted to 35,413 thou. roubles. The term of commissioning: December, 2009. Contractor: CJSC Power Building Company.

To reduce the probability of clinkering of the heating surfaces, and to optimise the liquid slag output process, No.13 boiler at Tom-Usinskaya SDPS, electric motors of pulverised-coal feeders drives were replaced with adjustable-frequency electric drives. Type ADM 100S4 electric motors and Danfos FC302.3 kW converters were installed, 1700 m of power cables and 2500 m of control cables for a amount of 3,604 thou. roubles were laid. The work was performed according to the technical reequipment plan. The period of fulfillment of works: March - June, 2009. Contractor: CJSC Power Building Company.

- To reduce consumption of electric energy by station auxiliaries, feed pump PE-430-200 of power-generating unit No.8 of Tom-Usinskaya SDPS was replaced by pump PE-580-195-5. Two PE-430-200 pumps were required to ensure 100% loading of the power-generating unit. New PE-580-195-5 pump alone allows to carry full load of the power-generating unit, consuming at the same time less

- electric energy (by 3,850 thou. kWh/year). The cost of work amounted to 14,649 thou. roubles. The work was performed according to the technical reequipment plan. The term of commissioning: December, 2009. Contractor: CJSC Power Building Company.
- At Tom-Usinskaya SDPS according to the technical reequipment plan, in order to eliminate power restriction depending on the draft of boiler, station ref. No.13, flue-gas pump electric motor 13B with a service age of more than 40 years was replaced by the latest modification, more powerful electric motor of ADO-1250/600 type. The costs amounted to 4,069 thou. roubles. The period of fulfillment of works: March - June, 2009. Contractor: CJSC Siberian Company.
- At Belovskaya SDPS according to the technical reequipment plan the pulverized-coal system was rehabilitated with replacement of the ball pulveriser mill of boiler 5B by a ball pulveriser mill of a new design.

The new mill increases reliability of operation of the boiler and makes it possible for the power-generating unit to carry rated load. The volume of financing was 56,453 thou. roubles, economic benefit - 739 thou. roubles. The term of commissioning: December, 2009. Contractor: OJSC Kuzbass Power Repair Company.

- In 2009 at Kemerovskaya SDPS, to maintain serviceability of the station equipment in case of an emergency decrease of frequency in the power supply system and, as consequence, to enhance reliability of operation of capital equipment of the station, an automatic control system intended for reserving some station capacity required to meet station needs was installed. Commissioning date: December, 2009. The cost of commissioned fixed assets amounted to 9,958 thou. RUB. The work was carried out according to the technical reequipment plan by Moscow contractor LLC RVS.



- At Novo-Kemerovskaya CHPS new turbine (station ref. No.15), type T-120-12.8 LMZ with TVF-110-2EUZ generator, with an electric capacity of 100 MW and heat capacity of 160 Gcal/h was put into commercial operation. With the commissioning of TG-15 the installed electric capacity of CHPS reached 565 MW, and installed heat capacity, 1,449 Gcal/h. Together with turbine, station ref. No.15, there was commissioned heating-water converter plant (station ref. No.6) with an installed heat capacity of 220 Gcal/h. Upon commissioning of TG-15 power production increased by 300 million kWh per year.

The economic benefit of implementation of this investment project in 2009 amounted to 8,825.43 thou. RUB. Turbine unit, station ref. No.15, is equipped with a state-of-the-art automatic process control system providing for an automated control and continuous monitoring of more than 100 parameters thus ensuring cost-effective loading of the turbine, status control and high reliability of operation of equipment. The turbo-generator was installed by CJSC Power Building Company of Siberia. Start-up and commissioning was carried out by LLC Kemerovoelektromontazh. The cost of commissioned fixed assets amounted to 1,591,398 thou. RUB.

- At Kuznetskaya CHPS, within the framework of the technical reequipment program, the heat insulation of 1,726 lin.m of heating mains was upgraded with the use of K-FLEX materials.

K-Flex material is essentially an insulation made of foamed rubber with closed pores manufactured on the basis of nitrile rubber. It has a good resistance to oil and gasoline, low temperatures and wear. In terms of flammability it is classified as slow-burning material. Thermal conductivity is 0.036 W/mK and almost does not change with the temperature growth. By this particularity K-Flex favourably differs from other kinds of insulation materials which are characterised by increasing thermal conductivity with the temperature growth. Heat insulation made of K-Flex are distinguished by a high diffusion resistance, and while in service are not virtually moistened and do not accumulate moisture. K-Flex has a long service life, i.e. does not change its properties with the time.

The expediency of the decision to carry out the upgrade was conditioned by increased reliability of heat supply of consumers and reduction of heat losses (0.9 thou. Gcal). Volume of financing: 13,786 thou. roubles; economic benefit: 686.7 thou. roubles. Commissioning: September, 2009. Contractor: OJSC Power Building Company of Siberia.

- In Kemerovo thermal networks in the reporting year the Company installed and connected to the Measurement and Information System flowmeters at PNS-11 Booster Pumping Station. Ultrasonic flowmeters 'Vzlet MR' URSV-V-202 were installed in heating mains No.4 Dy800. Flowmeters are connected to the existing RTU via 'current loop' interface 4-20mA. The information on current values of consumption is transmitted to the wall logic board in the Central Dispatching Office.

This measure will allow to control remotely current parameters of the heat-transfer agent according to the heat supply regime. The cost of work amounted to 135 thou. RUB. Contractor: LLC TESSA. The work was performed according to technical reequipment plan (development of the Measurement and Information System with a remote control device.)

- A point of commercial accounting of heat energy of heating water was installed in the heating mains running from Kemerovskaya CHPS in Rudnichny district equipped with a remote control system with connection to the existing thermal networks dispatching control and management system (Measurement and Information System).

This measure will allow to control the heat-transfer agent consumption at the interface with Kemerovskaya CHPS on the wall logic board in the Central Dispatching Office of Kemerovo Heat Networks with an accuracy necessary for commercial purposes. The work was carried out according to the technical reequipment plan, total cost of work was 936.8 thou. RUB. Contractor: LLC Research and Development Centre Galax.

- At Barnaulskaya CHPS-3 in 2009 sootblowers were installed in boiler unit, station ref. No.1, type BKZ-420-140. The work was performed during the period from July till November, 2009 according to the technical reequipment plan. The cost of commissioned fixed assets amounted to 10591.3 thou. RUB. Contractor: OJSC Barnaulteplosetremont.

The work was carried out in order to increase steam load of the boiler unit and duration of boiler operation before deslagging.

- In the reporting year at Barnaulskaya CHPS-3 sootblowers were installed in boiler unit BKZ-420-140 (station ref. No. 5) during scheduled capital repair. The work was carried out from May till August, 2009. The following operations were performed: installation of 4 long-range water blasters OVD221EOB002, installation of 8 long-retracting sootblowers OG221EOB081, installation of sootblowers control systems.

The work was performed in order to increase steam load of the boiler unit and the length of boiler operation until deslagging.

- At Barnaulskaya CHPS-3 the leads of turbo-generators (station ref. Nos 1-3) were insulated. The work was carried out during the period from July till September, 2009. The cost of commissioned fixed assets amounted to 27,122.1 thou. RUB. (net of VAT). The heat insulation of heat leads of turbo-generators (station ref. Nos 1-3) was performed by contractor OJSC Barnaulteplosetremont.

For insulating, use was made of heat insulation K-Flex that allowed to reduce costs because:

- K-Flex does not require vapour barrier, or any additional protective coating;
- Molecular-action adhesive provides a stable and strong seam. Stability to various adverse environmental factors and high resistance of water vapour diffusion ensures long service life of heat insulation K-Flex since its maintains its properties for a long time. K-Flex provides for economy of power resources, prevents corrosion of pipelines;

- K-Flex it is not bonded to the pipe; this makes it possible to reuse its in need of gang of pipes;
- K-Flex heat insulation is characterised by fast and easy installation due to vast nomenclature of material in the form of tubes, rolls, adhesive tapes, ready shaped parts (angles, tee-joints).

The work was financed according to the technical reequipment plan. The amount of financing was 824.05 million RUB.

POWER SAVING

Measures aimed at improving energy efficiency and reduction of technological and operational costs were implemented in pursuance of order of OJSC Kuzbassenergo No.1 of 11.01.09 "On Measures on Improvement of Reliability and Technological Level of Power Production in 2009" and the plan of "Extent of Use of Reserves of Thermal Cost Efficiency of Power Stations". Energy saving activity was aimed at increasing cost efficiency through fulfillment of the planned provisions, optimisation of the operating mode and reduction of losses in thermal networks.

Among major works the following are worth mentioning:

- To improve power production reliability and efficiency, crusher (station ref. No.14A) was replaced at Tom-Usinskaya SDPS. Major components of the crusher exhausted their service life, and had serious defects. The old crusher required great volumes of corrective maintenance, and consumed much electric energy. The new crusher with an electric energy consumption at a standard level will allow to save 1,331 thou. kWh per year for an amount of 665 thou. roubles.
- At Tom-Usinskaya SDPS the feed pump of power-generating unit No.8 was replaced in order to decrease consumption of electric energy by station auxiliaries. To provide for the rated load of the 200 MW power-generating unit, two old design feed pumps type PE-430-200 were required. Electric energy consumption for feed water pumping in such mode was 4,550 kWh.



Type PE-580-195-5 feed pump provides for the rated load of the 200 MW power-generating unit consuming only 4000 kWh for feed water transfer. The replacement of the pump allows to save electric energy consumed by station auxiliaries at a rate of 550 kWh per hour. Given the annual operating mode of the power-generating unit of 7,000 hours on the average the annual economy of electric energy for station needs at power-generating unit No.8 may reach 3.85 million kWh.

- During capital repair of power-generating unit No.8 at Tom-Usinskaya SDPS electric motors of pulverised-coal feeders of boiler No.13 were replaced. As a result of fine regulation of fuel consumption losses due to carbon loss were reduced by 0.05%. Total fuel economy amounted to 4,940 tons of equivalent fuel for an amount of 5,000 thou. roubles.
- To eliminate power restrictions on power-generating unit No.8 due to unsatisfactory condition of the boiler draft system, 13B two-speed electric motor of the flue-gas pump was replaced by one-speed electric motor. Due to decrease of over-expenditure of electric energy for BOP needs this replacement allows to save at a technical minimum of operation of the boiler up to 65 thou. kWh of electric energy per year.
- In the reporting year at Belovskaya SDPS ball pulveriser mill of boiler 5B was replaced by a ball pulveriser mill of a new design. Major components of the mill exhausted their service life, and had serious defects. The old mill consumed much electric energy. The new crusher with an electric energy consumption at a standard level will allow to save 1,270 thou. kWh per year for an amount of 739 thou. roubles.
- To improve performance of Belovskaya SDPS pipes of the upper part of the Lower Radiation Part of boilers, station ref. Nos 2A, 5B, the Middle Radiation Part of boiler, station ref. No.2A, were replaced, and air inflow in the coal-pulverization systems was decreased. The economy as a result of these measures amounted to 671 tons of equivalent fuel/year for an amount of 716.279 thou. RUB.
- At Kemerovskaya SDPS the following operations were performed: replacement of the 2nd stage of the convection superheater, repair of insulation along the section boiler-flue-gas pump, as well as repair of the fire chamber lining of boiler unit, station ref. No.11. The economy of power resources in a year amounted to 359 tons of equivalent fuel/year and 377.02 thou. RUB.
- In 2009 at Kemerovskaya CHPS the following provisions were taken stipulated by the capital equipment cost effectiveness improvement plan:
 - cleaning of tube bundles of the horizontal system water heaters of turbine units, station ref. Nos. 4, 7;
 - replacement of air heater of boiler unit (station ref. No.10).These measures prevented in 2009 over-expenditure of 148 tons of equivalent fuel (173.586 thou. RUB.).
- At Novo-Kemerovskaya CHPS the following measures for economy of power resources were taken:
 - replacement of blades of the first (regulating) rotor stage, and undercutting of the high-pressure rotor vanes of turbine unit, station ref. No.14. The increase in efficiency of the blading section allowed to obtain an economy of 60 tons of equivalent fuel (68.77 thou. RUB.).
- In reporting year on the Novo-Kemerovskaya CHPS the AIIIS KUE (Automated Metering and Information System for Commercial Accounting of Electric Power) was modernised. This allows to exclude unaccounted losses of electric energy. The economy amounted to 500 thou. kWh per year (400 thou. RUB.).
- At Kuznetskaya CHPS the following measures aimed at economy of power resources were taken:
 - Capital repair of boiler unit, station ref. No.17, (BKZ-220-100f) - with replacement of gas cleaning scrubbers;
 - Capital repair of boiler, station ref. No.18, (BKZ-220-100f) elimination of leakages in the boiler gas-air duct.
 - Upgrading of heat insulation of heating mains with the use of K-FLEX materials that allowed to reduce thermal losses by 900 Gcal.

Total economy from the implemented measures amounted to 926.1 thou. RUB.

- In Kemerovo heat networks in 2009 activity was continued on application, during construction and repair of heating mains insulation, of new-generation heat insulating materials: for supply lines - two-layer cast shells made of foamed polyurethane designed for the heat-transfer agent temperature of up to 170°C, and for return pipelines - single-layer shells 50 mm thick with fiber glass coating. This made it possible to reduce heat losses by 2,040 Gcal for an amount of 873 thou. roubles.
- During current repair of boiler units NZL-50 (station ref. Nos 3, 4), NZL-85 (station ref. No.5); BKZ-85 (station ref. No.6) at Barnaulskaya CHPS-1 the following works were performed: cleaning of heating surfaces, elimination of defects of gates and gate valves in the gas-air duct of boilers, elimination of leakages in the boiler lining. Fuel economy amounted to 40 tons of equivalent fuel (49 thou.rub.)
- In the accounting year at Barnaulskaya CHPS-2 the water-cooling tower (station ref. No. 1) was rehabilitated and sprinkler was replaced. Fuel economy was 518 tons of equivalent fuel (679.3 thou. RUB.).

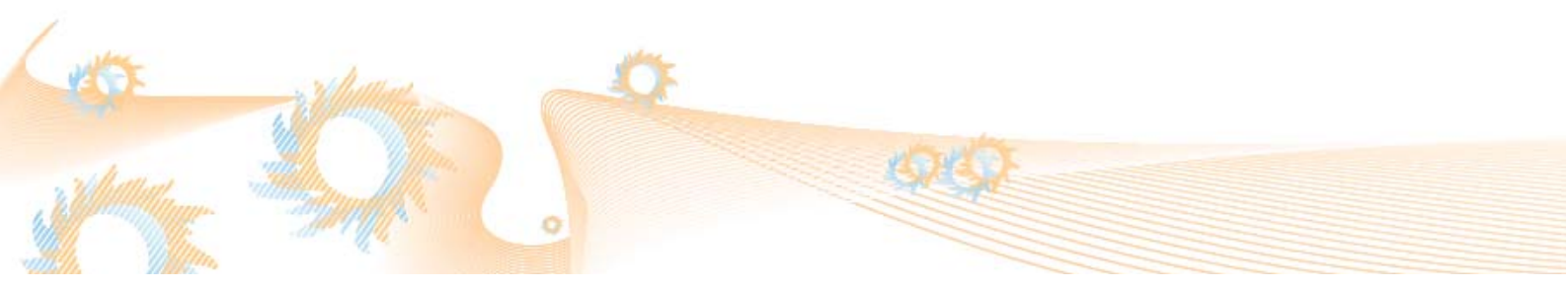
- During capital repair of boiler unit BKZ 210-140F, station ref. No.9 at Barnaulskaya CHPS-2 the 1st stage boiler water economizer was replaced. Fuel economy was 901 tons of equivalent fuel (1,186.6 thou. RUB.).
- At Barnaulskaya CHPS-3 in 2009 sootblowers were installed in boiler unit, station ref. Nos1, 5, type BKZ-420-140. The following operations were performed: installation of 4 long-range water blasters on each boiler, installation of 8 long-retracting sootblowers on each boiler, installation of sootblowers control systems. Fuel economy was 383 tons of equivalent fuel (583.98 thou. RUB.).
- At Barnaulskaya CHPS-3 the leads of turbo-generators (station ref. Nos 1-3) were insulated with the use of heat insulation K-Flex. This ensured economy of power resources due to reduction of heat losses by 2,880 Gcal. The economy amounted to 1,153.44 thou. roubles per year.

Total costs of energy saving and cost reduction measures at OJSC Kuzbassenergo amounted to 309,262 million RUB. Total fuel economy made 8,213 tons of equivalent fuel.



ENERGY SAVING PROGRAM FULFILMENT PARAMETERS

Parameter	Unit of measure	Value
Saving of fuel and energy resources due to implementation of the energy saving program, total	thou. tn of equivalent fuel	8.213
Electric power saving, total	million kWh	7.074
In particular due to cutting of expenses for:		7.074
BOP needs of power stations	million kWh	0
decrease of losses in networks	million kWh	0
consumers regimes management	million kWh	5.82
Heat power saving, total	thou. Gcal	8.213
Fuel saving, total	thou. tn of equiv. fuel	
including by kinds:		
coal	thou. tn of equiv. fuel	8.213
gas	thou. tn of equiv. fuel	0
fuel oil	thou. tn of equiv. fuel	0
Cost of power resources saved through implementation of the energy saving program	thou. RUB	16,986.2
Share of cost of saved power resources from the total cost of used fuel and energy resources	%	0.14
Expenses for fulfilment of the energy saving program, total including:	thou. RUB	309,262.44
expenses for implementation of technological measures in:	thou. RUB	309,262.44
production of electric and heat energy	thou. RUB	263,236.44
transfer of electric energy	thou. RUB	0
transfer of heat energy	thou. RUB	46,026.0
Costs of implementation of demand management technological measures		0
Costs of equipment of the electric and heat energy market participants with accounting devices		0
Costs of organisational and technical measures, total	thou. RUB	0
Including:		
Research and development		0





Investments into production

4.1. Investment activity in 2009 (46)

4.2. Outlooks of development of generating capacities (50)

Commissioning of new turbine unit No. 15

type T-120-12,8
at Novo-Kemerovskaya CHPS
became the main
investment project
of the year

Upon commissioning
of the new turbine
power capacity of the station
increased

by **22%**

from 465 MW to 565 MW
thereby making it possible
to generate additionally

811 Mio KW/h

of electric energy per year

INVESTMENT ACTIVITY IN 2009

The investment program of OJSC Kuzbassenergo for 2009 scheduled 1,292.9 million RUB. of fixed capital investments.

In the reporting year the investment activity of OJSC Kuzbassenergo was aimed at increasing heat and electric generating capacities, enhancing reliability of equipment operation, reducing repair and maintenance costs, rehabilitation of existing heat networks, implementation of the Automated Metering and Information System for Commercial Accounting of Electric Power (AIIS KUE), and fulfillment of measures intended to improve technical and economic indices of power station operation.

The investment program for 2009 approved by the Board of Directors of OJSC Kuzbassenergo on 25.12.2008 had the following targets:

- 1,773.1 million RUB. for financing of capital investments;
- 1,292.9 million RUB. for development of capital investments;
- 1,220.5 million RUB. for commissioning of fixed assets.

Besides, the Company signed with the Administration Kemerovo Agreement No. 2/TC of 19.12.2008 for an amount of 123.3 million RUB. (including VAT and costs of technical supervision) for construction of the 1st turn of the heating mains from quarter 1A to quarter 7B at the expense of the city budget funds. The construction of the heating mains was completed by the beginning of the heating season 2009/2010.

Details of actual fulfillment of the investment program for 2009:

- on financing of capital investments: 1,742.6 million RUB.
- on development of capital investments: 1,323.4 million RUB.
- on commissioning of fixed assets: 2,756.8 million RUB.

The investment program of 2009 aimed at industrial development, in terms of disbursement of capital investments was overfulfilled by 2.4%.

In 2009 according to report No.3 of 01.09.2009 93.9 million RUB. were additionally allocated for construction of new facilities.

All investments into fixed capital in 2009 in the amount of 1292.9 million RUB. were allocated for industrial development.

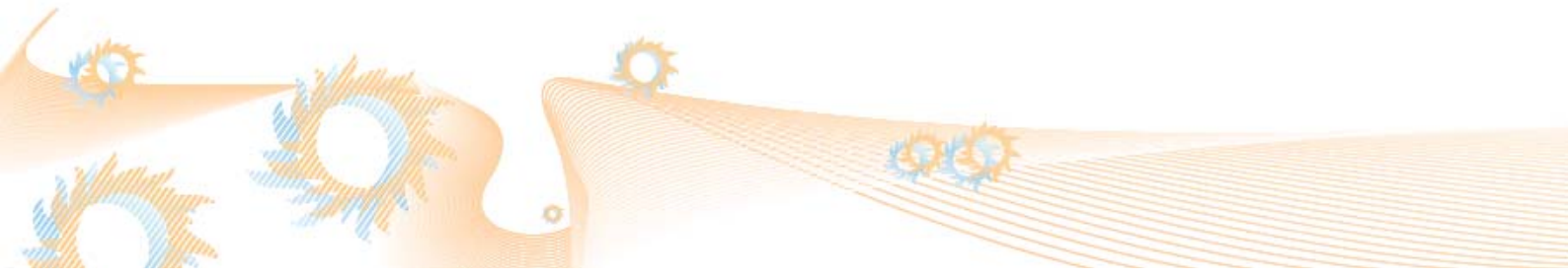
Actual sources of financing of the investment program in 2009 amounted to 1,742.6 million RUB., including:

- Own resources, total - 1,629.3 million RUB., of them:
 - depreciation expenses - 1,629.3 million RUB.
- Other means, total - 113.3 million RUB., of them:
 - budgetary funds - 1,09.1 million RUB.;
 - borrowed funds - 4.2 million RUB.

Underfinancing in 2009 amounted to 30.5 million RUB. (on 1.7%).

DYNAMICS OF ACTUAL CAPITAL INVESTMENTS, MILLION ROUBLES

Purpose	Actual capital investments		
	2007	2008	2009
Modernisation and rehabilitation	944.9	1,717.7	487.8
New construction	1,230.7	2,613.7	815.6
Nonindustrial construction	-	-	-
Acquisition of fixed assets and construction in progress	3,099.0	0.1	20.0
TOTAL	5,274.6	4331.5	1,323.4



STRUCTURE OF CAPITAL INVESTMENTS IN 2009 BY AREAS OF ACTIVITY, MILLION ROUBLES

Purpose	Plan	Actual
Power plants	680.2	684.6
Thermal networks	378.0	448.1
Other	56.5	74.9
Equipment not requiring installation	84.3	43.7
Prepaid design and survey works	93.9	72.1
Non-productive construction	-	-
TOTAL CAPITAL INVESTMENTS	1,292.9	1,323.4



684.6 (52%) – Electric stations
 448.1 (34%) - Heat stations
 74.9 (6%) - Other
 43.7 (3%) - Equipment not requiring installation
 72.1 (5%) - Prepaid design and survey works
 0 (0%) - Non-productive construction

ACTUAL STRUCTURE OF CAPITAL
INVESTMENTS IN 2009

In 2009 the Company put into service fixed assets for an amount of 2,756.8 million roubles, or 225.8% of the plan, including:

- under the modernisation program - 878.6 million roubles, or 86%;
- under the new construction program - 1,863.4 million roubles, or 919%;
- for acquisition of fixed assets and construction in progress - 14.8 million roubles.

In 2009 the following power capacities were commissioned:

- according to the Commissioning Act of 09.02.2009 the Company put into operation turbine, station ref. No. 15, type T-120-12.8 with turbo-generator TVF-110-2E with a capacity of 100 MW. The value of commissioned fixed assets amounted to 1,591.4 million RUB.

COMPLETED PROJECTS OF THE MODERNISATION PROGRAM IN 2009

Name of branch, station	Cost of works performed in 2009, million roubles
Tom-Usinskaya SDPS, replacement of crusher SH-50 (station ref. No. 14A)	34.7
Belovskaya SDPS, rehabilitation of the pulverized-coal system including replacement of the ball pulveriser mill by a ball pulveriser mill of a new design	56.5
Kuznetskaya CHPS, rehabilitation of thermal networks of the city of Novokuznetsk	57.7
Kemerovo thermal networks, rehabilitation of thermal networks of the city of Kemerovo	139.8
Barnaulskaya CHPS-2, rehabilitation of the 3 rd turn of the main steam pipeline	59.6
Barnaul central heating station, rehabilitation of thermal networks of the city of Barnaul	89.9

MODERNISATION PROGRAM PROJECTS UNDER IMPLEMENTATION

Name of branch, station	Cost of works performed in 2009, million roubles
Belovskaya SDPS, installation of the system for monitoring technical condition of equipment of power-generating unit No. 5	7.6
Kemerovskaya SDPS, rehabilitation of boilers (station ref. Nos 12-15) to provide for cofiring of coal and coke gas	5.5
Barnaulskaya CHPS-3, modernisation of brush holders of turbine unit, station No. 3	6.3

FULFILMENT OF THE INVESTMENT PROGRAM IN 2009 BY BASIC NEW CONSTRUCTION FACILITIES, MILLION ROUBLES

Facility	Investment plan	Actual investments	Source of finance	Scheduled commissioning date
Belovskaya SDPS, coal blending facilities	-	28.0	Depreciation	2009
Kemerovskaya SDPS, laying ash and slag pipe-lines Nos 1, 4, 5 on 2 sections of the ash dump	20.7	20.7	Depreciation	2009
Kemerovskaya CHPS, rehabilitation of accumulator tanks	32.7	28.1	Depreciation	2009
Novo-Kemerovskaya CHPS, starting complex of turbine, station ref. No.15	27.8	51.1	Depreciation	2009
Novo-Kemerovskaya CHPS, construction of a branch line from Novo-Kemerovskaya CHPS to 110 kV HV line of substations Kemerovskaya and Jurginskaya	57.3	33.9	Depreciation	2010
Kemerovo thermal networks, construction of the 1 st turn of the heating mains 2Dy500 from UT-1-31 to UT-2 in quarter 1A	-	101.9	Budgetary funds of the constituent entity of the Russian Federation	2010
Barnaulskaya CHPS-2, topping of dams of the ash dump of section No. 1-3	30.0	33.2	Depreciation	2009
Barnaulskaya CHPS-3, 2 nd run of hydraulic ash removal pipelines	57.9	65.3	Depreciation	2009

Basic facilities of the 2008 production program

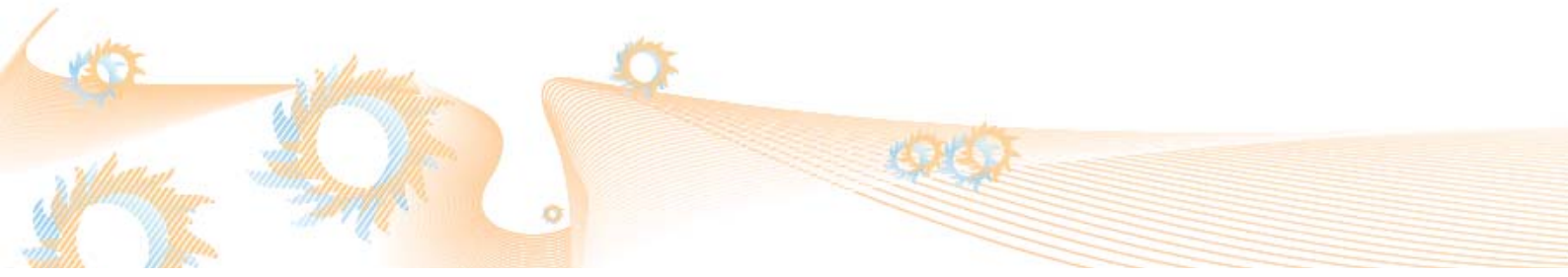
At Novo-Kemerovskaya CHPS turbine, station ref. No. 15, type T-120-12.8 with turbo-generator TVF-110-2E and a capacity of 100 MW was put into commercial operation. The value of commissioned fixed assets amounted to 1,591.4 million RUB. (acceptance act of 09.02 2009).

At Tom-Usinskaya SDPS crusher (station ref. No. 14A) type SH-50 with a capacity of 50 tn/h was replaced to maintain the installed capacity of the power station, and to improve electric energy production reliability. The economic benefit amounted to 41,900 thou. RUB.

At Belovskaya SDPS the old ball pulveriser mill type SHBM-50 on K-5B was replaced by ball pulveriser mill of a new design, type SHBMR 370/850 (SH-50A) that ensured reliable and economic operation of the coal pulverising system.

All scheduled works on rehabilitation of ash dumps of power stations have been completed.

In 2009 174 million RUB. of capital investments were utilized for backfilling 161.8 thou. m³ of land in the body of the ash dump dam (sections 1 and 2) at Barnaulskaya CHPS-2, and laying of 12.1 km of the 2nd run of pipeline of GZU of Barnaulskaya CHPS – 3. The value of commissioned fixed assets amounted to 150.5 million RUB.



All scheduled works on rehabilitation of heating mains in the cities of Kemerovo, Novokuznetsk, Barnaul with a total length of 4,065.5 lin.m (the plan being 3,935 lin.m) have been completed (103%). The value of commissioned fixed assets amounted to 293.1 million RUB.

The works on rehabilitation of the 3rd turn of the main steam pipeline of Barnulskaya CHPS-2 (replacement of the cross-link collector from gate valve No.23 to gate valve No.60) have been completed. This will allow to increase reliability of operation of equipment. The value of commissioned fixed assets amounted to 119,141 thou. RUB.

In Barnaul branch operations have been completed on modernisation of the Automated Metering and Information System for Commercial Accounting of Electric Power (AIIS KUE) to receive the status of the wholesale market participant in pursuance of the order of OJSC RAO UES of Russia No.521 of 08.10.2003 "Providing for collection of data of commercial accounting of power industry companies" to ensure uniformity of measurements, collection and analysis of information. The value of commissioned fixed assets amounted to 69,839 thou. RUB.

The plan of 2009 stipulated expenses for carrying out pre-design studies under the corporate project "Expansion of Tom-Usinskaya SDPS by 660 MW" in the amount of 50 million RUB. incl. VAT. However Company shareholders within the framework of agreement on power supply to the Wholesale Electric Energy/Power Market resolved to implement a package of measures on TGC-12 aimed at increasing the installed and available capacity through commissioning of new generating facilities, modernisation and rehabilitation of the existing equipment. Within the framework of this investment project in 2009 the Company concluded agreements and made down payments for a total amount of 17,842 thou. RUB. for fulfillment of the following activities:

1. Conducting an expert evaluation of possible expansion of Kuznetskaya CHPS by dual-fuel gas-turbine units (GTU) with a power capacity of 100 to 300 MW according to the contract with LLC EnergoFihntner No.1040-03-06/2009 of 03.06.2009 for an amount of 295 thou. RUB. incl. VAT.
2. An expert evaluation of expansion of Kuznetskaya CHPS tentatively by dual-fuel container gas turbine units according to the contract with LLC EnergoFihntner No.1040-04-10/2009 of 19.10.2009 for an amount of 450 thou. RUB. incl. VAT.

3. A package of works on development of alternative prefeasibility reports for OJSC Kuzbassenergo aimed at increasing installed and available power through commissioning of new capacities, modernisations and rehabilitation of existing equipment of Novo-Kemerovskaya CHPS, and Kuznetskaya CHPS according to the contract No. 019K/09 of 15.07.2009 with LLC Comtek-Energoservice. A down payment of 15,288.812 thou. RUB. incl. VAT was made in 2009.

4. A package of works on development of options of rehabilitation of capital equipment at Tom-Usinskaya SDPS and Belovskaya SDPS with justification and comparison of technical solutions intended for increasing the installed and available capacity according to the contract No. 070K/09 of 01.12.2009 with LLC Comtek-Energoservice. A down payment of 4,199.998 thou. RUB. incl. VAT was made in 2009.

Within the framework of antiterrorist measures, major efforts on equipment of station territories with necessary monitoring and access control systems, security and fire alarm systems, etc., has been carried out in all branches. Total cost of works amounted to 18.8 million RUB.

Equipment not requiring installation for an amount of 43.7 million of RUB. was acquired in the Company branches.

OUTLOOKS OF DEVELOPMENT OF GENERATING CAPACITIES

Main objective of the investment activity of OJSC Kuzbassenergo is to improve the competitiveness of the Company, to maximise profit, to ensure reliability of functioning of the electric power system.

Main directions of the investment program for 2010 by investments objects will be the following:

- Investment projects aimed at optimisation of the Company assets, including:
 - New construction;
 - Modernisation of equipment with expired service life;
 - Laying-up inefficient assets.
- Investment projects aimed at achievement of synergetic effect, including:
 - Transfer of boiler units to the dry ash removal process and burning of grade D coals;
 - Implementation of warehouse coal blending method.
- Investment projects intended for improving operational activity efficiency, including:
 - Use of ash dumps and redesigning the ash and slag removal process;
 - Improvement of technical-and-economic parameters of equipment and stations;
 - Optimisation of fuel supply, preparation, control and accounting schemes;
 - Reduction of environmental payments.

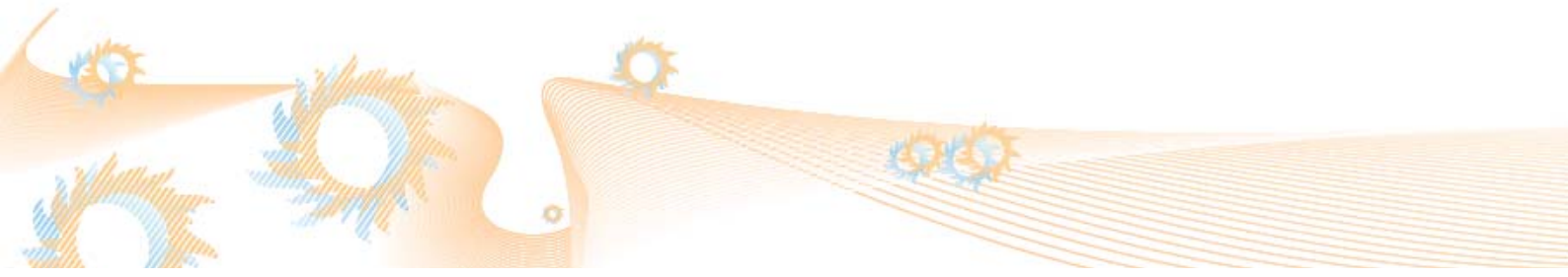
The largest and most significant for the Company investments facilities in the nearest future will be the following directions and projects:

Development of generating capacities:

- Extension of Kuznetskaya CHPS by dual-fuel gas-turbine units (GTU) with a capacity of up to 280 MW. This project is considered to be an alternative to the project 'Expansion of Tom-Usinskaya SDPS by installing additional 660 MW coal-burning power generating unit'.

Within the framework of fulfillment of the obligation of commissioning 600 MW capacity at Tom-Usinskaya SDPS, OJSC Kuzbassenergo studies jointly with OJSC System Operator of the Unified Energy System various more efficient and in-demand alternatives of commissioning of new capacities in the Siberian region. As a result of the analysis the option of extension of Kuznetskaya CHPS by two dual-fuel GTUs 2x140 MW was found to be the most acceptable one. This option ensures:

- Elimination of energy shortage in the Southern power district of the region and prevention of its occurrence across Kuzbass as a whole;
 - Increase of the OJSC Kuzbassenergo's share on the Wholesale Energy/Power Market;
 - Increase of the efficiency of production through implementation of state-of-the-art technologies with a high efficiency factor;
 - Replacement of retiring capacities, decrease of probability of occurrence of system emergencies across Kuzbass and, in particular, in the city of Novokuznetsk;
 - Improvement of general environmental situation in the city of Novokuznetsk.
- Extension of Barnaulskaya CHPS-3 by a 100-MW GTU.
Construction of a 100-MW GTU at Barnaulskaya CHPS-3 to replace retiring capacities. In 2010 the Company intends to carry out a tentative estimation of the economic efficiency and expediency of the project.
 - Replacement of turbines, station ref. Nos. 4 and 6, type K-200-130 by new ones, type K-215-130 at Belovskaya SDPS.
The purpose of the project is:
 - to replace capital equipment with exhausted service life;
 - to increase reliability and overall performance of the station;
 - to improve technical-and-economic indices of the station.
 The project relating to turbine unit No. 4 is at pre-investment stage.



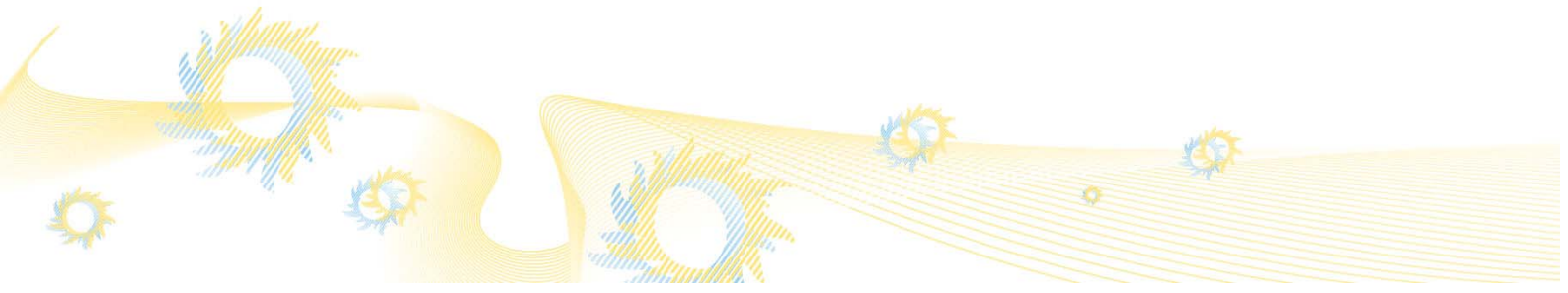
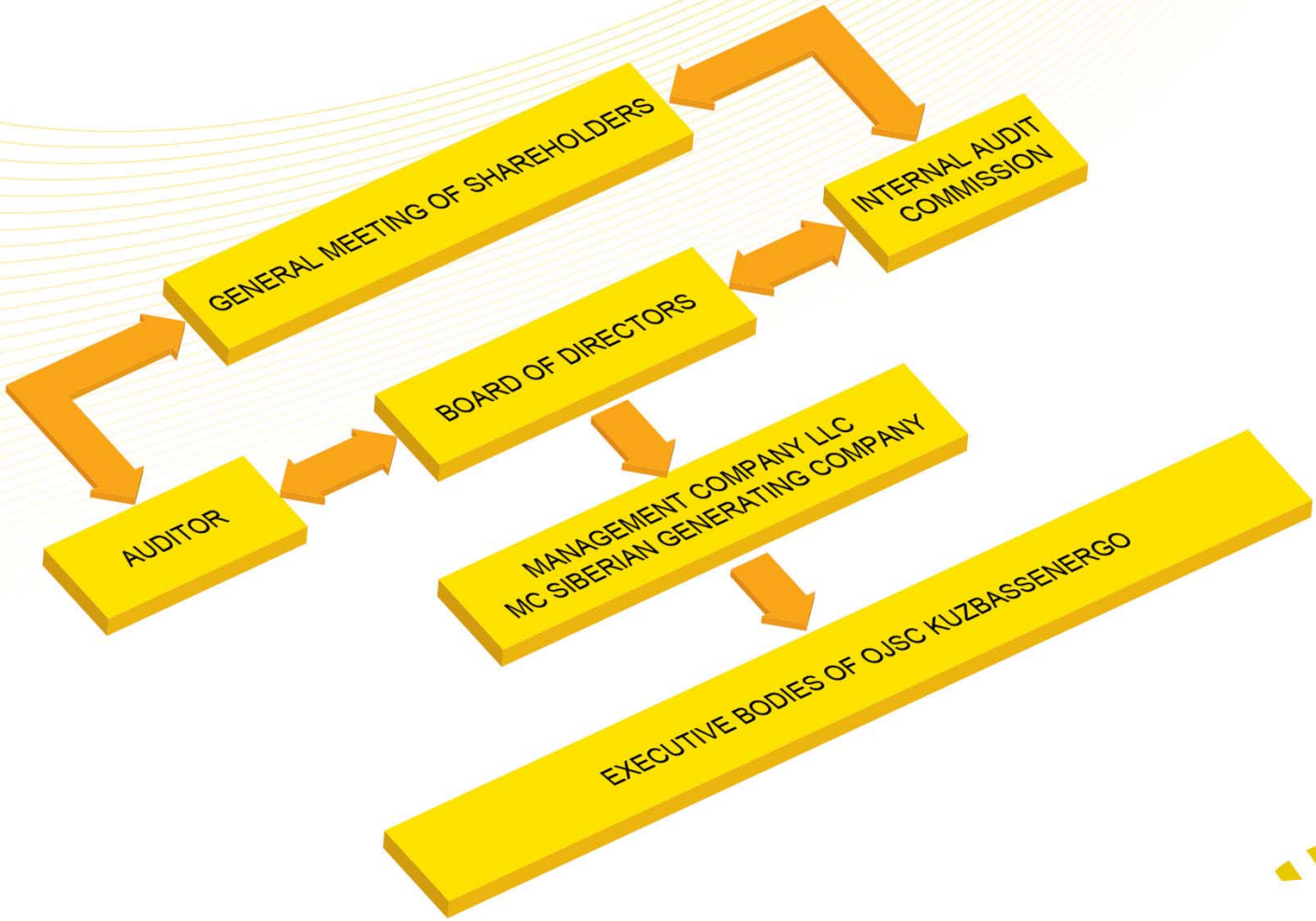
- Replacement of turbines Nos 4 and 5 type T-86 at Tom-Usinskaya SDPS.
Project objective: replacement of turbines, station ref. Nos 4 and 5 with exhausted service life by similar standard-size turbines retaining the existing accessory equipment. Replacement by turbine K-100-90 was considered as a preliminary option. Increase of the installed and available station capacity upon replacement of T-86 turbines by 48 MW. The amount of costs will be clarified at the stage of completion of design works. The development of the prefeasibility report relating to the replacement of turbine unit, station No. 5 is scheduled for 2010.
- Replacement of turbines, station Nos 8, 9, at Barnaulskaya CH&PS-2
Project objective: replacement of cogeneration turbines, station ref. Nos. 8 and 9, with exhausted service life by similar standard-size turbines, with their installation on the existing foundations and retaining the existing accessory equipment. The development of the project on replacement of turbines (station ref. No. 8 and 9) at Barnaulskaya CHPSs-2 is report is scheduled for 2011.

Increasing efficiency of operational activity:

- Incoming and technological control of coal, organisation of coal quantity and quality control, organisation of high-quality coal blending process with continuous control at Tom-Usinskaya SDPS, Belovskaya SDPS, and Kemerovskaya SDPS;
- Optimisation of ashes and slag waste storage costs – Development of ashes and slag waste storage procedure (including working out of alternative solutions) at Tom-Usinskaya SDPS, Belovskaya SDPS, Kuznetskaya CHPS;
- Elimination of available restrictions - Development of the measures aimed at optimisation of installed and available power and improvement of performance of cooling systems at Kemerovskaya SDPS, Kemerovskaya CHPS, Novo-Kemerovskaya CHPS, Kuznetskaya CHPS, Barnaulskaya CHPS - 3;
- Cost reduction - Development of measures for optimisation of consumption of electric energy for BOP needs at Tom-Usinskaya SDPS and Belovskaya SDPS;
- Redesigning thermal circuit of turbine unit, station ref. No. 7 at Novo-Kemerovskaya CHPS to reduce restrictions on the station power;
- Installation of a turbine drive on make-up pump No. 16 at Novo-Kemerovskaya CHPS;
- Rehabilitation of boiler (station ref. No. 14B) at Tom-Usinskaya SDPS with change-over to solid slag removal and extension (replacement) of heating surfaces;
- Rehabilitation of boilers TP-87, station ref. Nos 12, 13, 14, 15 at Kemerovskaya SDPS to provide for cofiring of coal and coke gas;
- Rehabilitation of boiler unit (station ref. No. 13) at Novo-Kemerovskaya CHPS with transfer to dry slag removal and burning grade D coals.
- Rehabilitation of boilers BKZ-210-140 in a gas-proof version with transfer to burning grade D coals and increase of steam generation capacity to 250 tn/h, implementation of technological methods of suppression of nitrogen oxides (NOx);

Upon implementation of the investment program the Company expects to receive in 2010 economic benefit in the following areas:

- reduction of ecological payments;
- fuel costs saving;
- reduction of consumption of electric energy for BOP needs;
- deslagging costs saving;
- lowering the level of semi-fixed costs;
- decrease of the number of capital repairs.





Corporate governance

- 5.1. Corporate governance principles (54)
- 5.2. Management and control bodies (58)
- 5.3. Risk management system (67)
- 5.4. Quality management system (70)

A large, stylized graphic background featuring several interlocking gears of various sizes. The gears are filled with a yellow and white diagonal striped pattern. In the upper left, a sun with rays is rising over a horizon line. The overall color palette is yellow and white.

An efficient corporate governance

enhances investment attractiveness
of companies and determines
to a large extent the efficiency of
branches, regions, and, ultimately,
of the national economy as a whole

The corporate governance in the Company represents the system and the process aimed at construction of mutually advantageous balance of interests between major participants of the Company activity — shareholders, management, staff, subsidiaries, as well as consumers, counterparts, creditors, public authorities and other subjects of mutual relations.

The Charter, the Code of Corporate Conduct of OJSC Kuzbassenergo and other by-laws of the Company present a uniform system of corporate governance which is based on requirements of the Russian legislation, best Russian and international practice of corporate governance, recommendations of the Code of Corporate Con-

duct of the Federal Commission on Securities of the Russian Federation, as well as on recommendations of the Great Britain Combined Code on Corporate Governance in the field of listing.

Realising that the scale of operation of the Company is associated with high responsibility towards shareholders and employees, the Company in its activity is striving to follow principles and recommendations of the Code of Corporate Conduct approved at the session of the Government of the Russian Federation on 28.11.2001 and reflected in the Code of Corporate Conduct of OJSC Kuzbassenergo.

CORPORATE GOVERNANCE PRINCIPLES

Corporate governance in the Company is built upon the following main principles:

1. Equal attitude to Company shareholders, observance and protection of shareholder rights according to the current legislation, regulations and requirements

OJSC Kuzbassenergo guarantees to all shareholders the possibility to exercise their rights, the protection of which is ensured by:

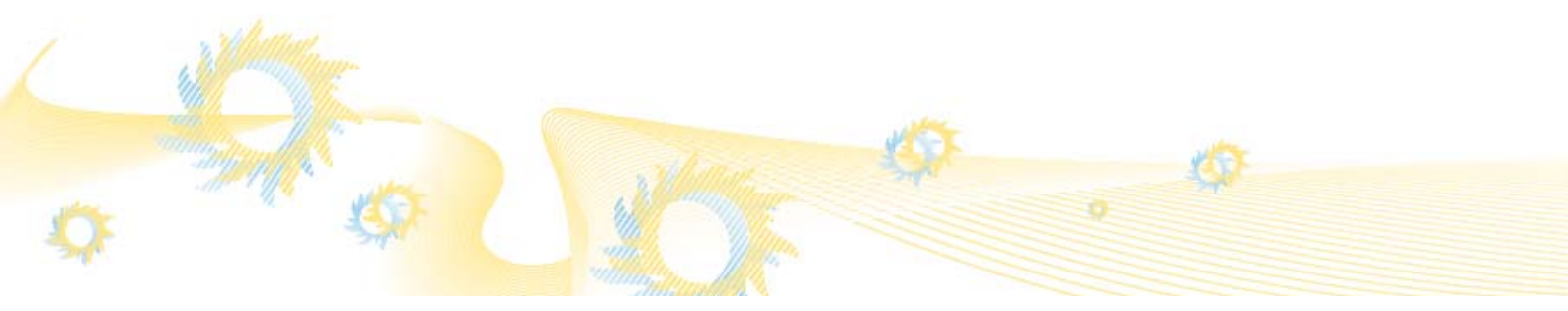
- maintenance and keeping of the shareholder register of the Company by an independent registrar having proper technical means and monitoring systems, and an unblemished reputation on the stock market;
- possibility of free disposal of shares owned by shareholders, in particular by transferring them to other persons;
- the right to participate in the Company management by taking decisions on the most important issues of the Company activity at General Meetings of shareholders;

- the right to receive a part of the net profit of the Company in the form of dividends;
- the right to receive in a regular and timely manner full and reliable information about the Company's activity in the scope sufficient for taking reasonable and well-founded decisions.

2. Ensuring an efficient internal control and audit system of the Company.

The financial and economic activity monitoring system adopted in OJSC Kuzbassenergo is aimed at ensuring confidence of investors to the Company and of its management bodies. The main purpose of such control is the protection of shareholder funds and Company assets.

The financial and economic activity of OJSC Kuzbassenergo is supervised by the Board of Directors, the Internal Audit Commission, the Internal Audit Service, as well as an independent auditor of the Company.



Internal Audit Commission

According to the Company Charter the terms of reference of the Internal Audit Commission of the Company include the following matters:

- carrying out checks of financial and economic activity of the Company for the year as well as at any time by its own initiative, according to the resolution of the General Meeting of shareholders, the Board of Directors of the Company or by request of a Company shareholder (shareholders) holding in the aggregate at least 10 percent of voting shares in the Company;
- satisfying requests of persons holding offices in the management bodies of the Company to present documents relating to financial and economic activity of the Company;
- satisfying requests of convocation of extraordinary General Meetings of shareholders according to article 55 of Federal Law «On Joint-Stock Companies»;
- satisfying requests of convocation of meetings of the Board of Directors of the Company;
- confirmation of reliability of data contained in the annual report of the Company, and annual accounts of the Company;
- issue of recommendations to the Board of Directors, and General Director with a view to correcting and preventing infringements in financial and economic activity of the Company.

The Internal Audit Commission of OJSC Kuzbassenergo carries out annual and extraordinary inspections the object of which may be either a specific economic transaction of the Company, or economic transactions for a certain period of time. Activity of the Internal Audit Commission of OJSC Kuzbassenergo is regulated by the current legislation and the 'Regulations on Internal Audit Commission of the Company'.

The Board of Directors, within its terms of reference, also ensures control of the financial and economic activity of the Company. For a more efficient fulfillment of this function, the Board of Directors established the Audit Committee operating by virtue of the Regulations on the Audit Committee of the Board of Directors of OJSC Kuzbassenergo.

The terms of reference of the Committee include:

- Preliminary consideration, analysis and working out of recommendations (opinions) on the following issues within the competence of the Board of Directors of the Company:
 - approval of the annual report of the Company;
 - approval of annual financial statements of the Company;
 - consideration of candidates to the position of the Company auditor;
 - determination of the amount of fee of the Company auditor;
 - approval of the Company by-laws within the terms of reference of the Committee.
- Working out recommendations to the Board of Directors of the Company on arrangement for the annual independent audit of the financial statements of the Company;
- Estimation of candidates for the Company auditors and working out of recommendations to the Board of Directors of the Company on selection of nominees of external auditors of the Company according to the requirements of the effective legislation of the Russian Federation, qualification of external auditors, quality of their work and their compliance with the requirement of independence;
- Development of recommendations regarding matters of definition of the accounting policy of the Company and approval of Regulations on accounting policy of the Company;
- Analysis of the Financial Statements of the Company and the results of the external audit of the Financial Statements of the Company for conformity to the effective legislation of the Russian Federation, International Financial Reporting Standards, Russian Accounting Standards, other regulatory legal acts and standards, evaluation of the Financial Statements of the Company and the report of the Company auditor, as well as working out recommendations to the Board of Directors of the Company on improvement of the Company reporting system;

- Analysis of the internal control systems of the Company, including system of control of compliance with laws and regulatory documents, as well as working out recommendations to the Board of Directors of the Company on improvement of the internal control systems of the Company;
- Analysis of results of the Company inspections conducted by state authorities;
- Analysis of efficiency of the Company's activity in the area of risk management;
- Analysis of information on transactions of insiders with the Company securities and securities of its subsidiaries and affiliates and submission to the Board of Directors of the Company of the report on transactions with securities of the Company and its subsidiaries and affiliates.

Internal Audit Service

The main functions of the Internal Audit Service include:

- Estimation of preservation of the Company assets, including estimation of organisation of the accounting and safekeeping processes, efficiency of use of assets, estimation of current liquidity of assets;
- Evaluation of quality of the processes of preparation of all kinds of reporting of the Company, including processes of preparation of financial accounting according to the Russian and international standards, accounting management processes, processes of statistical and other kinds of internal and external reporting;
- Estimation of performance by the Company, its subdivisions and employees of the requirements of the current legislation and regulatory authorities, Company by-laws and regulations, resolutions of the management bodies of the Company.
- Estimation of conformity of the Company by-laws to the current legislation, requirements of regulatory authorities, the best world practice, resolutions of the management bodies, Company strategic targets, interests of the Company shareholders.

- Estimation of the amount of missed profit and damages caused to the Company by the acts of employees and third persons.
- Evaluation of the corporate governance system of the Company

To ensure objectivity and independence of activity the Chief of the Internal Audit Service, from functional point of view he reports to the Audit Committee of the Board of Directors, and from administrative point of view, to the General Director.

The independent auditor checks conformity of the financial reporting system used by the Company to the Russian accounting requirements and international financial reporting standards, reveals cases of infringement by the Company of the requirements of the current legislation and brings information on such infringements to the notice of the Board of Directors of the Company.

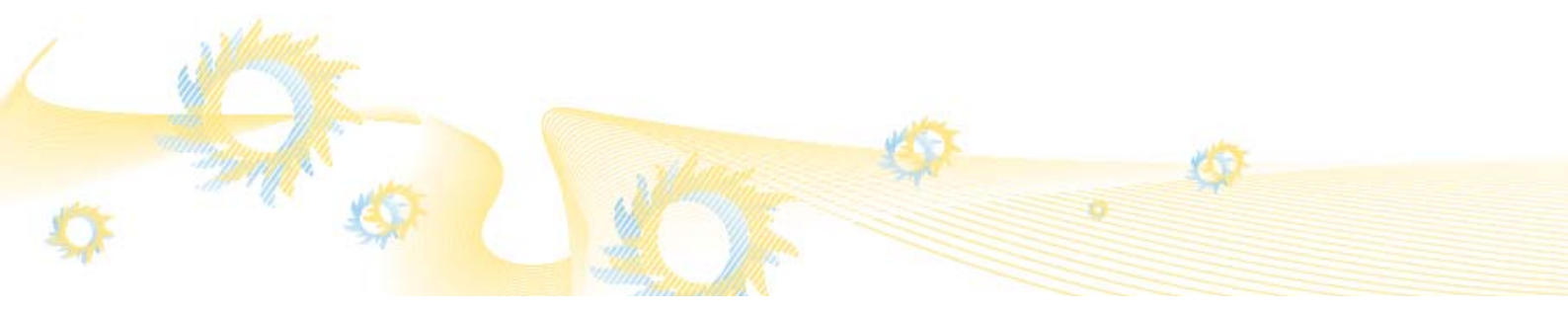
OJSC Kuzbassenergo provides an unimpeded access to the information to persons in charge of control and auditing functions, and ensures creation and an efficient functioning of the financial and economic activity monitoring system.

On 27 March, 2009 the Board of Directors the Company approved "Regulations on the internal control procedures of OJSC Kuzbassenergo" specified the purposes and the principles of organisation of the internal control system in the Company, bodies and persons responsible for implementation of the internal control procedures.

3. Ensuring informational and financial transparency of the Company

OJSC Kuzbassenergo ensures timely and exact disclosure of the information on all material issues of activity of the Company through compliance with the requirements established by the legislation of the Russian Federation, as well as voluntary disclosure of additional information.

The basic document regulating the procedure for disclosing information by the Company is the "Regulations on information policy of OJSC Kuzbassenergo" approved by the Board of Directors of the Company.



The Regulations determine the procedure and the terms of disclosure by Company of both compulsory information (to be disclosed according to the requirements of the legislation of the Russian Federation), and additional information (disclosed by the Company voluntarily).

When disclosing information, the Company is guided by the following principles:

- Regularity and promptness;
- Accessibility of information;
- Completeness and consistency of the disclosed information;
- Observance of a reasonable balance sheet between the Company openness and safeguarding its commercial interests.

The most complete and trustworthy information about the Company disclosed both under statutory requirements, and voluntarily Company shareholders and other interested persons may obtain on the official site of OJSC Kuzbassenergo (www.kuzbassenergo.ru).

4. Observance of ethical standards of business behaviour.

Ethical standards, along with the legislation, form the Corporate Conduct policy of the Company based on accommodation of interests of the Company shareholders and management.

The Company developed and implemented the Code of Corporate Conduct the purpose of which is to state standards of conduct of all employees of the Company meeting primary goals and principles of activity of the Company, and aimed at achieving impeccable reputation of the Company in the external business and social environment.

5. Efficient interaction with Company employees in the solution of social issues and provision of necessary working conditions.

The relations between OJSC Kuzbassenergo and its employees are regulated by the current labour legislation of the Russian Federation, Company by-laws and labour contracts effective in the Company.

OJSC Kuzbassenergo implements social policy of the Company which promotes professional development of the Company personnel and is aimed at ensuring work safety of the Company employees and protection of their health.

The functions of the sole executive body of the Company include development and implementation of the work motivation system, an attractive remuneration system for the Company employees, as well as rendering of material and social support upon dismissal and retirement of the Company personnel.

According to the continuity policy, in 2010 and in the years to come the priority directions of development of corporate governance are:

- ensuring rights and legitimate interests of the Company shareholders and investors;
- improving quality of observance of the existing corporate governance principles;
- enhancing corporate procedures, decreasing their labour content, streamlining, unification, simplification, improvement of quality, optimisation of the number of procedural documents;
- implementing the practice of the corporate governance audit to be able to state tasks to be solved in order to achieve strategic targets of the Company, and prepare specific recommendations for perfection of the corporate governance in the Company.

MANAGEMENT AND CONTROL BODIES

In 2009 there were some changes in the structure of the management bodies of OJSC Kuzbassenergo: according to the new edition of the Company Charter approved by the annual General Meeting of the Company shareholders on 23.06.2009 and registered by the Federal Tax Service of the Russian Federation on 07.07.2009 the collegiate executive body of the Company - Management Board - was abolished.

As of today the following system of management bodies is used in the Company:

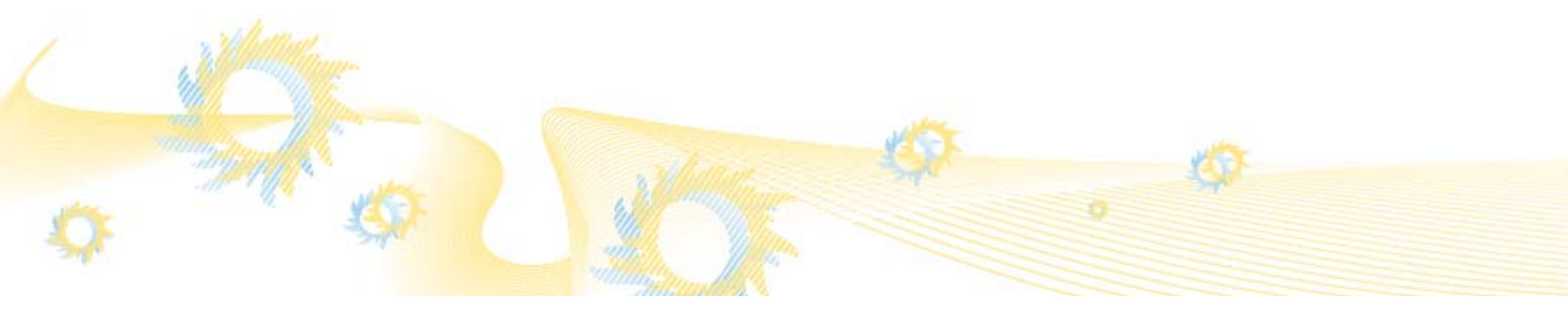
- **General Meeting of shareholders** is the supreme management body of OJSC Kuzbassenergo. On 23.06.2009 the annual General Meeting of shareholders of OJSC Kuzbassenergo approved the 'Regulations on procedure of preparation, convocation and holding of General Meetings of shareholders of OJSC Kuzbassenergo' in a new wording.
- **The Board of Directors** is in charge of general management of the Company activity, except for the solution of matters referred to the exclusive competence of the General Meeting of shareholders. Primary goals of the Board of Directors are: long-term increase in value of the Company assets, protection of rights and legitimate interests of its shareholders, ensuring completeness, reliability and objectivity of public information about the Company. On 23.06.2009 the annual General Meeting of shareholders of OJSC Kuzbassenergo approved the 'Regulations on Board of Directors of the Company' in a new wording.
- The day-to-day activity of the Company is managed by the **sole executive body – General Director**. On 16.09.2009 on the basis of the resolution of the annual General Meeting of the Company shareholders of 23.06.2009 the authorities of the sole executive body of OJSC Kuzbassenergo were delegated to the management company, LLC MC Siberian Generating Company.

SHAREHOLDERS MEETING

In 2009 one General Meeting of shareholders of the Company was held - the annual General Meeting of shareholders which summarised the results of production and economic activities of the Company in 2008 (on 23 June, 2009). The Minutes of the annual General Meeting of the Company shareholders No. 26 were executed on 23.06.2009.

The meeting handled the following issues:

- approved the Annual Report of the Company, annual Financial Statements of the Company, including the Profit and Loss Statement of the Company based on results of financial year 2008; approved distribution of profit (loss) of the Company for 2008, and resolved not to pay dividends for 2008;
- elected the new composition of the Board of Directors of the Company;
- elected the new composition of the Internal Audit Commission of the Company;
- approved the Company auditor - CJSC BDO Unikon;
- approved the Company Charter in a new wording, the Regulations on procedure for preparation, convocation and holding of the General Meeting of the Company shareholders in a new wording, the Regulations on the Board of Directors of the Company in a new wording, the Regulations on Internal Audit Commission of the Company in a new wording, the Regulations on payment of remunerations and compensations to the members of the Board of Directors of OJSC Kuzbassenergo in a new wording, the Regulations on payment of remunerations and compensations to the members of the Internal Audit Commission of OJSC Kuzbassenergo in a new wording;



- passed a resolution on delegation of authorities of the sole executive body of the Company to management company - Limited Liability Company MC Siberian Generating Company;
- passed a resolution on approval of non-arms-length transactions between the Company and interested persons that may be made in future (before the date of the following annual General Meeting of the

Company shareholders) in the normal course of business of the Company.

THE BOARD OF DIRECTORS

During the accounting period of 2009 the Company was managed by the Board of Directors of OJSC Kuzbassenergo of 2 compositions:

Members of the Board of Directors from 27.06.2008 to 23.06.2009	Members of the Board of Directors from 23.06.2009 until the date of election of the new composition at the AGM of 2010
BAI Alexei Evgenievich	BOLSHAKOV Andrei Nikolaevich
BOLSHAKOV Andrei Nikolaevich	GRIGORIEV Sergei Alexandrovich
DOLGOPOLOV Dmitry Alexandrovich	DEMURA Victor Nikolaevich
KOCHETKOVA Tatiana Vladimirovna	DRACHUK Andrei Alexandrovich
LAPIN Vladimir Ivanovich	KIPRIYANOV Roman Yurievich
LISYANSKIY Mikhail Eduardovich	KOZLOVA Irina Vladimirovna
MARTYNOV Sergei Alexandrovich	KUBRAKOV Alexei Nikolaevich
PETELIN Sergei Alexandrovich	MAZIKIN Valentin Petrovich
REPIN Igor Nikolaevich	MARTYNOV Sergei Alexandrovich
SOROKIN Igor Yurievich	PAPIN Mikhail Leonidovich
SHATSKY Pavel Olegovich	TIKHONOVA Maria Gennadievna

In 2009 the Board of Directors of the Company held 19 meetings including 1 meeting in the form of com- presence, and 18 other meetings - in the absentee form at which 447 questions were considered. The information on resolutions approved by the Board of Directors of OJSC Kuzbassenergo is presented on the corporate site of the Company at:
[HTTP://WWW.KUZBASSENERGO.RU/ INVEST/PROTOCOL/](http://www.kuzbassenergo.ru/invest/protocol/)

Information on members of the Board of Directors of the Company elected on 23 June, 2009:

1. GRIGORIEV Sergei Alexandrovich - Chairman of the Board of Directors.

Year of birth: 1957.

Educational background: Higher education, in 1979 graduated from the Institute of Asian and African Studies at the Lomonosov Moscow State University, qualification: historian-orientalist, assistant-translator; in 1984, from the Academy of Social Studies at the CPSU Central Committee, master of public administration - Harvard, doctor of philosophy – TUFTS-HARVARD-FLETCHER..

Function: Deputy General Director – Director for Relations and Communications of OJSC SUEK.

Company shares held: none.

2. BOLSHAKOV Andrei Nikolaevich - member of the Board of Directors.

Year of birth: 1955.

Educational background: Higher education, in 1981 graduated from The N.Bauman Moscow Higher Technical School (currently – The N.Bauman Moscow State Technical University), specialisation: electromechanics engineer; 1998 to 1999 – studies in the Academy of National Economy under the Government of the Russian Federation – economics, finance, management (advanced training); 2001 to 2003 - studies in the Russian Academy for Foreign Trade – economist (the second higher education).

Function: Deputy Director of Department of LLC Eko-Prog.

Company shares held: none.

3. DEMURA Victor Nikolaevich.

Year of birth: 1973.

Educational background: Higher education, in 1995 graduated from Moscow State Mining University, qualification: underground mining of mineral deposits.

Function: Deputy Chief of the Underground Mining Engineering Department of OJSC SUEK.

Company shares held: none.

4. DRACHUK Andrei Alexandrovich

Year of birth: 1971

Educational background: Higher education, in 1993 graduated from the Ural State Legal Academy, profession: jurist, qualification: lawyer.

Function: Director for Strategic Planning and Organisational Development of OJSC the System Operator of the Unified Energy System.

Percent of voting shares in the Company held: 0.0001f%.

5. KIPRIYANOV Roman Yurievich

Year of birth: 1976

Educational background: Higher education, in 1998 graduated from the Omsk State Technical University, qualification: economist-manager.

Function: Chief of the Control and Corporate Interaction Department of LLC MC Siberian Generating Company.

Company shares held: none.

6. KOZLOVA Irina Vladimirovna

Year of birth: 1972

Educational background: Higher education, in 1995 graduated from the Moscow State Instrument Making and Information Technology Academy, qualification: engineer-economist.

Function: Communications Service Project Manager of OJSC SUEK.

Company shares held: none.

7. KUBRAKOV Alexei Nikolaevich

Year of birth: 1978

Educational background: Higher education, graduated from the Volgograd State University, speciality: jurisprudence.

Function: Legal adviser of LLC Russian Trading House.

Company shares held: none.

8. MAZIKIN Valentin Petrovich

Year of birth: 1945

Educational background: Higher education, in 1970 graduated from the Kuzbass Polytechnical Institute majoring in technology and comprehensive mechanization of opencut mining of mineral deposits, Ph.D., Engineering, professor.

Function: First Deputy Governor of Kemerovo region.

Company shares held: none.

9. MARTYNOV Sergei Alexandrovich

Year of birth: 1959

Educational background: Higher education, in 1984 graduated from Penza Polytechnical University, system engineer; in 2002 – from Penza State University, economist–manager.

Function: Chief of the Internal Control and Audit Service of OJSC SUEK.

Company shares held: none.

10. PAPIN Mikhail Leonidovich

Year of birth: 1955

Educational background: Higher education, in 1983 graduated from the Moscow Mining Institute, mining engineer-economist.



Function: Deputy Director, HR and Administration of OJSC SUEK.

Company shares held: none.

11. TIKHONOVA Maria Gennadievna

Year of birth: 1980

Educational background: Higher education, in 2002 graduated from Volgo - Vyatskaya Academy of Public Administration, manager; in 2005, from the Academy of National Economy at the Government of the Russian Federation. Professional retraining under the program 'State Management of Economic Development'; since 2006 to date: Higher School of Economics under the program 'Master of Business Administration (MBA)', specialisation – finance.

Function: Deputy Director of the Department of Economic Regulation and Property Relations in the Fuel and Energy Complex of the Ministry of Energy of the Russian Federation.

Company shares held: none.

In 2009 the members of the Board of Directors of the Company have not made any transactions involving acquisition or disposal of the Company shares.

The procedure for payment of remunerations and compensations to the members of the Board of Directors of the Company is set forth in the Regulations on payment of remunerations and compensations to the members of the Board of Directors of OJSC Kuzbassenergo developed according to the Federal Law «On Joint Stock Companies».

On 23 June, 2009 the Annual General meeting of the Company shareholders approved the new edition of the Regulations on payment of remunerations and compensations to the members of the Board of Directors of OJSC Kuzbassenergo according to which remunerations for attending meetings of the Board of Directors may be paid to the members of the Board of Directors subject to the relevant decision taken by the General Meeting of the Company shareholders.

The amount of remunerations paid to the Chairman of the Board of Directors of the Company may be increased by 50%.

Each member of the Board of Directors of the Company shall be reimbursed for expenses (for transport, accommodation, meals, etc.) actually incurred by him when attending meetings of the Board of Directors of the Company.

In 2009 the members of the Board of Directors of the Company received a remuneration in the amount of 4,639,377 roubles.

COMMITTEES OF THE BOARD OF DIRECTORS

To improve the effectiveness of its activity and to provide for preliminary consideration of specific matters which require a deeper analysis, the Board of Directors creates Committees. Committees are not considered as the Company bodies and cannot carry out function of the Board of Directors. The Company may not accept civil rights and responsibilities through Committees.

The number and the functions of permanent committees are established by the Board of Directors.

In 2009 two committees functioned in the Company:

Audit Committee including the following members:

- MARTYNOV Sergei Alexandrovich (Chairman);
- BOLSHAKOV Andrei Nikolaevich;
- KIPRIYANOV Roman Yurievich.

The procedure of activity and holding of the Committee meetings is regulated by the Regulations on Audit Committee of the Board of Directors of OJSC Kuzbassenergo, approved by the resolution of the Board of Directors of OJSC Kuzbassenergo on 10 June, 2008.

The full text of the Regulations on Audit Committee of the Board of Directors of OJSC Kuzbassenergo is available on the Company corporate website at: [HTTP://WWW.KUZBASSENERGO.RU/CORP/COMMITTEE /](http://www.kuzbassenergo.ru/corp/committee/).

The Committee is entrusted with development and presentation of recommendations to the Board of Directors on the following issues:

- accounting and reporting, including consideration of a nominee auditor and determination of the amount of the auditor's fee;

- internal control system of the Company;
- efficiency of the Company activity in the field of risk management.

Reliability Committee including the following members:

- PETELIN Sergei Alexandrovich (Chairman);
- GRETSINGER Yury Alexandrovich;
- PARSHUKOV Maxim Leonidovich;
- KUTYREV Alexei Valerievich;
- LAZAREV Anatoly Anatolievich;
- PERMAMEDOV Yury Nasibovich;
- SYCHEV Vladimir Borisovich.

The procedure of activity and holding of meetings of the Reliability Committee of the Board of Directors of the Company was regulated by the Regulations on Reliability Committee of the Board of Directors of OJSC Kuzbassenergo approved by the resolution of the Board of Directors of OJSC Kuzbassenergo on 18 April, 2007.

The Reliability Committee of the Board of Directors of the Company was entrusted with development and presentation of recommendations (conclusions) to the Board of Directors in the following areas of activity of the Board of Directors:

- Examination of investment programs and plans of repair and modernisation of equipment, rehabilitation of buildings and structures of power facilities from the point of view of meeting the requirements of overall reliability, and follow-up analysis;
- Estimation of sufficiency of provisions scheduled to eliminate the consequences of accidents and serious technological infringements, as well as completeness of their implementation;
- Estimation of the Company activity in terms of:
 - ensuring overall reliability of equipment, buildings and structures;
 - ensuring serviceable and safe condition of fixed assets and providing information on forecasted risks of reliability of their functioning;
 - analysis of risks of overall reliability of power facilities of the Company and measures taken for their minimisation.

By the resolution of the Board of Directors of the Company of 08.07.2009 the Reliability Committee was abolished.

EXECUTIVE BODIES

Sole executive body

According to the Charter of OJSC Kuzbassenergo the day-to-day activity of OJSC Kuzbassenergo is managed by the sole executive body — the General Director.

Till 28 May, 2009 the functions of the General Director of the Company were performed by **MIKHAILOV Sergei Nikolaevich**.

Year of birth: 1959

Educational background: Higher education, in 1981 graduated from Novosibirsk Electrotechnical Institute majoring in "Dynamics and strength of machines"; in 1994 – from Novosibirsk Institute of National Economy majoring in "Finance, credit and money circulation", Ph.D., Economics.

In 2006-2007 he held the position of the General Director of OJSC South-Kuzbass SDPS, OJSC West-Siberian CHPS, OJSC Kuzbassenergosbyt.

Percent of voting shares in the Company: 0.374%.

On 28 May, 2009 (Minutes No. 20/15) the authorities of the General Director of the Company MIKHAILOV Sergei Nikolaevich were terminated by the resolution of the Board of Directors.

From May, 29th, till September, 15th, 2009 the functions of the General Director of the Company were performed by **SHEIBAK Yury Vladimirovich**.

Year of birth: 1953.

Educational background: Higher education, in 1975 graduated from Novosibirsk Electrotechnical Institute majoring in "Power plants", in 2004 - from Academy of National Economy under the Government of the Russian Federation majoring in "Management of company development".

In 2000-2003 he held the position Deputy Chief Engineer, Repair of OJSC Kuzbassenergo's branch, Novo-Kemerovskaya CHPS of, since 2003 - Deputy Technical Director, Operation; Deputy Technical Director, Operation and Perspective Development; Deputy General Director, Marketing and Sales; Deputy General Director, Marketing; Director, Market Operations,



General Director, Chief Executive Officer of OJSC Kuzbassenergo; since 01 August, 2009, by joint appointment, Director of Kuzbass Branch of OJSC Kuzbassenergo.

Company shares held: none.

Since 16 September, 2009 the authorities of the sole executive body of OJSC Kuzbassenergo were delegated to the management company, LLC MC Siberian Generating Company.

On 23.06.2009 according to the recommendation of the Board of Directors of the Company the annual General Meeting of shareholders of OJSC Kuzbassenergo passed a resolution on delegation of powers of the sole executive body of OJSC Kuzbassenergo to the management company, MC Siberian Generating Company (Limited Liability Company).

On 21.08.2009 the Federal Antimonopoly Service of Russia satisfied the request of LLC MC Siberian Generating Company for assuming functions of the executive body of OJSC Kuzbassenergo.

On 16.09.2009 OJSC Kuzbassenergo and LLC MC Siberian Generating Company signed an agreement for delegation of powers of the sole executive body to the management company.

Management bodies of LLC MC Siberian Generating Company:

- General Meeting of members;
- Management Board;
- General Director.

The General Director of LLC MC Siberian Generating Company is **MIRONOSETSKIY Sergei Nikolaevich**.

Year of birth: 1965.

Educational background: Higher education: graduated from Novosibirsk State University majoring in economic cybernetics. After service in the army till 1994 he was engaged in scientific researches. In particular, for some years he worked in the Industrial Enterprises Management Section of the Institute of Economics and Industrial Production Organisation.

In 1995-1996 he managed Novosibirsk representative office of LLC Rosexpertiza; in 1996-1999 he was director of Novosibirsk branch of CJSC Unikon/Ms Consulting Group.

In 1999 he joined OJSC Kuzbassenergo where he was appointed Deputy General Director for Finance and Economy. In 2001 he became Deputy General Director, Financial Director of LLC EvrosibEnergo, in 2003 - Director for Finance and Economy of OJSC Irkutskenergo.

Since April, 2005 he holds the position of the Deputy General Director of OJSC SUEK, since July, 2009 - the General Director of LLC MC Siberian Generating Company.

Company shares held: none.

Collegiate Executive Body

In the first half of 2009 a collegiate executive body functioned in the Company – Management Board consisting of the following members:

MIKHAILOV Sergei Nikolaevich - Chairman of the Management Board (till 28.05.2009).

GREBENNIKOV Alexei Antonovich - member of the Management Board.

Year of birth: 1939.

Educational background: Higher education, in 1961 graduated from Altai Polytechnical Institute.

Function: Adviser to the Chief Executive Officer of OJSC Kuzbassenergo.

Company shares held: none.

GRETSINGER Yuri Alexandrovich - member of the Management Board.

Year of birth: 1953.

Educational background: Higher education, in 1975 graduated from Tomsk Polytechnical Institute majoring in "Electrical systems and grids", PhD, Economics.

Function: First Deputy Chief Executive Officer - Chief Engineer of OJSC Kuzbassenergo.

Company shares held: none.

EROFEEV Alexander Kupriyanovich - member of the Management Board.

Year of birth: 1959.

Educational background: Higher education, in 1981 graduated from Novosibirsk Electrotechnical Institute majoring in "Dynamics and strength of machines", in 1997 – from the Siberian Institute of Finance and Banking.

Function: Director for Resource Provision of OJSC Kuzbassenergo.

Company shares held: none.

SKOROKHODOV Dmitry Viktorovich - member of the Management Board.

Year of birth: 1977.

Educational background: Higher education, in 1999 graduated from Kemerovo State University, faculty of law.

Function: OJSC Kuzbassenergo Director, Corporate and Legal Matters.

Percent of voting shares in the Company held: 0.0113%.

LAVROV Alexander Mikhailovich - member of the Management Board.

Year of birth: 1950.

Educational background: Higher education, in 1974 graduated from Tomsk Polytechnical Institute majoring in applied mathematics; Doctor of Economics, full correspondent member of the Academy of Natural Science of the West-Siberian Branch.

Function: the Director for economics and OJSC Kuzbassenergo finance.

Company shares held: none.

SHEIBAK Yury Vladimirovich - member of the Management Board (till 28.05.2009), Chairman of the Management Board (from 29.05.2009).

The new edition of the Charter approved by the resolution of the annual General Meeting of shareholders of OJSC Kuzbassenergo on 23.06.2009 does not stipulate a collegiate executive body.

In 2009 neither the members of the Management Board of the Company nor the General Director of the Company have made any transactions involving acquisition or disposal of the Company shares.

Remuneration to the Company executive bodies.

Remuneration to the General Director of OJSC Kuzbassenergo in 2009 was paid according to the Regulations on material incentives for the General Director of OJSC Kuzbassenergo approved by the Board of Directors of the Company on 31.03.2009.

Remuneration to the Management Company for management services is paid according to the Agreement on delegation of authorities of the sole executive body No. 1 of 16.09.2009 entered into by OJSC Kuzbassenergo and LLC MC Siberian Generating Company and its amount is determined proceeding from the amount of all actual expenses of the Management Company for the accounting period (month) calculated taking into account all expenditure items. The terms and conditions of the Agreement on delegation of authorities of the sole executive body were approved by the resolution of the Board of Directors of the Company of 15.09.2009.

In 2009 the Management Company received a remuneration of 39,623,690 roubles.

Remuneration was paid to the members of the Management Board of the Company for fulfilment by them of their functions and consisted of the salary stipulated by the labour contract, as well as of bonuses determined depending on performance during the period, based on Russian Financial Reporting indices and extra bonuses proceeding from assessment of the contribution of each member of the Management Board to the general result of operation. The labour contract with the Chairman and members of the Management Board according to the 'Regulations on the Management Board of OJSC Kuzbassenergo' which was effective in the first half of 2009 was signed on behalf of the Company by the Chairman of the Board of Directors or a person authorised by the Board of Directors

The amount of remuneration paid in 2009 to the members of the Management Board (net of amounts paid to the General Director) was 16,201,077 roubles.



INTERNAL AUDIT COMMISSION

The Internal Audit Commission of the Company is permanent control body of the Company in charge of regular control of compliance of the financial and economic activity of the Company, its officers, and management bodies with the legislation of the Russian Federation, the Company Charter and by-laws.

The current composition of the Internal Audit Commission of the Company was elected by the resolution of the annual General Meeting of shareholders of OJSC Kuzbassenergo on 23 June, 2009:

MALTSEV Nikolai Vladimirovich - Chairman of the Internal Audit Commission.

Year of birth: 1979.

Educational background: Higher education, in 2002 graduated from the Siberian State University majoring in Metallurgy of Ferrous Metals.

Function: OJSC Kuzbassenergo, Chief of the Internal Audit Service.

Company shares held: none.

BOSALKO Dmitry Sergeevich - member of the Internal Audit Commission.

Year of birth: 1981.

Educational background: Higher education: in 2004 graduated from the Far East State University majoring in Economics.

Function: OJSC Siberian Coal Energy Company, Chief of Khabarovsk Regional Directorate of the Internal Control and Audit Service.

Company shares held: none.

DOROKHOVA Svetlana Anatolievna - member of the Internal Audit Commission.

Year of birth: 1981.

Educational background: Higher education, in 2005 graduated from Kuzbass State Technical University majoring in Economics.

Function: OJSC Siberian Coal Energy Company, Chief Expert of the Internal Control and Audit Service of the company branch in the city of Leninsk-Kuznetskiy.

Company shares held: none.

MAKAREIKINA Margarita Romanovna - member of the Internal Audit Commission.

Year of birth: 1986.

Educational background: Higher education, in 2008 graduated from the Kuzbass State Technical university majoring in Accounting, Analysis and Audit.

Function: OJSC Siberian Coal Energy Company, auditor.

Company shares held: none.

MOKHNACHEVSKAYA Sofia Ivanovna - member of the Internal Audit Commission.

Year of birth: 1979.

Educational background: Higher education, in 2000 graduated from Timiryazev Moscow Agricultural Academy majoring in Accounting and Audit; in 2007, from Moscow Financial and Industrial Academy majoring in Estimation of Enterprise Value.

Function: OJSC Siberian Coal Energy Company, Deputy Chief of the Internal Control and Audit Service for Power Assets Auditing.

Company shares held: none.

In its activity the Internal Audit Commission is independent of the officers of the management bodies of the Company. The Internal Audit Commission acts according to the Regulations on the Internal Audit Commission of the Company which set forth the legal status, purpose and tasks, rights, obligations, structure and composition of the Internal Audit Commission. The annual General Meeting of shareholders of OJSC Kuzbassenergo of 23.06.2009 approved the Regulations on the Internal Audit Commission of the Company in a new wording.

The procedure of payment of remunerations and compensations to the members of the Internal Audit Commission of the Company is determined by the Regulations on payment of remunerations and compensations to the members of the Internal Audit Commission of OJSC Kuzbassenergo developed according to Federal Law "On Joint Stock Companies".

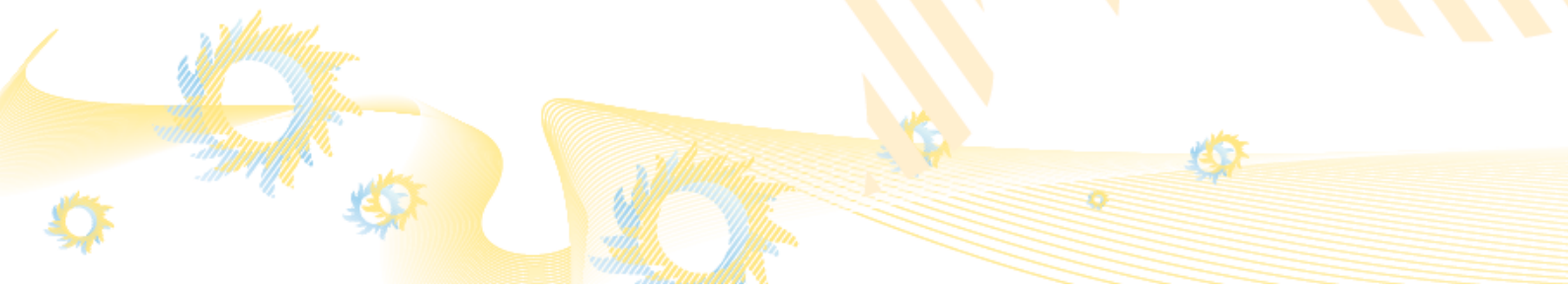
On 23 June, 2009 the Annual General meeting of the Company shareholders approved a new edition of the Regulations on payment of remunerations and compensations to the members of the Internal Audit Commission of OJSC Kuzbassenergo according to which remunerations for participation in checks (audits) of financial and economic activity of the Company may be paid to the members of the Internal Audit Commission of the Company subject to the respective resolution passed by the General Meeting of shareholders of the Company.

The amount of remunerations paid to the Chairman of the Internal Audit Commission of the Company may be increased by 50%.

A member of the Internal Audit Commission of the Company may be compensated for the costs incurred in attending meetings of the Internal Audit Commission of the Company, carrying out audits, visiting Company's facilities, fulfilment of other assignments relating to the accomplishment of functions of a member of the Internal Audit Commission of the Company.

Remunerations and compensations to specialists (experts) who are not members of the Internal Audit Commission of the Company but are engaged by the Internal Audit Commission are paid by the Company on the basis of contracts concluded by them with the Company. The terms and conditions of such contracts are approved by the Board of Directors of the Company .

In 2009 no remuneration was paid to the members of the Internal Audit Commission of the Company.



RISK MANAGEMENT SYSTEM

To establish a uniform risk revealing procedure and methods, development of risk management and monitoring provisions at various levels of the Company, in compliance with the Order of the General Director of the Company No.466 of 01.09.2008, OJSC Kuzbassenergo began development of the Corporate Risk Management System. The Corporate Risk Management System of OJSC Kuzbassenergo is the process carried out by the Board of Directors, managers and other employees of the Company starting from the moment of development of the strategy and addressing the whole activity of the Company.

To ensure an efficient formation and functioning of the Corporate Risk Management System the Company developed, approved and put into effect the Risk Management Standard. This standard differentiates risk management functional responsibilities between all persons concerned, preventing possible conflict of interests, determines the risk revealing procedure and methods at the level of the Company as a whole, and at the level of its structural divisions, the procedure for development of risk management provisions, as well as the risk management procedure at various levels of the Company.

The risk management standard stipulates:

- distribution of information on risk management processes and procedures within the Company;
- provision of the information on risk management responsibility of respective employees;
- formation of understanding of risk management processes by each employee of the Company;
- demonstration of interconnection of risk management processes with the activity aimed at achieving the Company purposes.

The corporate Risk Management System is intended to promptly reveal all potential sources of risk and identify those requiring prime attention. Special risk management provisions are implemented and measures are taken to minimise negative consequences of the most essential risks.

BRANCH RISKS

Power industry is a branch with high technological risks conditioned by specificity of production and transfer of the product to consumers. The Company actively manages branch risks which it is able to directly influence, and undertakes active measures to alleviate and prevent other risks.

Major risk factors in the Company's activity include:

- Significant volatility of market prices in the «day-ahead» market;
- Competition on the part of hydraulic power plants, WGCs, TGCs and others power generating facilities;
- Changing consumption level;
- Discrepancy of prices for coal, metal products, chemical products and tariff growth rates.
- Legislative risks due to implementation of new marketing instruments.

Major branch risks at operation on the Wholesale Electric Energy/Power Market are:

- Introduction of price levelling mechanisms causing financial losses due to limitation of electric energy selling price in the Electric Energy/Power Wholesale Market;

- Implementation by the Electric Energy/Power Wholesale Market players of new strategy elements aimed at fall in prices;
- Intentional understatement by the Electric Energy/Power Wholesale Market players (consumers) of estimated consumption volumes;
- Provision of incorrect information in Day-Ahead Market price bids or failure to submit Day-Ahead Market bids to OJSC Trading System Administrator;
- Unscheduled repair of main generating equipment of OJSC Kuzbassenergo power stations.

Major risks related to the Company operation in the heat market are:

- Decreased heat energy consumption rates;
- Under conditions of consequences of the economic recession - erosion of purchasing power of consumers, first of all consumers of the housing sphere due to decrease of payment discipline and budgetary consumers due to absence of funds in the regional and local budget;
- Absence of statutory acts regulating relations in the field of heat supply may have negative aftereffects for the Company;
- Tariff regulation risks;
- Technological risks due to ageing of heat mains, and - as consequence - growth of extra losses;
- High probability of change of the procedure and conditions of settlements for supplied heat energy with housing and communal services organisations.

FINANCIAL RISKS

The Company raises borrowed funds in the form of bank credits as an additional source of replenishment of current assets and implementation of investment programs. Therefore the Company is exposed to the risk of change in interest rates under interest-bearing liabilities. Negative consequences of this risk for the Company include the rise of the interest rates, which may cause increase of the borrowed funds servicing costs.

The consequences of the world financial crisis in the Russian credit market include the raise of interest rates, decrease of supply, slowing-down of investment growth rates.

To reduce the effect of risks associated with the raise of interest rates the Company carries out a competitive selection of credit institutions - potential creditors, distributes the risks between several banks, concludes contracts on conditions of fixed and floating interest rate, opens renewable credit lines for an amount exceeding current credit requirements of the Company in borrowed funds, reserves the right of an early repayment of the credit under all contracts being concluded.

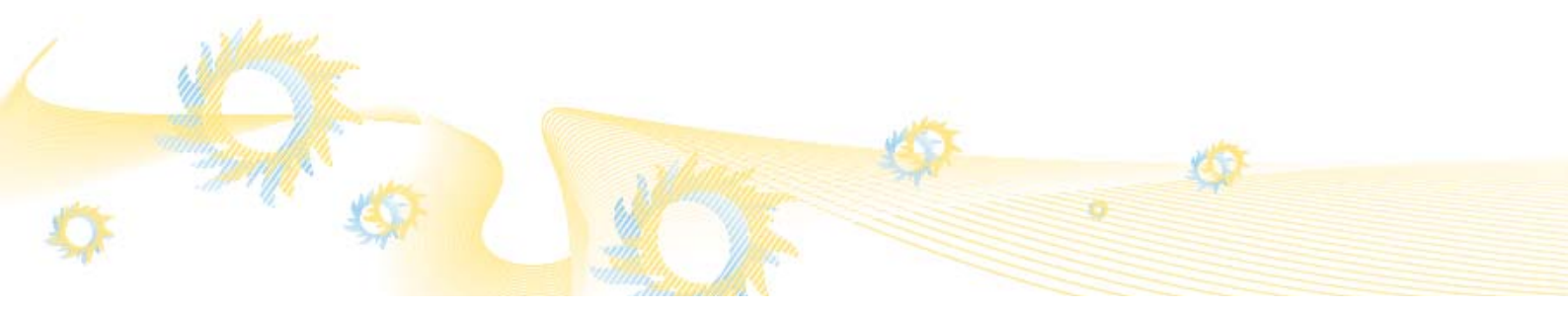
The key parameter, which is the most likely to undergo changes due to financial risks, is the Company's profit. As the interest rates go up, interest payments for use of credits of commercial banks increase, thus shrinking the Company's profit.

LEGAL RISKS

Legal risk is a risk of occurrence of losses due to:

- Company's failure to meet the requirements of statutory legal acts, concluded contracts;
- Legal mistakes made in the process of carrying out Company's activity, in particular at consideration of disputes in courts;
- Legislation changes, imperfection of the legal system, including inconsistency of certain provisions of statutory legal acts, absence of legal rules regulating specific issues arising in the course of the Company's activity;
- Infringement by counterparts of statutory legal acts, as well as terms and conditions of concluded contracts.

OJSC Kuzbassenergo carries out its primary activity in the markets of electric and thermal energy. Therefore, a change of legal regulation in these fields may affect the Company performance.



Besides, Company activity in these fields is subject to control of the antimonopoly legislation stipulating administrative responsibility for infringement of the same.

Company's activity is associated with negative impact on the environment. Accordingly, the Company carries legal risks relating to infringement of the environmental legislation (administrative penalties, administrative suspension of activity, reimbursement of harm caused to the environment).

Tax legislation changes may entail an increase of tax liabilities of the Company. Change of cadastral cost of land lots, and water use schedule influences the procedure of calculation of the land tax, water tax, and may change bottom-line figures of economic operations of the Company.

To minimise legal risks, the Company put into effect by-laws regulating the procedure of conclusion and fulfillment of agreements; developed model agreements; the contracts are subject to compulsory coordination with the legal department; the implemented legal reference system 'Consultant Plus' allows employees of the Company to trace changes in the legislation of the Russian Federation, and law-enforcement practice trends.

ECOLOGICAL RISKS

Other risks associated with the power system activity include environmental risks. Environmental risks at production of electric and heat energy are mainly related to the licensed activity involving use of water resource and handling hazardous industrial waste.

According to the effective legislation, all power stations of OJSC Kuzbassenergo obtained licences for water intake and discharge of waste water into water reservoirs.

Upon promulgation of the Regulations on licensing the waste disposal activity approved by the Order No. 524 of 26.08.2006 of the Government of the Russian Federation, Altai Interregional Directorate of the Russian Federal Service for Ecological, Technical and Atomic Supervision (Rostekhnadzor) issued to OJSC Kuzbassenergo a uniform licence (effective till 29.12.2012) for handling hazardous industrial waste.

The payment for the use of water resources and waste water disposal within the limits established by licences is effected from the production costs at flat water tax rates and charges rates for specific hazard class of an industrial waste. Failure to meet at least one of the licence requirements may be used by environmental authorities as a ground for suspension of the licence accompanied by a 5-fold increase in payment from the profit.

Strict compliance with all conditions of the above licences is a prerequisite of prevention of environmental risks.

QUALITY MANAGEMENT SYSTEM

In conformity with the decision of OJSC SUEK to include OJSC Kuzbassenergo in the Project of standardization of the Quality Management System (QMS) within the unified integrated coal company the QMS Program of OJSC Kuzbassenergo for 2008-2009 was approved.

The implementation of the Quality Management System of OJSC Kuzbassenergo is aimed at ensuring quality of goods and services, continuous increase of quality and reliability indices, implementation of a system-based mechanism of monitoring and improving quality of processes and services under current business conditions.

The scope of application of the QMS covers production of electric and heat energy and power; heat energy transfer; sale of energy within the terms of reference of the executive bodies, Kemerovo Power Stations Directorate, Kuznetskaya CHPS, Kemerovo Heat Networks.

In 2008-2009 during implementation of the QMS Project a number of scheduled measures were carried out, the Quality Management System was prepared for certification and the following results were achieved:

Policy and targets in the field of quality

The top management of the Company developed and approved the Quality Policy for 2008-2009. To promote achievement of the set strategic targets each employee of the Company was acquainted with the Policy, and it was brought to the notice of all interested parties by placing it in the Internet site of OJSC Kuzbassenergo. During the accounting year the Goals in the field of quality were actualised, the criteria of estimation (performance indices) were substantiated and target values for achievement of the planned results were specified.

A system-based mechanism of complex estimation of the QMS was implemented including self-improvement mechanisms (internal audits, management analysis, consumers feedback, etc.) which altogether ensure timely modification of the system in response to changes of the external and internal environment and contribute to continuous perfection of the Company's activity.

Process-oriented approach

The Company implemented a process-oriented approach including identification and regulation of all business processes of the Company, distribution of responsibility between top managers of the Company, specification of process monitoring and optimisation mechanisms that allows to promptly manage processes, to perform organisational changes and to carry out improvements.

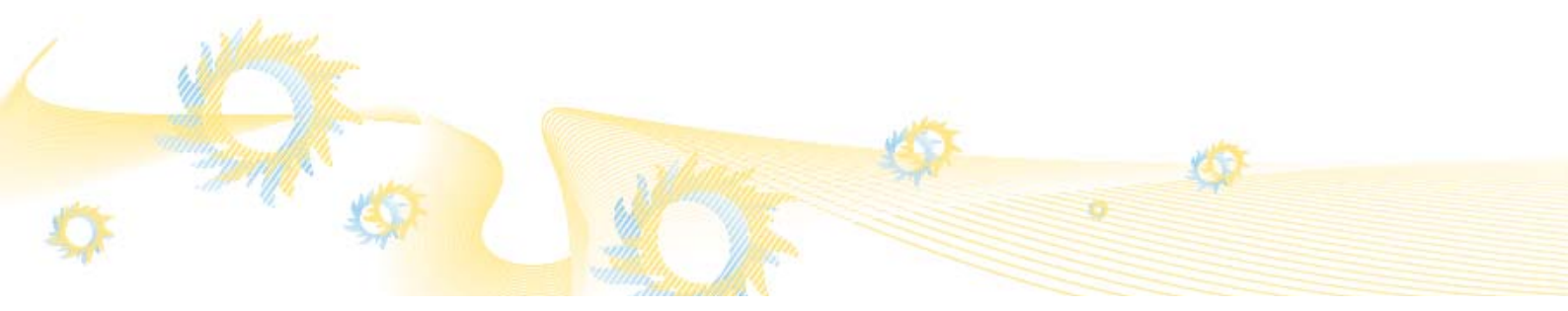
Policy of selection and assessment of suppliers of products, operations and services

The Company developed a policy of selection and assessment of suppliers of products, operations and services, providing for a uniform approach to selection and management of suppliers to ensure priority of interests of the Company as against interests of separate groups and individuals.

Standard 'Organisation of Procurement in OJSC Kuzbassenergo' was updated and criteria of assessment of suppliers were developed. For the first time the Company carried out a repeated assessment of suppliers based on results of supply of goods, fulfillment of works and provision of services for the previous year; the assessment results were presented to the management. A database of key suppliers for 2008-2009 was created.

Assessment of satisfaction of the energy market key consumers

OJSC Kuzbassenergo activity is aimed at meeting the requirements of consumers regarding uninterrupted supply of heat energy, electric energy, and power while observing the load patterns and product quality standards.



To build efficient relations with consumers the requirements to the quality of products: thermal energy, electric energy, and power were approved; a detailed classification of consumers, depending on the energy market outlets was developed. A system-based mechanism of feedback from consumers of both internal and foreign market with respect to service quality and extent of satisfaction by fulfillment by OJSC Kuzbassenergo of its obligations under contracts was implemented.

Standard 'Customer servicing in OJSC Kuzbassenergo' was approved, 'For our customers' section was created on the Company site to inform consumers and to receive the feedback. Customer service centres were established in the cities of Novokuznetsk, Kemerovo, Belovo, Barnaul.

Internal audits of the QMS

To determine conformity of the QMS to the requirements of ISO 9001:2008, and to assess its efficiency, the Company periodically carries out internal audits of all project sites by the Company personnel jointly with the Internal Audit Service of OJSC SUEK. Based on results of audits the reasons of non-conformities are established and actions plans for their elimination and process improvement are developed; corrective and preventive measures are taken to reduce risks.

Documentation management processes

To minimise risks relating to ambiguous understanding of regulatory requirements to the Company's activity, and application of out-of-date requirements to the processes, a huge amount of work was done for optimisation of the Company external and internal standard documentation management processes. Compulsory Company standards required according ISO 9001:2008 standard were developed and are maintained in an actualised state; measures on identification of document changes and prevention of use of out-of-date documents were stipulated; the database of the internal and external documentation of the Company was generated and is maintained in an up-to-date state.

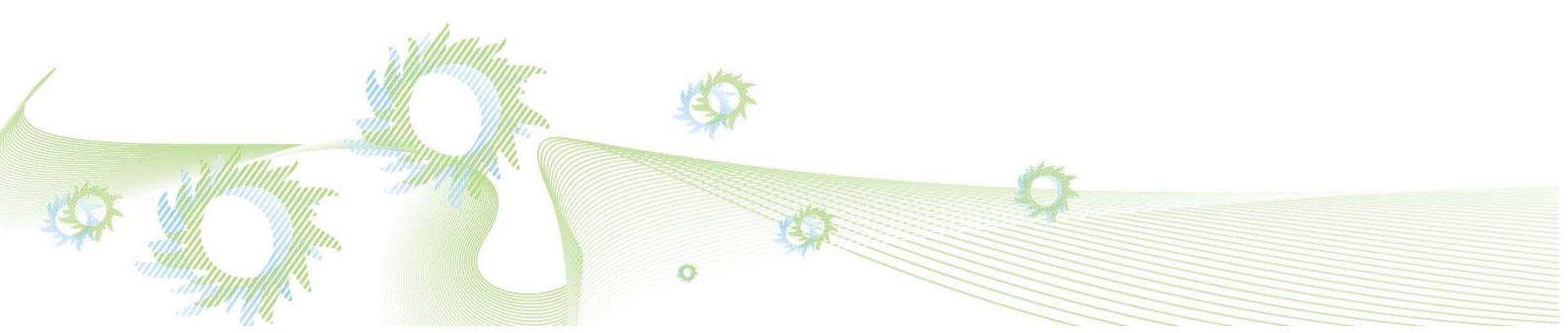
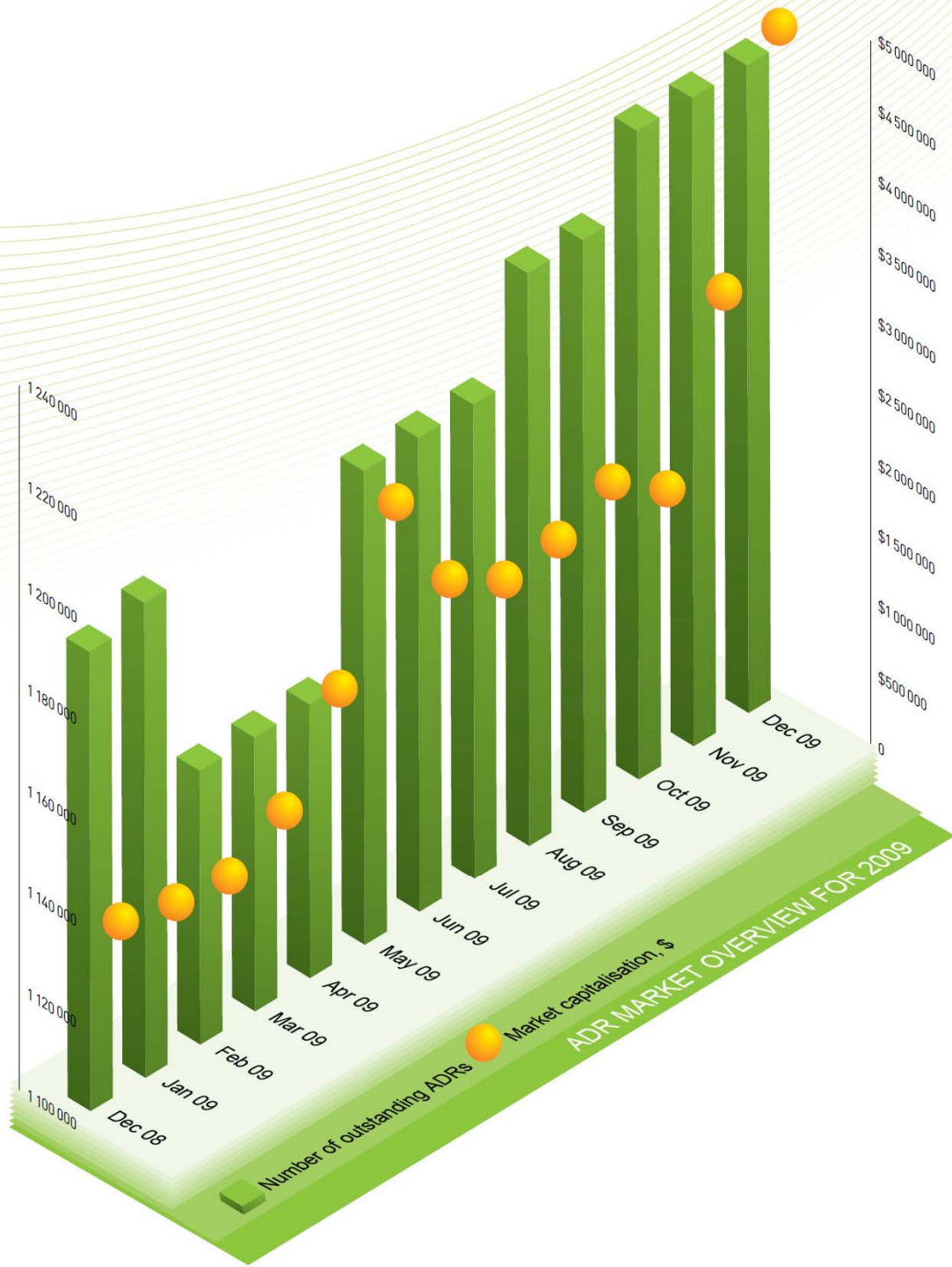
Certification audit

From April, 20 till April, 25th 2009 in OJSC Kuzbassenergo was subject to the certification audit of the QMS by an international certification authority Bureau Veritas Certification. The audit has not revealed any material noncompliance, the independent auditors highly appreciated the obtained results and confirmed that the QMS of OJSC Kuzbassenergo complies with the requirements of the international standard ISO 9001:2008.

In the course of the audit the auditors emphasised strengths of the Quality Management System of OJSC Kuzbassenergo: Company management leadership; responsibility and motivation of employees interested in an efficient functioning of the QMS; high competence of the personnel; an extensive application of the process-based approach; a wide use of state-of-the-art information technologies; consumer focus and social responsibility of the Company; availability of a concept of technological and social development of the Company.

During the audit the area of application of the certificate was defined more exactly and expanded: investment development was added to production of thermal and electric energy, transport of heat energy, sale of electric and heat energy, and power.

The fact that OJSC Kuzbassenergo holds the international certificate contributes to the increase of the Company capitalisation, allows to raise its competitiveness to a higher level, promotes the growth of managerial efficiency and is a stimulus for further development.





Shareholder equity

6.1. Equity issue activity (74)

6.2. Share trading in stock markets (76)

6.3. Dividend history (78)

As of 31 December, 2009
the authorised capital of
OJSC Kuzbassenergo
amounted to

706,759,847.74
roubles

EQUITY ISSUE ACTIVITY

OUTSTANDING SHARES:

Number of outstanding shares (number of shares which are neither redeemed nor cancelled): 70,675,984,774 shares

Category of shares: **ordinary registered uncertificated shares.**

Par value of each share: **0.01 (point zero one) RUB.**

State registration number and date of state registration of the issue: **1-02-00064 of 06.03.2008**

Declared shares:

Number of declared shares: 44,111,739 shares

Category of shares: ordinary registered uncertificated shares.

Par value of each share: 0.01 (point zero one) RUB.

Details of share issues:

1. Issue No. 39-1п-00374 of 25.07.1994

- Method of placing: private offering
- Period of distribution: 12.01.1994 to 21.01.1994
- Number of actually placed securities of the issue according to the registered report on results of the issue: 3,030,819 shares

2. Issue No. 39-1-00970 of 23.11.1995

- Method of placing: distribution among shareholders
- Period of distribution: 23.11.1995 to 23.11.1995
- Number of actually placed securities of the issue according to the registered report on results of the issue: 603,132,981.

3. Issue No. 1-01-00064 of 24.05.2003

On 24 June, 2003 the Federal Commission on Securities of Russia merged additional issues of equity securities of OJSC Kuzbassenergo, cancelled share issue state registration numbers 39-1п-00734 and 39-1-00970 and assigned to them state registration number 1-01-00064-A of 24 June, 2003.

4. Issue No. 1-01-00064-A-001D of 06.11.2007

- Method of placing: public offering
- Period of distribution: 06.12.2007-17.12.2007
- Number of actually placed securities of the issue according to the registered report on results of the issue: 100,000,000 shares
- Par value: 1 RUB.
- On 10.04.2008 the Federal Financial Markets Service of the Russian Federation cancelled individual number (code) 001D of the state registration number 1-01-00064-A-001D

5. Issue No. 1-02-00064 of 06.03.2008

- Method of placing: conversion at share splitting
- Actual period of distribution: 18.03.2008
- Number of actually placed securities of the issue according to the registered report on results of the issue: 70,616,380,000 shares
- Par value: 0.01 RUB.

6. Issue No. 1-02-00064-A-001D of 15.05.2008

- Method of placing: conversion of ordinary shares of OJSC Kuzbassenergo Holding into Company shares
- Actual period of distribution: 01.07.2008
- Number of actually placed securities of the issue according to the registered report on results of the issue: 53,924,250 shares
- Par value: 0.01 RUB.
- On 12.12.2008 the Federal Financial Markets Service of the Russian Federation cancelled individual number (code) 001D of the state registration number 1-02-00064-A-001D.

7. Issue No. 1-02-00064-A-002D of 15.05.2008

- Method of placing: conversion of ordinary shares of OJSC Kuzbassenergo Holding into Company shares;
- Actual period of distribution: 01.07.2008
- Number of actually placed securities of the issue according to the registered report on results of the issue: 5,680,524 shares;



- Par value: 0.01 RUB.
- On 12.12.2008 the Federal Financial Markets Service of the Russian Federation cancelled individual number (code) 002D of the state registration number 1-02-00064-A-002D.

As of 31 December, 2009 the authorised capital of OJSC Kuzbassenergo amounted to **706,759,847 (Seven hundred and six million seven hundred fifty nine thousand eight hundred forty seven) roubles and 74 copecks** divided into 70,675,984,774 ordinary registered shares with a par value of 0.01 rouble each.

STRUCTURE OF SHAREHOLDER EQUITY OF OJSC KUZBASSENERGO:

Shareholder type	% of the total number of shares as of:	
	31.12.2008	31.12.2009
Individual holders	2.58	2.53
Corporate holders	0.31	0.31
Nominee holders	97.11	97.15
Trustees	<0.001	<0.01
Federal property	0.00	0.00
Property of a constituent entity of the Russian Federation	0.00	0.00
TOTAL	100.00	100.00

Total number of persons registered in the shareholder register of OJSC Kuzbassenergo as of 31.12.2009: 288,480, including:

- Individual holders: 287,403 (including 599 non-residents);

- Corporate holders: 584 (including 62 non-resident);
- Nominee holders: 27.

As of 31.12.2009 the Company did not hold any treasury shares. There are no shares in crossholding.

LIST OF SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY AUTHORISED CAPITAL

Shareholder name	Share in the authorised capital as of, %:	
	31.12.2008	31.12.2009
Open Joint Stock Company Siberian Coal Energy Company	49.64	50.0009
Open Joint Stock Company Federal Grid Company of the Unified Power System	18.93	0
DONALINK LIMITED	0	16.14
Open Joint Stock Company Sibenergoholding	5.14	5.14

Structure of property of the person holding 50.0009% of the authorised capital of OJSC Kuzbassenergo:

OJSC SUEK – the authorized capital is 1,287,000 (One million two hundred eighty seven thousand) divided into 257,400,000 ordinary registered shares with a par value of 0.005 (point zero zero five) rouble each.

As of 31.12.2009 OJSC SUEK's shareholders were:

- DONALINK LIMITED - 99.84% of the authorised capital of OJSC SUEK;
- Closed joint stock Company Krasnoyarskaya Mine - 0.16% of the authorised capital of OJSC SUEK.

TRADING OF SHARES IN THE STOCK MARKETS

OJSC Kuzbassenergo shares are traded at leading Russian stock platforms: CJSC Moscow Interbank Currency

Exchange (CJSC MICEX) and OJSC RTS Stock Exchange (OJSC RTS).

Stock Exchange	Share code at Stock Exchange	Quotation lists
CJSC MICEX	KZBN	Quotation list 'B'
OJSC RTS	KZBE, KZBEG	Non-listed stock

Starting from 30.04.2009 OJSC Kuzbassenergo shares were admitted to trading at OJSC RTS within the Quotation list section 'Securities admitted to trading without listing' (Non-listed stock). The shares were transferred to the category of non-listed from Quotation list 'B' on the basis of the Company's application.

VOLUMES OF TRADING IN 2009

Trade platform	Volume of trading, shares	Volume of trading, RUB./ USD	Volume of trading, % of authorised capital	Number of transactions
MICEX stock market	4,571,439,971	668,223,418 RUB	6.47	55,901
MICEX OTC market	41,964,756	8,100,540 RUB	0.06	26
RTS classic market	55,915,847	232,841 USD	0.08	21
RTS stock market	1,139,722	185,051 RUB	0.002	313
RTS OTC market	3,517,051,256	5,525,163,133 RUB	4.97	707
TOTAL	8,187,511,552		11.58	56,968

Minimum price of one share during the accounting period was 0.0636 RUB (on 16.01.2009), maximum price - 0.27 RUB (on 31.12.2009).

DEPOSIT RECEIPTS PROGRAM

In 1997 OJSC Kuzbassenergo launched the ADR (American Deposit Receipts) program with respect to the Company shares, and in 2008, the GDR (Global Deposit Receipts) program under Rule 144A and Regulation S.

Currently ordinary registered uncertificated shares of OJSC Kuzbassenergo according to the legislation of the State of New York, the USA, in the form of American Deposit Receipts, as well as according to the English law and the legislation of the State of New York, the USA, in the form of Global Deposit Receipts circulate outside of the Russian Federation.

The percent of shares in the Company deposited and circulating outside of the Russian Federation in the form of deposit receipts, as of 31.12.2009 was 1.09% of the authorised capital of the Company.

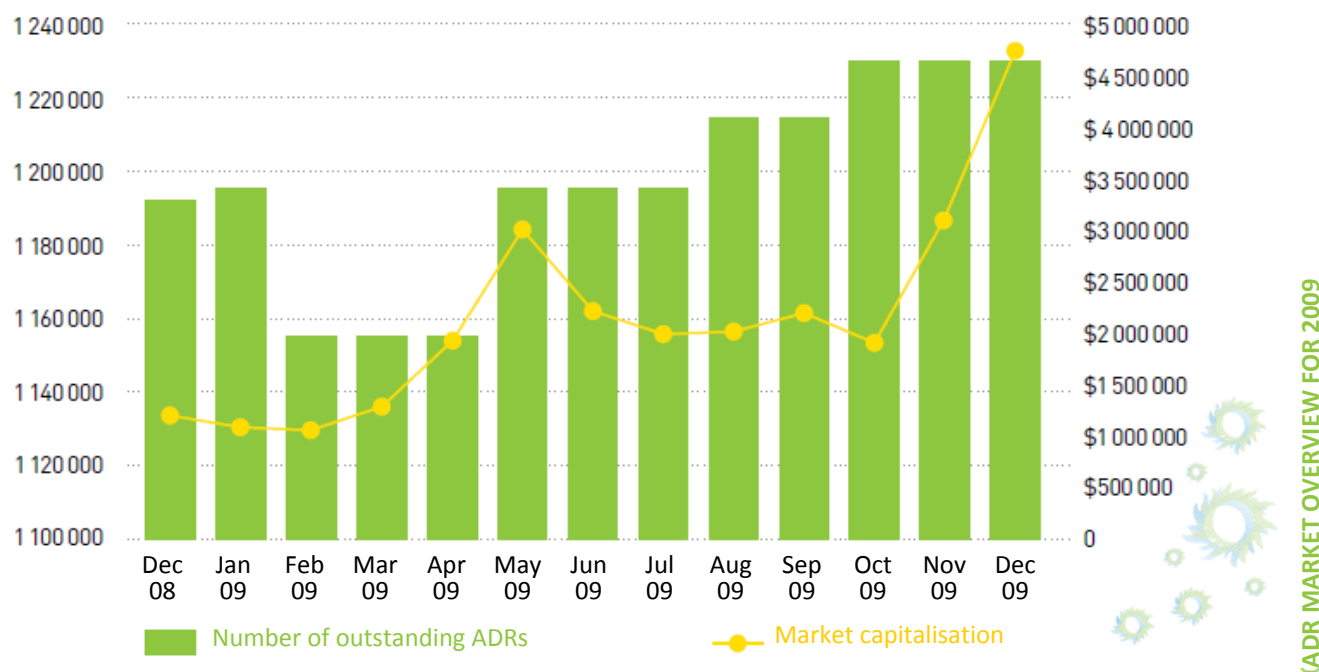
The Bank of New York Mellon is the depositary bank of the program.

The American Depositary Receipts are traded at the German Stock Exchange (Deutsche Borse) in Berlin and Frankfurt, as well as on the American Over-the-Counter Market; American Depositary Receipts according to the Rule 144 A are traded among qualified institutional investors (they are quoted in PORTAL system), and Global Depositary Receipts - according to Regulation S - among non-American investors.



REVIEW OF THE MARKET OF DEPOSITORY RECEIPTS FOR OJSC KUZBASSENERGO SHARES AS OF 31.12.2009

DR type	Number of outstanding DRs	Number of shares deposited under DRs	Share in the authorised capital, %	Closing price	Market capitalisation
ADR	1,229,178	614,589,000	0.87	\$3.85	\$4,732,335
GDR according to Rule 144A	204,740	102,370,000	0.14		\$788,249
GDR according to Regulation S	113,438	56,719,000	0.08		\$436,736
TOTAL	1 547 356	773 678 000	1,09		\$5 957 321



ADR MARKET OVERVIEW FOR 2009

MARKET CAPITALIZATION OF OJSC KUZBASSENERGO IN 2005-2009, RUB

31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009
15,145,699,631	44,359,066,884	42,938,049,211	4,947,318,934*	18,729,135,965

*At calculation of the market capitalisation on 31.12.2008 the market price adjustment after splitting of the Company shares carried out on 28 April, 2008 was taken into consideration.

Market capitalisation as of 31.12.2005 was determined proceeding from the price of 10 largest transactions for 3 months (24.98615 RUB) according to the data provided by OJSC Russian Trading System Stock Exchange and amounted to 15,145,699,631 RUB (24.98615 × 606,163,800).

Market capitalisation as of 31.12.2006 was calculated as a product of the number of shares by the market price of one share disclosed by CJSC Moscow Interbank Currency Exchange (MICEX) since during the last trade day more than 10 transactions were made with these securities.

Market capitalisation as of 31.12.2007 was determined proceeding from the market price (the last one for 90 trading days), according to the data provided by OJSC Russian Trading System Stock Exchange (<http://www.rts.ru/?id=15813>).

Market capitalisation as of 31.12.2008 and 31.12.2009 was calculated as a product of the number of shares by the market price of one share disclosed by CJSC Moscow Interbank Currency Exchange (MICEX) since during the last trade day more than 10 transactions were made with these securities.

DIVIDEND HISTORY

- When calculating and paying out dividend, OJSC Kuzbassenergo complies with the requirements of Federal Law «On Joint-Stock Companies» and the Company Charter.
- The decision as to the dividend payout on shares, in particular, on dividend amount and the form of its payment is taken by the General Meeting of shareholders of the Company.
- Dividend amount may not exceed the one recommended by the Board of Directors of the Company.
- The Company may take a decision on dividend payout based on results of the first quarter, the first six months, nine months and/or based on results of the financial year.
- Dividend is paid out of the net profit of the Company established according to the Company accounts.
- The date of disbursement of dividends is established by the General Meeting of shareholders of the Company, but should not exceed 60 days from the date of decision making about their payment.



Period	Dividend amount, RUB	Remarks
1994	3900*	Minutes No. 2 of the annual General Meeting of shareholders of LLC Kuzbassenergo of 21.04.1995
1995	41.2*	Minutes No. 3 of the annual General Meeting of shareholders of LLC Kuzbassenergo of 15.05.1996
1996	Resolved: not to pay dividend	Minutes No. 5 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 19.06.1997
1997		The question of dividend payout was not included in the agenda of the Meeting.
1998		On 25.05.1998 bankruptcy proceeding were initiated (supervision). On 17.09.1998 bankruptcy administration was established for a period of 12 months.
1999		The term of bankruptcy administration was extended for 6 months
2000	0.071	Minutes No. 8 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 08.06.2001
2001	Resolved: not to pay dividend	Minutes No. 10 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 21.06.2002
2002	Resolved: not to pay dividend	Minutes No. 11 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 11.06.2003
2003	Resolved: not to pay dividend	Minutes No. 12 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 30.06.2004
2004	Resolved: not to pay dividend	Minutes No. 13 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 04.07.2005
9 months of 2005	0.670461	Minutes No. 14 of the extraordinary General Meetings of shareholders of OJSC Kuzbassenergo of 10.01.2006
2005	Resolved: not to pay dividend	Minutes No. 15 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 05.07.2006
1Q 2006	0.329983	Minutes No. 15 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 05.07.2006
2006	Resolved: not to pay dividend	Minutes No. 17 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 15.06.2007
1Q 2007	0.018955	Minutes No. 17 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 15.06.2007
2007	Resolved: not to pay dividend	Minutes No. 24 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 07.07.2008
2008	Resolved: not to pay dividend	Minutes No. 26 of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 23.06.2009

* In the price scale prior to 01.01.1998





Social responsibility

- 7.1. Human resources management (82)
- 7.2. Labour protection (87)
- 7.3. Social programs (88)
- 7.4. Environment protection (91)

A large, stylized graphic of interlocking gears. The gears are filled with a pattern of diagonal green and white stripes. They are arranged in a way that suggests movement and interconnectedness. The background is white with some faint green wavy lines at the bottom.

Implementation of new approaches to human resources management, an efficient social protection system

developed by OJSC Kuzbassenergo favour attraction of qualified personnel and are vital factors of successful production activity.

HUMAN RESOURCES MANAGEMENT

Human resources management policy is aimed at forming a consistent and integrated corporate environment ensuring convergence of employees' interests with those of the Company in order to achieve strategic targets through an efficient work and creation of conditions for professional development of employees.

Throughout the recent years OJSC Kuzbassenergo implements new approaches to human resources management, which, while maintaining a high level of social protection traditional for power industry place stake on the raise of overall performance of each plant, structural subdivision, and employee.

DYNAMICS OF PERSONNEL NUMBER IN 2007 – 2009

	2007	2008	2009
Managers	1,163	1,153	1,075
Specialists	1,292	1,251	1,158
Blue collars	4,733	4,590	4,258
White collars	63	64	44
TOTAL	7,251	7,058	6,535

The decrease of the number of personnel is caused by optimisation of the organisational structure of the Company, centralisation of financial and economic functions, centralisation repair services, outsourcing of business accounting functions, and maintenance and non-industrial personnel.

STAFF TURNOVER BY CATEGORIES IN 2006-2009

	2006	2007	2008	2009
Managers	1.89	1.36	3.20	1.86
Specialists	1.52	2.84	6.39	3.02
Blue collars	4.16	6.85	8.32	4.32
White collars	0.00	1.52	4.69	2.27

PERSONNEL

On 31.12.2009 the accountable number of employees of OJSC Kuzbassenergo was 6,535 persons including 1,075 managers, 1,158 specialists, 4,258 blue collars, 44 white collars.

In 2009 total number of personnel decreased as compared to 2008 by 7.5%; in particular, by categories: blue collars - by 7.2%, specialists - by 7.4%, managers - by 6.8%, white collars - by 31.3%.

In 2009 there was a trend of decrease of staff turnover which first of all is due to implementation of anti-crisis measures in the Company aimed at personnel retention (maintaining social package and salary level, observance of the working hours balance, carrying out measures intended to raise the level of corporate culture in the Company, and to improve personnel loyalty).



Personnel age structure

Average age of OJSC Kuzbassenergo personnel is 42.5 years. Taking into account the trend of decrease of the number of the working-age personnel and increase of the number of pre-retirement and retirement-age per-

sonnel, when filling vacancies preference is given to young professionals, candidates aged from 20 to 35, as well as internal candidates, thereby expanding possibilities for career development of the Company employees.



51% - 30 to 50 years
32% - older than 50 years
Up to 30 years



Personnel qualitative level (educational level)



2,488 (38.10%) - Secondary education
1,804 (27.60%) - Specialized secondary education
2,237 (34.20%) - Higher education
5 (0.08%) - PhDs
1 (0.02%) - Doctor of science



PERSONNEL INSTRUCTION AND DEVELOPMENT SYSTEM

Organisational changes carried out in the Company, the necessity to reduce costs and increase operational efficiency impose new requirements upon employees at all levels, demand from them a bigger return, and a higher professional and managerial level.

When meeting Company requirement in personnel of a certain quality, the HR department is focused on training and development of the required professional skills and competences of the employees according to the business targets. This strategy place special demands on organisation of the Company's corporate professional training system, which:

- is based on strategic business needs, approved business plan and job requirements;
- is upbuilt according to the principle of priority of revealed requirements for instruction, based on analysis of non-compliance of the existing level of personnel competence with the requirements imposed upon them;
- takes into consideration specificity of power industry (compulsory training).

Training and professional development

In 2009 the Company organised training of 3,286 employees (51% of the total amount of personnel).

The increase by 14% in the number of trained personnel of the Company as compared to 2008 along with considerable reduction of personnel training costs were due to the corporate (centralised) organisation of personnel training.

Parameters of the percentage ratio of employee categories (in terms of quantity of each category, chart 2) show the following trends:

- high percent of trained personnel among managers;

- the percent of trained personnel among workers remains stable that testifies to the fulfillment of requirements of supervising bodies and timeliness of organisation of compulsory training.

Compulsory training

In 2009 compulsory training was a priority kind of training. 2,552 persons underwent this kind of training that represents 77% of the total number of trained personnel and 78% of total financial costs.

This training comprises the primary and periodic education, training, appraisal and evaluation of knowledge of applicable trade standards and regulations, regulations of the state supervision bodies and other authorities whose standards and regulations apply to the power industry.

Professional skill contests are special form of professional training. The contests, besides evaluation of the level of professional qualifications of personnel, provide an opportunity of "live" business communication with colleagues, and exchange of best practices of operational management of station equipment.

Traditionally, chief engineers of stations give particular attention to this form of training. In 2009, 25 intrastation contests were organised in the following professions: chemical shop operator, power unit operator, chief operator of the boiler/turbine shop, fuel supply shop bulldozer operator, fuel supply operator, boiler operator, steam turbine operator, etc. Total number of participants to the professional skill contests exceeded 488.

Management training

In 2009 top managers of the Company for the first time took part in the Management Training Program of OJSC SUEK's Corporate University. New and challenging forms of developing events stipulated comprehensive active procedures and project approach to the solution of existing strategic tasks. Sessions were held both at the level of the head office of OJSC SUEK (Moscow), and at the Company's level (Kemerovo).





78% - Compulsory training

10% - Contests

4% - Advanced training of workers

2% - Management

2% - Economy and finance

2% - Equipment and production engineering

1% - Information technology

Corporate in-house training

Corporate in-house training stipulates forming of corporate groups of trainees from branches and stations for training in high-priority subjects of. As a rule, such training is carried out in the Company's facilities engaging own or external instructors.

This direction has been the most demanded during the last three years as it proved its efficiency from the point of view of quality of training, large coverage of trained employees and considerable reduction of costs. During the year 15 corporate seminars were held (with participation of 470 employees), 7 among them – with engagement of third-party instructors, in the following primary areas: organisation of procurement, implementation of Quality Management System, theft prevention program, training in the uniform accounting system 1S: RKK, ensuring ecological safety by the heads and specialists of general economy management systems; pre-qualification test preparation of specialists engaged in construction, operation, repair and maintenance of hydraulic engineering structures.

To update theoretical and practical knowledge, to master modern methods of solutions of professional tasks managers, specialists and workers of the Company continuously improve their qualification in educational institutions, which are our strategic partners:

- OJSC Kuzbassenergo Educational Centre, Engineering Centre TETRAKOM, ANO Kuzbass Educational Ecological and Legal Centre, LLC Kuzbass Welding and Control Centre (city of Kemerovo);
- Kuznetsk Training Centre, city of Novokuznetsk.
- Regional Qualification Centre of Non-destructive Inspection, city of Omsk;
- Tom-Usinsk Mining and Power Transfer College, city of Myski;
- PEIPK, city of Novosibirsk;
- ANO Extended Education Institute 'Professional', city of Moscow;
- LLC Remkranservis, LLC Altay Region Head Qualification Centre of the National Association of Control and Welding, GU Altay Regional Centre of Labour Protection, Barnaul Training Centre FPS, NOU DPO Energoreserv (Barnaul).

WORK WITH CANDIDATES POOL

In order to provide the Company with prepared candidates pool for prompt and efficient filling of management posts, decrease of risks at appointment of executives, the Company throughout 3 years has been actively carrying out management and planning of succession of key personnel. The program of work with candidates pool includes a package of measures:

- a model of the terms of reference of top and middle managers, proceeding from strategic requirements of the business, and corporate values was built;
- employees with a high leadership potential were revealed, a candidates pool of top and middle managers was formed;
- individual development programs were developed.

During the accounting period the development of the candidates pool has been performed using the following methods: participation in corporate events of the Corporate University of OJSC SUEK; participation in projects, development at the work place, self-education and training by experience of others.

Nominees of the candidates pool were actively involved in seven open contests for filling vacant and new posts of top managers. The share of winners among the candidates pool members was 100%.

While staying in the candidates pool during 2009 24% of members changed their positions (vertical and horizontal rotations).

BUSINESS EVALUATION (CERTIFICATION) OF PERSONNEL

Creation of a system that makes it possible to effectively manage performance at all levels from an individual employee to the Company as a whole is crucial for the development of the Company, and achievement of planned results.

With that end in view the Company implemented a personnel certification procedure of the, allowing to up-build a transparent system of evaluation of each specialist and middle manager for adequacy for the job, and for compliance with the imposed qualification requirements. The results of certification are used for taking of reasonable management decisions in the field of stimulation, raise of wage level, personnel rotation, forming and development of the candidates pool, objective assessment of current and future personnel training needs.

In 2009, based on results of certification, 99.05% of the Company employees confirmed their adequacy for the job.

PAYMENT

Remuneration of labour is a form of reward for a certain quantity and quality of labour, which is reflected in the Company's by-laws.

The remuneration system effective in the Company is governed by the Regulations on Labour Remuneration thanks to which a uniform policy relating to the remuneration level control and conditions and materialisation of the principle of material incentive of OJSC Kuzbassenergo's employees in results of their work is implemented. The salary was paid to the Company employees in due time.

For remuneration of the Company employees time-plus-bonus and piece-plus-bonus remuneration systems are used.

In 2009 the monthly average salary of the industrial and production personnel amounted to 25,241 RUB. The growth of monthly average salary of production and operating personnel by more than 9% as compared to 2008 is caused by indexation of official pay rates and wage rates due to inflation according to the Collective Agreement and the Branch Tariff Agreement; payment of one-time bonuses for fulfillment of especially important activity at Company reforming, as well as for preparation of the equipment and facilities to the autumn-winter period and their trouble-free operation during this period, for commissioning of new construction facilities and modernised facilities; as well as by disbursement of compensations to personnel dismissed as a result of reforming.



LABOUR PROTECTION

Efforts in the field of labour protection is one of priority activities in OJSC Kuzbassenergo. With a view of preserving life and health of employees in the course of labour activity, propagation and popularisation of labour protection measures, as well as more efficient labour protection control in OJSC Kuzbassenergo's branches within the framework of implemented in 2009 of the Quality Management Systems ISO-9001, the Process Schedule "Ensuring Labour Protection, Industrial and Fire Safety" has been developed and is being implemented.

To identify labour protection requirements to basic production processes, continuous monitoring of newly introduced documents and changes thereto was put in place; the database of standard legal documents has replenished and updated in all branches. Respective costs amounted to 422 thou. RUB; the Company acquired posters, and reference books on labour protection for more than 860 thou. RUB.

A contest for the best organisation of labour protection activities was traditionally carried out; a Labour Protection Day according to the adopted agenda was held monthly; 6 mutual labour protection inspections were conducted in OJSC Kuzbassenergo branches; events devoted to the World Labour Protection Day under the slogan: "Decent work is a legitimate right of every person" were held.

OJSC Kuzbassenergo branches took an active part in corporate labour protection events which allowed to vitalize labour protection activities in branches and to attract special attention of managers, specialists and workers of branches and structural subdivisions of OJSC Kuzbassenergo to labour protection issues and promoted labour protection culture.

Within the framework of dedicated activities more than 1835 events were carried out intended for improvement of working conditions, prevention of occupational traumatism, enhancement of sanitary and domestic servicing of workers, provision of personnel with modern protection equipment. Expenses for labour protection in 2009 amounted to more than 139 million roubles (20.7 thou. roubles in average per one employee) (in 2008 - 156.1 million RUB and 22.3 thou. RUB accordingly).

Much attention is given to provision of employees with personal protective equipment. Besides overalls, special footwear and other means of protection stipulated by standards, depending on specificity of production, personnel is provided with personal protective equipment according to additionally developed and approved standards. This ensures reliable protection of personnel against harmful effects of production factors. Expenditures for personal protective equipment in 2009 amounted to 18,718 thou. RUB.

The work with personnel is carried out according to the requirements of "Personnel relations rules...", documents of Federal Service of Environmental, Technological and Nuclear Supervision (Rostehnadzor), Ministry for Civil Defence, Emergencies and Disaster Response, Ministry of Labour and Ministry of Education of the Russian Federation. All managers and specialists undergo training, certification, examination, instruction, and drills.

In 2009 the Training Centre of OJSC Kuzbassenergo and other specialised training organisations trained 1,419 (98.5%) of managers and specialists who are obliged to go through training in and examination of their knowledge of labour protection requirements.

Labour protection committees (commissions) actively work jointly with trade unions: 44 meetings of joint committees were held at which 95 issues were considered; commissioners submitted to chiefs of branches and structural subdivisions of the Company 450 recommendations on elimination of infringements revealed.

Promulgation of preventive measures, safety and health protection at workplaces is attained thanks to the information awareness of workers in the labour protection sphere. Labour protection information boards and stands were arranged in the Company branches. Besides, labour protection information was provided in the corporate information field (websites, corporate publications).

The Certification Authority in charge of certification of production facilities of Kemerovo region appreciated Company's activity in provision of safety working conditions for its employees and confirmed validity of the certificate of conformity of the labour protection activity in OJSC Kuzbassenergo to statutory requirements.

SOCIAL PROGRAMS

When forming its social policy, OJSC Kuzbassenergo recognises that its personnel plays a key role in ensuring Company's efficiency. Human potential of the company is one of its major resources. Therefore long-term investments into creation of human capital are considered to be the most efficient ones in the current business environment. For attraction, motivation and retaining of personnel the efforts of the Company management are aimed at creation of favourable working conditions for employees of OJSC Kuzbassenergo, providing them with a worthy social package, namely

- Additional paid leave for a non-standard working day, harmful working conditions, multiple shift work regime;
- Additional paid days off provided each month for taking care of disabled children;
- Quarterly indexation of the minimum monthly base wage rate by the amount of actual growth of the consumer price index in the Russian Federation;
- Supplements to the base wage rate for work in the evening and night shifts in case of multiple shift work regime;
- Use of possibilities for minimisation of personnel reduction:
 - Through natural personnel outflow (own free will, retirement);
 - Through personnel retraining and its reshuffle inside the Company;
- Together with the trade-union, rendering employment assistance to redundant employees dismissed due to the labour shedding;
- Compulsory insurance of employees from labour accidents and occupational diseases;
- Conducting at the expense of internal funds of the company of obligatory, preliminary and periodic medical examinations, vaccinations against flu and encephalitis;
- Payment of lumpsum material aid: at a child birth, marriage, annual leave, assignment of a disability group as a result of a permanent injury through the employer's fault, employee's death at production;
- Providing additional paid leaves in cases of death of a family member, own wedding and wedding of children, at a child birth.

Social programs aimed at formation of long-term partner relations between the company, its employees and the public are an important component of the corporate strategy and promote constructive cooperation with the state, business community and the company.

Such programs include:

Employees disease incidence reduction and health improvement program

The efficiency of labour activity of each employee and the quality of goods produced by him largely depend on the state of his health. By solving social problems including those in the field of employee health protection in the course of their labour activity, the employer contributes to a long-term development of its business.

Employees disease incidence reduction and health improvement program includes the following components:

- Stationary and out-patient treatment of employees of OJSC Kuzbassenergo under the concluded agreements of compulsory and voluntary medical insurance;



- Carrying out preventive health inspections;
- Yearly vaccination of the Company employees to decrease the risk of contracting acute respiratory virus infections;
- Continuous improvement of health services rendered to the Company employees in CJSC Health Centre Energetik.

Target material benefits program

This program is intended for providing to the active and retired Company employees additional benefits, guarantees and compensations stipulated by the effective Collective Agreement of OJSC Kuzbassenergo for 2007-2008 extended for 2009.

The Collective Agreement has been developed according to the Branch Tariff agreement in the power industry, determines and regulates social and labour relations as well as respective economic relations between the employer and employees, wage conditions, labour guarantees and privileges, rights, obligations and responsibility of the parties to the social partnership.

The Collective Agreement of OJSC Kuzbassenergo for 2007-2008 stipulates the following additional benefits: welfare assistance at a child birth, marriage, death of an employee, his/her close relatives, non working retired employees of the Company, 50% discount from payment for electric and heat energy, payment for longevity in the power industry, material aid on the occasion of the annual leave, and others.

Provision to employees of additional social privileges increases their performance and loyalty, reinforces motivation, reduces staff turnover.

Program of social support of retired employees and employees retiring from the Company

In 2009 the administration of Kemerovo region and OJSC SUEK signed a Social and Economic Cooperation Agreement.

The Agreement was concluded to the benefit of 3,245 retired non-working employees of the Company. They enjoy health services provided by CJSC MSCH Health Centre Energetik, remunerations for The Victory Day, The Fatherland Defender Day, The Day of Older Persons, The Day of Power Industry Workers and personal anniversaries.

In 2009 it was resolved to assign a status of retired non-working employees of OJSC Kuzbassenergo to former employees of CHPS-1, CHPS-2, CHPS-3, Barnaul Central Heating Station, Biysk Heat Networks, Production and Repair Plant OJSC Altaienergo and to provide to their 789 non-working pensioners privileges, guarantees and compensations established by the effective Collective Agreement of OJSC Kuzbassenergo for the period from 01.07.2009 to 31.12.2009.

Cultural and Recreation Activity Program

Corporate holidays, cultural and sports events organised by OJSC Kuzbassenergo play a key role in formation of corporate solidarity of employees, their feeling of adherence to the Company and pride of its achievements, as well as in their spiritual and physical development.

The effective Collective Agreement of OJSC Kuzbassenergo stipulates a program of cultural events which includes compulsory celebration of corporate holidays: Power Industry Worker Day, honouring of veterans on the Victory Day, children's creativity contests, Day of Knowledge for children of employees of the power system, meeting of soldiers-internationalists.

In 2009 500 employees of the Company were awarded for production achievements, long-term and honest work, including awards of the Ministry of Energy of the Russian Federation (17 persons); awards of regional authorities (166 persons); corporate awards (317 persons).

Corporate events also include anniversaries of the plants, celebration of workers with a length of service of 30-45 years, of labour dynasties with cumulative length of service in the power supply of 150-200 years, anniversaries of employees, as well as presentation of corporate awards to veterans of Kuzbass power system.

Promulgation of a healthy life-style as means of raising labour potential and labour productivity, creation of conditions for physical training and sports are one of the major directions of development of corporate culture.

Throughout 30 years OJSC Kuzbassenergo organises Summer Games among Company employees. This event became traditional for power industry workers. Teams of sportsmen from each Company branch, subsidiaries and affiliates, as well as teams of companies which are in partner relations with OJSC Kuzbassenergo take part in the Games. This event is rather large-scale and covers about one thousand persons.

Besides OJSC Kuzbassenergo's team takes part in Kuzbass Summer and Winter Games. This provides a new pulse to the development of mass sports, both in the Company, and all around Kuzbass region.

The respect for employees of OJSC Kuzbassenergo and veterans of power industry on the part of the management is expressed in carrying out a complex of events devoted to the professional holiday - Power Industry Worker Day:

- children's drawing contest; contests for the best creative work;
- contest among writers of Kuzbass;
- participation in the regional contest of voluntary initiatives 'Energy of the Young';
- holding Open Days at the plants of OJSC Kuzbassenergo for schoolchildren, students, members of families of the Company employees.



ENVIRONMENT PROTECTION

OJSC Kuzbassenergo realises and assumes the responsibility for environment protection and sustainable resource management.

(Corporate values of OJSC Kuzbassenergo)

PRIMARY GOALS AND ACHIEVEMENTS OF THE COMPANY IN THE FIELD OF NATURE PROTECTION POLICY

One of the major corporate tasks of the Company is ensuring ecological safety in the territory of its activity, comprehensive care of the nature and natural resources, their rational use.

The Ecological Policy of OJSC Kuzbassenergo was developed in the Company and approved by the Board of Directors of OJSC Kuzbassenergo on 12.11.2008 (Minutes No.11/15).

OJSC Kuzbassenergo is the largest producer of thermal and electric energy in the Siberian region, it provides consumers with highly efficient environmentally friendly energy that objectively determines the impact of productive activity of the Company on environment, including such kinds of impact as emission of contaminants in the atmosphere, discharge of contaminants in water bodies, disposal of industrial waste.

The main goal of the ecological policy of OJSC Kuzbassenergo is raising the ecological safety level, increasing capitalisation of the Company due to reliable and ecologically safety production, transport and distribution of energy, comprehensive approach to the use of natural power resources.

CONSUMPTION OF EQUIVALENT FUEL AND EMISSION OF CONTAMINANTS

Special attention in the nature protection activity of OJSC Kuzbassenergo is given to reduction of emissions of harmful substances in the atmosphere.

At Kuzbass generation facilities in 2009 as compared to 2008 generation of electrical energy decreased by 6.8%, heat supply decreased by 0.95%, the amount of burnt fuel decreased by 4.5%. However atmospheric emissions increased against the level of the previous year by 127 tons (0.96%) and amounted to 132.93 thou. tons.

The reasons of such growth of emissions are:

- raise of ash content of coal from 19.48 to 19.91%. Average ash content of coal at Kuzbass generation facilities increased from 19.48 to 19.91% due to Belovskaya SDPS (from 18.34 to 20.88%), Kemerovskaya SDPS (from 17.83 to 18.44%), and Kemerovskaya CHPS (from 15.99 to 16.28%).
- increase of sulphur content in fuel from 0.19 to 0.31% at Belovskaya SDPS.
- increase by 13.0% of the amount of fuel with high concentration of nitrogen oxides burnt in TP-87 boilers of Kemerovskaya CHPS.

In Barnaul Branch, as compared to the same period of 2008, there was a decrease of volume of produced electric energy by 0.8% and volume of heat energy supplied to consumers by 0.6%.

Due to degradation of quality of used fuel - raise of ash content of coal from 6.1 to 6.6% at CHPS-3, as well as due to increase of amount of emission nitrogen and carbon oxides according to the new draft of maximum permissible emission rates atmospheric emissions in Barnaul Branch increased by 4,027 tn (10.8%) and amounted to 41.471 thou. tons.

APPLICATION OF ADVANCED TECHNOLOGIES AND SOLUTIONS**To decrease of nitrogen oxide emissions in the atmosphere.**

In 2009 activity on application of advanced technologies of implementation of step-by-step fuel burning method with the aim to decrease specific emission nitrogen oxides was continued, namely:

- Implementation of low-toxic burners for burning high-concentration dust on case No.13 "A" at Tom-Usinskaya SDPS in order to decrease nitrogen oxides;
- Development of boiler rehabilitation project (station ref. No.14) at Kemerovskaya SDPS for co-firing of coal and coke gas;
- Development of project on improvement of performance of boilers PK-40 from 640 to 670 tn/hr at Tom-Usinskaya SDPS with simultaneous reduction of emissions;

During 2009 specific emissions of NO_x were reduced from 4.2 kg/tn eq. fuel to 4.1 kg/ tn eq. fuel or by 116 tons per year.

Expenses, million RUB	2007	2008	2009
TOTAL	220.521	263.306	48.7
Including expenses for protection of the air basin	107.000	245.393	23.0

WATER BASIN PROTECTION

To produce thermal and electric energy OJSC Kuzbassenergo's station use water which is mainly taken from surface water bodies. Water bodies are assigned in temporary use on the basis of licences and water use contracts. The main water source, which in 2009 was most of all affected by OJSC Kuzbassenergo's water in-

To decrease ash emissions in the atmosphere, advanced flue gas cleaning methods were used, namely:

- Replacement of scrubbers on boiler, station ref. No.17, at Kuznetskaya CHPS;
- Repair of ash collectors of boilers, station ref. Nos 4-6 and fly-ash retainer system at Barnaulskaya CHPS-1;
- Running repair of ash collectors of boilers, station ref. Nos 1, 2, 6, 7, 10-18 at Barnaulskaya CHPS-2;
- Capital repair of electrostatic precepitators on boiler, station ref. No.5 at Barnaulskaya CHPS-3.

The work performed allowed to attain ash collection efficiency of 97.89% and to reduce ash emissions in the atmosphere by 726,3 tn.

EXPENSES FOR FULFILMENT OF ENVIRONMENT PROTECTION PROVISIONS

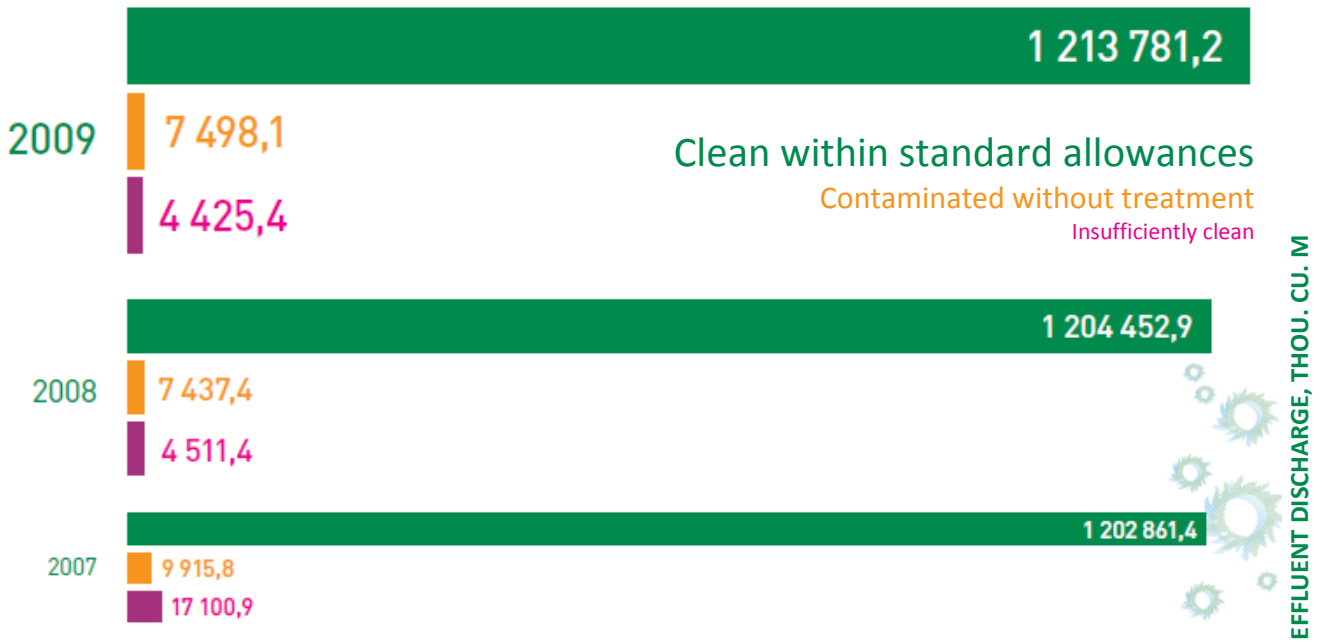
In 2009 the Company carried out environment protection provisions for an amount of 48.7 million RUB.

take is the river Tom, an inflow of the river Ob. Some stations of the Company have direct-flow water supply systems, the others recycling water supply systems.

In 2009 the Company discharged 11,923.5 thou. cu.m of contaminated effluents without treatment, which is by 25.3 thou. cu.m less, than in 2008.

Effluent discharge, thou. cu.m	2007	2008	2009
TOTAL, INCLUDING	1,202,861.4	1,226,331.7	1,236,198.7
Clean within standard allowances (without treatment)	1,175,844.7	1,204,452.9	1,213,781.2
Contaminated without treatment	9,915.8	7,437.4	7,498.1
Insufficiently clean	17,100.9	4511.4	4,425.4





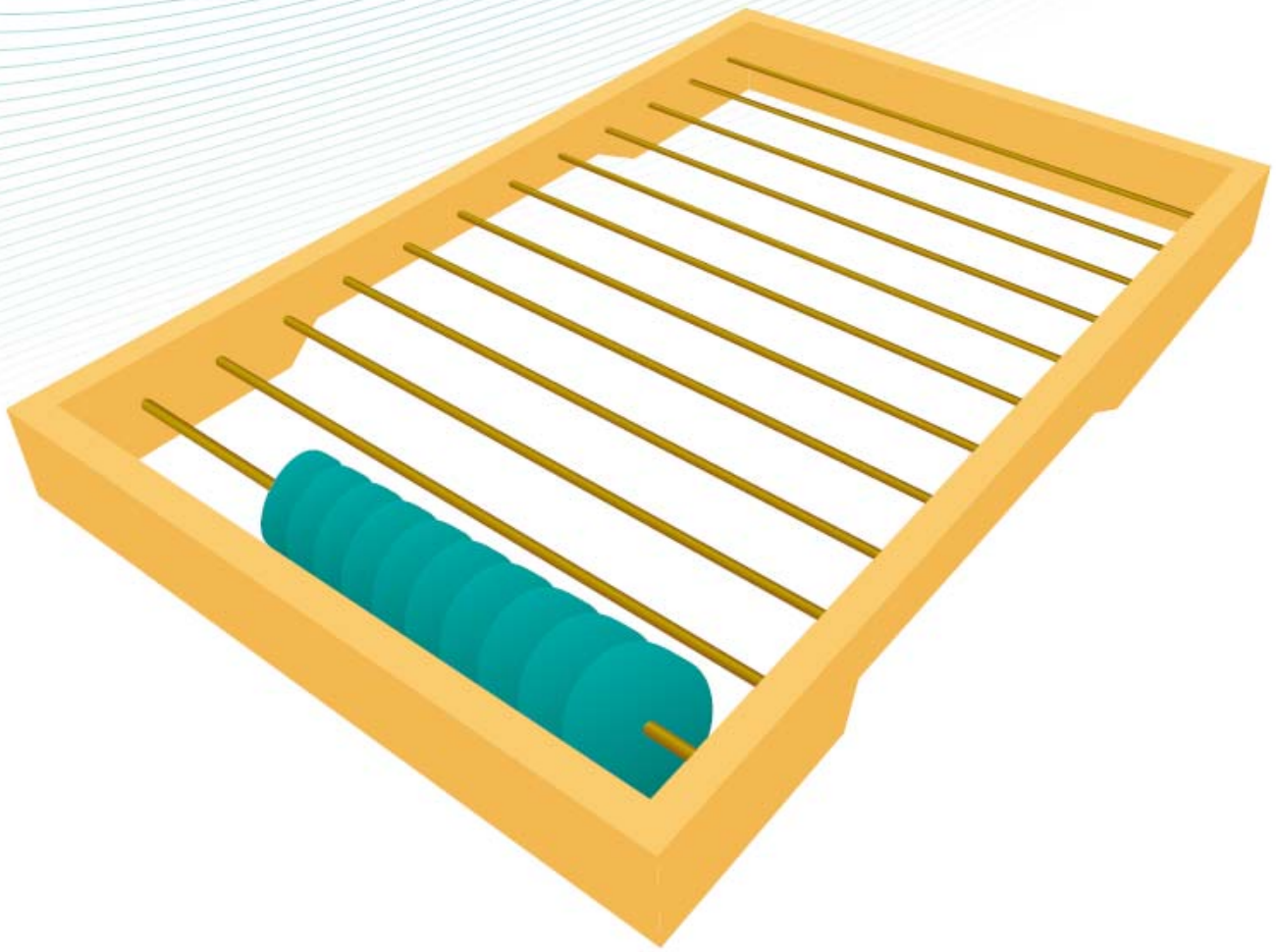
WASTE DISPOSAL

OJSC Kuzbassenergo branches in their production activity use solid fuel (Kuznetsk and Khakass coals), furnace fuel oil, as well as natural and coke gas.

At burning of solid fuel ashes and slag are formed. Ash and slag waste are disposed to own ash dumps with observance of all ecological requirements. Ash and slag waste output amounted to 2,384.699 thou. tons, which is by 114.647 thou. tons less than the previous year level due to decrease of amount of burnt solid fuel by 6.7% because of relief of power stations.

In 2009, as well as in 2008 ash and slag waste was not used.

The companies assign to the ecological area of their activity one of key roles. All information on environment protection provisions, environmental reporting of power companies has an open character that enables to share efficient solutions of environmental problems, and promotes extension of positive experience.





Summary of financial results

- 8.1. Proceeds (96)
- 8.2. Cost management (97)
- 8.3. Profit (98)
- 8.4. Analysis of financial results (99)

In 2009, as compared to the same period of the previous year, Company proceeds from sale of marketable products

increased
by **23.7%**
and amounted to
25.9 bln. RUB

PROCEEDS

According to the results of financial and economic activity of the Company in 2009 the proceeds from sale of marketable products amounted to 25,888 million roubles, by 4,960 million roubles (23.7 %) more than for the same period of the previous year.

Sales proceeds from sale of electric energy amounted to 16,760 million roubles (64.7%) of total amount of proceeds; from sale of thermal energy – 7,913 million roubles (30.6%) and from sale of other products, works and services — 1,215 million roubles (4.7%).

PROCEEDS STRUCTURE, MILLION RUB.

Parametre	2007	2008	2009
PROCEEDS, TOTAL	18,720	20,926	25,888
Electric energy	12,329	13,587	16,760
Heat energy	6,014	6,988	7,913
Other products	377	351	1,215



COST MANAGEMENT

Production costs of marketable products of OJSC Kuzbassenergo in 2009 amounted to 24,641,864 thou. roubles, including 16,076,941 thou. roubles of costs for production of electric energy, 7,402,589 thou. roubles of costs for heat energy production and hot water supply services, and 1,162,334 thou. roubles of costs for production of other goods.

As compared to 2008 production costs of marketable products increased by 2,569,822 thou. RUB (11.6%), in particular, energy production costs - by 7.9% (1,717,227 thou. RUB.) The main reason of increase of production costs on other activity are additional expenditures for heat energy transfer in the amount of 1,152,167 thou. RUB. These costs are compensated by incomes under contracts concluded for 2009.

As a whole production cost growth rates were lower than proceeds growth rates which resulted in increase of the Company's return on sales.

The average cost of production of 1 kWh of electric energy amounted to 68.76 cop/kWh, the average cost of production of 1 Gcal of heat energy - 509.07 RUB/Gcal. Actual growth rates of product unit cost are lower than the growth rates of tariffs for electric and heat energy.

When analysing the cost structure of the production costs of marketable products it should be noted that material costs decreased from 4.3% in 2008 to 3.6% in 2009 due to the measures taken for optimisation of operational activity. The increase in expenses for operation and maintenance of equipment was caused by the growth of the share of corrective maintenance costs from 8.7% in 2008 to 9.6% in 2009. The share of other expenses in the production costs of marketable products changed insignificantly.

PRODUCTION COSTS OF MARKETABLE PRODUCTS OF OJSC KUZBASSENERGO IN 2009, THOU. RUB.

Costs	2009, actual	Cost structure, %
PRODUCTION COSTS, TOTAL	24,641,864	100.00%
Material costs	892,916	3.6
Fuel	11,749,935	47.7
Purchased electric energy and heat energy	2,165,831	8.8
Wage costs	1,688,451	6.9
Depreciation	1,644,763	6.7
Repair fund	2,360,883	9.6
Taxes and payments (unified social tax)	1,745,864	7.1
System services	353,742	1.4
Other costs	2,039,479	8.3

PROFIT

In 2009 the Company gained profit on sale of goods in the amount of 1,246 million RUB. Profit on sale of electric energy made 54.8% of total profit, profit on sale of

heat energy - 40.9%, on sale of other goods and services - 4.6%. The net profit amounted to 7 million RUB.

PROFIT STRUCTURE, MILLION RUB.

Parametre	2007	2008	2009
PROFIT ON SALE OF GOODS - TOTAL	631	(1,163)	1246
Electric energy	335	(1,325)	683
Heat energy	271	121	510
Other incomes	7,367	810	2,153
Miscellaneous costs	3,935	1696	3,259
Profit before tax	4,063	(2,049)	125
Profits tax and other similar payments	1,139	183	118
Net profit	2,924	(2,142)	7



ANALYSIS OF FINANCIAL RESULTS

ANALYTICAL BALANCE SHEET (AGGREGATED) OF OJSC KUZBASSENERGO, MILLION RUB.

Assets	01.01.2009	31.12.2009
NON-CURRENT ASSETS		
Fixed assets	20,058	20,885
Construction in progress	2,461	782
Long-term financial investments	425	387
Other non-current assets	325	307
TOTAL non-current assets	23,269	22,361
CURRENT ASSETS		
Advances paid to suppliers	2,138	1490
Inventories	2,331	1654
Finished products and goods	1	1
Accounts receivable	1,512	3,049
Cash and cash equivalents	2,258	377
Other	73	67
TOTAL current assets	8,313	6,638
TOTAL ASSETS	31,582	28,999

Liabilities	2008	2009
EQUITY		
Authorized capital	18,139	18,059
Accumulated capital	7,469	7,556
TOTAL equity	25,608	25,615
BORROWED FUNDS		
- Long-term liabilities	707	306
- Short-term liabilities		
- Short-term credits	2,819	0
- Accounts payable	1,155	1,175
- Advance payments received	47	103
- Settlement of accounts with the budget and off-budget funds	236	733
- Settlement of accounts on wages	77	47
Other	933	1020
TOTAL current liabilities	5,267	3,078
TOTAL borrowed funds	5,974	3,384
TOTAL LIABILITIES	31,582	28,999

In 2009 balance sheet total of OJSC Kuzbassenergo decreased by 2,583 million roubles and amounted to 28,999 million roubles.

Total amount of non-current assets decreased by 908 million roubles to 22,361 million roubles.

Changes in the structure of non-current assets were caused by the following reasons:

- increase in fixed assets by 827 million roubles and decrease of volumes of construction in progress by 1,679 million roubles due to commissioning of assets under construction within the framework of implementation of investment projects of the Company, including commissioning of the Starting Complex of Turbine Generator No.15 (Kemerovo branch);
- decrease of the market value of long-term financial investments in OJSC RusGidro obtained due to reforming of RAO UES of Russia by 38 million roubles.

Current assets of the Company decreased during the period under consideration by 1,675 million roubles (-20.1%) to 6,638 million roubles, in particular on the following items:

- cash and cash equivalents - by 1,881 million roubles due to the use of deposited funds according to the resolutions of the Board of Directors;

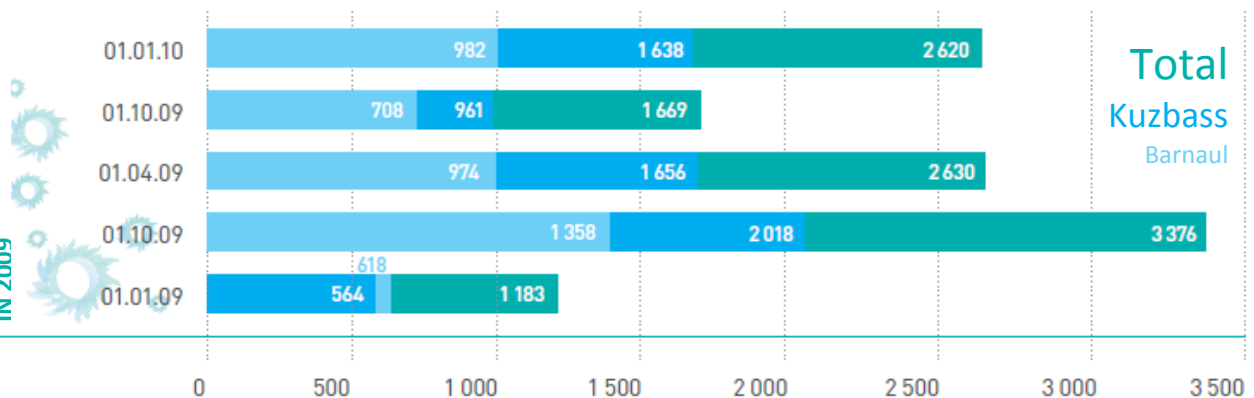
- inventory stocks - by 677 million roubles (-29%) due to decrease of inventory stocks of coal by 43,1 million roubles, of fuel oil by 13 million roubles and accessory materials by 233 million roubles;
- advances paid to suppliers - by 648 million roubles (-30.3%), in particular to fuel suppliers – by 506 million roubles.

Short-term trade receivables increased by 1,537 million roubles (101.7%), in particular due to the growth of indebtedness of heat energy consumers by 892 million roubles, growth of indebtedness of buyers of electric energy and power by 429 million roubles.

Accounts receivable for heat energy supplied in 2009 amounted to 2,620 million RUB.

Companies of the housing-and-municipal sector account for the major share in the consumption structure. Consumers of this group pay for the supplied heat energy proceeding from the rate of 1/12 of the annual volume of consumption per month that results in increase of the debt receivable during the heating season and its subsequent decreases in the 2nd and 3rd quarters. As a result of the main gain was obtained at the expense of consumers of housing and communal services and population (1,282 million RUB).

RECORD OF ACCOUNTS RECEIVABLE
FOR HEAT ENERGY SUPPLIED
IN 2009



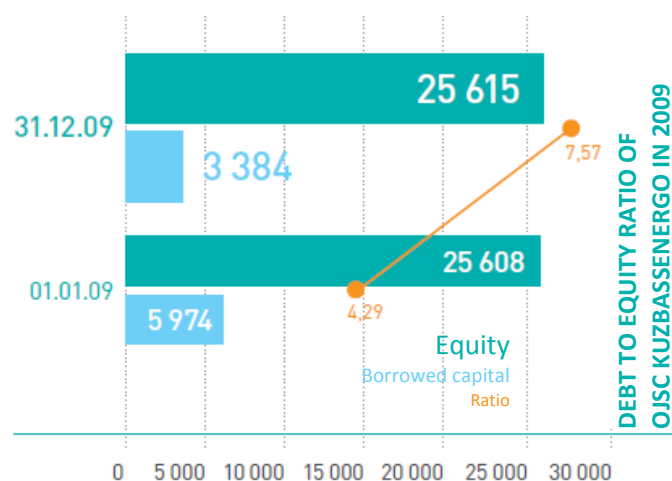
In 2009 **equity funds** of OJSC Kuzbassenergo increased by 7 million roubles due to the growth of accumulated capital and amounted to 25,615 million roubles.

Borrowed funds of OJSC Kuzbassenergo amounted to 3,384 million roubles. They decreased by 2,590 million roubles (-43.4%), in particular due to full repayment of 2,819 million roubles of short-term credits, and 500 million roubles of long-term credits. Current debt to the budget and off-budget funds increased by 497 million roubles.

Long-term borrowings of OJSC Kuzbassenergo decreased by 401 million roubles (-56.7%) and as of 31.12.2009 are represented by 275 million roubles of deferred tax liabilities and 31 million roubles of deferred proceeds.

Short-term borrowings of OJSC Kuzbassenergo in the accounting period decreased by 2,189 million roubles (-41.6%), in particular due to short-term credits - 2,819 million roubles (-100% of total short-term borrowings).

Accounts payable in 2009 increased by 20 million roubles (1.7%). The main growth of short-term accounts payable occurred under item "to fuel suppliers" - by 198 million roubles, while indebtedness to suppliers of purchased energy decreased by 50 million roubles.



ANALYSIS OF MAIN PARAMETERS OF FINANCIAL SOUNDNESS AND SOLVENCY

Parameter	Accounting date					Difference: 2009 as compared to 2005
	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009	
Current ratio (Current assets — long-term accounts receivable) / (Current liabilities (excluding deferred income))	0.92	1.15	4.45	1.61	2.24	1.32
Acid-test ratio (Cash + short-term accounts receivable) / (Current liabilities (excluding deferred income))	0.49	0.61	3.55	1.16	1.66	1.17
Debt-to-equity ratio (Short-term and long-term liabilities) / (Equity)	0.26	0.22	0.09	0.23	0.13	0.13
Financial independence ratio (Equity / assets)	0.79	0.82	0.92	0.81	0.88	0.09

It should be noted that the high level of financial soundness and solvency indicators of OJSC Kuzbassenergo in 2007 was caused by a successful completion of the transaction on placement of an additional issue of shares of OJSC Kuzbassenergo as a result of which the Company received in December, 2007 7,500 million roubles. Temporarily free investment funds before their use were placed into profitable financial investments.

Current ratio characterises payment possibilities of the Company at full mobilisation of current assets. During the periods under consideration it reached its peak value in 2007 — 4.45; the minimum value was registered in 2005 — 0.92 (increase by 3.53 percent points). Parametre growth in 2009 as compared to 2008 (+0.63 points) was caused by repayment of short-term and long-term credits.

Acid-test ratio showing payment possibilities of the Company at timely settlement of accounts with debtors, increased by 1.17 as compared to 2005 (the minimum value was registered in 2005 — 0.49 and the maximum one, in 2007 — 3.55; in 2009 — 1.66). The increase of this parametre in 2009 as compared to 2008 is explained by an advanced decrease of short-term liabilities as compared to the decrease of high-liquidity assets (short-term financial investments and cash in hand).

Debt-to-equity ratio shows the amount of borrowed funds per 1 rouble of own funds. Since 2005 there is a stable trend of decrease of the Company dependence from external sources of finance (2 times). The maximum value of this ratio was noted in 2005 — 26 copecks, the minimum value — in 2007, 9 copecks of borrowed funds per 1 rouble of equity funds. In 2009 this parametre decreased by 10 copecks as compared to 2008.

Financial independence factor determines the share of assets formed at the expense of own sources. As this factor approaches 1, the risk of the Company's failure to fulfill its liabilities diminishes. The value of this parametre for the period under consideration had never dropped below 60 % (recommended value).

To a large extent the level of this parameter during the whole period was determined by a high level of equity. The maximum value was reached in 2007 (92%), the minimum value (79%) - in 2005. In 2009 the parametre increased (+7%) as compared to the previous year due to equity growth.

Dynamics of accounts receivable characterises the amount of growth (decrease) of accounts receivable in the accounting period as compared to the reference period. The positive trend of 2004-2006 changed in 2007. The main cause is the growth of proceeds from sale of thermal energy due to establishment of Barnaul branch on 01.01.2007 and joining of heat consumers of the city of Barnaul to OJSC Kuzbassenergo customers, and, as a consequence — increase in the indebtedness growth factors. A considerable increase of the parametre in 2009 is conditioned by growth of indebtedness of heat consumers for the following reasons:

- non-payments by the housing and communal services companies and population;
- insufficiency of financing from budgetary subsidies for compensation of shortfall in income to organisations rendering to the population heat supply services under tariffs that do not allow to recover expenses incurred.

Dynamics of accounts payable characterises the amount of growth (decrease) of the accounts payable in the accounting period as compared to the reference period. In 2009 current accounts payable to service providers under concluded contracts increased.

Accounts receivable-to-accounts payable ratio showing the amount of accounts receivable per 1 rouble of accounts payable characterises the balance of accounts receivable and accounts payable. The optimum level of this parameter was attained in 2007. High dynamics of this parametre in 2009 as compared to 2008 is caused by the advancing growth of debt receivable as compared to debt payable due to increase of indebtedness of thermal energy consumers.



ANALYSIS OF BASIC PARAMETERS OF BUSINESS ACTIVITY

Parameter	Accounting date					Difference: 2009 as compared to 2005
	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009	
Dynamics of accounts receivable (Long-term and short-term accounts receivable as of the end of the period — long-term and short-term accounts receivable as of the beginning of the period) / long-term and short-term accounts receivable as of the beginning of the period) × 100 %	-44.13	-52.38	35.00	30.63	90.71	134.84
Dynamics of accounts payable (Accounts payable as of the end of the period — accounts payable as of the beginning of the period) / accounts payable as of the beginning of the period) × 100 %	18.54	-53.43	69.26	18.62	1.65	-16.89
Accounts receivable-to-accounts payable ratio (Long-term and short-term accounts receivable / accounts payable) × 100 %	1.36	1.45	1.13	1.31	2.59	1.23

ANALYSIS OF PROFITABLENESS PARAMETERS

Parameter	Accounting date					Difference: 2009 as compared to 2005
	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009	
Profitability of sales Gross profit / Proceeds × 100 %	10.94	8.38	3.45	-5.48	4.81	-6.13
Return on equity Net profit / ((Equity capital as of the end of the period + Equity capital as of the beginning of the period) × 0.5) × 100 %	2.03	1.38	12.84	-8.00	0.03	-2.11
Return on assets Net profit / ((Assets as of the end of the period + Assets as of the beginning of the period) × 0.5) × 100 %	1.64	1.12	11.27	-6.91	0.02	-1.61

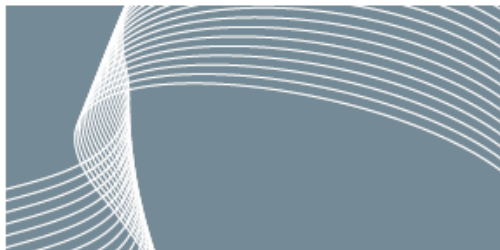
Profitability of sales shows the share of the gross profit in the sales volume. Growth of profitableness of sales in 2009 as compared to 2008 was 10.29%. From 2005 to 2009 the parametre decreased by 6.13%

Return on equity shows efficiency of capital utilisation. The parametre increased in 2009 as compared to 2008 by 8.02%. For the five-year period under consideration the parametre decreased by 2.11%.

Return on assets in 2009 amounted to 0.02%. It reached its maximum level in 2007 due to an advantageous sale of assets — shares of affiliated companies: OJSC West-Siberian Combined Heat & Power Station and OJSC South Kuzbass State District Power Station.

OJSC Kuzbassenergo prepares annual financial reporting according to the Russian Accounting Standards and International Financial Reporting Standards (IFRS). Financial reporting prepared according to the Russian Accounting Standards for the year ended December 31st, 2009, is presented in this section of this annual report. Financial statements prepared according to the International Financial Reporting Standards for the year ended December 31st, 2009, is available on the Company website in the section "Economics and Finance. Financial Statements".





Financial statements

- 9.1. Conclusion of the Internal Audit Commission of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) (106)
- 9.2. Auditor's opinion (112)
- 9.3. Financial statements according to the Russian Accounting Standards (116)



CONCLUSION OF THE INTERNAL AUDIT COMMISSION OF KUZBASS POWER AND ELECTRIFICATION OPEN JOINT-STOCK COMPANY (OJSC KUZBASSENERGO)

OJSC Kuzbassenergo prepares annual financial reporting according to the Russian Accounting Standards and International Financial Reporting Standards (IFRS). Financial reporting prepared according to the Russian Accounting Standards for the year ended December 31st, 2009, is presented in this section of this annual report. Financial statements prepared according to the International Financial Reporting Standards for the year ended December 31st, 2009, is available on the Company website in the section "Economics and Finance. Financial Statements".

CONCLUSION

of the Internal Audit Commission of OJSC Kuzbassenergo based on results of audit of the Annual Report and Annual Financial Statements for 2009

Moscow

21 April 2010

The Internal Audit Commission of Kuzbass Power and Electrification Open Joint-Stock Company (hereinafter referred to as 'OJSC Kuzbassenergo', and 'the Company'), acting by virtue of the Regulations on Internal Audit Commission of the Company approved by the resolution of the General Meeting of shareholder on 23 June, 2009, audited the Annual Report and the Annual Financial Statements of the Company for 2009.

During the check the Internal Audit Commission reviewed and analysed constituent documents, the Annual Report, as well as supporting primary documents and Annual Financial Statements of the Company for 2009, namely:

- form No.1 Balance Sheet;
- form No.2 Profit and Loss Statement;
- form No.3 Statement of Changes in Equity;
- form No.4 Cash Flow Statement;
- form No.5 Balance Sheet Supplement;
- Notes to Financial Statements of the Company;
- Annual Report of the Company for 2009.

Besides, the following documents were used:

Opinion of the Company's Auditor, Closed Joint-Stock Company BDO (CJSC BDO). CJSC BDO is a member of professional auditor association Non-Profit Partnership 'Auditor Chamber of Russia' (NP APR), main registration number of the record in the state register of auditors and auditor organisations (ORNZ) No. 10201018307. NP APR was entered in the state register of self-regulating auditor organisations under No. 1 according to the order of the Ministry of Finance of Russia No. 455 of 01.10.2009.

As a result of the conducted check it was established:

1. Kuzbass Power and Electrification Open Joint-Stock Company, hereinafter referred to as the Company or OJSC Kuzbassenergo, has been founded according to the Decrees of the President of the Russian Federation No. 922 of 14 August, 1992 "Concerning particularities of reorganisation of government-owned enterprises, associations, organisations of the fuel-and-power sector into joint-stock companies", No. 923 of 15 August, 1992 "Concerning organisation of management of the electric power complex of the Russian Federation under conditions of privatization", No. 1334 of 3 November, 1992 "Concerning implementation in the electric power industry of the Decree of the President of the Russian Federation No. 922 of 14 August, 1992 "Concerning particularities of reorganisation of government-owned enterprises, associations, organisations of the fuel-and-power sector into joint-stock companies".

The company is a legal successor of The Kuzbass Power and Electrification Production Association (POEiE Kuzbassenergo).

2. The main lines of activity of OJSC Kuzbassenergo are:

- Sale and purchase of electric energy and power according to the 'Rules of the Electric Energy and Power Wholesale and Retail Markets' and the 'Contract of Adhesion to the Electric Energy and Power, Steam and Hot Water (Thermal Energy) Wholesale Market Trade System' at established tariffs;
- Production of electric energy according to electric loads dispatching schedules;
- Production of steam and hot water (thermal energy) according to thermal loads dispatching schedules;
- Purchasing thermal energy from outside organisations;
- Ensuring working capacity and serviceability of power-generating equipment in conformity with effective regulatory requirements, carrying out modernisation and rehabilitation of heat energy and electric energy equipment of buildings and structures of thermal power plants;
- Maintenance of power facilities which are not on the Company balance, under agreements with owners of those power facilities;
- Sale of thermal energy to consumers, including retail power suppliers;
- Carrying out activity determining conditions of simultaneous operation according to the regimes of the Uniform Power System of Russia within the framework of contractual relations;
- Other.

3. According to Federal Law No.307-F3 of 30.12.2008 'On auditing' the Company is subject to compulsory audit. According to the Company auditor, CJSC BDO, the annual Financial Statements of the Company give a true and fair view of the financial situation of the Company as of 31 December, 2008 in all material aspects and of its financial and economic performance during the period from 1 January till 31 December, 2008 inclusive in compliance with the requirements of the legislation of the Russian Federation regarding preparation of the accounting (financial) statements.

4. The dynamic of the Company performance is presented in tables below. The figures provided correspond to the data of the annual financial accounting for the period from 01.01.2009 to 31.12.2009.

Parameter	2009, million roubles	2008, million roubles	Difference	
			million roubles	%
Proceeds (net) from sale of goods, products, works, services (net of VAT, excises and similar obligatory payments)	25,888	20,926	4,962	24
Production cost of sold goods, products, works, services	-24,642	-22,072	-2,570	12
Gross profit	1,246	-1,147	2,392	-209
Net profit (loss) of the accounting period	7	-2,142	2,148	-100

The analysis of the Company performance showed the following:

- In the accounting period the Company gained a profit of 7 million roubles. In the previous year the Company incurred a loss of 2,142 million roubles.
- In 2009, as compared to 2008, sales proceeds increased by 4,962 million roubles (by 24%) and the cost of sales increased by 2,570 million roubles (by 12%). In percentage terms the change of proceeds advances production cost change as much as two times.

Parameter	As of 31.12.08, Mio. RUB	As of 31.12.09, Mio. RUB	Deviation	
			Mio. RUB	%
I. NON-CURRENT ASSETS, TOTAL	23,121	22,230	-891	-4
including:				
Fixed assets	20,058	20,885	827	4
Construction in progress	2,461	782	-1,679	-68
Long-term financial investments	425	387	-38	-9

Parameter	As of 31.12.08, Mio. RUB	As of 31.12.09, Mio. RUB	Deviation	
			Mio. RUB	%
II. CURRENT ASSETS, TOTAL	8,461	6,769	-1,691	-20
including:				
Inventories	2,342	1,670	-671	-29
Accounts receivable (with a maturity exceeding 12 months after the reporting date)	148	131	-17	-11
Accounts receivable (with a maturity within 12 months after the reporting date)	3,650	4,538	888	24
Short-term financial investments	1,601	0	-1,601	-100
Cash in banks and in hand	657	377	-280	-43
III. EQUITY AND RESERVES, TOTAL	25,608	25,615	7	0
including:				
Authorised capital	707	707	0	0
Undistributed profit of prior years	7,434	7,514	80	1
Undistributed profit of the reporting year	0	7	7	
IV-V. LONG-TERM AND SHORT-TERM LIABILITIES, TOTAL				
including:	5,974	3,385	-2,589	-43
Loans and credits	3,319	0	-3,319	-100
Accounts payable	1,547	2,099	552	36
BALANCE SHEET TOTAL	31,581	28,999	-2,582	-8
NET ASSETS	23,489	28,999	5,511	23

The analysis of the Company performance variation trends of demonstrated the following:

In 2009 the value of the Company assets decreased by 8% or by 2,582 million RUB. The decrease was caused by the following factors:

- Reduction of value of non-current assets by 891 million RUB or by 4% due to the following factors:
 - the amount of construction in progress decreased by 1,679 million RUB (by 68%). The value of construction in progress as of the end of the year is 782 million RUB.
 - the value of long-term financial investments decreased by 38 million RUB or by 9%. By the end of the accounting period they amounted to 387 million RUB. The decrease was due to the reduction of the market value of shares in OJSC Rushydro.
- Reduction of value of current assets by 1,691 million RUB (20%) due to the following factors:
 - Decrease of the value of inventories by 29% or by 671 million RUB. The value of inventories by the end of the year amount to 1,670 million RUB;
 - Decrease of the value of short-term financial investments by 100% or by 1,601 million RUB. The decrease was due to the fact that the bills of OJSC SUEK issued according to the bills purchase and sale contracts were presented for repayment.
 - Increase of the amount of debt receivable (by 878 million RUB or by 23%). This growth was caused among other things by more than two-fold increase (by 1,539 million RUB) of the amount of trade receivables.

Liabilities decreased in 2009 due to full repayment of loans and credits in the amount of 3,319 million RUB.

Accounts payable increased from the beginning of the period by 552 million RUB or by 36% and amounted to 2,099 million RUB. The increase of the accounts payable was mainly due to considerable growth of tax liabilities by 714 million RUB (more than 3 times). Overdue accounts payable amounted in 2009 to 421 million RUB.

The amount of liabilities was also influenced by the decrease of provisions for future expenses by 21 million RUB or 2.4%. In the financial statements of the Company as of 31.12.2009 future expenses and payments include the following provisions:

- provision for future vacation pays of employees at a rate of 58 million RUB.;
- provision for payment of the annual performance remuneration for 2009 in the amount of 74 million RUB.;
- provision for contingent liabilities in the amount of 720 million RUB.

5. Net assets of the Company as of the beginning of the accounting year amounted to 23 billion 489 million RUB. and as of the end of the accounting year, to 28 billion 999 million RUB. The authorized capital of the Company as of the beginning and as of the end of the accounting year amounted to 706 million 164 thousand RUB and 706 million 760 thousand RUB. accordingly

The amount of net assets of the Company exceeds the amount of the authorised capital manyfolds that conforms to the requirements of the civil legislation (Civil Code of the Russian Federation) and Federal Law "On Joint Stock Companies".

6. The Internal Audit Commission carried out analysis of the financial standing of the Company:

Parameter	Standard value	Actual value		Variation
		As of 01.01.2009	As of 31.12.2009	
Absolute liquidity ratio	>0.1 – 0.7	0.15	0.18	0.03
Current liquidity ratio	1.5 – 2.0	1.94	3.21	1.27
Equity ratio	>0.1	0.29	0.50	0.21
Financial independence ratio	≥0.4	0.81	0.88	0.07
Financial stability index	≥0.6	0.83	0.89	0.06

As it is evident from the above table, the values of the financial stability and solvency index as of the end of the year are considerably higher than the recommended ones and demonstrate the up trend.

The absolute liquidity ratio increased insignificantly as compared to the previous year and is 0.18 that is higher than the standard value. The current liquidity ratio characterising provision of the company with current assets for conducting business activities and timely repayment of liabilities increased almost 2 times and is 3.21 that confirms the Company's ability to meet its liabilities in due time.

The reason of increase of the equity ratio as of 31 December, 2009 was the decrease of the amount of long-term and short-term financial investments.

The value of the equity ratio as of the end of the year exceeds standard level, that means that all non-current assets and a part of current assets are formed at the expense of own means.

Financial independence ratio and financial stability index remain at the level exceeding standard values. Their decrease was caused by the reduction of the Company's shareholder equity. The Company still remains financially independent of borrowed funds.

Thus, the Company is financially sound and solvent.

7. Financial information specified in the Company's Annual Report for 2009 corresponds to the one presented in the Financial Statements for 2009.

8. During the audit the Commission has not revealed any facts which could materially affect the financial results of the Company.

Conclusions and recommendations

- The Annual Report of the Company for 2009 has been prepared in compliance with the effective legislation of the Russian Federation in all material respects corresponds to the annual Financial Statements of the Company for 2009.
- Based on results of the check of the annual Financial Statements of OJSC Kuzbassenergo the Internal Audit Commission believes that the annual Financial Statements of the Company give true and fair view of the financial situation of the Company during the period from 01.01.2009 to 31.12.2009.
- As of 31.12.2009 the Company is financially sound and solvent.

Chairman of the Internal Audit Commission of
OJSC Kuzbassenergo

<signed>

N.V.Maltsev

Members of the Internal Audit Commission of
OJSC Kuzbassenergo

<signed>

D.S.Bosalko

<signed>

S.A.Dorokhova

<signed>

S.I.Mokhnachevskaya

<signed>

M.R.Makareikina

AUDITOR'S OPINION

To shareholders of Kuzbass Power and Electrification Open Joint-Stock Company
Auditor's opinion on financial statements of
Kuzbass Power and Electrification Open
Joint-Stock Company for 2009

AUDITOR'S OPINION

ON FINANCIAL STATEMENTS OF KUZBASS POWER AND ELECTRIFICATION OPEN JOINT-STOCK COMPANY ON THE BASIS OF PERFORMANCE FOR 2009

The audit Financial Statements of the Kuzbass Power and Electrification Open Joint-Stock Company (hereinafter referred to as the Company) for 2009 was carried out by CJSC BDO according to the agreement No. Ю-0120-0660-09 of 10.10.2009 between CJSC BDO and OJSC SUEK concluded on the basis of the resolution of the General Meeting of shareholders of the Company on approval of OJSC BDO as the official auditor (minutes No. 26 of 23.06.2009).

Summary information on CJSC BDO

CJSC BDO is registered by Moscow Southern Administrative District Inspectorate No. 26 of the Ministry of Taxation of the Russian Federation.

Certificate series 77 No. 006870804 about entering the record of 29.01.2003 in the Unified State Register of Legal Entities under Primary state registration number 1037739271701.

Certificate series 77 No. 013340465 about entering the record of 20.01.2010 in the Unified State Register of Legal Entities under Primary state registration number 1037739271701.

Registered office: 117587, Moscow, Varshavskoye shosse, 125, bldg. 1, section 11

Telephone: (495) 797 5665

Telephone/fax: (495) 797 5660

E-mail: reception@bdo.ru

Web: www.bdo.ru

General Director: DUBINSKY Andrei Yurievich

CJSC BDO is an independent national audit company, member of BDO International Network.

CJSC BDO is a member of professional auditor association Non-Profit Partnership 'Auditor Chamber of Russia' (NP APR), main registration number of the record in the state register of auditors and auditor organisations No. 10201018307. NP APR has been entered in the state register of self-regulating auditor organisations under No. 1 according to the order of the Ministry of Finance of Russia No. 455 of 01.10.2009.

The audit opinion has been signed by the authorised signatory – Mr. POGULIAEV Vladislav Yurievich, senior partner of CJSC BDO, by virtue of the power of attorney No. 78-01/2010-BDO of 01.01.2010.

The Company's audit was managed by Mrs. KURGANSKAYA Natalia Alekseevna, Director for Audit.



Summary information on Kuzbass Power and Electrification Open Joint-Stock Company

Kuzbass Power and Electrification Open Joint-Stock Company was registered by Kemerovo Interdistrict Inspectorate of the Ministry of Taxation of the Russian Federation, registration certificate series 22 No. 001926135 of 23.07.2002. It has been entered in the Unified State Register of Legal Entities under Primary state registration number 1024200678260.

Registered office: 656037, Russian Federation, Altay krai, city of Barnaul, Brilliantovaya street, 2.

1. We audited the appended financial statements for 2009, on 88 sheets:
 - Balance Sheet (form No. 1) - on 4 sheets;
 - Profit and Loss Statement (form No. 2) - on 2 sheets;
 - Statement of Changes in Equity (form No. 3) - on 3 sheets;
 - Cash Flow Statement (form No. 4) - on 2 sheets;
 - Supplement to the Balance Sheet (form No. 5) - on 6 sheets;
 - Explanatory Note - on 71 sheets.

These financial statements have been prepared by the Company management according to the standards established by Federal Law No. 129-FZ of 21.11.1996 'On business accounting' (as amended), Accounting Regulations, order No. 67n of the Ministry of Finance of the Russian Federation of 22.07.2003 'Forms of accounting records of organisations' and other statutory acts of the Russian Federation regulating the procedure for conducting business accounting and preparing financial statements.

The responsibility for organisation of the business accounting, compliance with the laws of the Russian Federation when carrying out business transactions is born by the Chief Executive Officer of the Company, Sheibak Yury Vladimirovich, by virtue of the power of attorney of 16.09.2009 issued by the managing organisation, LLC Management Company Siberian Generating Company according to the agreement on transfer of authorities of the executive body of OJSC Kuzbassenergo to the managing organisation, LLC Management Company Siberian Generating Company dated 16.09.2009.

The responsibility for development of the accounting policy, carrying out business accounting, timely presentation of full and reliable financial statements is born by the Chief Accountant of the Company, Mrs. ZAVIALOVA Natalia Alexandrovna.

Our responsibility is to provide an opinion, based on the audit made, whether the Financial Statements give a true and fair view of all the material aspects of the Company's affairs.

The purpose of the audit did not include expressing opinion on full compliance of the Company's activity with the legislation of the Russian Federation and evaluation of efficiency of performance of the Company management.

Our opinion cannot be regarded by the user of the financial statements as an expression of confidence that the Company will continue its activity in the future.

2. We have carried out the audit in compliance with Federal Law No. 307-FZ of 30.12.2008 'On auditor activity' and federal rules (standards) of auditor activity approved by the order No. 696 of the Government of the Russian Federation of 23.02.2002 (as amended), other statutory acts regulating auditor activity, as well as our internal audit standards and procedures.

When carrying out the audit we were guided by internal regulations (standards) of the accredited professional auditor association Non-Profit Partnership - Auditor Chamber of Russia.

We have planned and conducted the audit in such a manner as to obtain reasonable assurance that the Financial Statements do not contain any material misstatements.

The audit was carried out on a sample basis and included a test-based study of evidence confirming the value and the disclosure in the Financial Statements of information about the auditee's financial and economic activities, an evaluation of its accounting principles, practices and rules used at preparation of the Financial Statements, an evaluation of basic accounting estimates obtained by the Company management, and an evaluation of general presentation of the Financial Statements.

We believe that the audit we made provides sufficient grounds for expressing an opinion as to whether the Financial Statements are true and fair in all material aspects.

3. In our opinion, the Financial Statements of the Company give a true and fair view of the financial situation of the Company as of 31 December, 2009 in all material aspects and of its financial and economic performance during the period from 1 January till 31 December, 2009 inclusive in compliance with the requirements of the legislation of the Russian Federation regarding preparation of the accounting statements.

15.03.2010

Senior partner <signed> V.Yu.Poguliaev

Auditor <signed> N.A.Kurganskaya

Seal:

Closed Joint Stock Company

BDO

OGRN: 1037739271701

Moscow

Qualifying certificate of the Ministry of Finance of the Russian Federation on general audit No. K 019561, issued by virtue of the resolution of the Central Qualification and Licencing Audit Commission of the Ministry of Finance of the Russian Federation of 30.08.2001, from 15.11.2004 extended for unlimited period (minutes No.96 of the Central Qualification and Licencing Audit Commission of the Ministry of Finance of the Russian Federation)

Total number of sheets sewn together: 92 sheets.



FINANCIAL STATEMENTS ACCORDING TO THE RUSSIAN ACCOUNTING STANDARDS

BALANCE SHEET AS OF 31 DECEMBER, 2009

(thou. RUB)

Assets	Line code	As of the beginning of the reporting year	As of the end of the reporting period
I. NON-CURRENT ASSETS			
Intangible assets	110	-	-
including:			
patents, licences, trade marks (service marks), others similar right and assets	111	-	-
organisational expenses	112	-	-
Company's goodwill	113	-	-
Fixed assets	120	20,058,494	20,885,393
including:			
land lots and natural resources	121	439,573	439,573
buildings, machines and equipment	122	13,170,380	14,206,305
Construction in progress	130	2,461,367	782,118
Income-bearing investments into tangible assets	135	1	-
Long-term financial investments	140	424,784	386,954
including:			
investments into subsidiaries	140.1	334,054	334,054
investments into affiliates	140.2	-	-
investments into other entities	140.3	89,214	51384
loans extended for a period exceeding 12 months	140.4	-	-
other long-term financial investments	140.5	1,516	1,516
Deferred tax assets	145	-	-
Other non-current assets	150	176,570	175,820
TOTAL FOR SECTION I	190	23,121,216	22,230,285
II. CURRENT ASSETS			
Inventories	210	2,341,504	1,670,032
including:			
raw materials, consumables and other similar valuables	211	2,331,222	1,654,415
rears and fatteners	212	-	-
expenses relating to construction in progress	213	-	-
finished products and goods for resale	214	1,494	1,350
goods shipped	215	-	14
deferred expenses	216	8,788	14,253
other inventories and expenses	217	-	-
Value added tax on purchased valuables	220	56,082	36,255

Assets	Line code	As of the beginning of the reporting year	As of the end of the reporting period
Accounts receivable (with a maturity exceeding 12 months after the reporting date)	230	148,146	131,347
including:			
trade accounts receivable	231	-	-
bills receivable	232	19,556	19,556
indebtedness of subsidiaries and affiliates	233	1,547	-
advances issued	234	713	-
other debtors	235	126,330	111,791
Accounts receivable (with a maturity within 12 months after the reporting date)	240	3,649,974	4,538,298
including:			
trade accounts receivable	241	1,356,750	2,896,039
bills receivable	242	-	-
indebtedness of subsidiaries and affiliates	243	4,721	5,034
advances issued	244	2,138,377	1,490,158
other debtors	245	137,323	123,720
dividends receivable, interest on loans issued, bills and bonds received	246	12,803	23,347
Short-term financial investments (56,58,82)	250	1,600,796	-
including:			
loans extended to other companies for a period of less than 12 months	251	-	-
other short-term financial investments	252	1,600,796	-
acquired rights of demand of debt receivable	253	-	-
Cash in banks and in hand	260	656,775	376,762
including:			
cash in hand	261	116	196
settlement accounts	262	260,442	375,650
currency accounts	263	395,997	-
other monetary funds	264	220	916
Other current assets	270	7,329	16,453
TOTAL FOR SECTION II	290	8,460,606	6,769,147
BALANCE	300	31,581,822	28,999,432

FINANCIAL STATEMENTS ACCORDING TO THE RUSSIAN ACCOUNTING STANDARDS (CONTINUED)

Liabilities	Code	As of the beginning of the reporting year	As of the end of the reporting period
III. EQUITY AND RESERVES			
Authorised capital	410	706,760	706,760
Treasury shares	411	-	-
Additional capital	420	17,431,920	17,352,073
Reserve capital	430	35,308	35,308
including:			
statutory reserves	431	35,308	35,308
reserves formed according to the constituent instruments	432	-	-
Accumulation fund	433	-	-
Social fund sphere	440	-	-
Target financings and proceeds	450	-	-
Undistributed profit of prior years	460	7,434,181	7,513,974
Uncovered loss of prior years	465	-	-
Undistributed profit of the reporting year	470	-	6,716
Uncovered loss of the reporting year	475	-	-
TOTAL FOR SECTION III	490	25,608,169	25,614,831
IV. LONG-TERM LIABILITIES			
Loans and credits	510	500,000	-
including:			
bank credits with a maturity exceeding 12 months after the balance sheet date	511	500,000	-
loans with a maturity exceeding 12 months after the balance sheet date	512	-	-
Deferred tax liabilities	515	173,918	274,908
Other long-term liabilities	520	32,975	30,918
TOTAL FOR SECTION IV	590	706,893	305,826
V. CURRENT LIABILITIES			
Loans and credits	610	2,819,090	-
including:			
bank credits with a maturity within 12 months after the balance sheet date	611	2,819,090	-
loans with a maturity within 12 months after the balance sheet date	612	-	-
Accounts payable	620	1,547,043	2,099,060
including:			
trade accounts payable	621	1,039,991	1,036,926

Liabilities	Code	As of the beginning of the reporting year	As of the end of the reporting period
bills payable	622	43,448	6,160
accounts payable to subsidiaries and affiliates	623	72,233	131,708
wage arrears	624	76,602	47,270
indebtedness to state non-budget funds	625	13,564	19,232
tax liabilities	626	222,684	713,503
advance payments received	627	46,935	102,826
other creditors	628	31,586	41,435
Arrears on profit payable to members (founders)	630	2,026	1,998
Deferred incomes	640	18,876	110,978
Provisions for expected costs and payments	650	879,725	858,531
Other current liabilities	660	-	8,208
TOTAL FOR SECTION V	690	5,266,760	3,078,775
BALANCE	700	31,581,822	28,999,432

Statement of valuables entered into off-balance accounts

Leased fixed assets	910	14,129,971	14,135,044
Tangible assets (fixed assets with an acquisition cost up to 20 thou. RUB (overalls and special jigs and toolings)	911	51,715	58,782
Goods and materials in custody	920	102,459	173,095
Goods on commission	930	-	-
Debts of insolvent debtors written off to the loss	940	557,712	234,072
Securities on liabilities and payments received	950	3,296	160,572
Securities on liabilities and payments provided	960	517,818	-
Depreciation of residential housing	970	1,155	1,287
Depreciation of land improvement facilities and other similar facilities	980	-	-
Intangible assets obtained in temporary use	990	-	-
Default interest, penalties and indebtedness entered into off-balance accounts	991	-	-

Chief Executive Officer
Yu.V.Sheibak

Chief Accountant
N.A.Zavialova

PROFIT AND LOSS STATEMENT FOR JANUARY - DECEMBER, 2009

(thou. RUB)

Parameter	Line code	For the accounting period	For the same period of the previous year
I. ORDINARY ACTIVITIES INCOME AND EXPENSE			
Proceeds (net) from sale of goods, products, works, services (net of VAT, excises and similar compulsory payments)	010	25,887,606	20,925,502
in particular, from sale of			
coal	011	-	-
inventories	012	-	-
electrical energy	013	10,727,182	8,674,875
heat energy	014	7,171,292	6,987,815
power	015	6,032,314	4,912,231
chemically treated water	016	120,063	-
hot water	017	741,698	-
other products, works, services of industrial nature	018	1,091,403	344,376
other products, works, services of nonindustrial nature	019	3,654	6,205
Production cost of goods, products, works, services sold	020	(24,641,864)	(22,072,042)
in particular, of sold			
coal	021	-	-
inventories	022	-	-
electrical energy	023	(10,351,209)	(9,917,989)
heat energy	024	(6,722,219)	(6,866,411)
power	025	(5,725,732)	(4,977,903)
chemically treated water	026	(124,200)	-
hot water	027	(680,370)	-
other products, works, services of industrial nature	028	(1,032,480)	(304,214)
other products, works, services of nonindustrial nature	031	(5,654)	(5,525)
Gross profit	029	1,245,742	(1,146,540)
Business expenses	030	(15,499)	(16,674)
Administrative expenses	040	-	-
Sales profit (loss)	050	1,230,243	(1,163,214)
II. OTHER INCOME AND EXPENSE			
Interest receivable	060	192,428	297,679
Interest payable	070	(278,860)	(118,505)
Income from participation in other entities	080	-	7,012
Other income	090	1,960,826	504,814
Other expense	100	(2,980,087)	(1,852,015)
PROFIT (LOSS) BEFORE TAX	140	124,550	(2,324,229)

Parameter	Line code	For the accounting period	For the same period of the previous year
Deferred tax assets	141	(36,502)	313,130
Deferred tax liabilities	142	(203,295)	(137,892)
Current profit tax	150	-	-
Profit tax adjusted for previous tax periods	151	124,922	-
Other compulsory payments	160	(200)	7,385
Tax sanctions	170	(2,759)	-
NET PROFIT (LOSS) OF THE ACCOUNTING PERIOD	190	6,716	(2,141,606)
FOR REFERENCE			
Constant tax liabilities (assets)	200	214,887	382,577
Base profit (loss) per share	201	-	-
Diluted profit (loss) per share	202	-	-

Breakdown of some profit and loss items

Parameter	Line code	For the accounting period		For the same period of the previous year	
		Profit	Loss	Profit	Loss
Acknowledged fines, default interest and penalties or fines, default interest and penalties with respect to which a court (arbitration court) collection judgment has been received	210	12,966	(22,719)	5,923	(29,867)
Profit (loss) of previous years	220	152,254	(66,127)	11,250	(41,495)
Compensation for damages caused by a non-performance or improper performance of obligations	230	51,390	(120,111)	5	(218,845)
Exchange differences under foreign exchange transactions	240	85,462	(49,319)	2,513	(12,787)
Provisions to cover losses	250		(626,628)		(857,305)
Writing off accounts receivable and payable with expired limitation period	260	240	(744)	3,653	(1,039)

Chief Executive Officer
Yu.V.Sheibak

Chief Accountant
N.A.Zavialova

STATEMENT OF CHANGES IN EQUITY FOR 2009

I. Changes in Equity

(thou. RUB)

Parameter	Line code	Authorised capital	Additional paid-in capital	Reserve capital	Undistributed profit (uncovered loss)	Total
Balance as of December 31 of the year prior to the previous one	010	706,164	22,810,459	30,308	4,439,677	27,986,608
2008 (previous year)						
Changes in the accounting policy	020	X	X	X	(358,700)	(358,700)
Result from revaluation of fixed assets	030	X	-	X	-	-
		X	-	X	-	-
Balance as of January 1 of the previous year	050	706,164	22,810,459	30,308	4,080,977	27,627,908
Effect of conversion of foreign exchange	055	X	-	X	X	-
Net profit	060	X	X	X	(2,141,606)	(2,141,606)
Dividend	065	X	X	X	-	-
Deductions to the reserve fund	067	X	X	5,000	(5,000)	-
Equity increase due to:						
additional share issue	070	596	X	X	X	596
increased par value of shares	075	-	X	X	X	-
reorganisation of the entity	080	-	114,558	X	-	114,558
other		-	-	-	21325	21325
Equity decrease due to:						
decreased par value of shares	085		X	X	X	-
decreased number of shares	086	-	X	X	X	-
reorganisation of the entity	087	-	-	X	-	-
other	088	-	(49337)	-	(59)	(49396)
Balance as of 31 December of the previous year	090	706,760	22,875,680	35,308	1,955,637	25,573,385

Parameter	Line code	Authorised capital	Additional paid-in capital	Reserve capital	Undistributed profit (uncovered loss)	Total
2009 (accounting year)						
Changes in the accounting policy	092	X	X	X	-	-
other	093	X	(5,443,760)	X	5,443,760	-
Change of the profits tax rate	094	X	X	X	34,784	34,784
Balance as of January 1 of the reporting year	100	706,760	17,431,920	35,308	7,434,181	25,608,169
Effect of conversion of foreign exchange	102	X	-	X	X	-
Net profit	106	X	X	X	6,716	6,716
Dividend	108	X	X	X	-	-
Deductions to the reserve fund	110	X	X	-	-	-
Equity increase due to:						
additional share issue	121	-	X	X	X	-
increased par value of shares	122	-	X	X	X	-
reorganisation of the entity	123	-	X	X	-	-
other	124	-	-	-	(54)	(54)
Equity decrease due to:						
decreased par value of shares	131	-	X	X	X	-
decreased number of shares	132	-	X	X	X	-
reorganisation of the entity	133	-	-	-	-	-
writing-off increases in the value of fixed assets at their retirement	134	-	(79,847)	-	79,847	-
Balance as of 31 December of the reporting year	140	706,760	17,352,073	35,308	7,520,690	25,614,831

II. Reserves

(thou. RUB)

Parameter	Line code	Incoming balance	Received in the accounting year	Used in the accounting year	Balance as of the end of the accounting year
Statutory reserves:					
previous year data		30,308	5,000	-	35,308
reporting year data		35,308	-	-	35,308
Reserves formed according to the constituent instruments:					
previous year data		-	-	-	-
reporting year data		-	-	-	-
Estimated reserves:					
Provision for depreciation of material assets					
previous year data		73,520	7,039	(17,248)	63,311
reporting year data		63,311	429,467	(312,152)	180,626
Provision for bad debts					
previous year data		213,962	156,638	(175,498)	195,102
reporting year data		195,102	2,177,550	(1,674,559)	698,093
Provision for depreciation of financial investments					
previous year data		2,298	0	(2,298)	0
reporting year data		-	-	-	-
Provision for future costs:					
Provision for future vacation pays					
previous year data		87,551	207,714	(212,348)	82,917
reporting year data		82,917	220,289	(245,509)	57,697
Provision for vacation trip payments					
previous year data		-	-	-	-
reporting year data		-	-	-	-
Provision for the annualizing award					
previous year data		73,584	126,730	(97,134)	103,180
reporting year data		103,180	83,103	(114,851)	71,432
Provision for annual longevity pay					
previous year data		-	-	-	-
reporting year data		-	-	-	-
Provision for contingent liabilities					
previous year data		115,468	693,628	(115,468)	693,628
reporting year data		693,628	45,564	(9,790)	729,402

III. For reference

Parameter	Line code	Balance as of the beginning of the year	Balance as of the end of the year
1. Net assets	200	25,627,045	25,725,809

Parameter	Line code	From the budget		From off-budget funds	
		for the reporting year	for the previous year	for the reporting year	for the previous year
2. Received for:					
Expenses related to ordinary activities	210	53,302	2,773	670	-
- total					
Including:					
reimbursement of interest under credit for acquisition of fuel		52,981	2,773	-	-
financing of outsourced employees		321	-	-	-
financing of Social Insurance Fund		-	-	670	-
Capital investments into non-current assets	220	-	-	-	-

Chief Executive Officer
Yu.V.Sheibak

Chief Accountant
N.A.Zavialova

CASH FLOW STATEMENT FOR 2009

(thou. RUB)

Parameter	Line code	For the accounting period	For the same period of the previous year
Cash balance as of the beginning of the accounting year	001	656,747	54,670
Cash flow relating to operating activities			
Cash received from buyers, customers	110	28,777,859	24,686,311
Refunding of export VAT from the budget	120	-	-
Other income	130	1,621,099	1,351,290
Cash assets allocated for:			
payment for purchased goods, works, services, raw materials and other current assets	150	(21,981,792)	(23,189,043)
wages	160	(1,837,328)	(1,700,405)
dividend and interest payout	170	(313,751)	(153,653)
settlement of tax liabilities	180	(2,332,088)	(1,598,066)
payment under expense reports	181	(25,787)	-
other costs	190	(1,123,231)	(2,098,809)
Net cash from operating activities		2,784,981	(2,702,375)
Cash flow related to investment activity			
Proceeds from sale of fixed assets and others non-current assets	210	29,716	3,772
Proceeds from sale of securities and other financial investments	220	2,320,683	160,000
Dividend received	230	-	6,381
Interest received	240	47,031	270,663
Proceeds from repayment of loans extended to other entities	250	-	-
Choses in action and other income	260	-	8,668,601
Acquisition of subsidiaries	280	-	-
Acquisition of fixed assets, income-bearing placements into material valuables and intangible assets	290	(1,591,486)	(4,375,448)
Acquisition of securities and other financial investments	300	(599,930)	(4,761,441)
Loans extended to other entities	310	-	-
Miscellaneous	320	-	-
Net cash assets from investment activity	340	206,014	(27,472)

Parameter	Line code	For the accounting period	For the same period of the previous year
Cash flow related to financing activities			
Proceeds from issue of shares or other equity securities	350	-	-
Proceeds from loans and credits provided by other entities	360	400,000	6,591,698
Other income	370	-	86,712
Repayment of loans and credits (without interest)	390	(3,700,000)	(3,291,698)
Settlement of finance lease liabilities	400	(14,840)	(9,897)
Other costs	410	-	(44,891)
Net cash received from financing activities		(3,314,840)	3,331,924
Net increase (decrease) of cash assets and cash equivalents	420	(323,845)	602,077
Cash balance as of the end of the accounting period	430	376,747	656,747
Effect of changes of foreign exchange-to rouble rate	440	43,845	2,028

Chief Executive Officer
Yu.V.Sheibak

Chief Accountant
N.A.Zavialova

SUPPLEMENT TO THE BALANCE SHEET FOR 2009

Intangible assets

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Receipts	Retirement	Balance as of the end of the accounting period
Intellectual property items (exclusive rights to results of intellectual property)	010	4	-	-	4
Including:					
those held by the patentee with respect to the invention, design, useful model	011	-	-	-	-
those held by the holder of rights with respect to computer programs, databases	012	-	-	-	-
those held by the holder of rights with respect to integrated-circuit technology	013	-	-	-	-
those held by the owner with respect to the trade mark, service mark, appellation of origin	014	4	-	-	4
those held by the holder of rights with respect to selection achievements	015	-	-	-	-
Organisational expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Amortisation of intangible assets - total	050	(4)	(4)
including:			
trade mark amortisation		(4)	(4)

Fixed assets

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Receipts	Retirement	Balance as of the end of the accounting period
Buildings	110	10,050,447	247,737	(55,925)	10,242,259
Structures and transfer systems	111	15,928,748	598,964	(274,236)	16,253,476
Machines and equipment	112	26,115,543	1,953,760	(504,162)	27,565,141
Means of transport	113	216,902	2,472	(25,439)	193,935
Industrial inventories and furniture	114	74,312	6,858	(4,464)	76,706
Draught animals	115	-	-	-	-

Parameter	Line code	Balance as of the beginning of the reporting year	Receipts	Retirement	Balance as of the end of the accounting period
Productive livestock	116	-	-	-	-
Perennial planting	117	568	-	-	568
Other fixed assets	118	2,285	42	-	2,327
Land lots and natural resources	119	439,573	-	-	439,573
Capital investments into fundamental land amelioration	120	-	-	-	-
TOTAL	130	52,828,378	2,809,833	(864,226)	54,773,985

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Depreciation of fixed assets - total	140	(32,769,884)	(33,888,592)
including:			
buildings and structures	141	(13,412,873)	(14,140,404)
machines, equipment, means of transport	142	(19,314,813)	(19,700,797)
other	143	(42,198)	(47,391)
Leased out fixed assets - total	150	755,270	874,236
including:			
buildings	151	225,461	232,551
structures	152	418,740	480,165
machines, equipment, means of transport	153	106,087	153,068
other	154	4,982	8,452
Preserved fixed assets	155	76,960	-
Leased fixed assets - total	160	14,129,971	14,135,044
including:			
buildings and structures	161	38,260	38,992
machines, equipment, means of transport	162	32,546	49,895
land lots	163	14,059,165	14,045,832
other	164	-	325
Commissioned real estate facilities under state registration	165	2,082,111	1,995,723

For reference

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Result of revaluation of fixed assets:			
acquisition (replacement) cost of fixed assets	171	-	-
depreciation of fixed assets	172	-	-
Change of value of fixed assets as a result of completion, additional equipment, reconstruction, partial liquidation	180	-	2,702,287

Income-bearing placements into tangible assets

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Receipts	Retirement	Balance as of the end of the accounting period
Assets to be leased out	210	-	-	-	-
Assets to be hired out	220	-	-	-	-
Other	230	13	-	(13)	-
TOTAL	240	13	-	(13)	-

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Amortisation of income-bearing placements into tangible assets	050	(12)	-

Expenses for research, development and engineering studies

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Receipts	Retirement	Balance as of the end of the accounting period
Total	310	1,360	-	(1,360)	-
Including:					
Other	313	1,360	-	(1,360)	-

For reference

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Total expenses for uncompleted research, development and engineering studies	320	300	681

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Total expenses for ineffective research, development and engineering studies charged to non-operational costs	330	2,103	-

Expenses for development of natural resources

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Receipts	Retirement	Balance as of the end of the accounting period
Expenses for development of natural resources - total	410	-	-	-	-

For reference

Parameter	Line code	As of the beginning of the reporting year	As of the end of the accounting period
Total expenses relating to subsoil plots where exploration, deposit evaluation, survey, hydrogeological investigation and/or other similar operations are still in progress	420	-	-
Total expenses for development of natural resources charged in the accounting period to miscellaneous costs as being ineffectual	430	-	-

Financial investments

(thou. RUB)

Parameter	Line code	Long-term		Short-term	
		As of the beginning of the reporting year	As of the end of the accounting period	As of the beginning of the reporting year	As of the end of the accounting period
Contributions to authorised (share) capitals of other entities - total	510	423,268	385,438	-	-
including subsidiary and associated companies	511	334,054	334,054	-	-
Governmental and municipal securities	515	-	-	-	-
Securities of other entities - total	520	1,516	1,516	1,600,796	-
Including debt securities (bonds, bills)	521	1,516	1,516	1,600,796	-
Loans extended	525	-	-	-	-
Deposits	530	-	-	-	-
Other	535	-	-	-	-
TOTAL	540	424,784	386,954	1,600,796	-
Of the total amount: financial investments having a current market value:					
Contributions to authorised (share) capitals of other entities - total	550	89,164	51,334	-	-
including subsidiary and associated companies	551	-	-	-	-
Governmental and municipal securities	555	-	-	-	-
Securities of other entities - total	560	-	-	-	-
including debt securities (bonds, bills)	561	-	-	-	-
Other	565	-	-	-	-
TOTAL	570	89,164	51,334	-	-

For reference

Parameter	Line code	Long-term		Short-term	
		As of the beginning of the reporting year	As of the end of the accounting period	As of the beginning of the reporting year	As of the end of the accounting period
With respect to financial investments having a current market value: change of value due to valuation adjustment	580	89,164	(37,830)	-	-
With respect to debt securities: difference between the acquisition cost and the par value referred to the financial result of the accounting period	590	-	-	-	-

Accounts payable and receivable

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Balance as of the end of the accounting period
ACCOUNTS RECEIVABLE:			
Short-term receivables - total	610	3,845,076	5,232,259
including:			
trade receivables	611	1,534,511	3,583,579
advance payments made	612	2,154,845	1,490,627
other	613	155,720	158,053
Long-term receivables - total	620	148,146	131,347
including:			
trade receivables	621	-	-
advance payments made	622	713	-
other	623	147,433	131,347
TOTAL	630	3,993,222	5,363,606
ACCOUNTS PAYABLE:			
Short-term payables - total	640	4,368,159	2,101,058
including:			
trade payables	641	1,039,991	1,036,926
bills payable		43,448	6,160
advance payments received		46,935	102,826
tax payable		236,248	732,735
credits		2,819,090	-
loans		-	-
other		182,447	222,411
Long-term payables - total		532,975	30,918
including:			
credits		500,000	-
loans		-	-
other		32,975	30,918
TOTAL		4,901,134	2,131,976

Costs related to ordinary activities (with cost items breakdown)

(thou. RUB)

Parameter	Line code	For the reporting year	For the previous year
Material costs	710	16,224,318	14,253,902
Labour costs	720	2,074,728	1,928,496
Deductions for social needs	730	415,308	388,364
Depreciation	740	1,652,178	1,492,404
Other expenses	750	4,290,831	4,025,550
Total for cost items	760	24,657,363	22,088,716
Change of balances (increase [+], decrease [-]):			
work in progress	765	-	-
deferred expenses	766	6,838	(4,443)
provision for future costs	767	(21,194)	24,962

Security

(thou. RUB)

Parameter	Line code	Balance as of the beginning of the reporting year	Balance as of the end of the accounting period
Security received - total	810	3,296	160,572
Including:			
bills	811	-	-
Assets under pledge	820	3,296	184,959
Including:			
fixed assets	821	3,093	184,932
securities and other financial investments	822	-	-
other	823	203	27
Security provided - total	830	517,818	-
Including:			
bills	831	-	-
Assets provided as a pledge	840	517,818	-
Including:			
fixed assets		-	-
securities and other financial investments		-	-
other		517,818	-

Government assistance

(thou. RUB)

Parameter	Line code	For the accounting period		For the same period of the previous year	
Budgetary funds received in the reporting year - total	910	53,302		2,773	
		As of the beginning of the reporting year	Received during the accounting period	Refunded during the accounting period	As of the end of the accounting period
Budgetary credits - total	920	-	-	-	-

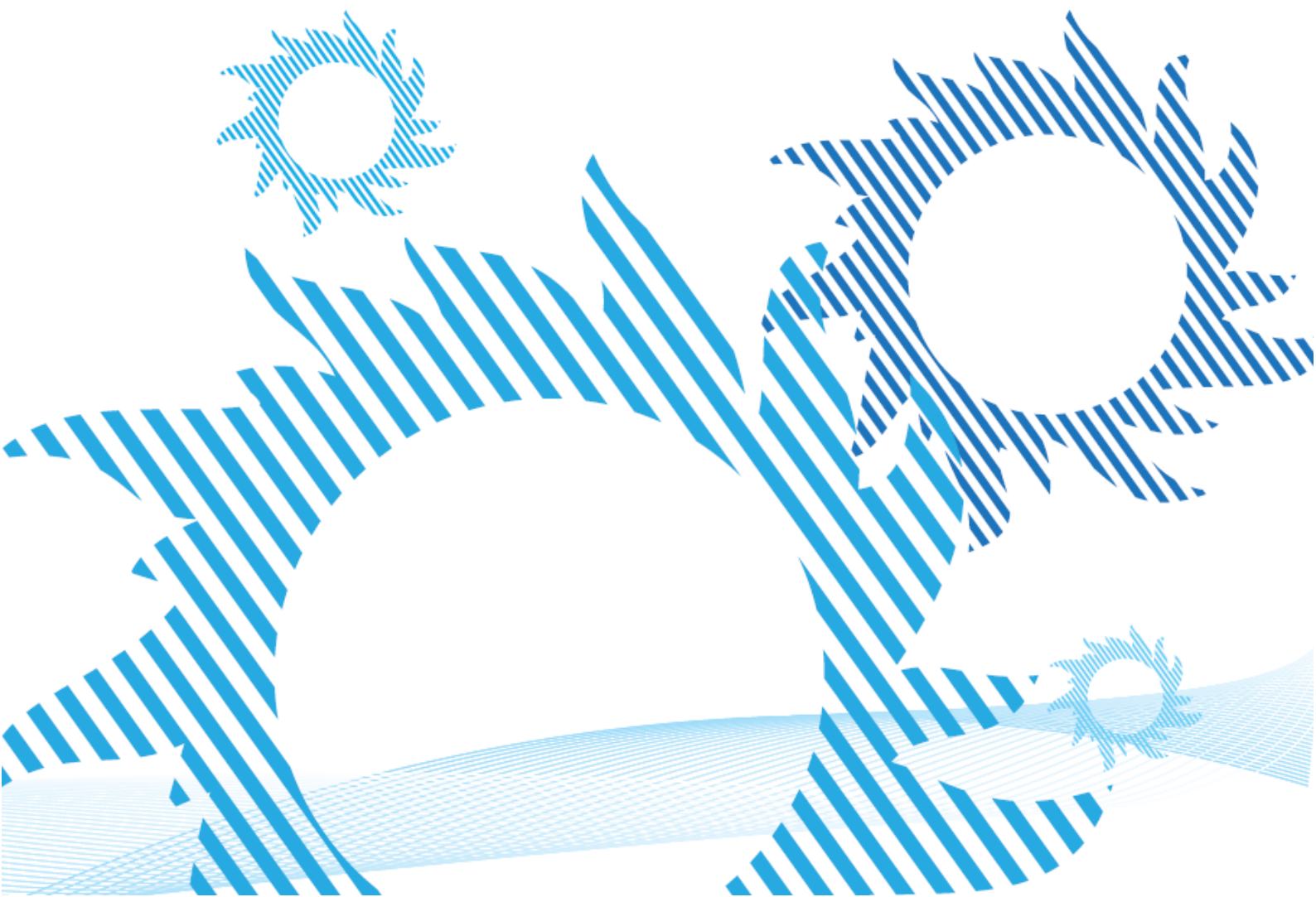
Chief Executive Officer
Yu.V.SheibakChief Accountant
N.A.Zavialova





Additional information

- 10.1. Information on material facts (136)
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INFORMATION ON MATERIAL FACTS

In 2009 the Company published 7 notifications of material facts:

15.05.2009: Information on the date of closing of the shareholder register of the Issuer (the date of making up the list of persons entitled to attend the annual General Meeting of the Company shareholders based on results of 2008).

24.06.2009: Details of the resolutions of General Meetings of shareholders (resolution of the annual General Meeting of shareholders of OJSC Kuzbassenergo of 23.06.2009).

24.11.2009: Details of entering into the Issuer's Shareholder Register of data on shareholder holding at least 5 percent of ordinary stock of the Issuer, as well as about any change as a result of which the share of such stock held by this shareholder became more or less than 5, 10, 15, 20, 25, 30, 50 or 75 percent of outstanding ordinary shares (acquisition by DONALINK LIMITED of 16.14% of ordinary shares in the Issuer).

25.11.2009: Details of entering into the Issuer's Shareholder Register of data on shareholder holding at least 5 percent of ordinary stock of the Issuer, as well as about any change as a result of which the share of such stock held by this shareholder became more or less than 5, 10, 15, 20, 25, 30, 50 or 75 percent of outstanding ordinary shares (disposal by OJSC Federal Grid Company of Unified Energy System of 18.93% of ordinary shares in the Issuer).

14.12.2009: Details of entering into the Issuer's Shareholder Register of data on shareholder holding at least 5 percent of ordinary stock of the Issuer, as well as about any change as a result of which the share of such stock held by this shareholder became more or less than 5, 10, 15, 20, 25, 30, 50 or 75 percent of outstanding ordinary shares (acquisition by CJSC INTER RAO UES Baltya of 18.93% of ordinary shares in the Issuer).

14.12.2009: Details of entering into the Issuer's Shareholder Register of data on shareholder holding at least 5 percent of ordinary stock of the Issuer, as well as about any change as a result of which the share of such stock held by this shareholder became more or less than 5, 10, 15, 20, 25, 30, 50 or 75 percent of outstanding ordinary shares (disposal by CJSC INTER RAO UES Baltya of 18.93% of ordinary shares in the Issuer).

31.12.2009: Details of entering into the Issuer's Shareholder Register of data on shareholder holding at least 5 percent of ordinary stock of the Issuer, as well as about any change as a result of which the share of such stock held by this shareholder became more or less than 5, 10, 15, 20, 25, 30, 50 or 75 percent of outstanding ordinary shares (change of shareholding of OJSC SUEK from 49.64% to 50.0009% of ordinary shares in the Issuer).

Detailed information about all material facts is available on the Company's Internet site at [HTTP://WWW.KUZBASSENERGO.RU/INVEST/DOC/FACT/](http://www.kuzbassenergo.ru/invest/doc/fact/)



DECISIONS TAKEN BY GENERAL MEETINGS OF SHAREHOLDERS

On 23 June the annual General Meeting of shareholders of OJSC Kuzbassenergo was held at which the following resolutions were passed:

Item No.1:

1. That the Annual Report and Annual Financial Statements of the Company including Profit and Loss Statement of the Company for the financial year 2008 be approved.
2. That the following distribution of the Company profit (loss) for the financial year 2008 be approved:

	(thou. RUB)
Net profit (loss) for the accounting period:	(2 141 606)
To be allocated:	
- to the Reserve fund	-
- to dividend payout	-
- to investments	-
- to cover losses of previous years	-
- to retained earnings	-

3. That no dividend be paid on ordinary shares in the Company based on results of 2008

Item No.2: That the Board of Directors of the Company be elected in the following composition:

1. BOLSHAKOV Andrei Nikolaevich;
2. GRIGORIEV Sergei Alexandrovich;
3. DEMURA Viktor Nikolaevich;
4. DRACHUK Andrei Alexandrovich;
5. KIPRIYANOV Roman Yurievich;
6. KOZLOVA Irina Vladimirovna;
7. KUBRAKOV Alexei Nikolaevich;
8. MAZIKIN Valentin Petrovich;
9. MARTYNOV Sergei Alexandrovich;

10. PAPIN Mikhail Leonidovich;
11. TIKHONOVA Maria Gennadievna

Item No.3: That the Internal Auditing Commission of the Company be elected in the following composition:

1. BOSALKO Dmitry Sergeevich;
2. DOROKHOVA Svetlana Anatolievna;
3. MAKAREIKINA Margarita Romanovna;
4. MALTSEV Nikolai Vladimirovich;
5. MOKHNACHEVSKAYA Sofia Ivanovna.

Item No.4: That Closed Joint-Stock Company BDO Unikon (registered office: Moscow, Varshavskoye shosse, 125, bldg 1, section 11) be approved Company's auditor.

Item No.5.1. The resolution was rejected.

Item No.5.2.: That the restated Company Charter be approved.

Item No.5.3.:

- That the Regulations on procedure of preparation, convocation and holding of the General Meeting of shareholders of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) in a new wording be approved.
- That the Regulations on the Board of Directors of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) in a new wording be approved.
- That the Regulations on the Internal Auditing Commission of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) in a new wording be approved

Item No.5.4.: That the Regulations on the Management Board of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) be cancelled.

Item No.5.5.:

- That the Regulations on payment of remunerations and compensations to the members of the Board of Directors of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) in a new wording be approved.
- That the Regulations on payment of remunerations and compensations to the members of the Internal Auditing Commission of Kuzbass Power and Electrification Open Joint-Stock Company (OJSC Kuzbassenergo) in a new wording be approved

Item No. 6: That the authorities of the sole executive body of the Company be delegated to a management company Transmit authorities of an individual executive body of the Company of the management company – Limited Liability Company MC Siberian Generating Company (registered office: Moscow, Serebryanicheskaya emb., 29).

Item No.7:

7.1. That the following non-arms-length transactions between OJSC Kuzbassenergo and interested persons that may be made in future between the Company and interested persons (before the date of the next annual General Meeting of the Company shareholders) in the ordinary course of business:

7.1.1. Parties to the transactions: OJSC Kuzbassenergo - Customer, OJSC Barnaulteplosetremont - Contractor.

Scope of transactions: The Contractor undertakes to execute on the Customer's instructions a package of works involving repair of equipment, fittings, heating mains, pipelines, as well as repair and construction works and civil construction and erection works and to deliver their results to the Customer, while the Customer undertakes to accept the results of works and to pay for the same;

Limit amount for which the transactions may be made: 450 million roubles.

The list and the cost of works under each transaction shall be determined on the basis of an estimate approved according to the dedicated resolution of the Central Procurement Body.

7.1.2. Parties to the transactions: OJSC Kuzbassenergo - Customer, OJSC Kuzbasskaya Energoremontnaya Kompaniya - Contractor.

Scope of transactions: The Contractor undertakes to supply on the Customer's instructions spare parts, and equipment, as well as to perform works involving capital (current) repair and maintenance of basic and accessory equipment, instrumentation and automated control systems, cable runs and lighting, installation of equipment and pipelines and to deliver their results to the Customer, while the Customer undertakes to accept the delivery and the results of works and to pay for the same;

Limit amount for which the transactions may be made: 355 million roubles.

The list and the cost of works under each transaction shall be determined on the basis of an estimate approved according to the dedicated resolution of the Central Procurement Body.

7.1.3. Parties to the transactions: OJSC Kuzbassenergo - Customer, OJSC IATS Kuzbasstekhenergo - Contractor.

Scope of transactions: The Contractor undertakes to render on the Customer's instructions a package of metrological, chemical services, electrotechnical equipment diagnostic services, heating/mechanical equipment adjustment services, metal parts inspection and welding services, to carry out design works and to deliver their results to the Customer, while the Customer undertakes to accept the results of works and to pay for the same;

Limit amount for which the transactions may be made: 100 million roubles.

The list and the cost of works under each transaction shall be determined on the basis of an estimate approved according to the dedicated resolution of the Central Procurement Body



DETAILS OF OBSERVANCE OF THE CODE OF CORPORATE CONDUCT

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
GENERAL MEETING OF SHAREHOLDERS			
1	A notice of each General Meeting of shareholders shall be given to shareholders at least 30 days prior to the scheduled date of the meeting irrespective of issues included into its agenda, unless a longer term is provided for by the legislation	Yes	According to Item 18.3. of article 18 of the Company Charter "The notice of the General Meeting of shareholders shall be made at least 30 days prior to the scheduled date of the meeting. The notice of the General Meeting of shareholders should be published in the "Rossiyskaya Gazeta" newspaper".
2	Shareholders shall have a possibility to get acquainted with the list of persons entitled to attend the General Meeting of shareholders from the day of the notice of convocation of the General Meeting of shareholders and until closing of a General Meeting of shareholders held in the form of compresence, and in case of a General Meeting of shareholders held <i>in absentia</i> – until the last date of reception of voting bulletins	Yes	Such a possibility is provided to persons holding at least 1 % of votes. The details of documents and mailing address of individuals included in this list are disclosed only with the consent of these persons.
3	Shareholders shall have a possibility to get acquainted with the information (materials) to be provided to shareholders at preparation to the General Meeting of shareholders, by means of electronic communication facilities, including by means of the Internet network.	Yes	The information is presented in the Company website at HTTP://WWW.KUZBASSENERGO.RU/CORP/SHARE/ in section 'Corporate Governance'.
4	A shareholder shall have a right to suggest an item to the agenda of the General Meeting of shareholders or to require convocation of the General Meeting of shareholders without providing a statement from the shareholder register if his share rights are registered in the shareholder register management system, and if his share rights are registered on a custody account, a statement from the custody account shall be sufficient for exercising the above-stated rights.	No	There is no such a requirement in the Company by-laws

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
5	Availability in the Charter or by-laws of the joint-stock company of a requirement of compulsory presence at the General Meeting of shareholders of the General Director, members of the Management Board, members of the Board of Directors, members of the Internal Audit Commission and the auditor of the joint-stock company.	No	Such persons are usually present at General Meetings of shareholders of OJSC Kuzbassenergo, however neither the Company's Charter nor its by-laws stipulate their compulsory presence at the General Meeting of shareholders.
6	Compulsory presence of nominees at consideration by the General Meeting of shareholders of matters of election of members of the Board of Directors, General Director, members of the Management Board, members of the Internal Audit Commission, as well as approval of the company's auditor.	No	Such a requirement is not stipulated by the Company by-laws. According to sub-paragraph 11 of paragraph 27.2 of Article 27 of the Company Charter, election of the General Director and members of the Management Board of the Company is within the competence of the Board of Directors of the Company.
7	Availability in by-laws of the joint-stock company of the procedure of registration of participants in the general meeting of shareholders.	Yes	Article 10 of the Regulations on procedure of preparation, convocation and holding of the General Meeting of shareholders of OJSC Kuzbassenergo.
BOARD OF DIRECTORS			
8	Availability in the Charter of the joint-stock company of an authority of the Board of Directors to approve each year the financial and economic plan of the joint-stock company.	No	Approval of the annual budget is within the terms of reference of the Management Board of the Management Company of OJSC Kuzbassenergo - LLC MC Siberian Generating Company.
9	Availability of a risk management procedure of the joint-stock company approved by the Board of Directors.	No	Approval of the risk management policy is within the terms of reference of the Management Board of the Management Company of OJSC Kuzbassenergo - LLC MC Siberian Generating Company.
10	Availability in the Charter of the joint-stock company of the right of the Board of Directors to suspend authorities of the General Director appointed by the General Meeting of shareholders.	N/A	The functions of the sole executive body of the Company are performed by the Management Company of OJSC Kuzbassenergo - LLC MC Siberian Generating Company. According to sub-paragraph 11 of paragraph 27.2. of Article 27 of the Company Charter "election of the sole executive body of the Company and early termination of his authorities" is within the terms of reference of the Board of Directors.



No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
11	Availability in the Charter of the joint-stock company of the right of the Board of Directors to establish qualification requirements and the amount of remuneration of the General Director, members of the Management Board, and heads of main structural divisions of the joint-stock company.	Yes (partially)	According to sub-paragraphs 11 and 12 of paragraph 27.2 of article 27 of the Company Charter the Board of Directors have such authorities with respect to the sole executive body. Determination of the amount of remunerations and compensations to be paid to key managers of the Company is within the terms of reference of the Management Board of the Management Company of OJSC Kuzbassenergo - LLC MC Siberian Generating Company.
12	Availability in the Charter of the joint-stock company of the right of the Board of Directors to approve the terms and conditions of agreements with the General Director and members of the Management Board.	Yes	Subparagraph 11 of paragraph 27.2. of article 27 of the Company Charter
13	Availability in the Charter or by-laws of the joint-stock company of a provision that at approval of the terms and conditions of agreements with the General Director (management company, managing director) and members of the Management Board the votes of the members of the Board of Directors which are the General Director and members of the Management Board shall not be taken into consideration at counting of votes.	No	Such a requirement is stipulated neither by the Company Charter nor by its by-laws
14	The Board of Directors of the joint-stock company shall include at least 3 independent directors meeting the requirements of the Code of Corporate Practice.	Yes	The Board of Directors of the Company includes 10 independent directors
15	Persons found guilty in committing crimes in the field of economic activities or crimes against the government, interests of public service and service in local governments or to whom administrative sanctions for offences in the field of entrepreneurial activity or in the field of finance, taxes, or capital market were imposed may not be members of the Board of Directors of the joint-stock company.	Yes	There were no such persons in the Board of Directors of the Company acting in 2009
16	A person who is a member, general director (managing director), member of a management body or an employee of a legal person competing with the joint-stock company may not be member of the Board of Directors of the joint-stock company.	Yes	There were no such persons in the Board of Directors of the Company acting in 2009
17	Availability in the Charter of the joint-stock company of a requirement about election of the Board of Directors by cumulative voting.	Yes	According to paragraph 28.5. of article 28 of the Company Charter members of the Board of Directors of the Company are elected by cumulative voting

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
18	The by-laws of the joint-stock company shall contain a requirement that the members of the Board of Directors shall abstain from acts which will result or are likely to result in a conflict between their interests and the interests of the joint-stock company, and in case of occurrence of such a conflict shall disclose the details of such a conflict to the Board of Directors.	Yes	Paragraph 5.2. of Article 5 of the Regulations on the Board of Directors of OJSC Kuzbassenergo; Article 5.3. of the Code of Corporate Conduct of OJSC Kuzbassenergo.
19	The by-laws of the joint-stock company shall contain a requirement that the members of the Board of Directors shall notify in writing the Board of Directors of their intention to make any transactions with securities of the joint-stock company the members of the Board of Directors of which they are, or its subsidiaries (affiliates), and shall disclose the details of such transactions made by them with such securities.	Yes	Paragraph 5.2. of Article 5 of the Regulations on the Board of Directors of OJSC Kuzbassenergo. Paragraph 4.6. of the Regulations on insider information of OJSC Kuzbassenergo. Article 5.3. of the Code of Corporate Conduct of OJSC Kuzbassenergo.
20	Availability in by-laws of the joint-stock company of the requirement to hold a meeting of the Board of Directors at least once every six weeks.	No	Such a requirement is stipulated neither by the Company Charter nor by its by-laws
21	In the course of the year for which the annual report of the joint-stock company is prepared, the meetings of the Board of Directors of the joint-stock company shall be held at least once every six weeks.	Yes	In 2009 the Board of Directors of the Company held 19 meetings with an interval between them not exceeding six weeks.
22	Availability in the by-laws of the joint-stock company of the procedure for holding meetings of the Board of Directors.	Yes	Regulations on the Board of Directors of OJSC Kuzbassenergo, article 8
23	Availability in the by-laws of the joint-stock company of a provision requiring approval by the Board of Directors of transactions of the joint stock company for an amount of 10 and more percent of the net asset value of the company, unless such transactions are made in the normal course of business.	Yes	According to sub-paragraphs 27, 28 and 29 of paragraph 27.2. of article 27 of the Company Charter the Board of Directors of OJSC Kuzbassenergo shall take decisions on making by the Company of transactions for an amount exceeding 10,000,000 (Ten million) US dollars (or an equivalent amount in roubles calculated at the exchange rate of the Central Bank of the Russian Federation as of the date of approval).
24	Availability in the by-laws of the joint-stock company of a provision stipulating the right of the members of the Board of Directors to receive from executive bodies and heads of main structural divisions of the joint-stock company of information they need to properly perform their functions, as well as a responsibility for failure to provide such information.	Yes (partially)	Article 5, paragraph 5.1. of the Regulations on the Board of Directors of OJSC Kuzbassenergo. However the by-laws of the Company do not stipulate a responsibility for failure to provide such information.



No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
25	Availability of a committee of the Board of Directors for strategic planning or assigning functions of such a committee to another committee (except for the Audit Committee and HR and Remunerations Committee).	No	By the resolution of the Board of Directors of OJSC Kuzbassenergo of 11.12. 2008 the Strategy, Investments, Finance and Budget Committee of the Board of Directors of OJSC Kuzbassenergo was abolished.
26	Availability of a committee of the Board of Directors (Audit Committee) which recommends to the Board of Directors the auditor of the joint-stock company and interacts with the auditor and with the Internal Audit Commission of the joint-stock company.	Yes	The Board of Directors of OJSC Kuzbassenergo by its resolution of 29.06.2007 established the Audit Committee of the Board of Directors of OJSC Kuzbassenergo. The Board of Directors by its resolution of 08.07.2008 elected a new Audit Committee of the Board of Directors of OJSC Kuzbassenergo.
27	Only independent and non-executive directors may be members of the Audit Committee.	Yes	The requirements are established by Article 6, paragraph 6.6. of the Regulations on the Audit Committee of the Board of Directors of OJSC Kuzbassenergo. The Audit Committee consists of two independent and non-executive directors
28	The Audit Committee shall be managed by an independent director	Yes	The Board of Directors of OJSC Kuzbassenergo by its resolution of 08.07.2009 elected MARTYNOV Sergei Alexandrovich the Chairman of the Audit Committee of the Board of Directors of OJSC Kuzbassenergo
29	Availability in the joint-stock company by-laws of a provision stipulating the right of access of all Audit Committee members to any documents and information of the joint-stock company provided they do not disclose any confidential information.	Yes	Articles 4 and 11 of the Regulations on the Audit Committee of the Board of Directors of OJSC Kuzbassenergo.
30	Availability of a committee of the Board of Directors (HR and Remunerations Committee) intended for determination of criteria of selection of candidates to members of the Board of Directors and development of the company policy in the field of remuneration.	No	By the resolution of the Board of Directors of OJSC Kuzbassenergo of 11.12. 2008 the HR and Remunerations Committee of the Board of Directors of OJSC Kuzbassenergo was abolished.
31	The HR and Remunerations Committee shall be managed by an independent director.	N/A	The HR and Remunerations Committee has been abolished.
32	Officers of the joint-stock company may not be members of the HR and Remunerations Committee.	N/A	The HR and Remunerations Committee has been abolished.

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
33	Availability of a Risk Management Committee of the Board of Directors or assigning functions of such a committee to another committee (except for the Audit Committee and HR and Remunerations Committee).	No	Currently there is no Risk Management Committee of the Board of Directors in the Company.
34	Availability of a committee of the Board of Directors for settlement of corporate conflicts or assigning functions of such a committee to another committee (except for the Audit Committee and HR and Remunerations Committee).	No	Currently there is no Corporate Conflicts Settlement Committee of the Board of Directors in the Company.
35	Officers of the joint-stock company may not be members of the Corporate Conflicts Settlement Committee.	N/A	There is no such a Committee.
36	The Corporate Conflicts Settlement Committee shall be managed by an independent director.	N/A	There is no such a Committee.
37	Availability of by-laws of the joint-stock company regulating the procedure of formation and activity of committees of the Board of Directors approved by the Board of Directors.	Yes	The procedure of formation and activity of the Audit Committee of the Board of Directors is regulated by the Regulations on the Audit Committee of the Board of Directors of OJSC Kuzbassenergo approved by the resolution of the Board of Directors of 08.07.2009 (Minutes No.01/16).
38	Availability in the Charter of the joint-stock company of a provision stipulating the procedure of determination of the quorum of the Board of Directors ensuring compulsory participation of independent directors in the meetings of the Board of Directors.	No	There is no such a requirement in the Company Charter

EXECUTIVE BODIES

39	Availability of a collegiate executive body (Management Board) of the joint-stock company.	No	According to the article 14 the Company Charter the management bodies of the Company are: - General Meeting of shareholders; - Board of Directors; - Sole executive body - General Director.
40	Availability in the Charter or by-laws of the joint-stock company of a provision stipulating the necessity of approval by the Management Board of transactions with real estate, of raising credits by the joint-stock company if such transactions are not referred to large transactions or to transactions carried out in the normal course of business of the joint-stock company.	N/A	The management bodies of the Company does not include a Management Board



No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
41	Availability in by-laws of the joint-stock company of a procedure of approval of operations which are beyond the financial and economic plan of the joint-stock company.		Approval of application of funds beyond the approved annual budget is within the terms of reference of the Management Board of the Management Company of OJSC Kuzbassenergo - LLC MC Siberian Generating Company.
42	A person who is a member, general director (managing director), member of a management body or an employee of a legal person competing with the joint-stock company may not be member of the executive bodies of the company.	Yes	There are no such persons in the executive bodies of the Company
43	Persons found guilty in committing crimes in the field of economic activities or crimes against the government, interests of public service and service in local governments or to whom administrative sanctions for offences in the field of entrepreneurial activity or in the field of finance, taxes, or capital market were imposed may not be members of the executive bodies of the joint-stock company. If functions of an individual executive body are performed by a management company or a managing director, the General Director and members of the Management Board of the management company, or the managing director shall comply with the requirements applicable to the General Director and members of the Management Board of the joint-stock company.	Yes	There are no such persons in the executive bodies of the Company
44	Availability in the Charter or by-laws of the joint-stock company of an interdiction to the management company (managing director) to carry out similar functions in a competing company, as well as to be in any other property relations with the joint-stock company except for rendering services of the management company (managing director).	No	There is no such an interdiction in the Company Charter or by-laws.
45	The by-laws of the joint-stock company shall contain a requirement that the executive bodies shall abstain from acts which will result or are likely to result in a conflict between their interests and the interests of the joint-stock company, and in case of occurrence of such a conflict shall disclose the details of such a conflict to the Board of Directors.	No	There is no such a requirement in the Company by-laws

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
46	Availability in the charter or by-laws of the joint-stock company of criteria of selection of a management company (managing director).	No	The criteria of selection of the management company are not specified in the Company Charter or by-laws.
47	Submission by the executive bodies of the joint-stock company of monthly reports about their work to the Board of Directors.	No	There is no such a requirement in the Company Charter or by-laws.
48	Agreements concluded by the joint-stock company with the General Director (management company, managing director) and members of the Management Board shall stipulate responsibility for infringement of regulations on handling confidential and restricted-use information.	Yes	Article 4, paragraph 4.3. of the Regulations on insider information of OJSC Kuzbassenergo.
COMPANY SECRETARY			
49.	Availability in the joint-stock company of a special official (secretary of the company) whose task is to ensure compliance of the bodies and officials of the joint-stock company with procedural requirements providing for exercising of rights and legitimate interests of the company shareholders.	No	There is no position of the Company secretary in OJSC Kuzbassenergo
50.	Availability in the Charter or by-laws of the joint-stock company of a procedure for appointment (election) of the secretary of the Company and responsibilities of the secretary of the Company.	No	The procedure for appointment (election) of the secretary of the Company are established neither in the Charter nor in other documents of the Company
51.	Availability in the Charter of the joint-stock company of requirements to a nominee to the position of the secretary of the Company.	No	There are no such requirements in the Company Charter
MATERIAL CORPORATE ACTIONS			
52.	Availability in the Charter or by-laws of the joint-stock company of a requirement for approval of large transactions prior to their execution.	Yes	Article 27, paragraph 27.2. subparagraph 20 of the Company Charter.
53.	Compulsory engagement of an independent appraiser for estimation of the market value of property which is the subject of a large transaction.	No	There is no such a requirement in the Company Charter
54.	Availability in the Charter of the joint-stock company of an interdiction for taking at acquisition of large blocks of shares in the joint-stock company (takeover) any acts aimed at protection of interests of executive bodies (members of these bodies) and members of the Board of Directors of the joint-stock company, as well as acts worsening position of shareholders as compared to the existing position (in particular, an interdiction for taking by the Board of Directors before the termination of expected share acquisition term a decision on issue of additional shares, on issue of securities convertible into shares, or securities providing a right of acquisition of shares in the Company even if the right of taking such a decision is provided to the Board of Directors by the Charter).	No	There is no such an interdiction in the Company Charter



No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
55.	Availability in the Charter of the joint-stock company of a requirement of compulsory engagement of an independent appraiser for estimation of the current market value of shares and possible changes of their market value as a result of take-over.	No	There is no such a requirement in the Company Charter
56.	Absence in the Charter of the joint-stock company of a provision releasing the purchaser from the responsibility to offer shareholders, in case of take-over, to sell ordinary shares (equity securities convertible into ordinary shares) in the company they hold.	No	There is no such a requirement in the Company Charter
57.	Availability in the Charter or by-laws of the joint-stock company of a requirement of compulsory engagement of an independent appraiser to determine the relationship of conversion of shares at reorganisation.	No	There is no such a requirement in the Company Charter or other documents
INFORMATION DISCLOSURE			
58.	Availability of an internal document approved by the Board of Directors establishing the rules and approaches of the joint-stock company to information disclosure (Regulations on Informational Policy).	Yes	The Regulations on Informational Policy of OJSC Kuzbassenergo in a new wording were approved by the resolution of the Board of Directors of OJSC Kuzbassenergo of 11.12.2008
59.	Availability in by-laws of the joint-stock company of a requirement on disclosing the purposes of placement of shares, the details of persons who are going to acquire the shares being offered, in particular, large blocks of shares, as well as whether the top managers of the joint-stock company will participate in acquisition of the company shares being offered.	No	There is no such a requirement in the Company Charter or other documents
60.	Availability in by-laws of the joint-stock company of the list of information, documents and materials which should be provided to shareholders to enable them to take a competent decision on issues submitted to the General Meeting of shareholders.	Yes	Article 8 of the 'Regulations on procedure for preparation, convocation and holding of the General Meeting of shareholders of OJSC Kuzbassenergo'.
61.	Availability of a website of the joint-stock company and regular publication of information about the joint-stock company at this website.	Yes	http://www.kuzbassenergo.ru/

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
62.	Availability in by-laws of the joint-stock company of a requirement to disclose information about transactions of the joint-stock company with persons who, according to the Charter, are higher officials of the joint-stock company, as well as about transactions of the joint-stock company with entities in which higher officials of the joint-stock company either directly or indirectly hold 20 and more percent of the authorised capital of the joint-stock company or on which such persons may otherwise render any material effect.	Yes	Paragraph 5.2.8. of the Regulations on Informational Policy of OJSC Kuzbassenergo.
63.	Availability in by-laws of the joint-stock company of a requirement to disclose details of all transactions which may influence the market value of shares in the joint-stock company.	Yes	Paragraph 5.2.10. of the Regulations on Informational Policy of OJSC Kuzbassenergo.
64.	Availability of an internal document approved by the Board of Directors regarding the use of material information on activity of the joint-stock company, shares and other securities of the company and transactions with them which is not public and disclosure of which may materially influence the market value of shares and other securities of the joint-stock company.	Yes	Regulations on Insider Information of OJSC Kuzbassenergo approved by the resolution of the Board of Directors of 30.09.2008
CONTROL OF FINANCIAL AND ECONOMIC ACTIVITY			
65.	Availability of procedures for internal control over financial and economic activity of the joint-stock company approved by the Board of Directors.	Yes	On 27.03.2009 the Board of Directors of the Company approved the Regulations on the internal control procedures of OJSC Kuzbassenergo, which specified the purposes and the principles of organisation of the internal control system in the Company, as well as bodies and persons in charge of implementation of the internal control procedures.
66.	Availability of a special subdivision of the joint-stock company ensuring observance of the internal control procedures (internal control and audit service).	Yes	Internal Audit Service of the Company
67.	Availability in by-laws of the joint-stock company approved by the Board of Directors of a requirement to determine the structure and composition of the internal control and audit service of the joint-stock company.	No	There is no such a requirement in the Company by-laws



No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
68.	Persons found guilty in committing crimes in the field of economic activities or crimes against the government, interests of public service and service in local governments or to whom administrative sanctions for offences in the field of entrepreneurial activity or in the field of finance, taxes, or capital market were imposed may not be members of the internal control and audit service of the joint-stock company.	Yes	There are no such persons in the Internal Audit Service of the Company.
69.	A person who is a member of an executive body of the joint-stock company, or member, general director (managing director), member of a management body or an employee of a legal person competing with the joint-stock company may not be member of the internal control and audit service of the joint-stock company.	Yes	There are no such persons in the Internal Audit Service of the Company.
70.	Availability in the by-laws of the joint-stock company of provisions stipulating the terms of presentation to the internal control and audit service of documents and materials for estimation of a financial and economic operation performed, as well as responsibility of officers and employees of the joint-stock company for failure to present the same in due time.	No	There is no such a requirement in the Company by-laws
71.	Availability in the by-laws of the joint-stock company of a provision stipulating responsibility of the internal control and audit service to report the revealed infringements to the Audit Committee, and if there is no such a committee, to the Board of Directors of the joint-stock company.	Yes	Article 10, paragraph 10.3. of the Regulations on Internal Audit Service of OJSC Kuzbassenergo.
72.	Availability in the Charter of the joint-stock company of a requirement of preliminary estimation by the internal control and audit service of expediency of transactions which are beyond the financial and economic plan of the joint-stock company (non-standard transactions).	No	Such a requirement is not provided for by the Company Charter.
73.	Availability in the by-laws of the joint-stock company of a procedure for coordination of non-standard transactions with the Board of Directors.	No	Such a procedure is not specified in the Company by-laws
74.	Availability of an internal document approved by the Board of Directors establishing the procedure for checking financial and economic activity of the joint-stock company by the Internal Audit Commission.	Yes	Article 10 of the Regulations on Internal Audit Commission of OJSC Kuzbassenergo "Audit procedure"

No.	Requirement of the Code of Corporate Conduct	Compliance (Yes/No)	Remarks
75.	Review by the Audit Committee of the Auditor's Opinion prior to its submission to shareholders at a General Meeting of shareholders.	Yes	The review by the Audit Committee of the Board of Directors of OJSC Kuzbassenergo of the opinion of the auditor of OJSC Kuzbassenergo on Company accounting for the period from 01 January to 31 December, 2008 was prepared and presented as materials for the annual General Meeting of shareholders held on 23.06.2009

DIVIDENDS

76.	Availability of an internal document approved by the Board of Directors by which the Board of Directors is guided when adopting recommendations on dividend amount (Regulations on Dividend Policy).	No	There are no Regulations on Dividend Policy in the Company. The procedure of payment of dividends by the Company is specified in Article 13 of the Company Charter.
77.	Availability in the Regulations on Dividend Policy of a procedure of determination of the minimum share of the net profit of the joint-stock company allocated to dividend, and conditions on which dividends on preference shares the amount of dividends on which is specified in the Charter of the joint-stock company are not paid out or are not paid out in full.	No	There are no Regulations on Dividend Policy in the Company.
78.	Publication of information on dividend policy of the joint-stock company and changes that may be made thereto from time to time in the periodical specified in the Charter of the joint-stock company for publication of notices of General Meetings of shareholders, as well as placement of the above information on the website of the joint-stock company.	No	According to Article 5, paragraph 5.2. of the Regulations on Informational Policy of OJSC Kuzbassenergo, the information on dividend policy will be placed in addition on the Company web site.



DETAILS OF TRANSACTIONS

DETAILS OF LARGE TRANSACTIONS

In 2009 Company has not made any transaction which according to the Federal Law "On Joint Stock Companies" are recognised as large transactions, or any other transactions to which according to the Company Charter the procedure for approval of large transactions is applied.

DETAILS OF NON-ARMS-LENGTH TRANSACTIONS

In 2009 the Company concluded 332 non-arms-length transactions for a total amount of 3,130,962 thou. RUB., of them:

- the General Meeting of the Company shareholders approved 40 transactions for an amount of 795,888 thou. RUB.;

Sl No.	Counterpart	No. of transactions	Scope of the contract and its essential terms and conditions	Contract price , thou. RUB (incl. VAT)
1.	OJSC Kuzbasskaya Energoremontnaya Kompaniya	15	Fulfillment by OJSC Kuzbasskaya Energoremontnaya Kompaniya of equipment repair and rehabilitation works at power stations of OJSC Kuzbassenergo located in Kemerovo region	413,093
2	OJSC Kuzbasstekhenergo Engineering and Analytical Centre	9	Rendering by OJSC IATS technical services (metrological, chemical service, metal analysis and inspection, design works, etc.) for OJSC Kuzbassenergo	13,201
3	OJSC Barnaulteplosetremont	16	Repairing by OJSC Barnaulteplosetremont of equipment of power stations of Barnaul branch of OJSC Kuzbassenergo	369,594

The Board of Directors of the Company approved 292 transactions for an amount of 2,335,074 thou. RUB.

Sl No.	Counterpart	No. of transactions	Scope of the contract and its essential terms and conditions	Contract price , thou. RUB (incl. VAT)
1.	OJSC Kuzbasskaya Energoremontnaya Kompaniya	52	Fulfillment by OJSC Kuzbasskaya Energoremontnaya Kompaniya of equipment repair and rehabilitation works at power stations of OJSC Kuzbassenergo located in Kemerovo region	916,752
		8	Lease and safe custody of movable property and real estate	3,807
		1	Training of employees in labour protection and industrial safety in Training Centre of OJSC Kuzbassenergo	100
		1	Loan	15,000

Sl No.	Counterpart	No. of transactions	Scope of the contract and its essential terms and conditions	Contract price, thou. RUB (incl. VAT)
2	OJSC Kuzbasstekhenergo Engineering and Analytical Centre	46	Rendering by OJSC IATS technical services (metrological, chemical service, metal analysis and inspection, design works, etc.) for OJSC Kuzbassenergo	61,127
		4	Lease of movable property and real estate	281
3	OJSC Barnaulteplosetremont	60	Repairing by OJSC Barnaulteplosetremont of equipment of power stations of Barnaul branch of OJSC Kuzbassenergo.	427,535
4	CJSC ATP Kuzbassenergo	5	Lease of transport means with drivers	119,744
		19	Lease and safe custody of movable property and real estate	7,806
		2	Agency contract	340
		10	Purchase and sale of movable property and real estate, delivery	14,952
		1	Training of employees in labour protection and industrial safety in Training Centre of OJSC Kuzbassenergo	200
		1	Rendering of services for a pay	2
5	CJSC Health Centre Energetik	11	Rendering to the Company of medical services (periodic health examination, services to retired employees of the Company, pretrip examinations, health centre services)	50,031
6	LLC GlavEnergoSbyt	31	Purchase and sale of electric energy and power, as well as aluminosilicate microspheres	67,839
7	OJSC Kuzbassenergosbyt	6	Supplementary agreements to contracts of purchase and sale of electric energy and power supply	-
		1	Automated metering and information system for commercial accounting of electric power (AIIS KUE) maintenance services	257
		1	Real estate lease	16
		1	Training of employees in labour protection and industrial safety in Training Centre of OJSC Kuzbassenergo	251
8	OJSC MRSK of Siberia	3	Purchase and sale of movable property and real estate	15,781
		3	Lease and safe custody of movable property and real estate	550
		2	Training of employees in labour protection and industrial safety in Training Centre of OJSC Kuzbassenergo	1000
9	OJSC Central Moscow Depository	1	Rendering of services for preparation and holding of the General Meeting of shareholders of OJSC Kuzbassenergo	20,446
10	OJSC Bank Alemar	1	Organisation of electronic document management	50
11	OJSC Yeniseiskaya TGC (TGC-13)	2	Power trading services	3,955
		3	Real estate lease	355



SI No.	Counterpart	No. of transactions	Scope of the contract and its essential terms and conditions	Contract price, thou. RUB (incl. VAT)
12	OJSC Federal Grid Company of the Unified Power System	1	Training of employees in labour protection and industrial safety in Training Centre of OJSC Kuzbassenergo	50
13	LLC MC Siberian Generating Company'	3	Delegation of authorities of the sole executive body of the Company to the management company	50% of actual expenses of the management company monthly
14	OJSC SUEK	3	Lease of real estate	927
		1	Commission for execution of transactions	13
15	OJSC SUEK-Kuzbass	2	Contract for design and installation works	9,460
16	LLC Grinfin	3	Rendering of bookkeeping and tax accounting services; information systems support services	102,870
		2	Lease of movable property and real estate	2,109
		1	Purchase and sale of movable property	597

Information on non-arms-length transactions made by the Company in 2009 is presented on the Company site at [HTTP://WWW.KUZBASSENERGO.RU/INFO/DEAL](http://www.kuzbassenergo.ru/info/deal).

LIST OF AFFILIATES IN WHICH THE COMPANY IS A MINORITY SHAREHOLDER

Subsidiary name	Core business	Share in the authorized capital (%) as of 31.12.2008
CJSC Kuzbassenergo Motor Transport Company	Providing transportation and forwarding services to legal persons and individuals	100%
CJSC Health Service "Health Centre "Energetik"	Providing qualified medical aid, including specialised one; out-patient/polyclinic assistance; day hospital services	100%
OJSC Barnaulteplosetremont	Repair of thermal and electric power facilities	100%
OJSC Kuzbasstekhenergo Engineering and Analytical Centre	Maintaining serviceability of power stations	100%
OJSC Kuzbasskaya Energoremontnaya Kompaniya	Provision of services for installation, repair and maintenance of steam boilers except for central heating boilers	100%

In 2009 OJSC Kuzbassenergo did not held any shares of affiliates in which it is a minority shareholder.



DETAILS OF THE COMPANY REGISTRAR, AND ITS TRANSFER AGENTS

Open Joint-Stock Company Central Moscow Depository (hereinafter referred to as OJSC CMD) is the largest Russian registrar operating on the national share market for more than 15 years. OJSC CMD is a registrar of more than 1500 issuers, handles more than 6 million customer accounts, the book value of net assets reaches 600 million roubles.

Throughout the whole period of its activity CMD consistently has been occupying leading positions among companies - professional participants of the securities market carrying out registration activity, is a pioneer in providing new services to its clients, continuously improves the quality of rendered services

Place of business: 105082, Moscow, Bolshaya Pochtovaya street, 34, bldg 8.

Contact phones:

Multichannel number: (495) 221-13-33.

For shareholders: (495) 221-13-34.

For issuers: (495) 221-13-30; 221-91-69.

Details of the licence: Licence No. 10-000-1-00255 of 13 September, 2002 for carrying out register keeping activity issued by the Federal Financial Markets Service of Russia.

According to the agreement concluded with the registrar, OJSC CMD, of 19.06.2001 (FE) - No. 49/OW, OJSC Kuzbassenergo performs the functions of the transfer agent.

The information on the registrar, its branches and transfer agents is placed on the official Internet site of the Company in the section "To shareholders and investors" at:

[HTTP://WWW.KUZBASSENERGO.RU/INVEST/DOC/1/DOC_40.PHP](http://www.kuzbassenergo.ru/invest/doc/1/DOC_40.php).

GLOSSARY

ACRONYMS

ADR	American Depository Receipts
AIIS KUE	Automated metering and information system for commercial accounting of electric power
ASDG	Association of Siberian and Far East cities
ASKUE	Automated electric power commercial accounting system
BM	Balancing market - a constituent part of the deviations sector of the Wholesale Electric Power Market on which electric power produced in excess of plan volumes is sold
Bel SDPS	Company branch, Belovskaya State District Power Station (historical name)
GDP	Gross domestic product
HWS	Hot water supply
GRU	Main switchgear
SDPS	State District Power Station (historical name)
GTU (GTE)	Gas-turbine unit (gas-turbine power station)
ZRU	Enclosed switchgear
IT	Information technologies
Kem CHPS	Company branch, Kemerovskaya Combined Heat & Power Station
KPI	Key performance indicator
Kuz CHPS	Company branch, Kuznetskaya Combined Heat & Power Station
MICEX	Moscow Interbank Currency Exchange
MPZ	Inventories
MRSK	Trunk Regional Grid Company
IFRS	International Financial Reporting Standards
VAT	Value-added tax
R&D	Research and development
NK CHPS	Company branch, Novo-Kemerovskaya Combined Heat & Power Station
NWEM (NOREM)	New Wholesale Electric Energy (Power) Market
NP	Non-profit partnership
NP ATS	Non-Profit Partnership Trading System Administrator of the New Wholesale Electric Energy (Power) Market
PPF	Private Pension Fund
OJSC	Open Joint-Stock Company
WGC	Wholesale Generating Company
AWM	Autumn-winter load maximum
BPA	Basic production assets
WPEM (ORE)	Wholesale Electric Energy (Power) Market
WPEMTP (OREPP)	Wholesale Electric Energy (Power) Market of the Transition Period
UPS (OES)	Unified Power System
RAS (PBU)	Russian Accounting Standards



PB	Peak Boiler
CCP	Combined-cycle plant
MCL	Maximum concentration limit
MPE	Maximum permissible emissions
MPD	Maximum permissible discharge
PPC	Permanent Procurement Commission
DEW	Design and exploration work
ITIE	Industrial-and-technological integration enterprise
RBC, RBCM	Regulated Bilateral Contracts Market
DWB	District water boiler
DAM	“Day-ahead” market
RAS	Russian Accounting Standards
RTS	Russian Trading System (Stock Exchange)
RPC	Regional Power Commission
QMS	Quality Management System
FTS	Free trade sector of the wholesale market of electric energy (power)
TA	Turbo-alternator
TGC	Territorial generating company
TU SDPS	Company branch, Tom-Usinskaya State District Power Station
eq.fuel tn	Equivalent fuel ton
TPS	Thermal power station
CHPS	Combined heat and power station
HND (UTS)	Heat Networks Directorate
FCSM	Federal Commission for Securities Market of Russia (since 09.03.2004 – FSFM of Russia)
FWMEEP (FOREM)	Federal Wholesale Market of Electric Energy (Power)
FTS	Federal Tariff Service of Russia
FSFM	Federal Service on Financial Markets of Russia
CWT	Chemical water treatment
TsZ	Health centre
CPA (TsZO)	Central Procurement Authority
TsRMZ	Central Mechanical-and-Repair Plant
SBG	Ball pulveriser mill
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
SDH-network	Technology for high-speed optical communication networks. Allows to create flexible, reliable and efficient networks with full program control

TERMS

Power unit	Power-generating boiler (steam generator) including one or two shells, and an integrated turbine (or several turbines) with a directly connected electric generator (several generators, depending on number of turbines)
Generation	Production of electric and heat energy
Bilateral contract	An agreement according to which the supplier undertakes to deliver to the buyer electric energy in a certain amount and of a certain quality, and the buyer undertakes to accept and pay for the electric energy subject to the terms and conditions of the contract concluded according to the rules of the wholesale market
Minority shareholders	Shareholders holding small blocks of stockholder equity; therefore they cannot materially influence decisions taken by the management bodies of the joint stock company bodies, and the policy carried out by the company.
Installed capacity	The greatest active electrical output with which an electrical installation may continuously operate without overload according to the equipment certificate
Independent director	Independence of a member of the Board of Directors is determined according to the recommendations of the Code of Corporate Conduct put into effect by order No. 421/r of the Federal Commission for Securities Market of Russia dated 04.04.2002
Regulated sector of the WEPM	Sector of supply of electric energy (power) to and consumption from the Wholesale Electric Power Market under tariffs approved by the Federal Tariff Service
“Day-ahead” market	Sector of the New Wholesale Power Market which replaced the free trade sector existing till September 1 st , 2006. At the heart of work of the “day-ahead” market is a competitive selection – made by the NP ATS – of price quotations of suppliers and buyers one day prior to the actual delivery of electric power including determination of prices and volumes of supply for each hour of the day
Deviations sector of the WEPM	Sector of trade in deviations between actual and planned production (consumption) of electric power by the participants of the wholesale market at a certain hour of the day at regulated tariffs and coefficients
Equivalent fuel	An accounting unit of organic fuel used to compare the efficiency of various kinds of fuel and their total accounting
SF6 switch	Switch in which sulphur hexafluoride is used instead of aerial or oil insulation, making it possible to increase load of current carrying parts and to reduce their weight due to its cooling properties

UNITS OF MEASURE

Gcal	Gigacalorie, heat energy measurement unit
Gcal/h	Gigacalorie per hour, heat rate measurement unit
kV	Kilovolt, voltage measurement unit
kW·h	Kilowatt-hour, measurement unit of electric energy
MW	Megawatt, electrical power measurement unit
eq.fuel tn	Equivalent fuel ton



CONTACT INFORMATION

KUZBASSENERGO POWER AND ELECTRIFICATION OPEN JOINT-STOCK COMPANY (OJSC KUZBASSENERGO)

Place of business: Russian Federation, Altai krai, city of Barnaul, Brilliantovaya street, 2.

Mailing address: 650000, Russia, city of Kemerovo, pr-t Kuznetskiy, 30

Phone: (384-2) 45-33-50; Fax: (384-2) 45-37-77

E-mail:
ADM@KUZBASSENERGO.COM

Website: **WWW.KUZBASSENERGO.RU**

The organizational structure of the executive apparatus of OJSC Kuzbassenergo includes the Corporate Management Department in charge of work with shareholders and investors.

Chief of Department — CHERPINSKY Pavel Valerievich.
Phone: (384-2) 45-31-73.
E-mail: CHERPINSKYPV@SUEK.RU

Banking details:

INN 4200000333/ KPP 997450001

a/c 4070281012602012036

Siberian Bank of the Savings Bank of the Russian Federation, city of Novosibirsk

BIC 045004641

Corr. acc. 30101810500000000641

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