



IDGC of South annual report 2008



Annual Report

**“Interregional
Distribution Grid
Company of South”,
Joint Stock Company**

(IDGC of South, JSC)

2008

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Address to the shareholders by the Board of Directors Chairman and General Director, IDGC of South, JSC

Andrey Natanovich Rappoport
*IDGC of South, JSC
Board of Directors Chairman*



Dear shareholders!

The year of 2008 was very notable for IDGC of South, JSC. Within the framework of the next stage of the state electric power sector reforming on 31 March 2008, IDGC of South, JSC, was reorganized in the form of “Volgogradenergo” JSC, “Kalmenergo” JSC, “Rostovenergo” JSC, and “Astrakhanenergo” JSC merging with it. Shareholders of the merged DGCs in 2008 became the shareholders of IDGC of South, JSC. The major shareholder is “IDGC Holding” JSC with the share in the authorized capital accounting for 51.66 %.

On 3 July 2008, the Company’s shares went through the procedure of admission to circulation at the trading floors of RTS and MICEX stock exchanges.

As for “Kubanenergo” JSC, since September 2007 the Company has been the governing organization carrying out the functions of the sole executive body.

At present, IDGC of South, JSC is one of the largest and most dynamically developing operational electric grid companies of the Southern Federal District of Russia which responsibility zone includes six subjects of the Russian Federation, such as: the Astrakhan, Volgograd, Rostov regions, the Krasnodar territory, the Republics of Adygeya and Kalmykia, occupying the leading position in the market of services rendering concerning the power transmission in the territory of the region.

The fast development of infrastructure of the regions being in the zone of the Company activity, construction of industrial objects, reconstruction of sea and river ports, development of the health resort business on the coasts of the Black and Azov seas, Olympic facilities construction in the city of Sochi are accompanied with the intensive growth of the consumed power and, as a consequence, the growth of demand for services rendered by the Company. In these conditions the first and foremost goals of IDGC of South, JSC, are the reliability increase of power supply and quality of service rendered to consumers as well as new capacities increase.

With the establishment of the operational company the necessity of the corporate governance system change occurred in the Company – in May 2008 the Board of Directors formed the collegial executive body – the Management Board which together with the General Director of the Company carries out the current activity management and bears the responsibility for the practical implementation of the Company’s development strategy and policy.

All in all, the Company corporate governance is based on the principle of observance of the rights and legal interests of the its shareholders, investors and other interested parties which leads to their credibility strengthening in relation to the Company.



Aleksandr Ilich Gavrilov
*General Director
of IDGC of South, JSC*

In the reporting year, the Board of Directors determined the following trends of IDGC of South, JSC, activity as priority ones:

- Investment activity improvement (the Regulation for Investment Activity of IDGC of South, JSC, was approved as well as the Investment Program of IDGC of South, JSC, for 2008);
- Company's technical policy improvement in the sphere of information technologies (the basic provisions of the Company's technical policy in the sphere of information technologies were approved);
- Injuries preventions (IDGC of South, JSC, Activities Program 2008 aimed at injuries prevention was approved);
- Fixed asset value re-assessment and assessment of the fair value of the assets in accordance with IFRS

requirements for the purposes of transition to RAB-based tariffs.

In accordance with the priority directions of the Company's activity, the labor personnel efforts in the reporting year were aimed at the implementation of the following main tasks:

- Company's shareholders provision with the stable income;
- Provision of a high-quality, reliable and uninterrupted electricity supply of consumers with minimal impact on the environment;
- Power grid complex development on the basis of the modern scientific and technical solutions and technologies within the framework of the sustainable growth of the consumers demand for the electric power and capacity.

Despite the influence of the global financial recession developing since the second half of 2008, IDGC of South, JSC, coped with the tasks set forth:

- Rendered services amount directed to power transmission accounted for 31,915.3 million kWh;
- Amount of means acquired from the consumers concerning the technological connection agreements accounted for RUR 2,169.9 million;
- Net profit was acquired in the amount of RUR 486.1 million exceeding the planned figure by 9.04 %;
- Return on equity (ROE) accounted for 2.28 % with the plan of 2.11 %.

All in all, IDGC of South, JSC, in 2008 (considering the Company's performance as a management company during quarter I of 2008) spent the capital investments in accordance with the investment program in the amount of RUR 5,341.5 million. It allocated RUR 643.6 million to power grid objects repairs.

During the passed year the Company took a lot of efforts to provide the security of the technological processes and achieve the proper level of the personnel labor protection. IDGC of South, JSC, labor protection costs accounted for RUR 138.11 million. It spent RUR 107.46 million for the acquisition of individual protection equipment. The result was the absence of accidents at IDGC of South, JSC, electric grid facilities objects.

IDGC of South, JSC is a socially responsible company. The following documents, regulating its social responsibility and taking into consideration the interests of the third persons are in force in the Company: Ecological Policy, Labor Protection Program, and Clients Service Standards. As of December 31, 2008, 16 clients' service centers operate. The plans for 2009 determine the establishment of at least 5 new centers.

In the reporting year, the Company carried out the activities within the framework of the integrated management system implementation (herein after referred to as IMS) in accordance with the requirements of ISO 9001 (quality management system), ISO 14991 (environmental management system) and OHSAS 18001 (management system in the sphere of health protection and labor safety ensuring) standards, including:

- the management system diagnostics for compliance with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards was carried out;

- IMS policy, goals and performance indicators were formed;
- identification and description of the substantial business processes was carried out;
- sets of major system-forming IMS documents were developed.

In 2008, "Kubanenergo" JSC completed IMS implementation and chose the certification body – SGS Vostok Limited JSC to carry out "Kubanenergo" JSC IMS certification. IDGC of South, JSC, exercises the functions of the sole executive body in relation to "Kubanenergo" JSC.

We can surely say that all the specified results of the large-scale process of corporate transformation were achieved under the auspices of the Company's shareholders. We appreciate and are very grateful for your trust and assure the shareholders that in 2009 the management will direct all the efforts to:

- Company's value and investment attractiveness increase. In 2009 it is planned to continue the implementation of the long-term investment program for 2008–2012 with the amount of financing accounting for RUR 31,987.22 million;
- Ensuring of reliable and safe electric grid complex functioning;
- Forming of highly productive management system and professional, well skilled personnel.

We hope that the achieved results and the strategic goals of IDGC of South, JSC, will let us count on government bodies and external investors' trust for, among other things, attraction of large-scale investments into the electric power industry of the Southern Federal District of the Russian Federation.

Truly yours,

*IDGC of South, JSC
Board of Directors Chairman*
A. N. Rappoport

General Director of IDGC of South, JSC
A. I. Gavrilov

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General information about the Company and its position in the sector



*The good always ignites a desire
for the better.
Maxim Gorky*

General information about the Company and its position in the sector

Geographic position of the company

IDGC of South, JSC carries out its activity on the territory of six subjects of the Russian Federation that are a part of the Southern Federal District of the Russian Federation. The regions serviced by the Company are the Astrakhan Region, Volgograd Region, Rostov Region, Krasnodar Territory, the Republic of Kalmykia and Adygea.

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

The total area of the territory of the regions serviced by IDGC of South, JSC, is around 423 thousand square kilometres with the total population of about 14 million people. The population density on the territory serviced by IDGC of South, JSC, on average is around 40 people per 1 square kilometre. The highest population density is in the Krasnodar Territory (66.1 people per 1 km²) and the lowest, in the Republic of Kalmykia (3.8 people per 1 km²).



IDGC OF SOUTH

KUBANENERGO



ROSTOVENERGO



VOLGOGRADENERGO



KALMENERGO



ASTRAKHANENERGO



Short history of IDGC of South, JSC, development

The process of transformations of the electric power industry started in 2000 when "RAO UES of Russia" JSC developed a concept of reforming.

The objectives of the electric industry reforming are defined in governmental order of the Russian Federation No. 526 as of 11 July, 2001, 'On reforming of the electric industry of the Russian Federation'. The reforming objectives were specified (with regard to the subsequent changes in the standard legal base) in the '5+5' Concepts of Strategy of "RAO UES of Russia" JSC for 2005–2008 approved by the Board of Directors of "RAO UES of Russia" JSC (Minutes No. 143 as of 23 May, 2003).

The strategic objective of the industry reforming was transfer of the electric power industry to the mode of sustainable development through application of advanced technologies and market principles of functioning and provision on this basis of a reliable, economically effective meeting of the solvent demand for electric and thermal energy in the short-term and long-term prospects.

The main objectives of the industry reform were increase of the overall performance of the enterprises of electric power industry and creation of conditions for development of the industry on the basis of private investments.

The distribution grid companies (DGCs) were set up as a result of spinning-off of the companies by their business activities in conformity with RF governmental order No. 526 as of 11 July, 2001, and the 'energo' joint-stock companies reform draft approved by the Board of Directors of "RAO UES of Russia" JSC; at the next stage of the reform it was planned to integrate them into the Interregional Distribution Grid Companies (IDGCs).

The IDGC structure developed under the principle of territorial associativity and comparability of the assets balance cost of DGCs included in the IDGCs.

In April 2007 the Board of Directors of "RAO UES of Russia" JSC (Minutes No. 250 as of 27 April, 2007) approved the structure of IDGCs, defined the structure of DGCs included in the IDGCs and made a resolution on participation of "RAO UES of Russia" JSC in three re-established IDGCs, including IDGC of South, JSC.

On 28 June, 2007, IDGC of South, JSC was registered on the basis of the resolution of the sole founder – "RAO UES of Russia" JSC (Order No. 192r of "RAO UES of Russia" JSC as of 22 June, 2007).

To execute the resolution of the Board of Directors of "RAO UES of Russia" JSC (Minutes No. 250 as of 27 April, 2007), "RAO UES of Russia" JSC and "UES FGC" JSC published joint order No. 203r/217r as of 29 June, 2007, on assignment of responsibility to General Directors of IDGCs for functioning of subordinated legal bodies.

According to the specified order, General Director of IDGC of South, JSC was made responsible for functioning of the following DGCs: "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC.

In August – September 2007 under resolutions of IDGC of South, JSC extraordinary general shareholders meetings, in order to improve the specified DGCs management efficiency, IDGC of South took over the functions of their sole executive bodies.

On 30 November, 2007, the Board of Directors of "RAO UES of Russia" JSC (Minutes No. 266) approved parameters of issue of IDGC of South, JSC, additional shares placed through conversion of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC shares in IDGC of South, JSC additional ordinary shares at the merger of the specified DGCs with IDGC of South, JSC.

On 25 December, 2007, the Management Board of "RAO UES of Russia" JSC that acted as the Extraordinary General Shareholders Meeting of IDGC of South, JSC (minutes No. 1795pr/6) resolved: to restructure IDGC of South in the form of merger with it of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC; to approve the contract on merger of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC with IDGC of South, JSC; to extend the authorised capital of IDGC of South, JSC by placing 80,789,200,000 additional ordinary registered shares with par value of 10 kopecks each and with total par value of 8,078,920,000 roubles through conversion into the shares of the merged companies.

On 18 January, 2008, the extraordinary general shareholders meetings of the specified five DGCs of IDGC of South footprint resolved to restructure the companies in the form of merger with IDGC of South, JSC.

On 31 March, 2008, IDGC of South completed its restructuring in the form of merging with it of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC; the termination of business activity of the merged companies was recorded in the State Register of Legal Entities.

Since 31 March, 2008, IDGC of South, JSC started to execute the activity as a uniform operating company.

In March 2008 "Kubanenergo" JSC restructuring was suspended. Till the present moment IDGC of South, JSC has been executing the functions of "Kubanenergo" JSC sole executive body.

As a result of the completion of a regular stage of the electric industry reform, since 1 July, 2008, "IDGC Holding" JSC has been possessing the 51.66% share package of IDGC of South that used to belong to "RAO UES of Russia" JSC.

Position of IDGC of South, JSC, in the sector

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

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

Second level. The Interregional Distribution Grid Companies (IDGCs) formed as a result of the reform of 'energo' joint-stock companies in the form of spinning-off by their business activities and subsequent merger of DGCs.

IDGC own 110–0.4 kV networks and render services in transmission and distribution of electric energy in the territory of the Russian Federation entities where their DGCs are located.

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

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

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

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

Consumers of the company's services are mainly power sale companies of wholesale and retail electric energy markets and local network organisations.

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

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

The electric energy transmission services rendered in 2008 by IDGC of South, JSC and the merged DGCs equalled 31,915.3 m kWh and the revenue, 14,067.9 m roubles, the revenue of each branch being the following

Branch	Electricity transmission services provided (m. kWh)	Revenue (m. RUR)
“Astrakhanenergo”	3,028.9	1,645.1
Including merged “Astrakhanenergo” JSC (from 1 January, 2008 to 30 March, 2008)	6,15.8	311.7
“Volgogradenergo”	15,608.3	5,243.4
Including merged “Volgogradenergo” JSC (from 1 January, 2008 to 30 March, 2008)	3,486.5	1,109.6
“Kalmenergo”	359.2	326.5
Including merged “Kalmenergo” JSC (from 1 January, 2008 to 30 March, 2008)	87.4	100.6
“Rostovenergo”	12,918.9	6,852.9
Including emerged “Rostovenergo” JSC (from 1 January, 2008 to 30 March, 2008)	3,523.9	1,760.6

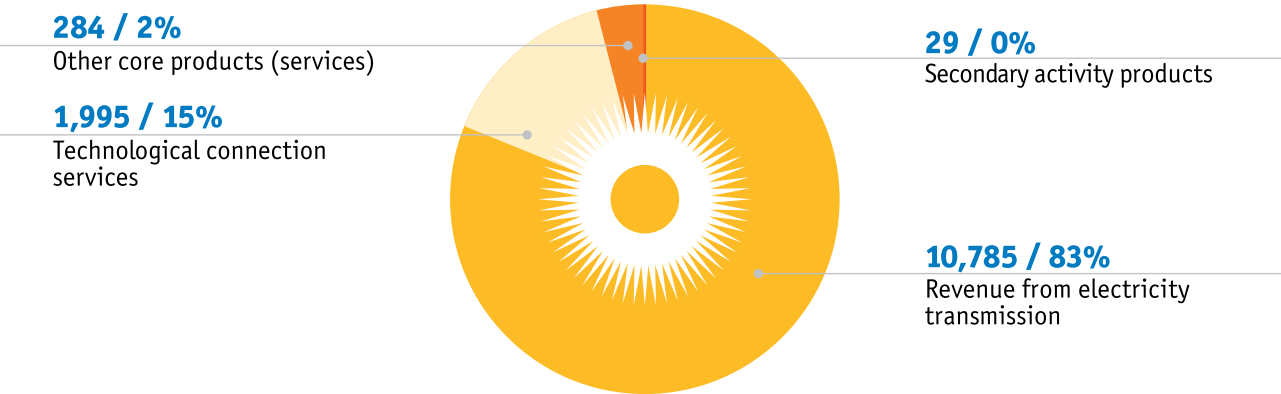
The revenue from energy transmission services rendered in 2008 by IDGC of South, JSC, and the merged DGCs equalled 2,169.88 m roubles. The revenue of each branch

Branch	Revenue (m. RUR)
“Rostovenergo”, a branch of IDGC of South, JSC	1,565.59
“Kalmenergo”, a branch of IDGC of South, JSC	2.11
“Volgogradenergo”, a branch of IDGC of South, JSC	379.04
“Astrakhanenergo”, a branch of IDGC of South, JSC	223.14

The 2008 sale indicators of IDGC of South, JSC, in volume and monetary terms (without the revenue of the merged DGCs from 1 January, 2008, to 31 March, 2008)

In 2008 IDGC of South, JSC, total revenue equalled 13,092.6 m roubles.

IDGC of South, JSC revenue mix in 2008
RUR m and %



The 2008 electric power transmission services in volume terms equalled 24,202 m kWh, compared to the planned amount of 24,423 m kWh.

The volume of services by voltage classes compared to the high and low voltage range plan decreased due to the growth in the volume of services by mid voltages 1 and 2 accordingly.

The progress was also preserved in monetary terms. The Company received revenue of 10,785 m roubles from electric power transmission services.

The volume of IDGC of South, JSC, revenue from electric power transmission services in 2008 equalled

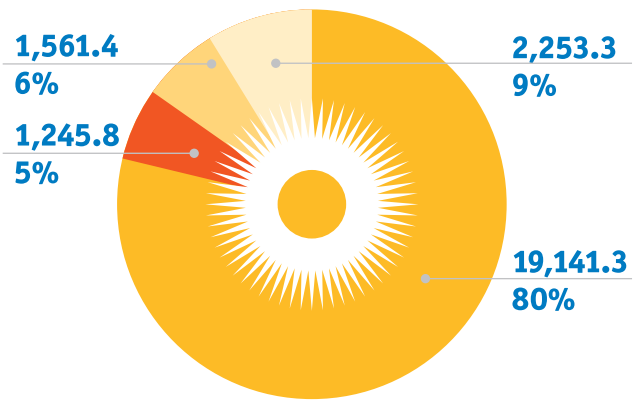
1. In volume terms, m kWh

Voltage class	2008 plan	2008 performance	Deviation from the plan
High voltage (from 110 kV)	20,255	19,141.3	–1,113.78
Mid voltage 1 (35 kV)	546.8	1,245.8	699
Mid voltage 2 (20–1 kV)	1,303.2	1,561.4	252.2
Low voltage (0,4 kV and lower)	2,317.7	2,253.3	–64.4

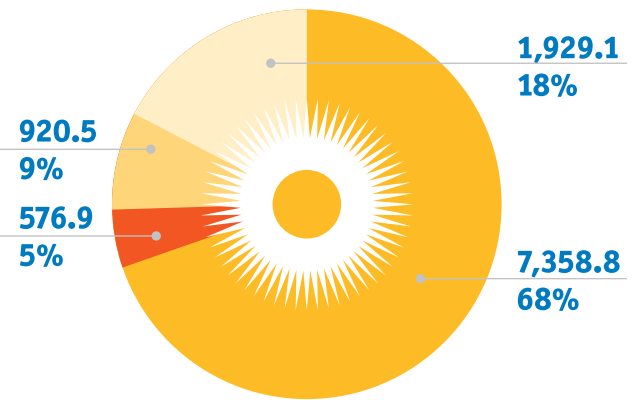
2. In monetary terms, RUR m

Voltage class	2008 plan	2008 performance	Deviation from the plan
High voltage (from 110 kV)	7,508.7	7,358.8	–149.9
Mid voltage 1 (35 kV)	463.2	576.9	113.7
Mid voltage 2 (20–1 kV)	887.2	920.5	33.3
Low voltage (0,4 kV and lower)	1,972.6	1,929.1	–43.5

Revenue mix of electric power transmission services for 2008 in volume terms
m kWh



Revenue mix of electric power transmission services for 2008 in monetary terms
RUR m



■ High voltage (from 110 kV)
■ Mid voltage 1 (35 kV)
■ Mid voltage 2 (20-1 kV)
■ Low voltage (0.4 kV)

Fast development of the Company's footprint infrastructure, building of the Olympic and industrial facilities, reconstruction of sea and river ports and development of resort business at the coastline of the Black and Azov Seas are accompanied by an intensive growth of the electric power consumption and, as a consequence, the growth of the demand for the Company's services.

Competitive environment of the Company

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

IDGC of South, JSC is the largest subject of electric power industry that renders services in electric energy transmission to consumers of the South of Russia.

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

- market configuration in the region that defines the scheme of contractual relations and calculations between its participants (defined by the state regulating body - Regional Tariff Service);
- price (tariff) for rendering of services in electric power transmission and for purchase of electric power for compensation of electric power losses at the marketing companies (defined by the state regulating body - Regional Tariff Service);

- distribution of cross subsidising in the tariff (it is defined by the state regulating body - Regional Tariff Service);
- degree of liberalisation of the electric power market that defines what part of electric power (including losses) is bought at free and controlled prices.

Owing to technological features the competition for rendering of electric power transmission services in the regions serviced by IDGC of South, JSC, is very weak at high and mid first voltage networks and is strong only at mid second and low voltage networks of local network organisations.

Competitiveness of the Company is based on the following factors:

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

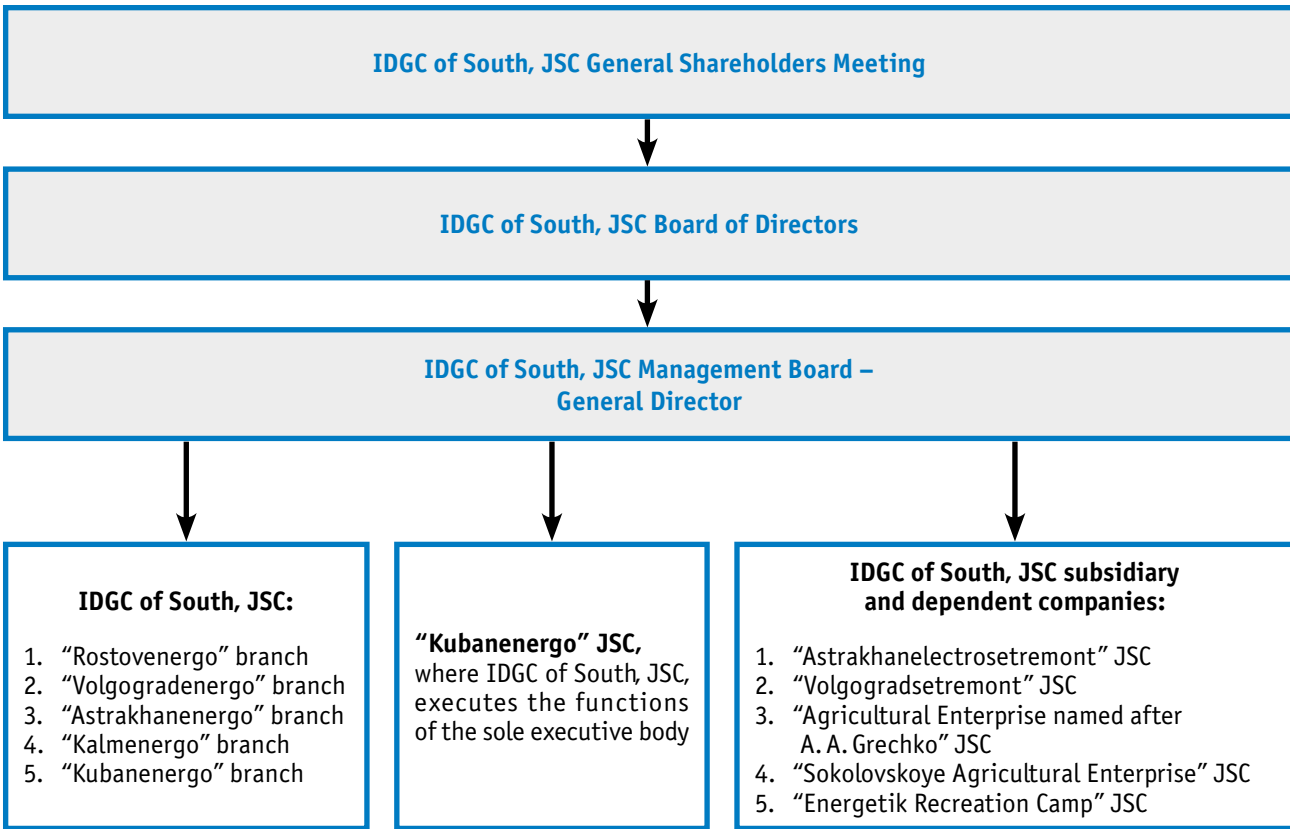
To preserve the positive tendency of the Company's development and strengthen its competitive ability the Company took the following measures:

- constant monitoring of regional electric power and capacity markets (that consists in a forecast and an analysis of the factors that influence the Company's business activity) and development of actions on reduction of their negative influence over the results of the Company's business activity;

- interaction with the Federal Tariff Service of Russia, Ministry of Energy of Russia, administrations of the Russian Federation entities, Regional Tariff Service, "UES FGC" JSC, "IDGC Holding" JSC, local

network organisations, power sale and power supply organisations concerning the issues of tariff balance regulation and work of the regional energy and capacity markets.

Organisational structure of IDGC of South, JSC



Company's branches

In 2008 under the resolution of IDGC of South, JSC Board of Directors (Minutes No. 6/2008 as of 11 January, 2008) five branches of IDGC of South, JSC were set up: "Astrakhanenergo", "Volgogradenergo", "Kalmenergo", "Rostovenergo", and "Kubanenergo". They are situated in the places of distribution grid companies of the Company's footprint.

All grid branches of the Company, except for "Kubanenergo", a branch of IDGC of South, JSC, has been operating from 31 March, 2008 (date of termination of the activity of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC due to their merger with IDGC of South, JSC).

"Kubanenergo", a branch of IDGC of South, JSC is not operating now, because in March 2008 the restructuring in the form of merger with IDGC of South, JSC was suspended.

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

As a result of restructuring of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostov-energo" JSC and "Kalmenergo" JSC in the form of merger with IDGC of South, JSC, the latter, under the order of universal succession, became the owner of 100 percent of the voting shares of "Astrakhanelectrosetremont" JSC, "Volgogradsetremont" JSC, "Agricultural Enterprise named after A. A. Grechko" JSC, "Sokolovskoye Agricultural Enterprise" JSC and "Energetik Recreation Camp" JSC.

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

Information about participation of IDGC of South, JSC in the authorised capitals, possession of voting shares of companies and about participation of IDGC of South, JSC in noncommercial organisations is specified in appendix No. 4 to the present annual report.

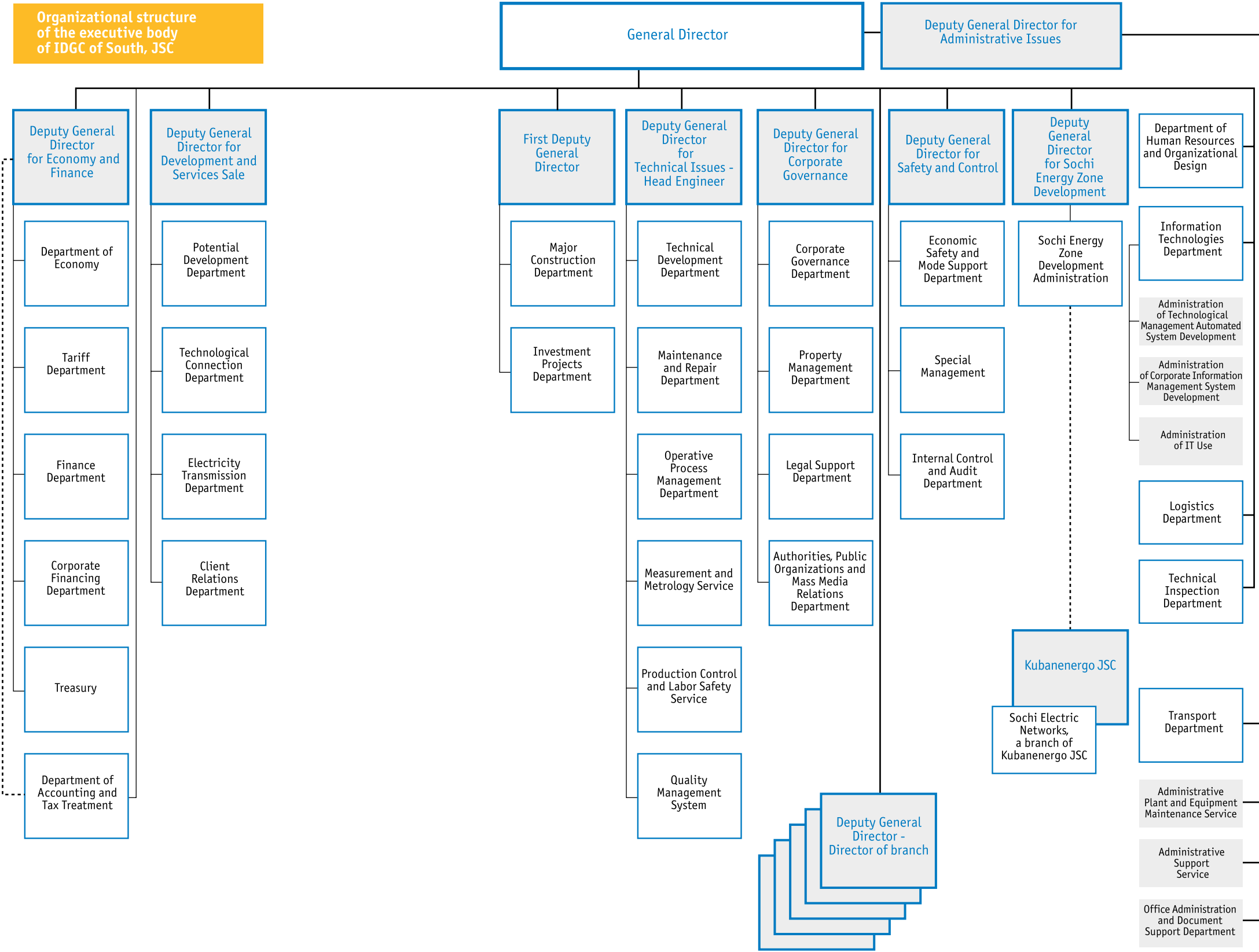
Organisational structure of the Company

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

The organisational structure of IDGC of South, JSC was changed by the resolutions of the Board of Directors:

- Minutes No. 16/2008 as of 25 July, 2008 (regarding introduction of a new chain of management under the guidance of Deputy General Director for Development of the Sochi Energy Zone);
- Minutes No. 21/2008 as of 23 December, 2008 (regarding introduction of the post of Deputy General Director for Administrative Issues).

Organisational structure of IDGC of South, JSC, meets the requirements of the major shareholder to the organisational structure of an operating company.



The Company's mission and strategy

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

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

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

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

- improvement of reliability and quality of functioning of the distribution grid system;
- increase of IDGC of South, JSC, business cost;
- execution of a customer-oriented approach in IDGC of South, JSC, business activity;
- provision of an effective organisation of technological business processes at the level of the best world practices;
- development of a uniform integrated hi-tech management system of IDGC of South, JSC;
- improvement of IDGC of South, JSC, complex personnel management system.

Key events of IDGC of South, JSC, in 2008

January

18 January – the Company summed up the results of the extraordinary general shareholders meetings of five distribution grid companies of IDGC of South, JSC, footprint. The meetings made resolutions on restructuring of the Company in the form of merger with IDGC of South, JSC; on approval of the Contract of merger of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kubanenergo" JSC, "Rostovenergo" JSC and "Kalmenergo" JSC with IDGC of South, JSC, and on approval of the transfer certificate.

February

27 February – "Rostovenergo" JSC Rostov Customer Service Centre (CSC) met the thousandth visitor.

March

11 March – "Volgogradenergo" JSC of IDGC of South, JSC, footprint presented technical novelties at Electric industry. Energy saving. Electrical engineering – 2008 VIII Interregional Specialised Exhibition.

31 March – "Kalmenergo" JSC, "Rostovenergo" JSC, "Volgogradenergo" JSC and "Astrakhanenergo" JSC stopped their activity as legal bodies and started to work as IDGC of South, JSC, branches.

May

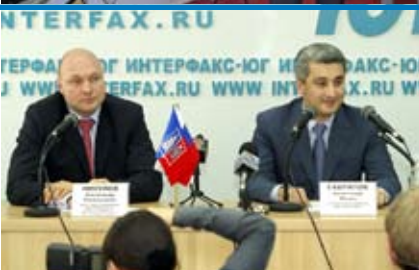
30 May, 2008 – IDGC of South, JSC, held the first Annual General Shareholders Meeting that summed up the results of the Company's 2007 activity.

IDGC of South, JSC representatives took part in the Russian National Session of Power Industry Employees headed by "RAO UES of Russia" JSC Management Board Chairman Anatoly Chubais.

June

5 June – "Volgogradenergo", a branch of IDGC of South, JSC, completed construction of "Alyoshniki-Makarovka" new 35 kV transmission line in Zhirnov District.

5–6 June – Customer-oriented policy in electric industry seminar took place in Rostov-on-Don on the basis of IDGC of South, JSC.





July

1 July – "RAO UES of Russia" JSC stopped its activity, and "IDGC Holding" JSC now possesses the 51.66 % share holding in IDGC of South, JSC that formerly belonged to "RAO UES of Russia" JSC.

30 July – "Volgogradenergo", a branch of IDGC of South, JSC, launched a massive reconstruction of "Olimpiyskaya" 110/6 kV substation that provides with electric power a part of the Dzerzhinsk District, including "State City First Aid Clinical Hospital No. 25" (hospital complex) municipal health care institution, "Volgograd Regional Clinical Hospital of War Veterans" state health care institution and "Eye microsurgery" interindustrial scientific and technical complex.



August

1 August – Electrical safety basics massive activity programme was launched in IDGC of South, JSC; its objective is to reduce death and traumatism rates among children at electric energy facilities.

14–15 August – the first "IDGC Holding" JSC visiting meeting powered by IDGC of South, JSC, was held.



September

12 September – "Volgogradenergo", a branch of IDGC of South, JSC, updated large "Tsentralnaya" 110/6 kV substation in the centre of Volgograd.

18–21 September – IDGC of South, JSC, took part in Sochi 2008 VII International Investment Forum.

26 September – the team of "Kamyshin Electric Networks" of "Volgogradenergo", a branch of IDGC of South, JSC, won a medal place at the Russian National Competitions of Professional Competence.

30 September – Federal Tariff Service of Russia Management Board made the resolution to implement RAB-regulation system in "Astrakhanenergo", a branch of IDGC of South, JSC.



October

14 October – "Astrakhanenergo", a branch of IDGC of South, JSC, started the first project in Russia on implementation of a new RAB tariff design methodology.

November

11 November – IDGC of South, JSC received the certificate of readiness for successful work in the approaching autumn/winter.

25 November – Management Board of Federal Tariff Service of Russia made the resolution to implement RAB regulation system in "Rostovenergo", a branch of IDGC of South, JSC.

December

11 December – "Volgogradenergo", a branch of IDGC of South, JSC, completed the reconstruction of VGTZ-1 electric substation that supplies with electricity Volgograd Tractor Plant and housing quarters of inhabited quarters of the Tractor Plant area, Volgograd.

19 December – "Sochi Electric Networks", a branch of "Kubanenergo", launched a new 25 MVA transformer at "Khosta" substation.

22 December – "Central Electric Networks", a production department of "Rostovenergo", a branch of IDGC of South, JSC, opened a Customer Service Centre that aims to process the customers' applications received not only in Novocherkassk, but also in the Service Center that primary goal is processing of demands of clients accepted not only in Novocherkassk, but also in Aksai, Semikarakorsk, Bagayevsk and Vesselovsky Electric Network Zones.

December – "Volgogradenergo", a branch of IDGC of South, JSC, completed preparation of a new team of electrical engineers who apply a unique technique – without switching off the electricity.



Main performance results of IDGC of South, JSC

The year 2008 was difficult for business, and it is considered to have been a turning-point when fast growth at the beginning of the year changed to stagnation at the end of the year. In these conditions IDGC of South, JSC achieved high performance indicators in its business activity. The main indicators are listed in the table below.

Indicators	2008 performance, m. RUR	2008 plan, m. RUR	2007 performance, m. RUR	2008/2007, %	2008 performance/plan, %
Total revenue	13,092.6	13,177.4	14,618.1	89.6	99.4
From electricity transmission	10,785.3	10,831.7	13,537.1	79.7	99.6
From technological connection	1,995.4	1,901.8	944.2	211.3	104.9
Revenue from sales	1,784.5	1,500.0	1,226.7	145.5	119.0
Net income	486.1	445.8	418.9	116.0	109.0
Net assets, m. RUR	21,356.9	21,303.2	18,565.2	115.0	100.3
Short-term obligations	6,837.7	6,482.0	4,166.4	164.1	105.5
Long-term obligations	7,598.4	6,053.1	2,028.5	374.6	125.5
Investments in the main capital	4,396.1	4,297.6	3,264.5	134.7	102.3

In spite of the fact that the factual revenue lags behind the planned amount (–0.6 %), reduction of costs predetermined positive dynamics of the net profit (+9 %), that is considered to be a fast growth rate in the crisis. The net profit also grew by 16 %, as compared to 2007.

The indicators of net assets slightly deviated from the planned level (+0.3 %); the specified deviation was caused by dynamics of circulating assets (+24.7 %) and non-circulating assets (+0.7 %), despite the growth of long-term and short-term obligations.

Investments into the fixed capital exceeded the planned level by 2.3 % and grew by 34.7 %, compared to 2007.

Financial factors of the Company are listed in section 4.2 'Analysis of the financial condition and work results of the Company' of the present annual report.

Industrial indicators of IDGC of South, JSC, for 2008 (taking into account information of merged DGCs from 1 January, 2008, to 31 March, 2008):

- electric power transmitted to the electric networks of IDGC of South, JSC, branches equalled 34,893.0 m kWh.;
- productive supply – 32,030.0 m kWh.;
- costs of electric power transmission through the electric networks of IDGC of South, JSC, branches equalled 2,863.0 m kWh, or 8.20 % of electric power supply of the network.

Thus, as a whole, in IDGC of South, JSC, deviation of factual electric energy losses towards a decrease with regard to standard value (saving) equalled 52.1 m kWh, or 0.15 % of the supply to the network in 2008.

The Company's customer policy

IDGC of South, JSC renders services on electric energy transmission, service on technological connection of electric devices to the Company's electric networks and provides high-grade and reliable power supply of enterprises and the population in the regions serviced by the Company.

According to the concluded contracts, in 2008 IDGC of South, JSC, rendered service on electric power transmission to 41 counterparts, among them:

- nineteen power supply companies;
- eleven 'direct' consumers;
- eleven local network companies.

Under the paid services agreements concluded with power supply companies, IDGC of South, JSC, provides reliable and high-grade power supply of:

- 77,922 legal entities;
- 2,338,597 physical entities.

In 2008 IDGC of South, JSC, concluded technological connection service agreements with 6,637 counterparts of the Company.

For effective interaction with the power market partners, the Company holds regular joint meetings on industrial issues and conciliation commissions for controversial issues.

IDGC of South, JSC, is willing to meet the clients' demands and develop its image; that is why it pursues the customer-oriented policy targeted at improvement of service comfort, efficient use of time for execution of technical documents, preliminary consulting and quick response to received requests and applications.

For these aims sixteen Customer Service Centres function in IDGC of South, JSC (as of 31 December, 2008); among them:

- **One CSC in "Astrakhanenergo", an IDGC of South, JSC branch, Astrakhan;**
- **Six CSCs in "Volgogradenergo", an IDGC of South, JSC branch, that are located in:**
 1. "Volgograd Electric Networks" production department, Volgograd;
 2. "Right-Bank Electric Networks" production department, Volgograd;
 3. "Left-Bank Electric Networks" production department, Volgograd;
 4. "Uryupinsk Electric Networks", Uryupinsk;
 5. "Kamyshin Electric Networks", Kamyshin;
 6. "Mikhailovka Electric Networks, Mikhailovka.
- **Nine CSCs in "Rostovenergo", a branch of IDGC of South, JSC, located in:**
 1. "Central Electric Networks", Rostov-on-Don;
 2. "Central Electric Networks", Novocherkassk;
 3. "Eastern Electric Networks", Volgodonsk;
 4. "Western Electric Networks", Shakhty;
 5. "Northeast Electric Networks", Kamensk-Shakhtinsk;
 6. "Northern Electric Networks", Millerovo;
 7. "Southeast Electric Networks", Salsk;
 8. "Southwest Electric Networks", Taganrog;
 9. "Southern Electric Networks", Azov.

In December 2008 "Central Electric Networks" production department of "Rostovenergo", a branch of IDGC of South, JSC, opened a Customer Service Centre that processes the customers' applications not only in Novocherkassk, but also in Aksai, Semikarakorsk, Bagayesk and Vesselovsky electric network zones.

The total number of the CSC personnel on IDGC of South, JSC, payroll is 49 people.

From the moment of their opening in the Company's branches, customer service centers also process applications for connection, increase of capacity of the existing and reconstructed electric installations, change in the category of electricity supply reliability, change in the electric installation feeding schemes, prolongation and reissuance of the existing technical terms.

Customer relations departments in branches are responsible for coordination of activity of the Customer Service Centres.

Under the execution of the customer-oriented approach, the branches held the following activities:

- issued and protected in the presence of the authority and public bodies The declaration of customer service quality in IDGC of South, JSC branches;
- The standard of customer service was approved by the Board of Directors and came into effect;
- a hot telephone line appeared.

IDGC of South, JSC, as a socially responsible and client-centred company continues further improvement and development of the customer centralised service system.

The main directions of development of the specified system are based on the principle of long-term mutually advantageous cooperation and are defined in the Programme of development of the customer centralised service system in IDGC of South, JSC's footprint till 2011 (the 'Programme') approved by IDGC of South, JSC Management Board (Minutes No. 7 as of 8 October, 2008).

The Programme sets out the activities necessary for establishment of an effectively functioning system of customer centralised service.

In order to execute the specified Programme, each branch of the Company has developed and approved Schedule plans for execution of activities provided in the Programme till 2011 in the Company's production departments that fix the terms and people in charge.

IDGC of South, JSC also developed, together with "Kubanenergo Study Centre" staff a staff training module programme for the customer relations employees of the company's branches. In 2008 the Company held two training seminars-meetings that gathered the total of 26 employees.

In order to provide a free access of consumers to the Company's electricity transmission services and to extend the client base, in 2009 the Company plans to enter into direct electricity transmission service contracts with consumers.



2

Operating report

Operating report

Main business activities of the Company

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

- paid services in electric energy transmission through execution of a complex of organisationally and technologically connected actions, including operative technological management, that provide electric energy transmission through the technical devices of the Company's electric networks.

- rendering of services in technological connection of electric devices (power installations) of legal and physical entities to the Company's electric networks.
Under order No. 208-e of the Russian Federation as of 16 June, 2008, IDGC of South, JSC, is included in the register of natural monopolies in the fuel and energy industry that are regulated and controlled by the state through imposing of tariffs on electricity transmission and technological connection of consumers to networks.

Features of IDGC of South, JSC, assets

Branch	Length of theline, km										Length along circuits, km
	35–220 kV overheadlines			6–20 kV overheadlines			0.38 kV overheadlines			Total	
	metal	Reinforced concrete	wood	metal	Reinforced concrete	wood	metal	Reinforced concrete	wood		
“Astrakhanenergo”	313.5	2,562.6	153.5	–	7,647.1	3,170.8	–	1,591.8	4,554.4	19,993.7	20,716.8
“Volgogradenergo”	575.1	7,885.8	438	0.9	16,341.3	5,881.9	–	5,434.2	9,286.8	45,844.0	47,322.2
“Kalmenergo”	–	3,484.7	669.6	–	9,151.9	2,733.1	–	1,668.5	1,195.3	18,903.1	19,116.0
“Rostovenergo”	589	10,344.4	543.6	–	29,710	1,913	–	2,2709	6,421	72,230.0	73,591.0
Total in IDGC of South, JSC	1,477.6	24,277.5	1,804.7	0.9	62,850.3	13,698.8	–	31,403.5	21,457.5	156,970.8	160,746.0

Branch	Number of 6–10/0.4 kV transformer substations, pieces	Number of 35 kV and more powerful substations, pieces	Installed transformer capacity at 35 kV substations, MVA
“Astrakhanenergo”	3,615	135	2,031.8
“Volgogradenergo”	10,460	396	6,482.4
“Kalmenergo”	3,110	117	1,111.0
“Rostovenergo”	13,793	569	8,552.7
Total in IDGC of South, JSC	30,978	1,217	18,177.9

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

Execution in 2008 of planned activities resulted in the Increase of technical and economic indicators in work of electric networks and decrease in technical deterioration of the Company's equipment.

The Company's industrial indicators

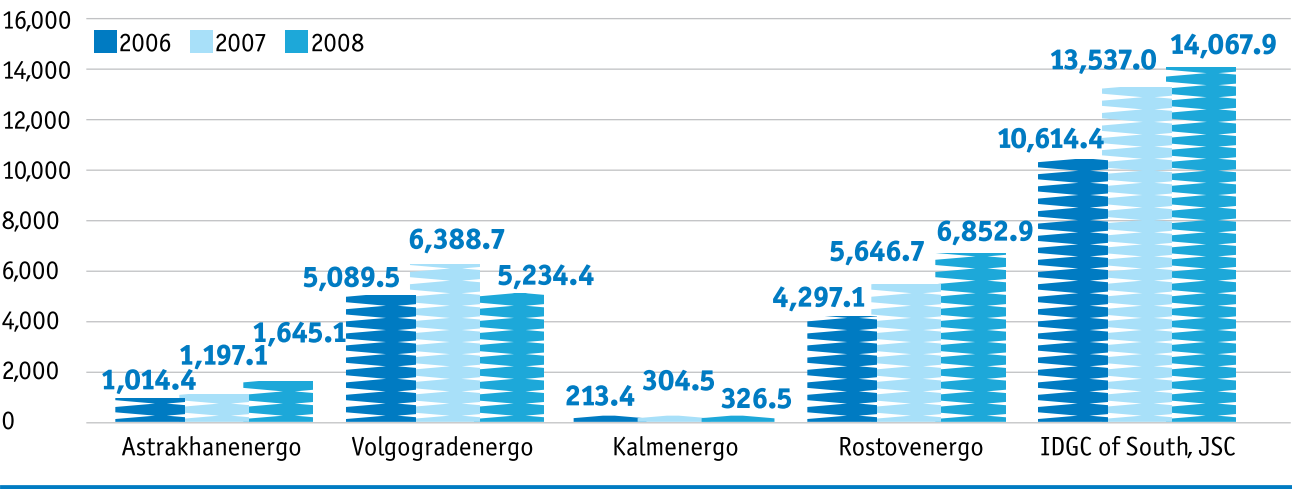
Indicators of electric energy transmission through the Company's networks

Information about the main indicators of IDGC of South, JSC, industrial activity in 2008 (taking into account the indicators of merged DGCs from 1 January, 2008, till 31 March, 2008)

Branch	Network supply	Network productive supply	Factual waste of electric power	
	thousand kWh	thousand kWh	thousand kWh	%
“Astrakhanenergo”	3,702.8	3,028.9	673.9	18.20
“Volgogradenergo”	16,519.5	15,620.8	898.6	5.44
“Kalmenergo”	14,198.7	13,021.1	1,177.6	8.29
“Rostovenergo”	472.0	359.2	112.8	23.90
Total in IDGC of South, JSC	34,893.0	32,030.0	2,863.0	8.21

The revenue from the services provided by IDGC of South, JSC, in electric energy transmission through "IDGC" JSC networks in 2006–2008 (taking into account the indicators of merged DGCs from 1 January, 2008, till 31 March, 2008)
RUR m

Branch	2006	2007	2008
“Astrakhanenergo”	1,014.4	1,197.1	1,645.1
“Volgogradenergo”	5,089.5	6,388.7	5,243.4
“Kalmenergo”	213.4	304.5	326.5
“Rostovenergo”	4,297.1	5,646.7	6,852.9
Total in IDGC of South, JSC	10,614.4	13,537.0	14,067.9



Growth of cost of services in 2008, compared to 2007, is caused by the tariff growth, natural growth of power consumption, reception on the balance of "Astrakhanenergo", a branch of IDGC of South, JSC, of "Astrkommunenergo"

municipal unitary enterprise electric networks, Astrakhan, and growth of low-voltage energy consumption with the highest tariff.

Losses of electricity in the branches and IDGC of South, JSC, as a whole in 2006–2008 (taking into account merged DGCs from 1 January, 2008, to 31 March, 2008)

Electric energylosses			"Astrakhanenergo"	"Volgogradenergo"	"Kalmenergo"	"Rostovenergo"	IDGC of South, JSC
2006	Factual	m kWh	406.0	965.5	120.8	1,184.7	2,677.0
		%	11.39	6.06	24.42	8.84	8.01
2007	Factual	m kWh	374.8	892.3	161.1	1,171.9	2,600.1
		%	10.37	5.55	33.86	8.43	7.63
2008	Factual	m kWh	673.9	898.6	112.8	1,177.6	2,863.0
		%	18.20	5.44	23.90	8.29	8.20

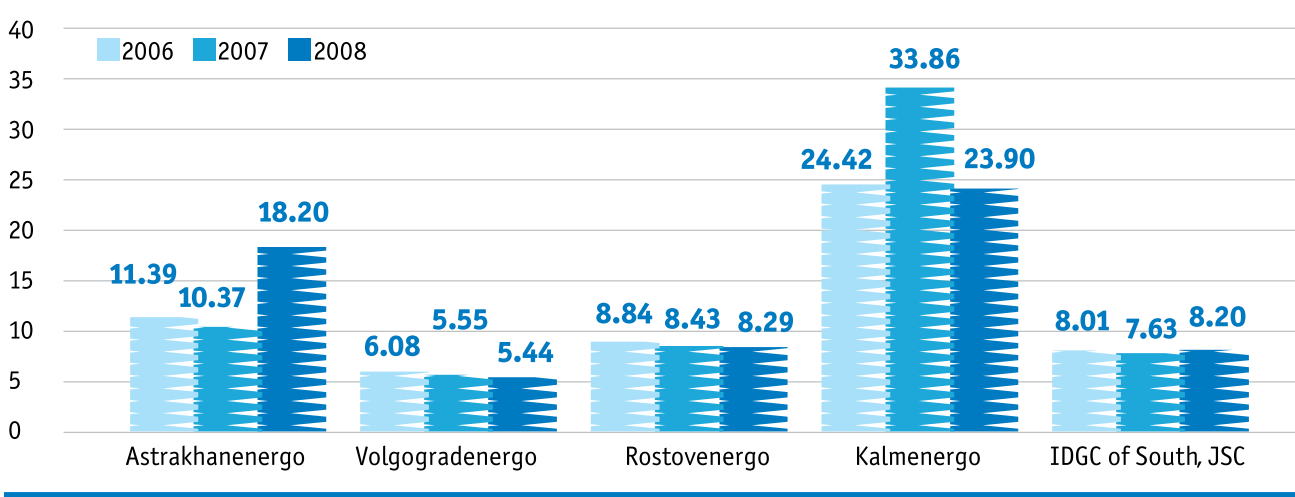
As a whole, in IDGC of South, JSC, the amount of actual losses of electric power in 2008 was below the planned. The company saved 52.06 m kWh of energy.

However, in "Astrakhanenergo", a branch of IDGC of South, JSC, actuallosses in 2008 exceeded the 2007losses. The main reason for growth of actuallosses in 2008 was reception of "Astrkommunenergo" municipal unitary enterprise electric networks, Astrakhan, on balance of "Astrakhanenergo", a branch of IDGC of South, JSC, at the beginning of the year. As a result, the branch's technical

losses includedlosses of Astrakhan distribution network.

In "Kalmenergo", a branch of IDGC of South, – "Kalmenergo" in spite of the fact that actuallosses of 2008 exceeded the planned amount, they fell down considerably, compared to 2007, from 33.86 to 23.90 percent. The given decrease was a result of execution of actions on electricitylosses optimisation executed under Anti-crisis programme in "Kalmenergo", a branch of IDGC of South, JSC approved on 12 November, 2007, with the period of validity till 2011.

Dynamics of electricity losses in IDGC of South, JSC (taking into account the indicators of merged DGCs from 1 January, 2008, till 31 March, 2008) in 2006–2008 %



Execution of actions on reduction of losses and their efficiency

In order to reduce electricitylosses in 2008, electric networks of IDGC of South, JSC, branches executed a number of complex actions the cumulative effect from which equalled 64.405 m kWh, including from:

- organisational actions – 14.279 m kWh;
- technical actions – 7.223 m kWh;
- actions for improvement of financial and technical accounting systems – 42.093 m kWh.

In 2008 for improvement of financial and technical accounting systems the company executed over 615k complex checks of electricity accounting by the results of which it eliminated 6,000 infringements, replaced 49,000 electric metres with the expired term of state checking, issued 5,680 certificates on facts of contract- and accounting-free energy consumption (according to these certificates, consumers paid 25.351 m kWh of electric power).

The general economic benefit of the actions held in 2008 onlosses reduction equalled 59.042 m. roubles.

Information on tariffs for services in electric energy transmission in 2008 and approval of tariffs for 2009

Under the currentlegislation of the Russian Federation the amount of the tariff for services in electric energy transmission is established by regulating bodies in each region. In 2008 a uniform ('cauldron') method of electricity transmission tariffs accounting operated on the territory of all subjects of the Russian Federation.

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

According to the results of 2008 the actual average tariff for services in electric power transmission (taking into accountloadinglosses) equalled 44.56 copecks/kWh that is by 0.21 copecks/kWh above the planned tariff of the business plan (44.35 copecks/kWh). Influence of this indicator over the 2008 revenue in cost terms is + 51.773 m. roubles.

The information about tariffs for services in electric energy transmission in IDGC of South, JSC branches in 2008 and 2009 is presented in appendix No. 5 to the present annual report.

Organisation of the process of technological connection to the Company's electric networks

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

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

Applications for technological connection are received in the executive device of the Company's branches and in the Customer Service Centers of electric networks production departments of IDGC of South, JSC branches.

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

1. Federallaw No. 35-FZ On the electric industry (with changes and additions) as of 26 March, 2003;
2. Rules of technological connection of power receiving devices (power installations) oflegal and physical entities to the electric networks approved by governmental order No. 861 as of 27 December, 2004;
3. Order No. 277-e/7 On approval of methodical instruction on definition of the tax for technological connection to electric networks (amended) of the Federal Tariff Service of the Russian Federation as of 23 October, 2007.

The fulllist of standard documents that regulate the activity on technological connection is downloadable in the Company's corporate website www.mrsk-yuga.ru

Information on tariffs for technological connection in 2008 and approval of tariffs for 2009

Under the current legislation of the Russian Federation the amount of payment for technological connection was established by regulating bodies in each region separately. As there is no uniform technique, procedure of technological connection tariff rates application and criteria for tariffs differentiation, in 2008 the Company's branches used various payment rate. Besides, the timelimits for fixing the payment amounts are different:

- in "Rostovenergo" and "Astrakhanenergo", branches of IDGC of South, JSC, payment for technological connection was established in 2007;
- in "Volgogradenergo", a branch of IDGC of South, JSC, a rate established in 2006 operated at the beginning of 2008; in the middle of 2008 a new rate was established;
- in "Kalmenergo", the Company's branch, tariffs that had been set in 2006 operated during the whole year of 2008.

In "Rostovenergo", a branch of IDGC of South, JSC, the payment rate is differentiated by categories of reliability and by territories, depending on capacity deficiency (proficiency) areas. "Astrakhanenergo" and "Rostovenergo", branches of IDGC of South, JSC, apply individually calculated tariffs

for technological connection that are enforced after their approval by the Regional Tariff Service. "Volgogradenergo" and "Kalmenergo", branches of IDGC of South, JSC, regulate all connections according to the tariff menu. Rostov Regional Tariff Service and Volgograd Regional Tariff Administration set the procedure of share interest of branches in case consumers are connected to the networks of adjacent network organisations and companies.

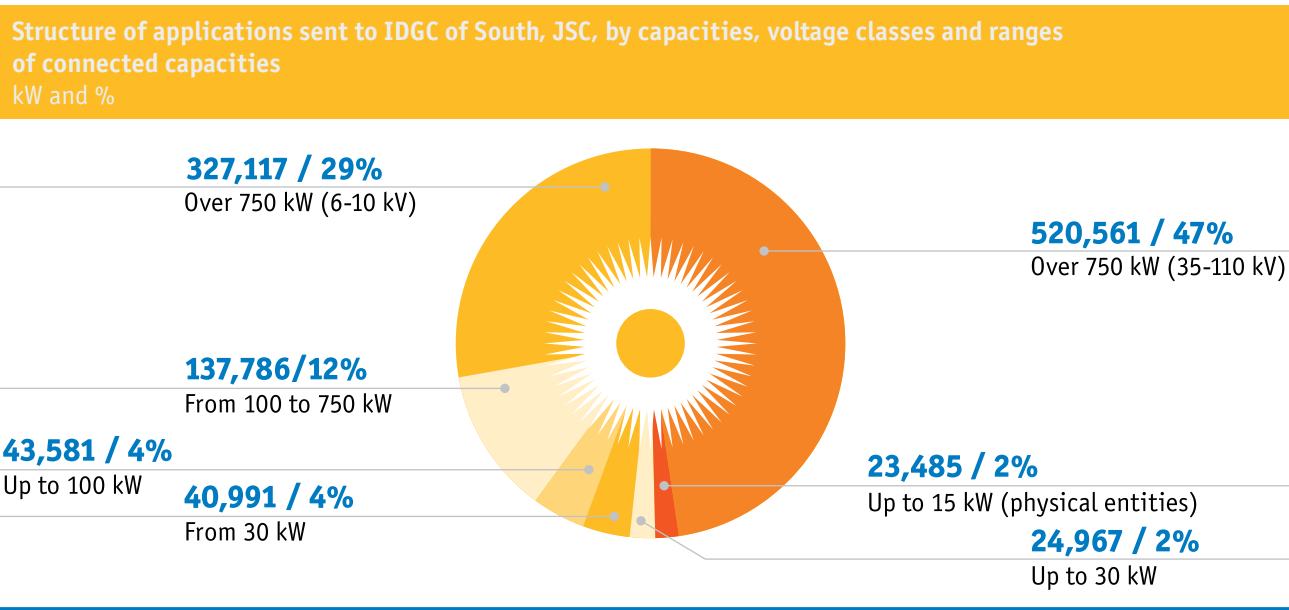
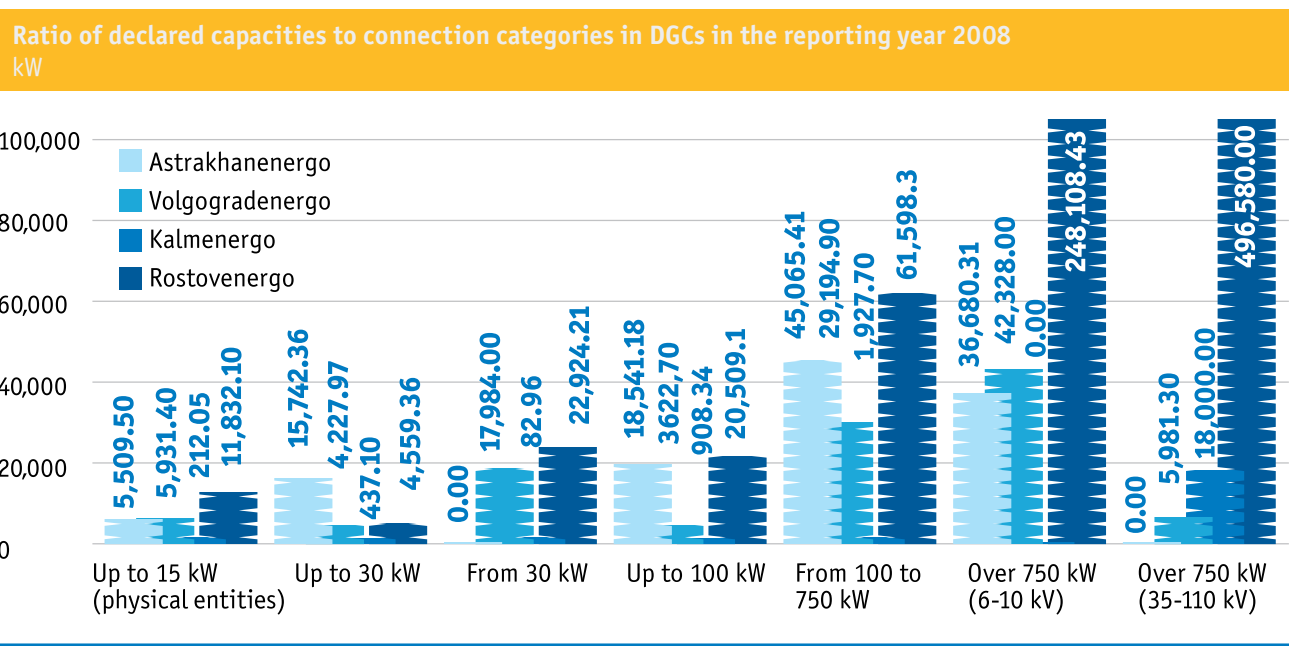
The information about volumes and tariffs for technological connection sent to tariff regulation bodies in 2008 and 2009 and also tariffs for technological connection to electric networks established by a regulating body are set out in appendix No. 6 to the present annual report.

Quantity demanded for technological connection and its meeting

In 2008 the Company received 8,507 applications for technological connection to its electric networks with a total capacity for 1,118,488.77 kW, in particular: 6,637 technological connection contracts with the general capacity of 462,634.01 kW were concluded and 1,101 contract for the total capacity of 77,415.9 kW is being considered by the Company. IDGC of South, JSC established 4,932 connections with the general capacity of 144,428.76 kW.

Analysis of the structure of applications by kinds, capacities and classes of voltage

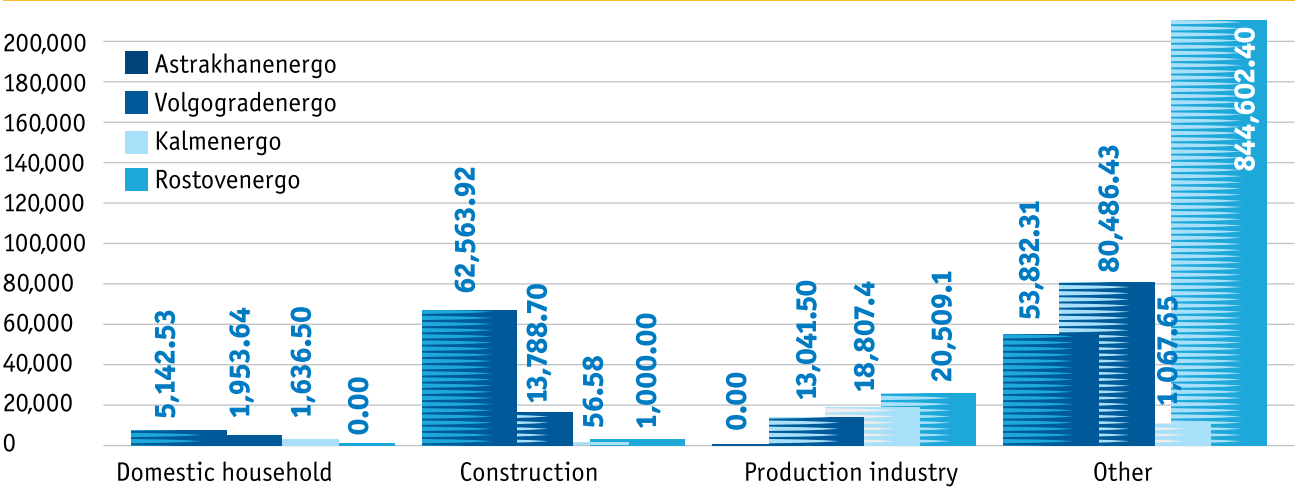
The structure of applications by industries, capacities and classes of voltage											
Connection category	U, kV	Number of applications for technological connections									
		"Astrakhanenergo" branch of IDGC of South, JSC		"Volgogradenergo" branch of IDGC of South, JSC		"Kalmenergo" branch of IDGC of South, JSC		"Rostovenergo" branch of IDGC of South, JSC		IDGC of South, JSC	
		pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW	pieces	For total capacity (N) kW
Up to 15 kW (physical entities)	0.38	1,155	5,509.50	1,008.00	5,931.40	50	212.05	1,782	11,832.10	3,995	23,485.05
Up to 30 kW	0.38	795	15,742.36	412.00	4,227.97	79	437.10	839	4,559.36	2,125	24,966.79
From 30 kW	0.38	–	–	29.00	17,984.00	12	82.96	131	22,924.21	172	40,991.17
Up to 100 kW	6–10	151	18,541.18	184.00	3,622.70	49	908.34	1,145	20,509.19	1,529	43,581.41
From 100 to 750 kW	6–10	145	45,065.41	161.00	29,194.90	9	1,927.7	215	61,598.30	530	137,786.31
Over 750 kW (6–10 kV)	6–10	42	36,680.31	17.00	42,328.00	–	–	85	248,108.43	144	327,116.74
Over 750 kW (35–110 kV)	35–110	–	–	1.00	5,981.30	1	18,000.00	10	496,580.00	12	520,561.3
TOTAL		2,288	121,538.76	1,812	109,270.27	200	21,568.15	4,207	866, 111.59	8,507	1,118,488.77



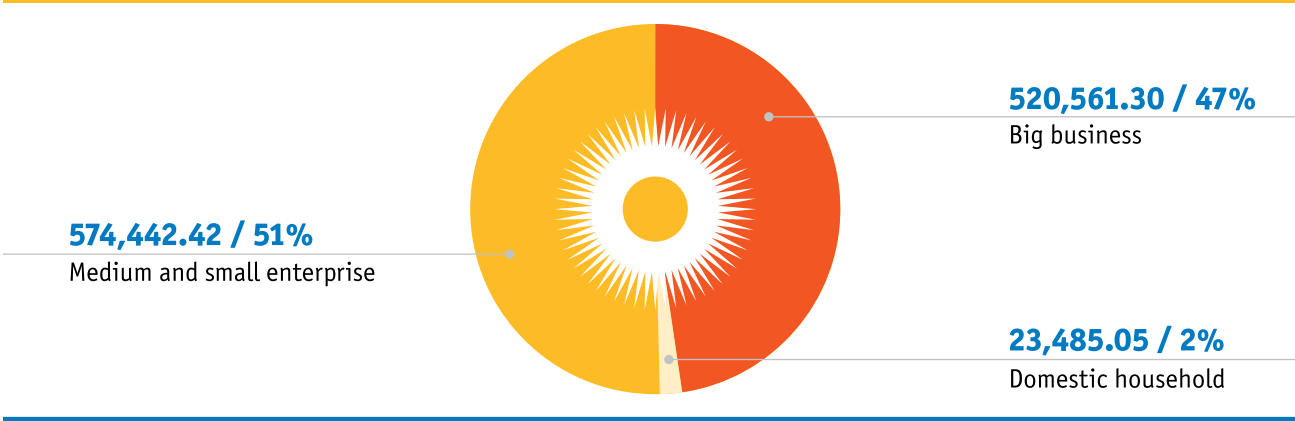
Structure of applications by business types

Category of consumers	Number of applications for technological connection (accepted for implementation)									
	“Astrakhanenergo” branch of IDGC of South, JSC		“Volgogradenergo” branch of IDGC of South, JSC		“Kalmenergo” branch of IDGC of South, JSC		“Rostovenergo” branch of IDGC of South, JSC		IDGC of South, JSC	
	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW
Domestic household	1,155	5,509.50	1,008	5,931.40	50	212.05	1,782	11,832.10	3,995	23,485.05
Small and medium enterprise	1,133	116,029.26	803	97,357.57	149	3,356.10	2,415	357,699.49	4,500	574,442.42
Big business	0	0.00	1	5,981.30	1	18,000.00	10	496,580.00	12	520,561.30
TOTAL	2,288	121,538.76	1,812	109,270.27	200	21,568.15	4,207	866,111.59	8,507	1,118,488.77

Ratio of customer demand in DGCs in industries in the accounting year 2008
kW



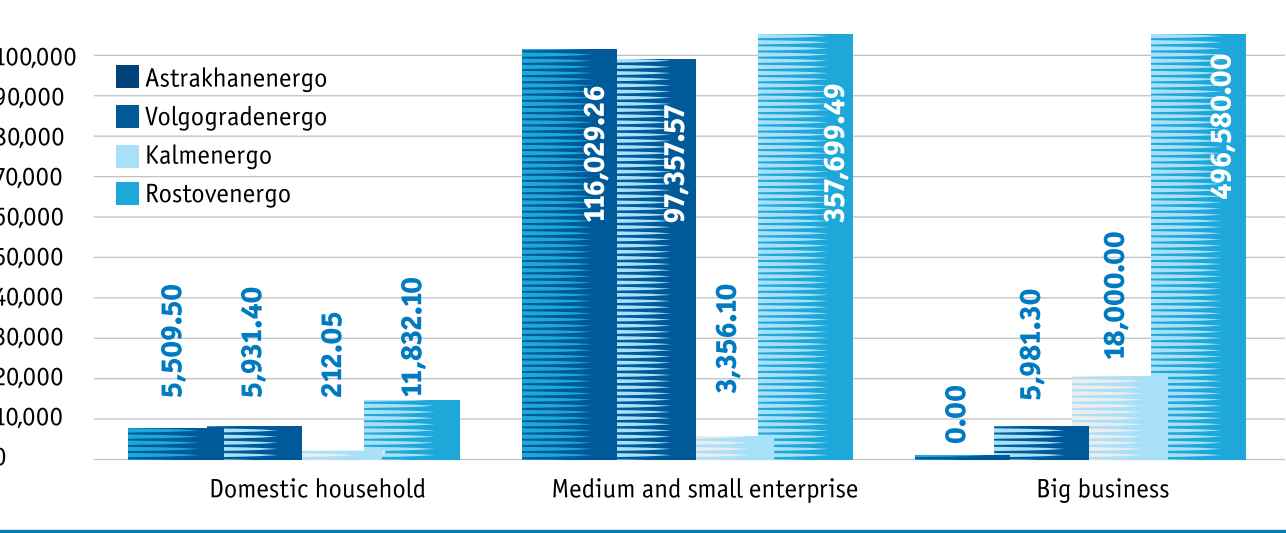
Structure of customer demand in IDGC of South, JSC, by business types
kW and %



Structure of applications by industries

Category of consumers	Number of applications for technological connection (accepted for implementation)									
	“Astrakhanenergo” branch of IDGC of South, JSC		“Volgogradenergo” branch of IDGC of South, JSC		“Kalmenergo” branch of IDGC of South, JSC		“Rostovenergo” branch of IDGC of South, JSC		IDGC of South, JSC	
	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	For total capacity (N), kW
Housing maintenance and utilities	142	5,142.53	39	1,953.64	35	1,636.50	–	–	1,361	29,241.86
Construction	136	62,563.92	21	13,788.70	7	56.58	10	1,000.00	164	76,409.20
Industry	–	–	29	13,041.50	22	18,807.42	1,145	20,509.19	61	32,848.92
Other	2,010	53,832.31	1,723	80,486.43	136	1,067.65	3,052	844,602.40	6,858	979,988.79
TOTAL	2,288	121,538.76	1,812	109,270.27	200	21,568.15	4,207	866,111.59	8,507	1,118,488.77

Ratio of customer demand by business types in IDGC of South, JSC, branches in the accounting year 2008
kW



Information about the volume of demanded technological connection, its satisfaction in 2008 and analysis of the structure of applications by industries, capacities and classes of voltage is presented in appendix 6 of the present annual report.

Estimation of influence of the financial crisis over establishment by IDGC of South, JSC of technological connections

As a whole, estimation of the market of services in technological connection of power devices (power installations) of legal and physical entities to the electric networks of IDGC of South, JSC for nine months of 2008

shows a steady growth of demand for services in technological connection.

Unfortunately, the results of execution by the Company of the given kind of activity in the fourth quarter, 2008 show that the financial crisis affected the solvency of potential applicants.

In 2009 decrease in the total amount of technological connection services provided by the Company is expected due to reduction of demand for capacity, in particular regarding execution of large investment projects, in case of occurrence of problems on execution of concluded contracts and possible cancellation by customers of some operating contracts of technological connection.

Repair activity

Results of performance of repair programmes of IDGC of South, JSC, in 2008

In 2008 IDGC of South, JS made all necessary repairs of its grid equipment, what equalled 101.7 % of the costs plan, including by electric equipment groups:

- repair of 35–220 kV power transmission lines – 3,018 km. (103 % of the plan);
- repair of 35–220 kV substations – 139 pieces (100 % of the plan);
- repair of 0.4–10 kV power transmissionlines – 10,600 km. (106 % of the plan).

The general costs for major repairs of electric networks

in 2008 equalled 475.2 m. roubles, including in the main directions:

- repair of 35–220 kV power transmissionlines – 58.6 m. roubles;
- repair of equipment at 35–220 kV substations – 154.5 m. roubles;
- repair of 0.4–20 kV electric networks – 262.1 m. roubles.

Costs for repair of electric networks by economic and contract methods equalled 643.6 m. roubles at the plan of 632.9 m. roubles, including by repair methods:

- contract method – RUR 190.6 m. at the plan of 195.8 m. roubles;
- economic method – RUR 453 m. at the plan of 437.1 m. roubles.

Analysis of performance in 2008 of the programme of major repairs of electric networks in comparison to the previous year

Performance of the programme of major repairs of electric networks of IDGC of South, JSC for 2008 in comparison with the previous year 2007 (taking into account the indicators of merged DGCs from 1 January, 2008, till 31 March, 2008)

Equipment	Measurement unit	2007			2008		
		Plan	Performance	Plan execution, %	Plan	Performance	Plan execution, %
Integrated repair of substations		119	119	100	139	139	100
220 kV	pieces	–	–	–	–	–	–
	MVA	–	–	–	–	–	–
110 kV	pieces	61	61	100	72	72	100
	MVA	1,375	1,375	100	1,964	1,964	100
35 kV	pieces	58	58	100	67	67	100
	MVA	327	327	100	341	341	100
Major repair of transformers		52	52	100	44	45	102
220 kV	pieces	–	–	–	–	–	–
	MVA	–	–	–	–	–	–
110 kV	pieces	39	39	100	27	28	104
	MVA	578	578	100	501	544	109
35 kV	pieces	13	13	100	17	17	100
	MVA	41	41	100	77	77	100
Major (average) repair of switches		2,555	2,670	105	2,403	2,477	103
220 kV	pieces	–	–	–	–	–	–
110 kV	pieces	106	113	107	124	135	109
35 kV	pieces	352	369	105	332	345	104
10 kV	pieces	2,097	2,188	104	1,947	1,997	103
Major repair of 35–220 kV disconnectors	pieces	1,790	1,830	102	1,836	1,873	102
Major repair of 35–220 kV isolating switches and short circuitors	pieces	595	599	101	457	458	100
Repair of 35–220 kV overheadlines		3,301	3,382	102	2,919	3,018	103
220 kV	km	137	137	100	54	54	100
110 kV	km	1,919	1,962	102	1,749	1,811	104
35 kV	km	1,245	1,283	103	1,116	1,152	103
Repair of 35 kV and more powerful overhead lines	km	–	–	100	0.2	0.2	100
Repair of 6–10 kV overheadlines	km	5,591	5,985	107	6,095	6,539	107
Repair of 0.4 kV overheadlines	km	3,603	3,788	105	3,863	3,988	103
Repair of 6–10 kV cablelines	km	2	2	100	63	69	110
Repair of 0.4 kV cablelines	km	–	–	–	–	3	300
Repair of 6–10/0.4 kV transformer substations	pieces	3,267	3,975	122	3,540	3,878	110



Main approaches to development of equipment repair programmes

To improve the quality of repair and maintenance of electric networks, decrease in the quantity and duration of switching-off of the network elements in 2009 it is planned to continue:

- implementation of complex methods of repair and repair of 0.38 kV alive overheadlines;
- reduction of equipment outages and improvement of repair quality;
- application of modern technologies and equipment;
- application of new equipment, adaptations and high-duty materials of advanced reliability;
- use at repairs of advanced test and diagnostics devices.

In 2009 the Company will continue implementing in all its branches a complex integrated resource management system that will automate the process of planning and management of repair and maintenance services.

Improvement of electric networks reliability

In 2008 the Company repaired its fixed capital assets in order to improve reliability of work of the power supply system and power supply. It carried out in full technical services, diagnostics and tests of electric equipment.

The Company executed a number of actions on maintenance of a reliable and trouble-free operation of electric networks, including:

- anti-flood actions;
- preparation of the equipment for the rainstorm season;
- actions for passage of the fire-dangerous period;
- actions for preparation of electric networks to work during the autumn/winter period;

- actions for preparation for work at extremely high temperatures, etc.
- Order No. 167 of IDGC of South, JSC as of 25 July, 2008, approved the membership of IDGC of South, JSC Technical Council. The Technical council was set up to solve the following tasks:
- work out of the main principles of development and mechanisms of practical application of the technical policy in IDGC of South, JSC;
 - improvement of the quality of fixed assets maintenance and repair;
 - increase of reliability of work of the equipment and personnel professional work;
 - breakdown susceptibility decrease;
 - optimisation of schemes of the power economy perspective development schemes;
 - work out of proposals on issues defining the technical policy in IDGC of South, JSC.
- Under annual order No. 1 of IDGC of South, JSC that defines the main directions of reliability improvement, the Company works out and execute Integrated programmes of the distribution grid system reliability and efficiency improvement that include:
1. Equipment reliability improvement programme that contains, among other things:
 - replacement of 6–10 kV oil switches with vacuum ones at 35–110 kV substations;
 - replacement of 35–110 kV isolating short circuitors with gas-insulated (vacuum) switches;
 - replacement of 110 kV support rod insulators;
 - actions for management of jet capacity;
 - implementation of insulated and protected wires for overhead powerlines;
 - automation of 6–20 kV distribution electric networks on the basis of reclosers;

- restoration of operative blockings;
 - restoration of load tap change and automatic control equipment;
 - icing and snow sticking prevention.
2. The programme of improvement of reliability of work of means of dispatching and technological management, relay protection, anti-emergency automatics, communications, electricity control and account that contains, among other things:
 - technical updating and reconstruction of automatic equipment relay protection devices;
 - remote control, automation and updating of grid objects of IDGC of South, JSC branches and "Kubanenergo" JSC (including systems of telecommunications, automated system of dispatch and technological management);
 - replacement of 35–110 kV measuring current transformers;
 - replacement 6–10 kV measuring current transformers.
 3. Performance of instructions of state and corporate supervising bodies, certificates of investigation of technological infringements in the work of IDGC of South, JSC branches and deviations from standard technical and directive documents of IDGC of South, JSC and its branches.
 4. Improvement of fire safety of power equipment, buildings and constructions.
 5. Programme of improvement of operative technological management of the grid complex, including reconstruction of Network Management Centres and reconstruction of 10 kV operative dispatch service of "Astrakhanenergo", a branch of IDGC of South, JSC.
 6. Plan of equipment repairs.
 7. Programme of professional work improvement, safety provision and prevention of traumatism among the personnel.
 8. Programme of actions for increase of ecological safety in the distribution grid system.

Order No. 154 On preparation of IDGC of South, JSC branches and Kubanenergo JSC managed company for work in Autumn/Winter of 2008/2009 as of 7 July, 2008, and Order No. 164 On top priority measures on coordination and monitoring of preparation of electric networks to work in Autumn/Winter 2008/2009 as of 23 July, 2008, set new tasks for preparation for the autumn/winter; execution of these actions will help the Company to prepare well for the autumn/winter and, as a result, all IDGC of South, JSC branches will receive preparation certificates.

In 2008 and 2007 there were no failures at IDGC of South, JSC grid facilities.

The production departments of IDGC of South, JSC branches have repair teams equipped with necessary tools and ready to perform emergency recovery work. The Company held combined exercises with EMERCOM (The Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters) subdivisions and concluded agreements on interaction and mutual informing at solution of emergencies prevention and liquidation issues.

In 2008 IDGC of South, JSC branches held joint fire-prevention trainings with the representatives of EMERCOM regional divisions where they trained to quench fire in electric installations and held 306 emergency prevention trainings where they trained their response to icing-related emergencies.

IDGC of South, JSC developed and approved under order No. 219 as of 29 September, 2008, The regulation on emergency reserve of equipment, materials and spare parts for grid objects of IDGC of South, JSC branches. All branches of IDGC of South, JSC checked reserve emergency equipment according to the approved lists. The emergency stock is equipped at a 100 % level.

Development of communication network and information technologies

Characteristic of the current condition of information telecommunication infrastructure of IDGC of South, JSC

IDGC of South, JSC pays a considerable attention to development of its communication network and information technologies.

The current level of the Company's automation allows to solve the problems that the Company faces.

For automation of economic activities of all its branches, IDGC of South, JSC uses configuration of 1C Enterprise 8.1. Production enterprise management programme system. The Company implemented subsystems: financial and tax accounting, money resources management, fixed assets accounting, storekeeping, personnel

records and payroll accounting.

In 2008 for automation of document circulation the Company completed the first stage of introduction of the electronic document management automated system (ASUD) in the number of 700 workplaces (taking into account "Kubanenergo" JSC where the Company carries out the functions of the unique executive body). In 2009 it is planned to increase this number up to 2,000 workplaces.

In 2008, to automate budgetary management, the Company launched the financial accounting automated information system (AISBU) based on SAP SEM BPS software.

In 2008 IDGC of South, JSC started implementing the resource management corporate information system (KISUR) based on SAP AG software. It developed a conceptual project, integration testing and training of users.

The Company also developed the Automation System Project in order to:

- unify the management system of the executive device and the Company's branches;
- centralise management of the Company at a strategic level;
- maintain information transparency of the Company;
- increase efficiency of operational management by the company at the expense of introduction of effective corporate resources management methods and accelerations of work of key managerial processes;
- increase efficiency of information interaction with other participants of the electric power market.

For management of the grid system and control and the current consumption account the Company started to implement the equipment maintenance and repair module (TORO, IS-U) based on SAP R/3.

Communication and remote control means are a component of the IDGC of South, JSC branches infrastructure and are intended for maintenance of operative dispatch, technological, organisational economic and administrative management of power supply system work.

The basis for information space of IDGC of South, JSC branches are main digital radio relay communication lines, fiber-optical and cable communication lines condensed with analogue and digital equipment with digital switching, high-frequency communication channels at overhead lines and various radio stations.

Besides, in 2008 it became possible to hold videoconferences among the Company's branches.

Principles of construction of information systems and IT infrastructure

The specialists of the IT Department use the following principles when selecting and implementing hardware and software complexes of the corporate information system (KIS):

- **safety** – maintenance of protection of information resources of the Company's executive device from unauthorised access;
- **availability** – granting of constant and uninterrupted access to information resources of the Company's executive device;
- **reliability** – maintenance of reserve copying and disaster recovery of information resources of the Company's executive device;
- **convenience** – introduction and use of new technologies for convenient work with information resources, fast search of the necessary information and its self-descriptiveness.

- **integrity** – "seamless" integration of the hardware-software complex into the IT Infrastructure. Conformity of the existing concept of development of the IT Infrastructure.

List of the most significant results of works on development of information technologies and telecommunications in 2008

Under execution of the project Development of the Corporate Integrated Resource Management System based on SAP AG software the following actions were made:

- IDGC of South, JSC finished works on creation of a system landscape for IDGC Uniform Operating Company. It also created target organisational structures and transferred options and data in IDGC of South, JSC.
- Installation and connection of functional allocations were carried out to automate the processes of the equipment service and repair.
- Works within the scope of a 'legal body' were performed to establish a database of electricity consumers and account meters under the plan of automation of managerial processes by electricity transmission services on the basis of IS-U SAP AG module.
- In 2008 IDGC of South, JSC started installation of Primavera Project Planner software. The given product is intended for automation of project management processes according to the requirements of PMI (Project Management Institute), IPMA, ISO standards and provides solution of scheduling issues, calculation of the critical path, resource levelling, analysis and other issues of projects, groups of projects, portfolios and programmes modelling.

To provide electronic registration of documents of technological connection of consumers to electric networks (the 'TCC'), Technological connection corporate programme system was developed:

- for establishment of Technological connection uniform information business process space;
- to generate electronic storehouse of documents that unite the data of all production departments accessible to viewing, operative search and analysis;
- to receive quickly, on the basis of the received data, detailed reports that require ten times less time for preparation than the time required for aggregation of the data in paper carriers;
- to receive quickly the information on the process of connection of new consumers, to log in the received data;
- to organise hierarchical order of technical facilities (substations, a feeder, transformer substations).

In 2008 the Company started installation of the systems of centralised management and IT equipment information gathering based on Microsoft System Center Configuration Manager 2007.

Workers installed video multiport conference systems in branches and production departments.



Digital communication channels were installed in 45 electric networks zones (41 substation) with use of own and rented main communication lines.

Workers constructed 57 km of fiber-optical and 124 km of radio relay communication lines.

Results of performance of works over Federal projects in 2008

- **DMAS project** – work on trial operation of UES Documents Management Automated System, when 700 users were trained and connected to the system according to their posts.
- **AISBU project** – under Order No. 47 of IDGC of South, JSC On implementation and execution of industrial operation of Financial Accounting Automated System (AISBU) on the basis of SAP SEM BPS software as of 17 July, 2008, the Company is conducting industrial operation of the new version of AISBU. It is planned to launch AISBU in the first half of 2009.
- **System project** – the System Project of IDGC of South, JSC Automation was developed.

Prospects of development of new technologies in IDGC of South, JSC, in 2009

In 2009 IDGC of South, JSC, plans to continue expansion of the integrated automated system of enterprise management on the basis of SAP AG software.

The main direction of implementation will be automation of functions of electricity metering of legal and physical

bodies (IS-U/CCS and IS-U/EDM modules) in all branches of the Company:

- input of indicators of metering devices;
- conducting of financial calculations for electricity transmission;
- management of meters system;
- management of power data, including integration with the automated electricity metering system (ASKUE);
- construction of load shapes;
- calculation of jet energy.

At the same time the Company will install components of SAP PM (TORO) module necessary for high-grade work of IS-U (Network Topology, the directory of equipment integrated with the operating system).

After installation in 2008 the Company will replicate the functional of finance and control modules (FI, CO), and SAP FI functional will be expanded regarding the tax account. SAP HR module will be developed for the executive device, and a part of the functional will be replicated in the Company's branches.

It is planned to continue stage-by-stage automation of the network reporting by the following information streams:

- financial and tax accounting;
- business planning, management of costs and key performance indicators;
- financial policy;
- economic policy and tariff design;
- corporate finance and the budget;
- exchange operations and management of liquidity.

The installation of subsystems Financial accounting, Administrative accounting, Tax accounting, Management of material flows, Provision of works/services and material assets and Human resources management is the most important for increase of the transparency of activity and controllability of the Company's organisational departments.

Centralised conducting of production and commercial operations will allow:

- to organise a uniform information space;
- to receive a high-grade information for making of administrative decisions;
- to raise the quality of financial reporting.

In 2009 IDGC of South, JSC plans to complete works on the second stage of ASUD implementation.

It is planned to continue construction of the automated information measuring system of commercial energy

metering (AIIS KUE) at wholesale electricity markets according to the approved updating programmes from 2006 and to implement the automated systems of commercial energy metering (ASKUE) at household consumers and at substations according to the strategy of establishment/modernisation of metering systems at the retail electricity market.

The Company's 2009 investment programme includes costs for updating and expansion of the Information Gathering and Transmission System (SSPI) and organisation of digital channels of communication and remote control with DGCs facilities.

It is planned to construct a Data Processing Centre on the basis of IBM/EMC equipment and transfer SAP R3 configuration and data. Two high-efficiency IBM POWER servers and EMC DMX-4 storage system will become the computing platform for the given solution.

Purchasing activity

The principal direction of IDGC of South, JSC policy in execution and organisation of competitive and regulated out-of-competition purchases of goods, works and services for the Company's needs corresponds to the general tendencies of development of the system of purchases in electric power industry, natural monopolies state control policy and general tendencies of market relations development.

According to the given policy the Company introduced the system of purchases based on the following **principles**:

- openness and submission to control (both internal and external, including for public authorities);
- priority of competitive ways of purchasing;
- careful planning of need in products;
- fair and reasonable choice of the most preferable proposals at the complex analysis of benefits and costs (first of all the price and quality of production).

The resolution of the Board of Directors (Minutes as of 30 August, 2007 No. 2/2007) established a constantly operating Central Competitive Commission of the Company for execution of purchasing procedures and approved The regulation on the procedure of holding of regulated purchases of goods, works and services for the needs of IDGC of South, JSC.

Since April 2008, the purchasing activity of IDGC of South, JSC is regulated by The regulation on the procedure of holding of regulated purchases of goods, works and services for the needs of IDGC of South, JSC approved in the resolution of the Board of Directors of the Company (Minutes No. 12/2008 as of 18 April, 2008).

To execute federal law No. 184-FZ of the Russian Federation On technical regulation as of 27 December, 2002,

at execution of the procedures of regulated purchases at both open and restricted competitions, one of the requirements to suppliers of production (goods, works, services) is presence of a certificate of obligatory and voluntary certification systems.

Official publications about regulated competitive and out-of-competition purchases and copies of publications about held purchases are regularly published on the Company's corporate web site www.mrsk-yuga.ru and on the sites of the Company's branches (www.astren.elektra.ru; www.volgogradenergo.ru; www.kalmenergy.ru; www.rosten.ru); the copies of publications about the held purchases are published on the uniform Internet resources www.b2b-energo.ru and www.zakupki.gov.ru

The main ways of purchases applied by the Company in 2008 were:

- open competition;
- open requests for prices;
- open requests for proposals;
- purchase from a single source.

The choice of the way of purchases is carried out according to The regulation on the procedure of execution of regulated purchases of goods, works and services for the needs of IDGC of South, JSC.

For maintenance of target and effective expenditure of money resources of the Company and reception of economically proved costs, the Company executes purchases in strict conformity with the Annual Integrated Programme of Purchases that is annually approved by the Company's Board of Directors.

Performance of the Annual Integrated Programme of Purchases of IDGC of South, JSC and its branches – "Astrakhanenergo", "Volgogradenergo", "Kalmenergo" and "Rostovenergo" – in 2008

Procedures	Quantity	Plan (thousand RUR, inclusive of VAT)	Performance (thousand RUR, inclusive of VAT)	Benefits (thousand RUR, inclusive of VAT)
Open competitions	435	7,103,163.5	6,868,566.5	234,597.0
Restricted competitions	1	6,861.4	6,807.6	53.8
Open requests for prices	332	403,995.1	351,945.2	52,049.9
Restricted requests for prices	–	–	–	–
Open requests for proposals	334	627,187.8	472,639.1	154,548.7
Restricted requests for proposals	–	–	–	–
Single sources	128	845,510.0	758,320.6	87,189.4
TOTAL:	1,230	8,986,718	8,458,279	528,439

In twelve months of 2008 the Company executed 1,230 purchasing procedures, including 1,101 purchases at open auctions (89.5 %) and 435 purchases, at open competitions (35.4 %).

According to UES Purchases Execution system of standards as of April, 2005 (S-UES ZD 4-2005 Purchases Execution system of standards), the Company established

the department of competitive procedures management that organises and executes purchasing procedures for the needs of IDGC of South, JSC and its branches.

The Material Support Department of IDGC of South, JSC carries out control over the purchasing activity of "Kubanenergo" JSC where the Company executes the functions of the unique executive body.

Risk management

The policy of IDGC of South, JSC in the field of risk management presupposes timely revealing and prevention of possible risks for the purpose of minimisation of financial and other expenses.

The Company's risk management activities are described below.

Due to the fact that at the present moment the Company is operating only on the domestic market of the Russian Federation and does not plan to enter the world market, the risks specified below concern the domestic market alone.

Country risks

The economy of Russia is not protected from market recessions and delay of economic development in other countries

of the world. Financial problems or aggravated perception of risks of investment in the emerging market economies may reduce the volume of foreign investments into Russia and may have a negative influence over the Russian economy.

These events may limit the Company's access to capital and have adverse influence on the purchasing capacity of consumers of the Company's products. The Company assumes to carry out all actions directed at reduction of influence of such events over its activity: to conduct a measured policy in loan funds involvement.

Risks connected with the world financial crisis:

- growth of interest rates under credits and loans that may increase debt servicing prices;
- non-receipt of credits for financing of the Company's investment and operational activity;

- suspension of connection of new enterprises that involves reduction of gain for technological connection to IDGC of South, JSC electric networks;
- reduction of the current consumption of electricity (due to suspension of activity of the enterprises) may lead to decrease in the gain, profit and money resources for execution of payments.

Regional risks

The Company is registered in Rostov-on-Don and carries out its production activities on the territory of the Astrakhan, Volgograd, Rostov Regions and the Republic of Kalmykia of the Southern Federal District of the Russian Federation. IDGC of South, JSC manages "Kubanenergo" JSC that carries out its production activities in the Krasnodar Territory and the Republic of Adygea.

The specified regions are politically stable: the risk of military conflicts and emergencies is very low. However, there is a risk of terrorist actions; the Company takes all necessary measures to minimise them and to provide safety of production.

The social environment in these regions is quiet, without any extreme ethnic conflicts or religious extremism; it renders possible to execute commercial activities with minimum sociopolitical risks.

In case of destabilisation of the political and economic situation in Russia or in a specific region, the Company will undertake a number of measures on anti-recessionary management in order to reduce as much as possible the negative influence over IDGC of South, JSC position, including reduction of production and other costs and reduction of investment plans.

There is a small probability of risks of natural disasters and negative influence of natural climatic conditions that may inflict material damage to the population, housing and infrastructural facilities, transport connection and thermal and electric energy supply of consumers. In order to indemnify the damage from influence of the force majeure connected, among other things, with natural phenomena, the Company entered into property insurance contracts, created emergency stocks of material resources and developed special anti-crisis programmes. Now it is executing preparatory measures and preparing emergency relief teams.

Industrial risks

Development of the electric industry should advance the growth rates of other industries of the Russian

Federation and, thus, create the reserve and act as the development locomotive, including in the heavy industry and project institutes.

To provide growth of the sales volume, the Company invests considerable funds into reconstruction of electric networks and establishment of new points of connection to the created capacities.

The risk of reduction of the electric industry management efficiency after distribution of regulating functions and as a result of liberalisation of the wholesale and retail markets. The growth of electric energy purchases leads to the growth of the Company's costs not included in the tariff. The Company is liable to this risk to the same degree as other electric energy market participants.

The activities of the Company as a natural monopoly is connected with the risk of incorrect state tariff regulation. The current tariffs for electric energy transmission services of IDGC of South, JSC, have, in general, an economically feasible level; however, it is impossible to guarantee absence of risks of freezing or directive decrease of tariffs or risks of approval of tariffs that do not correspond to the Company's costs that may have a negative effect over IDGC of South, JSC activity results.

Market risks

Decrease in the volume of rendered services in electricity transmission in the regions serviced by IDGC of South, JSC and the volume of technological connection services. For minimisation of the given risk the consistent policy directed at acquisition of electric networks of adjacent network companies and increase of the volume of rendered services due to high-quality service of clients and attraction of new ones.

Besides, there are risks of insolvency of power supply companies for the rendered services in electric power transmission. Measures taken by the Company on normalisation of calculations of payments to and by marketing companies: transition to direct electricity transmission contracts with consumers, regulation of disagreements at conclusion of contracts and attraction for cooperation of administrative and regulating bodies.

Operational risks

Deterioration of the fixed assets may lead to negative changes in the industry, such as loss of reliability of power supply for reduction of the given risks the Company is reconstructing the operating and is building new electric networks and modernising its fixed assets.



Technological risks

- risk of transition to the operating mode with compelled (acceptable under abnormal conditions) flows;
 - risk of single sharp increase in the loading above the plan due to acts of nature;
 - technical risks connected with operation of the equipment that are caused by such factors as operation of the equipment with maximum deviations from the norm and technical requirements; operation personnel errors; infringements of the dispatching schedule and discipline.
- Actions of the Company for reduction of the given risks:
- analysis of possible risks in order to predict risks at introduction of the production programme and take preventive measures;
 - commercial insurance of property, dangerous industrial objects, automobiles, civil liability, insurance of the personnel upon accidents and illnesses;

- execution of actions for increase of reliability of the power supply system, including at the expense of constant replenishment of stocks of fuel, spare parts and materials.

Financial risks

The risk of essential increase in the interest rates for credits and loans may lead to rise in the price of debt servicing of the Company. For minimisation of costs for service of a debt portfolio the Company aims to use credits and loans with a fixed interest rate.

The risk connected with change of the rate of exchange is insignificant, because IDGC of South, JSC carries out its main economic activities on the territory of the Russian Federation, has no investments in the foreign companies in which the net assets cost is subject to the risk of changes in exchange rates and has no receipts and costs expressed in the foreign currency.

The rate of inflation that exists now does not influence essentially the Company's financial position. According to the inflation forecast data, it will not affect negatively IDGC of South, JSC solvency, in particular, payments under securities.

Tax risks

In order to minimise the risk of wrong calculation and/or payment of taxes caused by various treatment of the legislation norms, in the Company constantly optimises tax calculation schemes in strict conformity with the current legislation of the Russian Federation.

Credit risks

Credit risks are possible expenses connected with refusal or inability of the contract counterpart to execute partially or fully its obligations.

The use of internal risk reduction mechanisms, such as control over execution by counterparts of obligations under contracts has a great importance. For this purpose the Company analyses financial stability and reliability of customers, defines the risk group of customers for limitation of accounts receivable (establishment of commercial crediting parameters), checks the correctness of drawing up of contracts, checks the system of commercial safety, etc.

Operating risks

Operating risks are possible expenses as a result of imperfection of administrative processes in the Company or incorrect choice of strategy of behaviour in the market. IDGC of South, JSC is a natural monopoly holder; thus, there are no risks connected with incorrect positioning of the Company in the industry.

Investment risks

Investment risks are risks connected with deterioration of the main indicators of the executed investment project as a result of change of external factors.

The recoupment of IDGC of South, JSC investments is mainly provided by revenues from technological connection of capacities.

Risks of corporate governance

- The risk of change in the structure of participants of corporate relations and possibility of the conflict of interests between various groups of shareholders. The company holds activities on improvement of transparency and appeal of the Company's activities, accessibility of information about the Company, regard of opinions of all groups of shareholders at making of corporate decisions and monitoring of the Company's shareholder structure in order to increase the transparency and appeal of the Company's activity.
- Imperfection and instability of the standard environment of corporate interaction. In order to reduce the risk the Company monitors its corporate legislation to reveal and prevent in time negative consequences of approval of this or that regulatory legal act.

Legal risks

Management of legal risks is based on optimisation of the process of legal official registration of papers and support of the Company's activity. For minimisation of legal risks, any Company's business processes that are subject to risks pass obligatory legal examination.

Changes of the currency and customs legislation of the Russian Federation do not affect the Company's activity and, thus, do not involve occurrence of legal risks.

Changes of the requirements for licensing of the Company's major activities may increase the term of preparation of the documents necessary to prolong the validity period of the licence and may make necessity conformity to the put requirements. However, as a whole, it is necessary to consider the given risk as insignificant, except for those cases when, to prolong the licence or to execute activity that is subject to licensing, the Company will not be able to conform to the envisaged requirements or will do it, but will suffer, as a result, from excessive costs, what may lead to termination of the given business activity.

The probability of change of the judiciary practice on the issues connected with the Company's activity is insignificant.

*"We need just what
we need."
Anton Chekhov*

3

Investment report

Investment report

A particular feature IDGC of South, JSC, 2008 investment programme is that the result of the year was formed of the results of work of IDGC of South, JSC as the operating company in the first quarter, 2008, and accounting indicators of the uniform operating company for the second-fourth quarter, 2008, according to IDGC of South, JSC, investment programme approved on 19 December, 2008, by the Company's Board of Directors (Minutes No. 21/2008 of the meeting of the Board of Directors, IDGC of South, JSC).

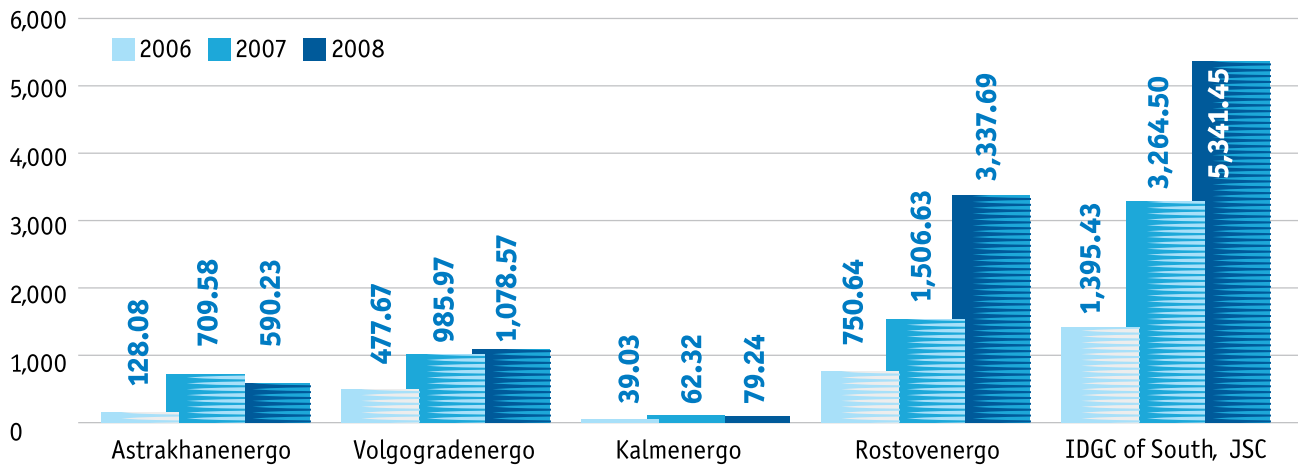
As a whole, under the investment programme in 2008 IDGC of South, JSC spent 5,341.5 m roubles (VAT excluded) on capital investments.

Parametres of investment activities

Branch	The 2008 calendar year						
	Expenditure	Input of fixed assets	Financing	Input of capacities		Growth of capacities	
	RUR m (VAT excluded)	RUR m (VAT excluded)	RUR m (VAT excluded)	MVA	km	MVA	km
Astrakhanenergo	590.2	492.9	479.62	97.5	164.9	77.7	108.63
Volgogradenergo	1,078.6	1,076.2	1,136.5	82.7	275.8	61.8	22.59
Kalmenergo	79.2	80.4	51.4	29.5	314.0	29.5	261.36
Rostovenergo	3,337.7	3,104.6	2,515.28	323.5	577.6	289.4	184.06
Kubanenergo	4.27	4.27	–	–	–	–	–
Executive body	251.5	64.9	122.35	–	–	–	–
IDGC of South, JSC	5,341.5	4,823.3	4,305.15	533.2	1,332.1	458.4	576.6

Branch	The 2008 business year						
	Expenditure	Input of fixed assets	Financing	Input of capacities		Growth of capacities	
	RUR m (VAT excluded)	RUR m (VAT excluded)	RUR m (VAT excluded)	MVA	km	MVA	km
Astrakhanenergo	537.67	485.81	382.31	97.45	164.85	77.77	108.63
Volgogradenergo	905.07	957.48	837.27	82.68	225.83	61.78	22.59
Kalmenergo	74.06	79.63	51.4	29.52	313.96	29.52	261.36
Rostovenergo	2,879.25	2,997.85	1,759.07	310.16	515.32	276.72	184.06
Kubanenergo	4.27	4.27	–	–	–	–	–
Executive body	251.46	64.90	122.35	–	–	–	–
IDGC of South, JSC	4,651.78	4,589.93	3,152.4	519.81	1,219.96	445.7	576.6

Capital investments
RUR m (VAT excluded)



In the accounting year 2008 capital investments were spent on:

- modernisation and reconstruction – 2,445.61 m. roubles (VAT excluded), at the plan of 2,070.37 m. roubles (VAT excluded);
- new construction – 2,829.07 m. roubles (VAT excluded) at the plan of 2,850.87 m. roubles (VAT excluded);
- acquisition of profile property – 66.8 m. roubles (VAT excluded), at the plan of 65.98 m. roubles (VAT excluded).

Underlease contracts in 2008 payments were 139.24 m. roubles (VAT excluded) and expenditures, 89,62 m. roubles (VAT excluded).

Directions and structure of capital investments

In 2008, in order to execute its investment programme, IDGC of South, JSC, invested money in updating, reconstruction and construction of facilities.

Criteria of inclusion of investment projects in the investment programme of IDGC of South, JSC, are increase of reliability of electricity supply of consumers and social significance of the chosen facilities.

In 2008 the Company executed the following most significant investment projects:

- Construction of "A-26" 110/10 kV substation in Novoalexandrovka village, Azov, Rostov Region, with two 40 MVA transformers (the first starting complex) – the construction is provided by the joint agreement between "RAO UES of Russia" JSC and Rostov Region Administration and intended for electricity supply of the quickly developing industrial southeast part of Azov (Novoaleksandrovka village).
- Construction of "R-29" (DOSAAF) 110/10/6 kV substation with "R8-R28" 110 kV overheadlines. Reconstruction of "R-8" 110/1035/6 kV substation – the construction is provided in the joint agreement between "RAO UES of Russia" JSC and the Rostov Region Administration; it is targeted at electricity supply of the Sovetsky district, Rostov-on-Don, Rostov Region, and especially at execution of Habitation governmental programme.
- Construction of "A-1-A30" 110 kV power transmission lines and expansion of "A-1" 110/35/6 kV substation (the first launch system) – reconstruction of a 110 kV open distribution unit, replacement of the obsolete and deteriorated transformer with a new 40 MVA. It is targeted at increase of reliability and quality of electricity supply of Azov industrial enterprises and household consumers.
- Reconstruction of "Martynovsky" 110/35/10 kV substation – the substation reconstruction is necessary for covering of the increased loadings of electricity supply of agricultural manufacturers and household consumers; it was caused by obsolescence and deterioration of the equipment (the substation was constructed in the 60s of the previous century and depreciated since that time).
- Reconstruction of "Sysoevo-Chertkovo" 110 kV substation with removal of a part of the 110 kV overhead line from the territory of the Ukraine – for removal of this overhead line from the territory of the Ukraine. It allows to avoid considerable customs duties expenses.
- Construction of "B3 – B12" 110 kV two-chain overhead line. Reconstruction of the 110 kV open distribution unit – it is intended for maintenance of a reliable electricity supply of "Ust-Bystrianskaya" mine that is a first-category consumer.
- Reconstruction of "SH-8" and "SH-44" 110 kV substations and construction of "N8-NZNP" and "SH44-NZNP"

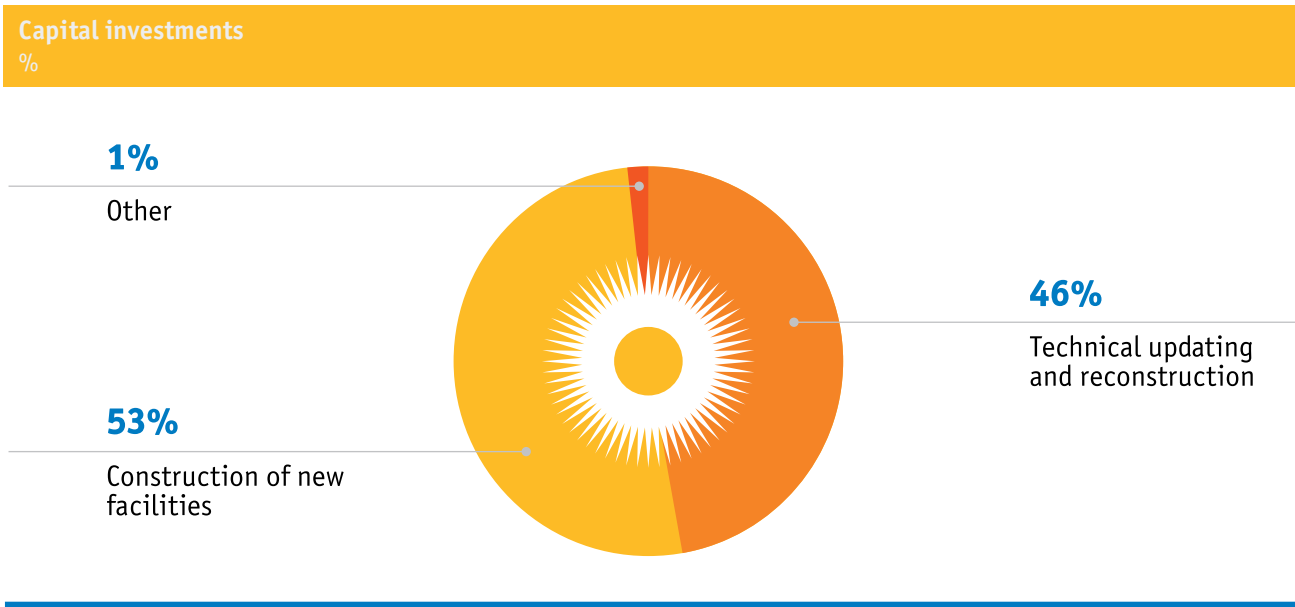
110 kV overheadlines – intended for electricity supply of a constructed oil refinery near Krasny Sulin.

- Reconstruction of "Tikhovsky" 110/35/10 kV substation – caused by the necessity of replacement of obsolete and deteriorated equipment and increase of reliability of electricity supply of gas and petroleum pumping stations and pipelines to the western border of the Russian Federation.
- In 2008, under the investment programme, the Company started construction of "Solodniki-Staritsa" 110 kV overheadline (No. 721) by the general extent of 57.1 km that is planned to be launched in 2009.
- Reconstruction of "Olimpiiskaya" 110 kV substation and replacement of two 16 MVA transformers with two 40 MVA transformers allowed to unload the existing 6 kV electric networks, Dzerzhinsk district, Volgograd, to raise reliability of electricity supply of the existing vital facilities and provided the possibility to connect new consumers.
- Reconstruction of "Stepan Razin – Tanin" 110 kV substation No. 270. The launch reduced the number of emergency switching-off (preservation of volume of produced energy) and improved safety of the overheadlines operation for electricity supply of industrial, agricultural and household consumers of the left-bank areas, Volgograd Region.
- Reconstruction of 110 kV "Korobki-Filino" substation No. 410 considerably improved reliability of electricity supply of a water fence and water-purifying constructions in Kotovo, Volgograd Region.
- Reconstruction of "KTETS-KZ" 35 kV overheadline – the reconstruction was caused by removal of the overhead line from the territory of a housing estate in Kamensk-Shakhtinsky and complete deterioration of the existing overheadline and necessity of increase of reliable and high-quality electricity supply of the town combined heat and power plant ("KTETS") and consumers of Kamensk-Shakhtinsky.
- Construction of "Port Katon" 35 kV substation and "A-32 – Port Katon" 35 kV overheadlines. The first stage of the construction was done – the 35 kV overheadline was constructed and launched; it supplies with electric energy the consumers of the Gambling Zone that is being constructed now. The 35 kV substation will be built in the next years.

Structure of capital investments of IDGC of South, JSC
RUR m (VAT excluded)

	2006	2007	The 2008 business year	The 2008 calendar year
Directions of the investment activity, total:	1,395.40	3,264.50	4,651.80	5,341.50
Grid facilities	1,165.40	2,260.40	3,723.16	4,296.50
including				
Technical reequipment and reconstruction	584.20	1,094.70	1,370.15	1,554.80
Construction of new facilities and expansion of existing facilities	506.80	1,023.60	2,220.18	2,553.30
Other grid facilities (automation, connection facilities)	74.40	142.10	132.83	188.40
Electricity metering and control systems	24.70	125.30	101.37	133.20
including				
'Automated information measuring system of commercial energy metering' (AIIS KUE) of the wholesale market as a part of the investment programme	13.10	19.90	56.64	63.50
Other electricity metering and control systems	5.40	26.00	32.00	56.80
Design and survey work of future construction	43.70	210.50	205.74	213.10
Other plant and equipment	47.00	138.00	470.14	513.00
Equipment excluded from the construction estimate	93.80	141.80	92.13	118.80
Facilities of the non-material sphere	0.10	1.40	–	–
Capital investments in immaterial assets	–	–	–	–
Long-term financial investments	–	–	–	–
Acquisition of fixed assets	20.60	387.20	59.26	66.80
For reference:				
Capital investments in technological connection of consumers	18.10	734.20	2,131.73	2,478.30

Within the last three years (2006, 2007 and 2008) IDGC of South, JSC increased the amount of its capital investments. The 2008 performance grew one and a half time in comparison with 2007 and four times in comparison to 2006.



Sources of the investment programme financing

Structure of IDGC of South, JSC, investment programme financing sources in 2008
RUR m (VAT excluded)

		IDGC of South, JSC, the 2008 business year	IDGC of South, JSC, the 2008 calendar year
Investment sources, total		4,651.80	5,341.48
Own financing sources	Depreciation of the accounting year	1,348.08	1,672.52
	Outstanding depreciation of the previous years	–	–
	Outstanding income of the previous years	–	–
	Income of the accounting year for use in the investment programme of the accounting year, including:	130.57	130.59
	Payment for technological connection	130.57	130.59
	Additional emission	–	–
	Other own sources of financing	53.56	63.61
External financing sources	Budget (federal, municipal) funds	–	–
	Attracted (usury) funds	2,482.46	2,813.54
	Payment of technological connection – advances	623.90	635.10
	Other external financing sources, in particular share participation in construction due to other sources	13.23	26.13

The planned volumes of financing of the Company's investment programme for 2009–2011 equal 17,547.54 m.roubles (VAT excluded), including:

2009 – 5,531.45 m. roubles (VAT excluded);
2010 – 6,012.00 m. roubles (VAT excluded);
2011 – 6,004.10 m. roubles (VAT excluded).

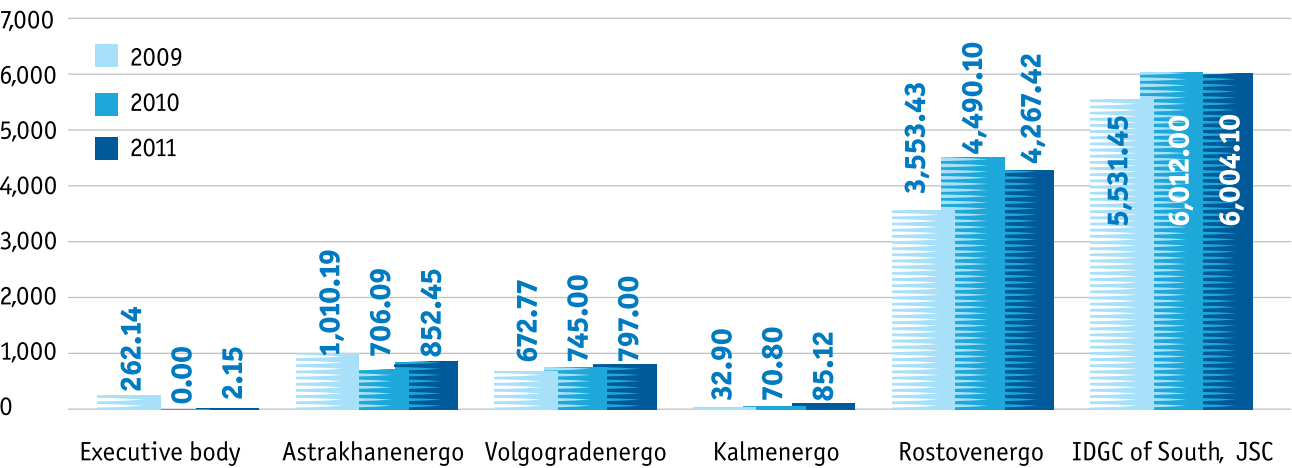
Execution of the investment programme of IDGC of South, JSC for 2009–2011 will make possible technological connection of new consumers to the Company's electric network.

Development of IDGC of South, JSC, capital investments in 2009–2011, as compared to 2008
RUR m (VAT excluded)

DGCs	The 2008 business year	The 2008 calendar year	2009	2010	2011
IDGC of South, JSC, total	4,651.79	5,341.48	5,531.45	6,012.00	6,004.10
Technical updating and reconstruction	2,123.80	2,445.61	3,189.92	3,470.24	3,328.83
Construction of new facilities	2,468.74	2,829.07	2,197.91	2,541.73	2,675.3
Other	59.26	66.80	143.6	–	–
Executive body, total	251.46	251.46	262.14	–	2.15
Technical updating and reconstruction	251.46	251.46	122.14	–	2.15
Construction of new facilities	–	–	–	–	–
Other	–	–	140.00	–	–
“Kubanenergo” branch, total	4.27	4.27	–	–	–
Technical updating and reconstruction	–	–	–	–	–
Construction of new facilities	4.27	4.27	–	–	–
Other	–	–	–	–	–
“Astrakhanenergo”, total	537.68	590.23	1,010.19	706.09	852.45
Technical updating and reconstruction	279.92	332.47	464.45	406.48	355.58
Construction of new facilities	254.50	254.50	545.74	299.61	496.87
Other	3.25	3.25	–	–	–
“Volgogradenergo”, total	905.07	1,078.60	672.77	745.00	797.00
Technical updating and reconstruction	497.63	593.50	399.02	600.00	641.99
Construction of new facilities	407.45	485.10	270.15	145.00	155.00
Other	–	–	3.6	–	–
“Kalmenergo”, total	74.07	79.24	32.90	70.8	85.12
Technical updating and reconstruction	51.65	56.33	32.58	60.2	77.39
Construction of new facilities	2.92	3.42	0.32	10.6	7.73
Other	19.49	19.49	–	–	–
“Rostovenergo”, total	2,879.25	3,337.69	3,553.43	4,490.1	4,267.42
Technical updating and reconstruction	1,043.14	1,211.85	2,171.72	2,403.59	2,251.72
Construction of new facilities	1,799.60	2,081.78	1,381.7	2,086.51	2,015.70
Other	36.52	44.06	–	–	–



Planned capital investments under IDGC of South, JSC, investment programme for 2009–2011
RUR m (VAT excluded)



4

Financial report

*Money should be invested in some business.
Alexander Suvorov*

Financial report

Principal provisions of IDGC of South, JSC, accounting policy

Accounting statement of the Company was formed in accordance with the Russian Federation applicable accounting and reporting principles, in particular:

- Federallaw “On Accounting” as of November 21, 1996 No. 129-FL;
- Accounting Regulations (AR) “Accounting Policy of the Company” AR 1/98, approved by the Order of the Ministry of Finance of the Russian Federation as of December 9, 1998 No. 60n;
- Regulation on accounting record keeping in the Russian Federation approved by the order of the Ministry of Finance of the Russian Federation as of July 29, 1998 No. 34n.
- Guidelines for the order of making and presentation of the accounting statement approved by the order of the Ministry of Finance of the Russian Federation “On Forms of the Accounting Statement of the Company” as of July 22, 2003 No. 67n and other normative documents in the sphere of the accounting.

Accounting policy of the Company was formed in accordance with the assumptions:

- economic entity assumption;
- going concern assumption;
- accounting continuity assumption;
- assumption of the accrual basis of accounting;
- Company’s reorganization in 2008 by means of merging of distribution grid companies of responsibility zone of IDGC of South, JSC.

Assets and liabilities of the Company were assessed in the statement under the actual costs for their acquisition.

The statement of the Company determines the assets and liabilities as short-term ones if their circulation period does not exceed 12 months starting with the reporting date. The rest assets and liabilities are presented in the statement as long term ones.

Fixed assets accounting in the company is carried out in accordance with AR 6/01, approved by the Order of the Ministry of Finance of the Russian Federation as of March 30, 2001 No. 26n.

The Company recognizes those assets as fixed assets, with relation to which the following conditions are simultaneously met:

- They are supposed to be used in manufacture of products, implementation of works or rendering of services, or for

administrative needs during the period of their useful life accounting for more than 12 months;

- Capacity to provide economic benefits in the future. The Company is not supposed to resell the assets in the further.

Assets meeting the abovementioned conditions and accounting for no more than RUR 20,000 per unit are accounted in the structure of the inventories except for objects belonging to power grids facilities, mobile radio stations, pack radio sets and backup power supply.

The initial value the fixed assets are taken to accounting under, which were received in the Company in the process of reorganization in the form of merging of “Astrakhanenergo” JSC, “Volgogradenergo” JSC, “Kalmenergo” JSC, “Rostov-energo” JSC with it, are equal to their depreciable value in accordance of the financial statement of the merging companies for the moment of merging.

Fixed assets, the depreciable value of which according to the accounting data of the merging companies for the date of their merging is equal to 0 (zero) are taken to accounting by the Company in the amount of RUR 1 (one).

Costs for the implementation of all kinds of the fixed assets repair (current and major) are included into costs under ordinary types of activity within the period the works were completed and accepted in. Reserves for the fixed assets maintenance as well as repairs fund are not created.

The change of the fixed assets initial cost in which they were taken to accounting is accepted in case of further construction, equipping, reconstruction, modernization, partial liquidation and reassessment of the fixed assets objects.

Fixed assets objects depreciation is accrued by straight-line method on the assumption of their useful life period.

The unit of inventories accounting is the nomenclature number or homogenous group (depending on the inventories type).

Inventories written off to production, sold outside, retired due to other reasons shall be assessed according to the average cost of each type of inventories.

The average estimation of actual production cost of materials is carried out by definition of the production cost in the moment of its shipment (rolling valuation).

Company’s income, according to the accrual basis of accounting, is recognized in the accounting period they took place in, irrespective of the actual time of the cash inflow and facts connected with it.

Expenditures under ordinary types of activity are expenditures connected with services rendering, works implementations, products manufacture and products sale, goods acquisition and sale.

All current expenditures of the Company’s executive body in full will be recognized as administrative expenses since the date of the Company’s reorganization start (since the moment the first distribution grid company merged with it). These expenditures within the framework of the management accounting shall be distributed according to the type of activity (power transmission services, technological connection to power grids services) as well as geographical segment (subjects of the federation the tariffs are formed at) in accordance with the methods developed by the Company.

Recognition of income from sale of products and other property is carried out by the Company in the moment of property rights transition for this property to the buyer. The moment of the property right transition is determined in accordance with the conditions of the signed agreements.

Future periods’ incomes are incomes from assets uncompensated receipts, future receipts of shortage debts detected

for the passed years, differences between the amounts subjected to recovery from the offenders, assets shortage book value and etc.

Expenses made by the Company in the reporting year but pertaining to the future reporting periods shall be presented as expenditures of the future periods and are subjected to writing-off regularly during the period they pertain to.

Income from products sale and services rendering is recognized for the taxation in the accounting (fiscal period) where they took place, irrespective of the actual cash inflow, other property (works, services), property rights (accrual basis).

The Company does not carry out the profit distribution under each separate subdivision being in the territory of one subject of the Russian Federation but pays income tax to the Russian Federation subject budget through the authorized separate subdivision for all separate subdivisions being on the tax accounting in the same subject of the Russian Federation.

The reserve for the future expenses for vacation allowance payment and remunerations following the results of the year performance is not created.

Company financial standing and performance analysis

Major financial and economic indicators

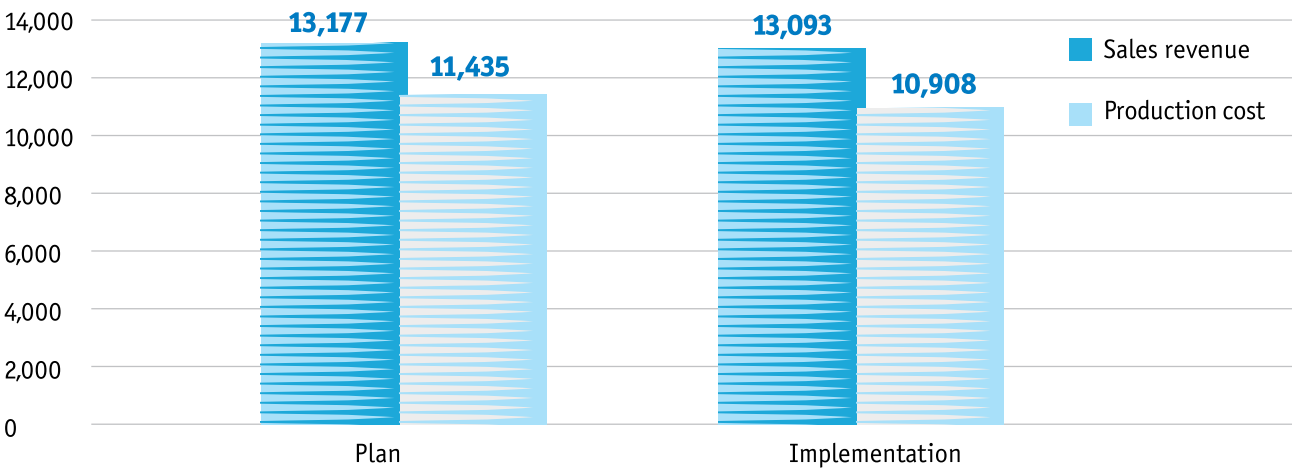
Indicators dynamics forming the financial performance of the Company in 2008 (not taking into consideration the data of the merged DGCs for the period since the beginning of 2008 till March 31, 2008)

Indicators	Plan	Implementation	Deviation	
			RUR, million	%
Sales revenue (the branches structure is presented further)	13,177	13,093	–84	–0.6 %
Production cost	11,435	10,908	–527	–4.6 %
Gross profit	1,742	2,185	+443	+25.4 %
Other incomes	567	523	–44	–7.8 %
Other expenditures	1,604	1,734	+130	+8.1 %
Profit before tax	705	973	+268	+38.1 %
Tax on income and other payments	259	487	+228	+88.1 %
Reporting period net profit	446	486	+40	+9.0 %

Revenue structure of IDGC of South, JSC, in regions

Branches	Total revenue, RUR, million	Share in total revenue	Grid services (including technological connection), RUR, million	Share in total of IDGC of South, JSC, grid services	Other services, RUR, million	Share in total of IDGC of South, JSC
“Astrakhanenergo”	1,556	11.9 %	1,553	12.2 %	3	0.8 %
“Volgogradenergo”	4,515	34.5 %	4,482	35.1 %	33	10.6 %
“Kalmenergo”	240	1.8 %	226	1.8 %	14	4.6 %
“Rostovenergo”	6,782	51.8 %	6,520	51.0 %	262	84.0 %
TOTAL:	13,093	100 %	12,781	100 %	312	100 %

Sales revenue and Production cost in 2008
RUR m



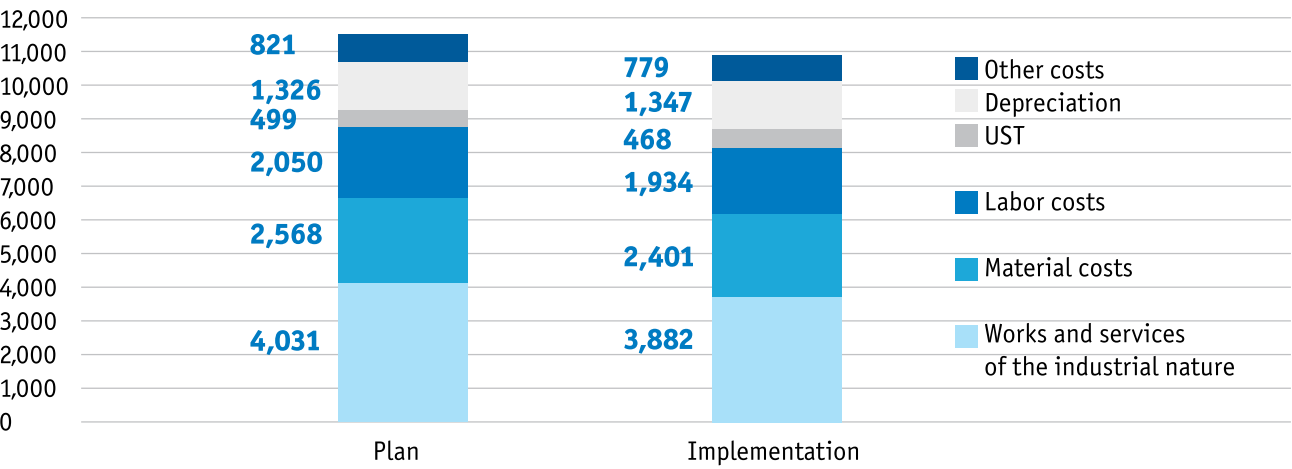
Represented data conclusions:

- According to the results of the year, the sales revenue accounted for RUR 13,092.6 million that is RUR 84.7 million (0.6 %) lower than the planned level. Together with this, the net profit target 9 % or RUR 40.3 million exceeded. The reporting year witnessed the net profit accounting for RUR 486.1 million;
- Actual gross profit of the Company is RUR 442.7 million higher than the planned amount that is conditioned by costs decrease by RUR 527.5 million.

The reporting year witnessed the following costs of production and distribution

Cost items name	Plan of 2008		Actuality of 2008		Change	
	Amount, RUR, million	Ratio, %	Amount, RUR, million	Ratio, %	Absolute deviation, RUR million	Relative deviation, %
Costs of production and selling	11,436	100 %	10,908	100 %	–528	95 %
Material costs	2,568	22 %	2,401	22 %	–167	93 %
Works and services of the industrial nature	4,031	35 %	3,882	36 %	–149	96 %
Labor costs	2,050	18 %	1,934	18 %	–116	94 %
Unified social tax	499	4 %	468	4 %	–31	94 %
Non-state pension benefits	141	1 %	97	1 %	–44	69 %
Depreciation	1,326	12 %	1,347	12 %	21	102 %
Other	821	7 %	779	7 %	–42	95 %

Costs structure of IDGC of South, JSC in 2008
RUR, million



Represented data conclusions:

Actual costs of the Company in 2008 accounted for RUR 10,908 million when the planned figure was RUR 11,436 million. The costs decrease by RUR 528 million (5 %) in the fixed budget is determined by:

- Material costs decrease by 7 %;
- Works and services costs of the industrial nature by 4 %;
- Other costs by 5 %.

This decrease was gained as a result of the activities carrying out aimed at decrease of powerlosses, materials suppliers' competitive selection, works and services of the industrial nature implementation.

Information about the accounts receivable and payable

Dynamics and structure of the Company's accounts receivable

	Accounts receivable				
	Long term	%	Short term	%	Total
Total	378,253	5 %	6,597,420	95 %	6,975,673
Including buyers and customers	316,213	8 %	3,500,527	92 %	3,816,740
advances made	62,040	7 %	801,066	93 %	863,106
other debtors	–	–	2,295,827	100 %	2,295,827

The largest part in the structure of the accounts receivable is the short-term debt. The largest ratio is the receivables from customers – trade companies.

Dynamics and structure of the Company's liabilities

	Non-current liability	%	Current liability	%	Total liabilities
Total	7,279,239	52 %	6,725,416	48 %	14,004,655
Including suppliers and contractors	87,575	2 %	3,542,455	98 %	3,630,030
To personnel	–	–	157,891	100 %	157,891
Advances received	–	–	460,822	100 %	460,822
To budget and extrabudgetary funds	–	–	202,420	100 %	202,420
Other	166	–	248,639	100 %	248,805
Loans and credits	7,191,498	77 %	2,113,189	23 %	9,304,687

The largest part in the liabilities structure of the obligations is non-current liabilities due to the fact that the major part is formed by non-current credits and loans. The largest ratio in the structure of the current liabilities is suppliers and contractors' accounts payable. The major part in total accounts payable is loans and credits.

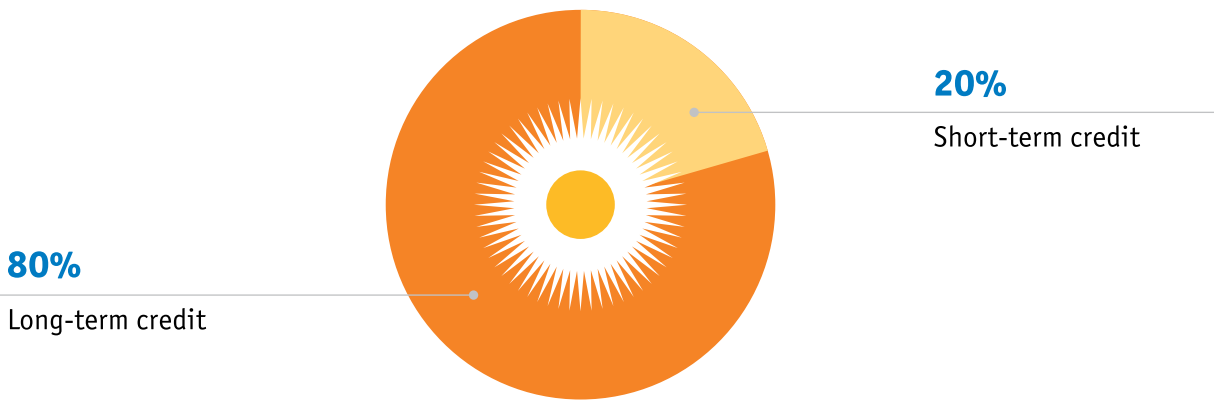
IDGC of South, JSC, acquired credit commitments concerning the credit agreements valid for the date of the reporting period due to reorganization in the form of merging of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kalmenergo" JSC and "Rostovenergo" JSC, which took place on March 31, 2008. In 2007 IDGC of South, JSC, did not have the credit agreements commitments.

Structure of IDGC of South, JSC, credit portfolio as of December 31, 2008

Name of the creditor	Amount of the major debt, thousand, RUR	Presence of delay in performance of liabilities, days	Notes
Rostov branch of Alfa Bank, JSC	1,500,000	none	long-term credit
Krasnodar branch of Alfa Bank, JSC	80,000	none	long-term credit
Gazprombank, JSC City of Volgograd	1,300,000	none	long-term credit
Gazprombank, JSC City of Krasnodar	2,000,000	none	long-term credit
Astrakhan branch of SB RF No. 8625	1,400,000	none	short-term credit
JSC VKA Bank in the City of Astrakhan	57,793	none	long-term credit
ORGRESBANK	1,500,000	none	long-term credit
Gazprombank (JSC) in the City of Astrakhan	150,000	none	long-term credit
Center-Invest	1,000,000	none	long-term credit – 600,000 short-term credit – 400,000
TOTAL:	8,987,793	–	long-term credit – 7,187,793 short-term credit – 1,800,000

IDGC of South, JSC, does not possess past-due debt under credit agreements.

IDGC of South, JSC, credit portfolio structure at December 31, 2008 %



Financial coefficients

Major results of IDGC of South, JSC, activity for the reporting period are characterised by the dynamics of goals implementaiton concerning the achievement of key and estimated figures

Figures	2008 (plan)	2008 (actuality)	2008 actuality/plan, %
Return on sales, %	11.38	13.63	119.8
Equity Ratio (financial independence)	0.63	0.60	95.2
Current ratio	1.12	1.32	117.9
Quick assets ratio	0.90	1.05	116.7
Receivables and payables ratio	1.27	1.48	116.5
Own and borrowed means ratio	1.69	1.47	87.0
ROE	2.11	2.28	108.06
ROTA	2.09	2.73	130.62
EBITDA	2,689.4	2,903.3	108.0

Conclusions concerning the presented data:

- Return on sales for 2008 outnumbers the planned figure by 119.8%. Thus, it is clearly seen, that the amount of the net profit in the total amount of profit constantly increases which is the positive factor of the Company's activity;
- Due to the debt capital increase the Equity ratio decreases. The planned level of the above-mentioned coefficient is determined as equal to 0.63, but actually developed on the level of 0.60. The indicated deviation does not present a threat to the Company's financial health, the normative value of the financial independence coefficient is 0.5;
- Current ratio is actually presented by the figure which outnumbers the planned one by 17.9%.
- Quick assets ratio accounted for 1.05 and outnumbered the planned amount by 16.7%;
- According to the results of 2008 the receivables and payables ratio accounted for 1.48 and outnumbered the planned one by 0.21 item for the current reporting period.

This excess was determined by the debtors' financial solvency decrease caused by the large scale recession of industrial production due to the financial crisis;

- Return on equity (ROE) provided by the money flow is implemented with the increase of the given target by 8.06% which was the result of reception by the Company according to the results of 2008 of the additional net profit provided by cash flow against the planned figure in the amount of RUR 33.4 million;
- Return on Total Assets (ROTA) accounted for 2.73%. The target set forth was exceeded by 30.6%. Compatibility analysis of the implementation versus the target of these coefficients shows the advancing increase rates of the pretax profit index over the net profit index. According to the results of the year, the additional pretax profit was gained in the amount of RUR 268.7 million;
- Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA) accounted for RUR 2,903.3 million outnumbering the planned figure by 8%.

All in all, despite the borrowed increase, the Company's financial stability is at the supportable level.

Annual accounting statement of the Company for 2008

Accounting statement of the Company was prepared in accordance with the Russian Accounting Standards. Annual accounting statement of the Company for 2008 is

presented in Appendix No. 1 to the present annual report, as well as placed at the corporate web-site www.mrsk-yuga.ru.

Auditor's report

Auditor's report of the "Fineart-Audit" Ltd. independent audit company on the financial (accounting) statement of the Company is presented in Appendix No. 2 to this annual report as well as placed at the corporate web-site www.mrsk-yuga.ru. According to the auditor, the financial (accounting) statement of IDGC of South, JSC, is reliable in all the considerable

respects and reflects the financial position of the Company as of December 31, 2008 as well as the results of its financial and economic activity for the reporting period in accordance with the requirements of the Russian Federation legislation for the financial (accounting) statement preparation.

Auditing committee's report

Auditing Committee's report is presented in Appendix No. 3 to the annual report as well as placed at the corporate web-site www.mrsk-yuga.ru.



5

Corporate report

*To manage is to foresee.
Ekaterina II*

Coprorate report

Corporate governance

The corporate governance in the Company is based on respect of rights and legitimate interests of its shareholders, investors and other parties concerned.

The corporate governance in the Company is made pursuant to the legislation of the Russian Federation in force, the Charter of IDGC of South, JSC, the Code of the corporate governance of IDGC of South, JSC, approved by the decision of the Board of Directors of the Company (Minutes dd. 03.09.2007 No. 2/2007), Regulations for the information policy of IDGC of South, JSC approved by the decision of the Board of Directors of the Company (Minutes dd. 03.09.2007 No. 2/2007), Regulations for insider information approved by the decision of the Board of Directors of the Company (Minutes dd. 03.09.2007 No. 2/2007), other internal documents of the Company.

The texts of the Regulations for the information policy, the Regulations for insider information, the Code about the corporate governance are in a 24-hour open access at the corporate web page in Internet, at the following address: www.mrsk-yuga.ru.

The Corporate Governance Code of IDGC of South, JSC (minutes dd. 03.09.2007 No. 2/2007) is approved at the meeting of the Board of Directors of the Company which took place on 30.08.2007.

aimed at

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

developed

- at the basis of provisions of the Code of the corporate conduct recommended for the application by the Federal Securities Commission of Russia (Order of the Federal Securities Commission dd. 04.04.2002 No. 421/p) subject to the norms of the Charter in force and other internal

documents of the Company regulating the management bodies' activity, the volumes and order of the information disclosure about the Company and also other aspects of the Company's corporate conduct;

- pursuant to the legislation of the Russian Federation, principles of the corporate governance recognized in the international practice such as Principles of the corporate governance of OECD (Organization for Economic Cooperation and Development) subject to the existing Russian and foreign practice of the corporate governance, ethic norms, concrete needs and conditions of the Company's activity.

The code of the corporate governance of the Company fixed the underlying principles of the corporate governance:

Justice

A real possibility of shareholders to exercise their rights is provided in the Company. The rights are related to the participation in the Company and there is also a possibility for shareholders to get an efficient protection should rights be violated.

A right of shareholders to participate in the management of the joint-stock Company by way of decisions taking on the most important issues of its activity is provided by the legislation of RF in force and also by the Company's Charter the competence of the General Meeting and also the order of decisions taking by issues related to the competence of the General Shareholders' Meeting of the Company.

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

Openness

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

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

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

• The accountability of the management bodies of the Company to the shareholders

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

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

The executive body of the Company implements bona fide, reasonably and efficiently the management of the current Company's activity to provide its long-term stable development and profit receipt by the shareholders from this activity and is accountant to the Board of Directors and shareholders of the Company.

The existing system of accountability decreases a risk of interests' diversity of managers and shareholders;

• The controllability of the financial and economic activity

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

To make a quick internal control of the implementation order of all the economic operations the Company has established a Department of internal control and audit. Its obligation is an internal audit;

• The rights observation of the third parties

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

The Company tries to encourage an active cooperation with investors, creditors and other parties concerned

aimed at increasing the Company's assets, its shareholder value.

The governance bodies make everything possible to assist a growth of a professional workmanship establish decent labour conditions of the personnel, to increase a social security. All these actions of the governance bodies provide an increase of labour productivity, the establishment of a favourable social atmosphere among the staff.

During the reporting year the Company observed all the accepted corporate governance principles: justice, openness, accountability of governance bodies of the Company to the shareholders, the controllability of the financial and economic activity, the observation of all the rights of the third parties having achieved a high level of the information transparency and having satisfied all the legitimate claims of the parties concerned.

The report on compliance with the corporate conduct code approved by Order of Federal Commission for the Securities Market dd. 04.04.2002 No. 421/r "About a recommendation to application of the Code of the corporate conduct" for 2008 is given in Appendix No. 7 to the present report.

The information about the corporate governance valuation

No rating of the corporate governance was given the Company in the reporting year.

On the 23d of March 2009 the Consortium of the Russian Institute of Directors and Rating agency "Expert RA" gave IDGC of South, JSC, the national corporate governance scoring NCGS 5+ "The medium practice of the corporate governance".

The given class of the rating valuation witnesses that the practice of the corporate governance of IDGC of South is estimated as that having moderate risks of the corporate governance. IDGC of South, JSC observes all the requirements of the Russian legislation as to the corporate governance.

One can take a look at the report about the corporate governance practice in IDGC of South, JSC at the corporate web page of the Company in Internet: www.mrsk-yuga.ru.

"Kubanenergo" JSC in respect of which the Company executes the functions of a Sole Executive Body has rating "B+" estimated as an average level of practice of the corporate governance (the rating is given to it on 15.01.2007 by the Consortium of the Russian Institute of Directors and Rating agency "Expert RA").

Branches of IDGC of South, JSC, were given no ratings of the corporate governance in the reporting year.

Governance and control bodies of IDGC of South, JSC

Pursuant to the Charter of IDGC of South, JSC, the governance bodies of IDGC of South, JSC, are:

1. The General Shareholders' Meeting;
2. The Board of Directors;
3. The Management Board;
4. The Director General.

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

The General Shareholders' Meeting elects members of the Board of Directors of the Company to implement the general governance of the Company's activity except a solution of issues related by the Federal Law "About joint-stock companies" and the Charter to the competence of the General Shareholders' Meeting.

To provide the operational governance by the Company the Board of Directors elects the Management Board and the Director General who are accountable to the General Shareholders' Meeting and the Board of Directors of the Company.

To implement control over the financial and economic activity of the Company's activity the Auditing Committee of the Company is elected by the General Shareholders' Meeting.

To check and confirm the annual financial statements of the Company the General Shareholders' Meeting approves annually an Auditor of the Company.

To provide the observation of requirements by the governance bodies and officers of the Company guaranteeing the implementation of rights and interests of the Company, a proper order observation of preparation and holding of the General Shareholders' Meeting, meetings of the Board of Directors of the Company and also the provision of the shareholders' rights for a regular and timely receipt of a full and authentic information about the Company, the Board of Directors of the Company elects a Corporate Secretary.

The internal control system of the Company is based on the interaction and division of competence of parties (bodies, persons) constituting it implementing the development, approval, application and valuation of efficiency of internal control procedures.

The General Shareholders' Meeting of the Company

The Company must hold annually the General Shareholders' Meeting. The most important issues of the Company's

activity are of competence of the General Shareholders' Meeting of the Company pursuant to the legislation of Russian Federation in force and article 10 of the Company's Charter.

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

Since the establishment of the Company that is since the 28th of June 2007 and till the 31st of March 2008 – the date of conversion of equity nominal uncertified shares of "Astrakhanenergo" JSC, "Volgogradenergo", "Kalmenergo", "Rostovenergo" into additional equity nominal uncertified shares of IDGC of South, JSC – RAO "UES of Russia" JSC was the only shareholder of IDGC of South, JSC.

When RAO "UES of Russia" JSC possessed 100 percent of voting shares of the Company, the decisions on issues related to the competence of the General Shareholders' Meeting were taken by the Management Board of RAO "UES of Russia" JSC and were brought to the Company's notice in the order established by the internal documents of RAO "UES of Russia" JSC regulating the Management Board's activity of RAO "UES of Russia" JSC.

In 2008 the Company held two General Shareholders' Meetings – extraordinary and annual ones.

At the extraordinary General Shareholders' Meeting which took place on the 28th of February 2008 (Minutes of the meeting of the Management Board of RAO "UES of Russia" JSC No. 1829pr/7) the only shareholder of the Company approved: the redrafted Charter of IDGC of South, JSC, the Regulations for the order of preparation and holding of the General Shareholders' Meeting of IDGC of South, JSC, the Regulations for the Management Board of IDGC of South, JSC, the Regulations for the order of convening and holding of meetings of the Board of Directors of IDGC of South, JSC, redrafted.

The annual General Shareholders' Meeting of the Company took place on the 30th of May 2008 (Minutes dd. 04.06.2008 No. 1). The Company's shareholders took the following decisions:

- the annual report, annual financial statements including the profit and loss statement of the Company for 2007 were approved,
- the profit distribution in the reserve and accumulation funds was approved,
- new staffs of the Board of Directors and the Auditing Committee of the Company were elected,
- the Auditor of the Company was approved – LLC "Fineart Audit", license for the audit activity implementation No. E 006407 dd. 06.09.2004, issued by the Ministry of Finance of RF,

- the Regulations for pay out of remunerations and compensations to members of the Board of Directors of the Company and the Regulations for pay out of remunerations and compensations to members of the Auditing Committee are approved being redrafted.

One can take a look at the full text of decisions of the Company's General Shareholders' meetings at the corporate web page of the Company in Internet: www.mrsk-yuga.ru.

The Board of Directors of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At the meeting of the Board of Directors of the Company which took place on the 27th of February 2009 (minutes dd. 02.03.2009 No. 23/2009) the following decision was taken: on establishment of a Committee by the technological connection to the electric grids in the Board of Directors of IDGC of South, JSC and its staff was elected. Earlier the Board of Directors (minutes dd. 11.02.2009 No. 22/2009) approved the Provision on the Committee.

In the reporting year of 2008 the governance of the Company was implemented with the guidance of the Board of Directors of IDGC of South, JSC, of the first and second callings.



The Board of Directors of the Company of the first calling was elected on the 22nd of June 2007 by the sole founder of IDGC of South, JSC (Order of the Chairman of the Board of RAO "UES of Russia" JSC No. 192r) and acted before the re-election on the 30th of May 2008 at the annual General Shareholders' Meeting of IDGC of South, JSC, in the following structure (the data are given as of 31.12.2007):

Andrey Natanovich Rappoport,
Chairman of the Board of Directors

Year of birth: 1963

Nationality: Russia

Higher education:

- Donetsk State University, economic faculty, qualification – “The National Economy Planning” (1984–1989);
- 2004 – the faculty of advanced training of teachers and specialists of GOVPO of Moscow Power Institute (problems of modern power industry).

Appointments for the past 5 years:

- member of the Management Board, Deputy Chairman of the Management Board of RAO "UES of Russia" JSC, Chairman of the Management Board of TGR ENEROI ELEKTRIK TOPTAN TIKARET A.S., Chairman of the Management Board of "UES FGC" JSC;
- member of the Board of Directors of JSC “INTER RAO UES”, JSC “INTER RAO UES BALKANY”, JSC “SO-CDA UES”, “IDGC of Centre and North Caucasus” JSC; JSC “UES FGC”, RAO Nordic OY, JSC “Armenian Nuclear Power Plant”, “RusHydro” JSC, “MOESK” JSC; Chairman of the Board of Directors of JSC “Aikakan Automain elektrakayan”, “Kubanenergo”, JSC;
- member of the Supervisory Board of SC “United Power System GruzRosenergo”, JSC SC “AES Telasi”.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.

Pavel Ivanovich Okley
The deputy of the Chairman of the Board of Directors

Year of birth: 1970

Nationality: Russia

Higher education:

- Omsk Institute of Engineers of Railway Transport, qualification – “Automation, telemechanics and communication in railway transport”;
- The Academy of National Economy under the RF Government, qualification – “The management by a company's development”.

Appointments for the past 5 years:

- Deputy Chief Engineer of AK “Omskenergo” JSC – branch “Electric Grid Enterprise”; director for power transportation of AK “Omskenergo” JSC;
- Deputy Administrator, Chief of IDGC Governance Centre of “UES FGC” JSC;
- member of the Board of Directors of IDGC of Ural, JSC; IDGC of Centre, JSC; IDGC of Siberia, JSC; IDGC of Centre and the Volga region, JSC; “Lenenrgo” JSC;
- Chairman of the Board of Directors of “Tiumenenergo”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Sergey Vyacheslavovich Vasiliev

Year of birth: 1975

Nationality: Russia

Higher education:

- Moscow State University named after Lomonosov, qualification – “Science of Law”.

Appointments for the past 5 years:

- Chief of Law Department of the Corporate Centre of RAO "UES of Russia" JSC;
- member of the Board of Directors of JSC “TGK-5”, “Kolenergo” JSC, “Buryatenergo” JSC, Eastern Power Company JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.

Alexander Ilyich Gavrilov

Year of birth: 1973

Nationality: Russia

Higher education:

- Kuban State University, qualification – “Bookkeeping and audit” (economist), (1990–1995);
- Kuban State Technological University, qualification – “The development and operation of oil and gas fields” (engineer) (2000–2006).
- He was awarded an academic degree: candidate of economic sciences.
- Competitor for a degree of doctor of economic sciences in the World Economy Department of Kuban University.

Appointments for the past 5 years:

- Deputy General Director for Economy and Finance of “Krasnodar Regional Company for Gas Marketing”, LLC;
- Deputy Chief of Administration of Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3^d class) of Krasnodar Territory of the Administration of Krasnodar Territory;
- Deputy General Director for Potential Development of “Krasnodargasstroy”, JSC;
- Executive Director of “Kubanenergo” JSC;
- Director General, Chairman of the Management Board, a member of the Board of Directors of “Kubanenergo” JSC;
- Member of the Board of Directors of “Volgogradenergo” JSC, “Rostovenergo” JSC;
- Chairman of the Board of Directors of “OK Plamya” JSC and “Krasnodarenergostremont” JSC;
- Director General of IDGC of South, JSC; Chairman of the Management Board of IDGC of South, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.

Fedor Alexandrovich Dyakov

Year of birth: 1958

Nationality: Russia

Higher education:

- Kiev Institute of Engineers of Civil Aviation, qualification – “Radio engineer”

Appointments for the past 5 years:

- Chief Engineer acting as Director General – Chief Engineer; Director General of a branch of "UES FGC" JSC – Transmission Electric Grids of South;
- Member of the Board of Directors of “Kubanenergo” JSC, “Dagenergo” JSC, IDGC of North Caucasus, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Igor Ivanovich Zemlyansky

Year of birth: 1969
Nationality: Russia
Higher education:

- Moscow Power Institute, qualification – “Turbine construction”, (Engineer-mechanical engineer).

Appointments for the past 5 years:

- Chief of Consumers Relations Department, Chief of Customer Relations and Infrastructure Department of "UES FGC" JSC;
- Member of the Board of Directors of IDGC of Northwest; IDGC of North Caucasus, JSC; IDGC of the Volga, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Vyacheslav Mikhailovich Kravchenko

Year of birth: 1967
Nationality: Russia
Higher education:

- Moscow State University named after Lomonosov, qualification – “jurisprudence” (legal expert) (the graduation date – 1995)

Appointments for the past 5 years:

- Deputy Director of the Department for Structural and Investment Policy in Industry and Power; Director of the Department of the Structural and Tariff Policy in Natural Monopolies of the RF Ministry of Industry and Power; Director of the Power Industry Department of the RF Ministry of Industry and Power;
- Member of the Board of Directors of IDGC of Siberia, JSC; IDGC of Northwest, JSC; IDGC of Centre, JSC; IDGC of Ural, JSC; IDGC of Centre and the Volga Region, JSC; “Tumenenergo” JSC; “Eastern Power Company”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Denis Victorovich Kulikov

Year of birth: 1975
Nationality: Russia
Higher education:

- Moscow State Law Academy, qualification – “Science of Law” (legal expert).

Appointments for the past 5 years:

- Expert, Deputy Executive Director of the Investor Rights Protection Association;
- Member of the Board of Directors of “Bryanskenergo” JSC, Cherepetsk State District Power Plant JSC, “Kurskenergo” JSC, Pechora State District Power Plant JSC, Southern Territorial Company JSC, Vladimir Power Company JSC, “Penza Generating Company” JSC, “Volga-Telecom” JSC, OGK-2 JSC, OGK-5 JSC, “MOEK” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Alexey Victorovich Maslov

Year of birth: 1975
Nationality: Russia
Higher education:

- Moscow State Technical University named after N. E. Baumann, qualification – “Rocket production” (engineer-mechanist);
- The Financial Academy under the RF Government, qualification – “Finance and Credit”, (economist).

Appointments for the past 5 years:

- Director for Investments and Capital Construction, Director for Assets and Investments Management of "UES FGC" JSC, Director for Assets and Investments Management of UES “Energostroyснабкомплект”, Director of The Engineering and Construction Management Centre of "UES FGC" JSC;
- Member of the Management Board of "UES FGC" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Alexander Evgenievich Nikulov

Year of birth: 1967
Nationality: Russia
Higher education:

- Serpukhov Military Command and Engineering Academy (1984–1989);
- The Central Institute of Advanced Training of Managers and Specialists of National Economy as to the patent work (1989–1992).

Appointments for the past 5 years:

- Director General of “Siberian Capital” LLC;
- Deputy Chief of the Management Board of the Investment Analysis and Investor Relations of the Main Strategic Planning and Investment Analysis Administration of Lukoil JSC;
- Director General of JSC “Promregion Holding”;
- Member of the Board of Directors of IDGC of Centre and North Caucasus, JSC “Volgogradenergo” JSC, "Southern Generating Company TKG-8" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.



Igor Yurievich Ryapin

Year of birth: 1979
Nationality: Russia
Higher education:

- State University – Higher School of Economics, qualification – “management” (manager).

Appointments for the past 5 years:

- Chief of Corporate Strategy Department, Chief of Department of Power Industry Reform of RAO "UES of Russia" JSC;
- Chief of Reform Normative Support Department of the Energy Industry Normative Support Department of the Reform Management Centre, RAO "UES of Russia" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 22.06.2007.

The members of the Board of Directors of the first calling have **a status of the independent director** (under an independence criteria defined by the legislation of the Russian Federation in force and the Code of the corporate governance of IDGC of South, JSC):

S. V. Vasiliev;
I. I. Zemlyansky;
A. E. Nikulov;
D. V. Kulikov
I. Y. Ryapin



The Board of Directors of the Company of the second calling was elected on the 30th of May 2008 by the annual General Shareholders' Meeting (Minutes dd. 04.06.2008 No. 1) in the following structure (the data are given as of 31.12.2008):

Andrey Natanovich Rappoport,
Chairman of the Board of Directors

Year of birth: 1963
Nationality: Russia
Higher education:

- Donetsk State University, economic faculty, qualification – “The National Economy Planning” (1984–1989);
- 2004 – the faculty of advanced training of teachers and specialists of GOVPO of Moscow Power Institute (problems of modern power industry).

Appointments for the past 5 years:

- member of the Management Board, Deputy Chairman of the Management Board of RAO "UES of Russia" JSC, Chairman of the Management Board of TGR ENEROI ELEKTRIK TOPTAN TIKARET A.S., Chairman of the Management Board of "UES FGC" JSC;
- member of the Board of Directors of JSC “INTER RAO UES”, JSC “INTER RAO UES BALKANY”, JSC “SO-CDA UES”, “IDGC of Centre and North Caucasus” JSC; JSC “UES FGC”, RAO Nordic OY, JSC “Armenian Nuclear Power Plant”, “RusHydro” JSC, “MOESK” JSC; Chairman of the Board of Directors of JSC “Aikakan Automain elektrakayan”, “Kubanenergo”, JSC;
- member of the Supervisory Board of SC “United Power System GruzRosenergo”, JSC SC “AES Telasi”.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.

Pavel Ivanovich Okley
The deputy of the Chairman of the Board of Directors

Year of birth: 1970
Nationality: Russia
Higher education:

- Omsk Institute of Engineers of Railway Transport, qualification – “Automation, telemechanics and communication in railway transport”;
- The Academy of National Economy under the RF Government, qualification – “The management by a company's development”.

Appointments for the past 5 years:

- Deputy Chief Engineer of AK “Omskenergo” JSC – branch “Electric Grid Enterprise”; director for power transportation of AK “Omskenergo” JSC;
- Deputy Administrator, Chief of IDGC Governance Centre of “UES FGC” JSC;
- member of the Board of Directors of IDGC of Ural, JSC; IDGC of Centre, JSC; IDGC of Siberia, JSC; IDGC of Centre and the Volga region, JSC; “Lenenrgo” JSC;
- Chairman of the Board of Directors of “Tiumenenergo”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.

Alexey Mikhailovich Abakumov

Year of birth: 1972
Nationality: Russia
Higher education:

- Moscow State University of Electronic Equipment, qualification – “Automated Management Systems”.

Appointments for the past 5 years:

- Deputy Administrator of the committee by ASKUE of Wholesale Power Market in the composition of the infrastructure group of RAO "UES of Russia" JSC, Commercial Director of “Engineering Centre ENERGOAUDITCONTROL”, LLC;
- First Deputy General Director of “Group T-Invest”, LLC;
- Chairman of the Supervisory Board of JSC “Power Communication Systems”.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 30.05.2008.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.

Andrey Yurievich Buyanov-Uzdalsky

Year of birth: 1958
Nationality: Russia
Higher education:

- Moscow State Technical University named after N. E. Baumann, engineer-mechanical engineer, optic and electronic devices.

Appointments for the past 5 years:

- Director General JSC “AIKM-Industrial programs”, Chief of Department for Corporate Governance and Work with Regions of “Promregion Holding” JSC; the Department Chief for Marketing Coordination of the Main Energy Administration of “Lukoil”, JSC;
- Member of the Board of Directors of “Volgogradenergo” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 30.05.2008.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.

Sergey Vyacheslavovich Vasiliev

Year of birth: 1975
Nationality: Russia
Higher education:

- Moscow State University named after Lomonosov, qualification – “Science of Law”.

Appointments for the past 5 years:

- Chief of the Law Department of the Corporate Centre of RAO "UES of Russia" JSC, Director for Legal Issues, Chief of the Legal Groundwork Department of “IDGC Holding” JSC;
- Member of the Board of Directors of JSC “TGK-5”, “Perm Transmission Grid Company” JSC, “Buryatenergo” JSC, “Eastern Power Company” JSC, “Kolenergo” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.



Alexander Ilyich Gavrilov

Year of birth: 1973

Nationality: Russia

Higher education:

- Kuban State University, qualification – “Bookkeeping and audit” (economist), (1990–1995);
- Kuban State Technological University, qualification – “The development and operation of oil and gas fields” (engineer) (2000–2006).
- He was awarded an academic degree: candidate of economic sciences.
- Competitor for a degree of doctor of economic sciences in the World Economy Department of Kuban University.

Appointments for the past 5 years:

- Deputy General Director for Economy and Finance of “Krasnodar Regional Company for Gas Marketing”, LLC;
- Deputy Chief of Administration of Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3^d class) of Krasnodar Territory of the Administration of Krasnodar Territory;
- Deputy General Director for Potential Development of “Krasnodargasstroy”, JSC;
- Executive Director of “Kubanenergo” JSC;
- Director General, Chairman of the Management Board, a member of the Board of Directors of “Kubanenergo” JSC;
- Member of the Board of Directors of “Volgogradenergo” JSC, “Rostovenergo” JSC;
- Chairman of the Board of Directors of “OK Plamya” JSC and “Krasnodarenergosetremont” JSC;
- Director General of IDGC of South, JSC; Chairman of the Management Board of IDGC of South, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.



Fedor Alexandrovich Dyakov

Year of birth: 1958

Nationality: Russia

Higher education:

- Kiev Institute of Engineers of Civil Aviation, qualification – “Radio engineer”

Appointments for the past 5 years:

- Chief Engineer acting as Director General – Chief Engineer; Director General of a branch of “UES FGC” JSC – Transmission Electric Grids of South;
- Member of the Board of Directors of “Kubanenergo” JSC, “Dagenergo” JSC, IDGC of North Caucasus, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.



Vladimir Vasilievich Ilienکو

Year of birth: 1950

Nationality: Russia

Higher education:

- Krasnodar Polytechnic Institute, qualification “Engineer – heating engineer”.

Appointments for the past 5 years:

- Director General of the branch “SO UPS” JSC – Operational Dispatch Management of South.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 30.05.2008.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.



Vyacheslav Mikhailovich Kravchenko

Year of birth: 1967

Nationality: Russia

Higher education:

- Moscow State University named after Lomonosov, qualification – “jurisprudence” (legal expert) (the graduation date – 1995)

Appointments for the past 5 years:

- Deputy Director of the Department for Structural and Investment Policy in Industry and Power; Director of the Department of the Structural and Tariff Policy in Natural Monopolies of the RF Ministry of Industry and Power; Director of the Power Industry Department of the RF Ministry of Industry and Power;
- Member of the Board of Directors of IDGC of Siberia, JSC; IDGC of Northwest, JSC; IDGC of Centre, JSC; IDGC of Ural, JSC; IDGC of Centre and the Volga Region, JSC; “Tumenenergo” JSC; “Eastern Power Company”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.



Alexander Evgenievich Nikulov

Year of birth: 1967

Nationality: Russia

Higher education:

- Serpukhov Military Command and Engineering Academy (1984–1989);
- The Central Institute of Advanced Training of Managers and Specialists of National Economy as to the patent work (1989–1992).

Appointments for the past 5 years:

- Director General of “Siberian Capital” LLC;
- Deputy Chief of the Management Board of the Investment Analysis and Investor Relations of the Main Strategic Planning and Investment Analysis Administration of Lukoil JSC;
- Director General of JSC “Promregion Holding”;
- Member of the Board of Directors of IDGC of Centre and North Caucasus, JSC “Volgogradenergo” JSC, “Southern Generating Company TKG-8” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.



Igor Yurievich Ryapin

Year of birth: 1979

Nationality: Russia

Higher education:

- State University – Higher School of Economics, qualification – “management” (manager).

Appointments for the past 5 years:

- Chief of Corporate Strategy Department, Chief of Department of Power Industry Reform of RAO “UES of Russia” JSC;
- Chief of Reform Normative Support Department of the Energy Industry Normative Support Department of the Reform Management Centre, RAO “UES of Russia” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC: 22.06.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC: 30.05.2008.

The members of the Board of Directors of the second calling have a **status of an independent director** (by independence criteria defined by the legislation of the Russian Federation in force and the Code of the corporate governance of IDGC of South, JSC):

A. M. Abakumov;
A. Y. Buyanov-Uzdalsky;
S. V. Vasiliev;
V. V. Ilienکو;
A. E. Nikulov;
I. Y. Ryapin

The activity of the Board of Directors in 2008

In the reporting year of 2008 16 meetings of the Board of Directors took place at which 176 issues were considered.

The most important decisions taken by the Board of Directors of the Company in 2008 the following ones are worth singling out first of all:

- The decision about the establishment of branches of IDGC of South, JSC: "Astrakhaenergo" Branch, "Volgogradenergo" Branch, "Kalmenergo" Branch, "Kubanenergo" Branch, "Rostovenergo" Branch (Minutes dd. 11.01.2008 No. 10/2008);
- the approval of the main provisions of the Technical policy of the Company as to information technologies (Minutes dd. 11.01.2008 No. 6/2008);
- the definition of the priority trend of the Company's activity: the Program of arrangements of IDGC of South, JSC by traumatism prevention for 2008 (Minutes dd. 07.02.2008 No. 8/2008);
- the approval of decisions about additional issues of securities of IDGC of South, JSC, placed by way of conversion of equity nominal uncertified shares of "Astrakhanenergo", JSC, "Volgogradenergo", "Kalmenergo", "Kubanenergo", "Rostovenergo" in additional equity nominal uncertified shares of IDGC of South, JSC (Minutes dd. 07.02.2008 No. 8/2008);
- the Program approval of the Company's coverage for 2008 (Minutes dd. 07.02.2008 No. 8/2008);
- the Program approval of the non-state pension provision of the Company's employees for 2008 (Minutes dd. 20.03.2008 No. 10/2008);
- the approval of reports about the results of additional issues of securities of IDGC of South, JSC placed by way of conversion of equity nominal uncertified shares of "Astrakhanenergo", JSC, "Volgogradenergo", "Kalmenergo", "Kubanenergo", "Rostovenergo" (Minutes dd. 10.04.2008 No. 11/2008);
- the approval of the Annual report of the Company (Minutes dd. 18.04.2008 No. 12/2008);
- the recommendations to the General Shareholders' Meeting by a size of a dividend by shares and the order of its payment out (Minutes dd. 18.04.2008 No. 12/2008);
- the Provision approval about the credit policy of the Company (Minutes dd. 18.04.2008 No. 12/2008);
- the redrafted Provision approval about the order of regulated purchase of goods, works, services for the needs of IDGC of South, JSC (Minutes dd. 18.04.2008 No. 12/2008);
- the Provision approval for the Cash Flow management of IDGC of South, JSC (Minutes dd. 18.04.2008 No. 12/2008);
- the approval of the quantitative staff of the Manage-

ment board of the Company and the election of members of the Management board of the Company (Minutes dd. 22.05.2008 No. 13/2008);

- the approval of the business – plan of the Company for 2008 (Minutes dd. 03.06.2008 No. 14/2008);
- the election of the Corporate Secretary of IDGC of South, JSC (Minutes dd. 30.06.2008 No. 15/2008);
- the Provision approval about the investment activity of IDGC of South, JSC (Minutes dd. 25.07.2008 No. 16/2008);
- the approval of the business plan of the Company for 2008 (Minutes dd. 26.09.2008 No. 18/2008);
- the Provision approval about the dividend policy of the Company (Minutes dd. 23.12.2008 No. 21/2008);
- the definition of priority trends of the Company's activity: the cost revaluation of fixed assets and the valuation of assets' fair value pursuant to the requirements of the International Financial Accountability Standards aimed at passing to tariff making at the basis of RAB;
- the definition of priority trends of the activity and the development strategy of IDGC of South, JSC: about the approval of the Register of non-core assets of IDGC of South, JSC, the approval of classes of non-core assets and codes of action in respect to non-core assets of IDGC of South, JSC;
- the Investment program approval of IDGC of South, JSC for;
- about the participation of IDGC of South, JSC in the Noncommercial partnership "The Scientific and technical Board of the United Energy System of Russia" (NP "STB UES").

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

The full version of decisions taken by the Board of Directors in 2008 is placed at the corporate web page of the Company in Internet: www.mrsk-yuga.ru.

The information about the payment out of remuneration (expenses' compensation) to members of the Board of Directors

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

The remuneration paid out to the members of the Board of Directors of the Company depends on the results of the Company's activity. As figures of the Company's activity a figure of net profit of the Company and the Company's market capitalization are chosen aimed at remuneration paying out, according to the data of the annual financial statements.

Pursuant to point 4.1 of the redrafted Regulations for the payment out of remunerations and compensations to the members of the Board of Directors of IDGC of South, JSC a member of the Board of Directors is paid the remuneration for the participation in a meeting of the Board of Directors held in the absent form. The size of remuneration is equivalent to 8 (eight) minimal monthly tariff rates of a first class workman. It's defined by the branch-wise tariff agreement in the power complex of the Russian Federation (hereafter referred to as - Agreement) на деas of the day of the meeting holding of the Board of Directors of the Company subject to the indexation defined by the Agreement, within one month after the meeting holding of the Board of Directors of the Company.

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

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

The total sum of a remuneration paid out to the members of the Board of Directors of the Company for 2008 amounts to RUR 6,134,551.31.

The data about training of members of the Board of Directors at the expense of the Company

In 2008 a training of a member of the Board of Directors – Director General of IDGC of South,

JSC Gavrilov Alexander Yurievich was made by the following themes:

- Actual issues of reforming and the development of UES of Russia (JSC Educational Complex the Corporate Energy University). The ground for training is a letter of Chairman of the Board of RAO "UES of Russia" JSC Chubays A. B. d. 11.02.2008 No. ACH-177, the letter of Deputy Chairman of the Board of RAO "UES of Russia" JSC Urinson Y. M. dd. 19.02.2008 No. YU-279.

- The pre-attestation preparation of chiefs and specialists by industrial safety (ANO "DIEKS"). The ground for training is the Regulations for the work organization by the preparation and attestation of specialists of organizations accountant to the Russian Federal Service for Ecological, Technical and Atomic Supervision, approved by Order of the Federal Service for Ecological, Technical and Atomic Supervision dd. 29.01.2007 No. 37.

The Corporate Secretary

A Corporate Secretary acts with the authority of the Charter of IDGC of South, JSC, the Code of the Corporate governance of IDGC of South, JSC approved by a decision of the Board of Directors of the Company on 30.08.2007 (Minutes dd. 03.09.2007 No. 2/2007) and the Regulations for a Corporate Secretary of the Board of Directors of IDGC of South, JSC approved by a decision of the Board of Directors of the Company (Minutes dd. 20.07.2007 No. 1/2007).

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

The main duties of the Corporate Secretary:

- The Provision of preparation and holding of meetings of the Board of Directors pursuant to the requirements of the legislation, Charter and other internal documents of the Company;
- the participation in the preparation and holding of the General Shareholders' Meeting pursuant to the requirements of the legislation of the Russian Federation in force, Charter and other internal documents of the Company at the basis of a decision about holding of the General Shareholders' Meeting;
- the assistance to the members of the Board of Directors in the course of their functions' implementation by them;
- the assistance to a timely information disclosure about the Company;
- the oprovision of keeping minutes of meetings of the Board of Directors and General Shareholders' Meetings of the Company, letters of the Board of Directors;
- the assistance to a proper consideration by the Company of the shareholders' appeals.

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

The following person elected by the Board of Directors of the Company (Minutes dd. 20.07.2007 No. 1/2007 and Minutes dd. 30.06.2008 No. 15/2008) discharged the functions of the Corporate Secretary of the Company in the reporting year:



Andrey Anatolievich Kantsurov

Year of birth: 1974
Nationality: Russia
Higher education:

- Kuban State University, qualification “Science of Law”

Appointments for the past 5 years:

- Specialist of the 6th class of the Dealers Relations Department of JSC “Kuban-GSM”;
- Key Specialist of the Partner Relations Department of branch JSC “MTS” in the Krasnodar Territory;
- Key Specialist of the Corporate Relations Department of “Kubanenergo” JSC;
- Deputy Chief of the Corporate Governance and Reform Division of the Corporate Governance Department of IDGC of South, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election to the Board of Directors of IDGC of South, JSC as the Corporate Secretary: 17.07.2007.
The date of the latest election to the Board of Directors of IDGC of South, JSC as the Corporate Secretary: 17.07.2007.

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

The Management board of IDGC of South, JSC

The Management board of the Company is a collective executive body of the Company.

The Management Board of the Company implements its activity for the Company’s interests. It’s guided by decisions of the General Shareholders’ Meeting and the Board of Directors of the Company and acts pursuant to the legislation of the Russian Federation, the Charter of IDGC of South, JSC, the Regulations for the Management board of IDGC of South, JSC approved by

the Management board of RAO “UES of Russia” JSC (Minutes of meeting of the Management board of RAO “UES of Russia” JSC dd. 28.02.2008 No. 1829pr/7), other internal documents of the Company.

The Management Board of the Company is responsible for the practical implementation of goals, the development strategy and the Company’s policy and manages the current activity of the Company in the framework of the competence defined by the Charter of the Company, decisions of the General Shareholders’ Meeting and the Board of Directors of the Company.

The principle objectives of the Management Board of the Company:

- the observation provision of rights and legitimate interests of the Company’s shareholders;
- the offers development by the development strategy of the Company;
- the implementation of the financial and economic policy of the Company, the development of decisions by the most important issues of its current economic activity and the activity coordination of the work of its structural departments;
- the efficiency increase of internal control systems and risks’ monitoring;
- the provision of achievement of a high level on return of assets of the Company and the maximal profit from the Company’s activity.

The issues of the Company’s activity are related to the competence of the Management Board of the Company, pursuant to the legislation of the Russian Federation in force and article 22 of the Company’s Charter.

Pursuant to subpoint 5 of point 22.2 of article 22 of the Company’s Charter and also the provisions of constituent documents of subsidiary, dependent entities of IDGC of South, JSC, the Management Board of the Company takes decisions by issues related to the competence of the superior governance bodies – General Shareholders’ Meetings – economical entities, 100 percent of the authorized capital stock of which belongs to IDGC of South, JSC.

The order of preparation and holding of meetings of the Board of Governance is regulated by the legislation of the Russian Federation in force, the Company’s Charter and the Regulations for the Management Board of IDGC of South, JSC.

The definition of the quantitative staff of the Management Board of the Company, the election of members of the Management Board of the Company, the definition of remunerations and compensations paid out to them, an anticipatory cessation of their authorities are made by a decision of the Board of Directors of the Company except cases stipulated by the Federal legislation and the Company’s Charter.

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

The quantitative and personnel staff of the Management Board of the Company (Minutes dd. 22.05.2008 No. 13/2008) was approved at the meeting of the Board of Directors of the Company on 19.05. 2008.

On the 28th of November 2008 the Board of Directors of the Company took a decision about an introduction of changes in the quantitative staff of the Management Board having defined the staff in number of fourteen people and having elected the fourteenth member of the Management Board (Minutes dd. 01.12.2008 No. 20/2008).



The staff of the Management Board of IDGC of South, JSC as of 31.12.2008:

Alexander Ilyich Gavrilov

Year of birth: 1973
Nationality: Russia
Higher education:

- Kuban State University, qualification – “Bookkeeping and audit” (economist), (1990–1995);
- Kuban State Technological University, qualification – “The development and operation of oil and gas fields” (engineer) (2000–2006).
- He was awarded an academic degree: candidate of economic sciences.
- Competitor for a degree of doctor of economic sciences in the World Economy Department of Kuban University.

Appointments for the past 5 years:

- Deputy General Director for Economy and Finance of “Krasnodar Regional Company for Gas Marketing”, LLC;
- Deputy Chief of Administration of Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3^d class) of Krasnodar Territory of the Administration of Krasnodar Territory;
- Deputy General Director for Potential Development of “Krasnodargasstroy”, JSC;
- Executive Director of “Kubanenergo” JSC;
- Director General, Chairman of the Management Board, a member of the Board of Directors of “Kubanenergo” JSC;
- Member of the Board of Directors of “Volgogradenergo” JSC, “Rostovenergo” JSC;
- Chairman of the Board of Directors of “OK Plamya” JSC and “Krasnodarenergosetremont” JSC;
- Director General of IDGC of South, JSC; Chairman of the Management Board of IDGC of South, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of beginning of the functions’ implementation of the Chairman of the Management Board of IDGC of South, JSC: 19.05.2008.



Mikhail Ivanovich Belonogov,
The deputy of the Chairman of Board

Year of birth: 1960
Nationality: Russia
Higher education:

- Krasnodar Polytechnical Institute of the Red Banner of Labour;
- The All-Russian Correspondence Financial and Economic Institute, a candidate of economic sciences;
- The professional re-training in MSTU named after Baumann in the course “Management of the Governance Technologies”.

Appointments for the past 5 years:

- Acting Deputy General Director for Power Marketing Activity – Director of branch of “Kubanenergo” JSC – Energosbit Territorial Establishment; Director of branch of “South-western Electric Grids”, First Deputy Director General of “Kubanenergo” JSC;
- First Deputy Director General of IDGC of South, JSC;
- Member of the Board of Directors of “Rostovenergo” JSC;
- Member of the Management Board, member of the Board of Directors of “Kubanenergo” JSC;
- Chairman of the Board of Directors of “Krasnodarenergosetremont” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the staff of the Management Board of IDGC of South, JSC: 19.05.2008.
The date of the latest election in the staff of the Management Board of IDGC of South, JSC: 19.05.2008.



Vitaly Vasilievich Brizhan

Year of birth: 1974
Nationality: Russia
Higher education:

- Kuban State University, law faculty;
- Kuban State University, economic faculty.

Appointments for the past 5 years:

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

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the staff of the Management Board of IDGC of South, JSC: 19.05.2008.
The date of the latest election in the staff of the Management Board of IDGC of South, JSC: 19.05.2008.



Evgeny Alexeevich Bibin

Year of birth: 1964
Nationality: Russia
Higher education:

- Rudny Industrial Institute

Appointments for the past 5 years:

- Director General of “Bryanskenergo” JSC, “Bryansk Sales Company”, JSC, “Bryansk Generation Company” JSC;
- Director General of “Volgogradenergo” JSC, Deputy General Director of IDGC of South, Managing Director of “Volgogradenergo” JSC;
- Deputy General Director of IDGC of South, JSC – director of branch of IDGC of South, JSC – “Vorgogradenergo”;
- Member of the Management Board, member of the Board of Directors of “Volgogradenergo” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management Board member of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management Board member of IDGC of South, JSC: 19.05.2008



Ludmila Alexeevna Golovaha

Year of birth: 1955
Nationality: Russia
Higher education:

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

Appointments for the past 5 years:

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

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 28.11.2008
The date of the latest election in the Management board of IDGC of South, JSC: 28.11.2008



Igor Anatolievich Lunev

Year of birth: 1969
Nationality: Russia
Higher education:

- Kuban State University;
- The Open University;

Academic degree:

- Doctor of Economics.

Appointments for the past 5 years:

- Deputy General Director for Business and Finance in Retail Supply Company, JCS;
- Deputy General Director for Business and Finance of “Gelios”, LLC, Financial Director of “KubanInvest” LLC;
- Deputy General Director for Marketing of “Kubanenergo” branch – “Energosbit” Territorial Establishment;
- Deputy General Director for Marketing of “Kubanenergobit” JSC;
- Deputy General Director for Business and Finance of “Kubanenergo” JSC;
- Deputy General Director for Business and Finance of IDGC of South, JSC;
- Deputy General Director of “Astrakhanenergo” JSC, “Kubanenergo” JSC, a member of the Management Board of “Kubanenergo” JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board member of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board member of IDGC of South, JSC: 19.05.2008



Vyatcheslav Yurievich Kostetskiy

Year of birth: 1974
Nationality: Russia
Higher education:

- Institute of Economics, Law and Natural Sciences

Appointments for the past 5 years:

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

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Vladimir Nikolaevich Kopanov

Year of birth: 1954
Nationality: Russia
Higher education:

- Kuban State University.

Appointments for the past 5 years:

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

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Grigory Grigorievich Savin

Year of birth: 1952

Nationality: Russia

Higher education:

- Russian Distance-Learning finance and economics institute, Moscow

Appointments for the past 5 years:

- Head of Economic analysis, Business accounting and Information support Department, Head of Economics and Fuel and Energy Complex Development Department, Head of Economic Analysis and Business Accounting of Fuel and Energy Complex Department of Krasnodar Territory of Krasnodar Administration;
- Chief Accountant of “Kubanenergo”, JSC;
- Chief Accountant of Accounting, Tax Accounting and Reporting Department of IDGC of South, JSC;
- Member of Board of Directors of “OK Plamya”, “Energetik”, JSC, member of the Management Board of “Kubanenergo”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Dmitry Vladimirovich Pestov

Year of birth: 1967

Nationality: Russia

Higher education:

- Kuban State Technologic University.

Appointments for the past 5 years:

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

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Georgy Akhmedovich Sultanov

Year of birth: 1954

Nationality: Russia

Higher education:

- Krasnodar Polytechnic Institute.
- Academic degree:*
- Doctor of Engineering Science.

Appointments for the past 5 years:

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

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Sergey Vladimirovich Skorikov

Year of birth: 1976

Nationality: Russia

Higher education:

- Professional Retraining in State Educational Institution Higher Vocational Education Academy of the National Economy under the Government of the Russian Federation under the program «Management Development».

Appointments for the past 5 years:

- Deputy General Director of “Donelectrosetstroy” JSC;
- Director General of “Southern Power Construction Company” JSC;
- Deputy Director General of IDGC of South, JSC – Managing Director of “Rostovenergo”, JSC, Deputy Director General of IDGC of South, JSC – Branch Director “Rostovenergo” of IDGC of South, JSC;
- Chairman of the Management Board of “Rostovenergo”.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Mikhail Nikolaevich Stolyarov

Year of birth: 1953

Nationality: Russia

Higher education:

- Novocherkassk Polytechnic Institute;
- Saratov State Chernishevsky University

Appointments for the past 5 years:

- Director General of “Astrakhanenergo” JSC, Deputy General Director of “IDGC of Centre and North Caucasus” – the Managing Director of “Astrakhanenergo” JSC;
- Deputy General Director of IDGC of South, JSC – Managing Director of “Astrakhanenergo”, JSC, Deputy General Director of IDGC of South, JSC – Branch Director of IDGC of South, JSC – “Astrakhanenergo”;
- Member of the Management Board, Member of the Board of Directors of “Astrakhanenergo”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008



Valery Andreevich Churumov

Year of birth: 1956

Nationality: Russia

Higher education:

- Shakhty Institute of Technology and Public Services, Shakhty;
- Russian Academy of State Service at the President of RF, Moscow

Appointments for the past 5 years:

- Deputy of Financial Director of “the Middle Volga Interregional Governance Power Company”, JSC of “Kalmenergo”, JCS, Deputy Director in charge of Business and Finance of “Kalmenergo”, JSC;
- Deputy General Director of IDGC, JSC;
- Deputy General Director of IDGC of South, JSC – Managing Director of “Kalmenergo”, JSC, Deputy General Director of IDGC of South, JSC – Branch Director of IDGC of South, “Kalmenergo”, JSC;
- Member of the Board of Directors of “Kalmenergo”, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Management board of IDGC of South, JSC: 19.05.2008
The date of the latest election in the Management board of IDGC of South, JSC: 19.05.2008

Activities of the Management Board in 2008

In the reporting year of 2008 12 meetings of the Management board took place where 38 issues were considered.

Among the most essential decisions taken by the Management board in the year of 2008, the following are to be pointed out:

- attraction of credit resources for the Management board's demands;
- fulfillment of Automated information and measuring report system "Sochi 2010";
- authorization of the Development program of the centralized customer service in the responsibility area of IDGC of South, JSC till 2011;
- purchase of Grid complex belonged to Municipal formation;
- provision of approval about corporate design of the company flag of IDGC of South, JSC and company flags of its structural divisions.

An additional point is that during the Board meetings the following issues were regularly considered: the issues about the project authorization of the cash flow of the Board, the questions that are in capacity of highest management body of business entities, 100 percent of the authorized capital of which belongs to IDGC of South, JSC.

The information about payment out of remuneration (expenses' compensation) to the members of the Management board

As specified in subparagraph 13 of the paragraph 15.1. of section 15 of the Charter decision about remunerations and compensations paid out to the members of the Board is related to the competence of the Board of Directors.

The Members of the Management board belong to the high rank of top managers of the Company.

Pursuant to the employment contracts between Company and the members of the Management board the remuneration to the member of the Management board is paid in the amount and in the accordance to the redrafted Provision "About remunerative incentives of the top managers of IDGC of South, JSC approved by the Board of Directors (Minutes No. 13/2008 dd. 22.05.2008).

The motivation of the Management board members is made by:

- a payment out of a monthly remuneration in amount of 5 (five) minimal tariff rates of the first class worker established by the branch-wise tariff agreement of Energy complex of the Russian Federation;
- the payment out of quarter and annual bonuses to the members of the Management board as top managers for the key performance indicators reached.

On the basis of the Board of Director's decision of IDGC

of South, JSC (minutes No. 13/2008 dd. 19.05.2008 and minutes No. 20/2008 dd. 28.11.2008) and also pursuant to clause 21 of the Charter of IDGC of South, JSC and clauses 15 and 57 of the Labor Code of the RF, the additional agreements to Employment Contracts are concluded about an exercise of authorities of a member of the collective Executive Body of the Company – the Management board.

The total remuneration sum paid out to the members of the Board of Directors of IDGC of South, JSC for 2008 amounts to RUR 1,555,715.

The information about interested-party transactions

Pursuant to article 81 of Federal Law "About joint-stock companies" in 2008 the Board of Directors approved 23 transactions, that were interesting to conclude.

The list of transactions approved by the Board of Directors in the settlement of which there was an interest is represented in the Appendix No. 8 to the given report.

The information about large transactions

In 2008 the Company did not conclude large transactions demanding a preliminary approval by the Board of Directors or by the General Shareholders' Meeting pursuant to the Federal Law "About Joint-stock Companies".

The Director General

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

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

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

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

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

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



Alexander Ilyich Gavrilov

Year of birth: 1973

Nationality: Russia

Higher education:

- Kuban State University, qualification – "Bookkeeping and audit" (economist), (1990–1995);
- Kuban State Technological University, qualification – "The development and operation of oil and gas fields" (engineer) (2000–2006).
- He was awarded an academic degree: candidate of economic sciences.
- Competitor for a degree of doctor of economic sciences in the World Economy Department of Kuban University.

Appointments for the past 5 years:

- Deputy General Director for Economy and Finance of "Krasnodar Regional Company for Gas Marketing", LLC;
- Deputy Chief of Administration of Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3^d class) of Krasnodar Territory of the Administration of Krasnodar Territory;
- Deputy General Director for Potential Development of "Krasnodargasstroy", JSC;
- Executive Director of "Kubanenergo" JSC;
- Director General, Chairman of the Management Board, a member of the Board of Directors of "Kubanenergo" JSC;
- Member of the Board of Directors of "Volgogradenergo" JSC, "Rostovenergo" JSC;
- Chairman of the Board of Directors of "OK Plamya" JSC and "Krasnodarenergosetremont" JSC;
- Director General of IDGC of South, JSC; Chairman of the Management Board of IDGC of South, JSC.

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

The date of election to the post of Director General of IDGC of South, JSC: 22.07.2007

Since the foundation of IDGC of South, JSC the Director General of the Company is Mr. Alexander Gavrilov elected by a decision of the Sole Founder of IDGC of South, JSC 22.06.2007 (Instruction No. 192r of the Chairman of the Board of RAO "UES of Russia" JSC).

In 2006 Mr. Gavrilov was titled as Honored Person of Fuel and Energy Complex; in 2007 Mr. Gavrilov was awarded commemorative medal of the 3d degree for outstanding contribution into development of Kuban.

In 2008 Ministry of Energy of the Russian Federation gave a gratuity to Mr. Gavrilov. During the year under report Director General of IDGC of South, JSC was thrice officially thanked by the Board of Directors.

The results of management decisions made by the Director General with regard to the main trendlines of the Company activity for 2008 are observed in the corresponding sections of the given report.

The information about remuneration of the Director General

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

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

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

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

In 2008 bonuses of Director General were paid out following the results of key performance indicators implementation approved by the Board of Directors of the Company for reported periods.

The Auditing Committee

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

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

In the implementation course of its activity the Auditing Committee is independent of officers and governance bodies of the Company.

The Auditing Committee acts in the interests of the shareholders of the Company and it is account to the General Shareholders' Meeting.

The Auditing Committee is elected at an annual General Shareholders' for a term of the next annual General Shareholders' Meeting in a staff of five people. In case the Auditing Committee is elected at the Extraordinary General Shareholders' Meeting of the Company, the members of Auditing Committee are considered to be elected till holding of the Annual General shareholders' Meeting of the Company.

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

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

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

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

The Auditing Committee of the Company of the first calling was elected on the 22nd of 2007 by a decision of the Sole Founder of IDGC of South, JSC (Instruction of the Chairman of the Board of RAO "UES of Russia" JSC No.192r) and functioned till the reelection at the Annual General Shareholders' Meeting of IDGC of South, JSC (30.05.2008) in the following personnel staff (the data as of 31.12.2007):



Ludmila Romanovna Matunina
Chairman of the Auditing Committee

Year of birth: 1950
Nationality: Russia
Higher education:
• Russian Distance-Learning Finance and Economics Institute.

Appointments for the past 5 years:
• Deputy Head of Audit Department of RAO "UES of Russia" JSC, First Deputy Chief Department of Internal Audit of Corporate Center of RAO "UES of Russia" JSC.
• Member of the Auditing Committee of "Moscow United Grid Company", JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 22.06.2007
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 22.06.2007



Anatoliy Valerievich Baitov

Year of birth: 1977
Nationality: Russia
Higher education:
• Kurgan State University, qualification – Finance and Credit, Electric Power Grids
Academic degree:
• Ph.D. in Economics.

Appointments for the past 5 years:
• Deputy General Director of Fund "Institute of Professional Directors";
• Deputy Director of Direction of Financial Control and Internal Audit of "UES FGC" JSC, Head of Financial Control and Internal Audit Direction of "UES FGC" JSC;
• Member of Auditing Committee of "Kubanenergo" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 22.06.2007
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 22.06.2007



Kseniya Valerievna Ivanova

Year of birth: 1970
Nationality: Russia
Education:
• State Academy of Management named after Ordzhonikidze;
• Engineer-economist (1987–1993);
• Master of Economics (1993–1995).

Appointments for the past 5 years:
• Principal Specialist of Corporate Governance Department of Corporate Center of RAO "UES of Russia" JSC, Leading Expert of Corporate Governance Department of Corporate Center RAO "UES of Russia" JSC, Head of Corporate Governance Department and Shareholders Relations of the Corporate Center RAO "UES of Russia" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 22.06.2007
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 22.06.2007



Marina Alexeevna Lelekova

Year of birth: 1961
Nationality: Russia
Higher education:
• Far East Institute of Soviet Trade, qualification – trade Economics (economics)

Appointments for the past 5 years:
• Consulter in charge of work with Auditing Committee of Fund "Institute of Career Executives";
• Deputy Director of Financial Control and Internal Audit Direction of "UES FGC" JSC;
• Member of the Auditing Committee of MUGC, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 22.06.2007
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 22.06.2007



Elena Alexandrovna Kabizskina

Year of birth: 1964
Nationality: Russia
Higher education:
• Far East Technical Institute of Fishing Industry, Engineering and Economics Department, qualification – "Economics, Planning and Management of Industry", qualification – engineer-economist.

Appointments for the past 5 years:
• Deputy Financial Director – Chief Accountant of the Russian Accounting Standards "Eastern International Container Service", JSC;
• Principal Specialist of Financial Control and Internal Audit Direction of "UES FGC" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 22.06.2007
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 22.06.2007



The Auditing Committee acting as of 31.12.2008 was elected on 30.05.2008 by the Annual General Shareholders' Meeting (Minutes No. 1 dd. 04.06.2008) (the data as of 31.12.2008):

Ludmila Romanovna Matunina
Chairman of the Auditing Committee

Year of birth: 1950
Nationality: Russia
Higher education:
• Russian Distance-Learning Finance and Economics Institute.

Appointments for the past 5 years:
• Deputy manager of Financial Audit Department of RAO "UES of Russia" JSC, Vice-chief of Internal Audit Department Corporate Center RAO "UES of Russia" JSC;
• First Deputy Chief of Internal Audit Department of IDGC Holding, JSC;
• Member of the Auditing Committee of MUGC, JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 22.06.2007
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 30.05.2008

Anatoliy Valerievich Baitov

Year of birth: 1977
Nationality: Russia
Higher education:
• Kurgan State University, qualification – Finance and Credit;
• Kurgan State University, qualification – Electric Power Grids.
Academic degree:
• Ph.D. in Economics.

Appointments for the past 5 years:
• Deputy General Director of Fund "Institute of Professional Directors";
• Deputy Director, Head of the Direction of the Financial Control and Internal Audit of "UES FGC" JSC, the Chief of Direction of the Financial Control and Internal Audit of "UES FGC" JSC;
• Member of Auditing Committee of "Kubanenergo" JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 30.05.2008
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 30.05.2008

Rustem Faritovich Gabidullin

Year of birth: 1979
Nationality: Russia
Higher education:
• Moscow State University of Commerce

Appointments for the past 5 years:
• Deputy Director for Audit of "UralAudit", LLC;
• Manager of Finance, Assets and Share Capital Administration of the IDGC Management Center of "UES FGC" JSC;
• Principal Specialist of Direction of Purchasing Activities of IDGC Holding.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 30.05.2008
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 30.05.2008

Maria Vladimirovna Petrova

Year of birth: 1972
Nationality: Russia
Higher education:
• Rostov Institute of the National Economy, qualification – "Finance and Credit"

Appointments for the past 5 years:
• Economist, Principal Economist of Accounting Department of "Rostovenergo", JSC;
• Principal Economist of IDGC of Centre and North Caucasus, South branch;
• Principal Specialist of Accounting Department of "Rostovenergo", JSC;
• Head of Consolidated Statements Department of IDGC of South, JSC, Deputy Chief Accountant of IDGC of South, JSC;
• Member of the Auditing Committee of "Kubanenergo", JSC.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 30.05.2008
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 30.05.2008

Sergey Olegovich Erdenko

Year of birth: 1972
Nationality: Russia
Higher education:
• The Russian Academy of Entrepreneurship

Appointments for the past 5 years:
• Principal Expert of Corporate Governance and Shareholders Relations Department of Corporate Center of RAO "UES of Russia" JSC;
• manager of the group that deals with enforcement of the shareholders rights in the course of project center reorganization of IDGC Holding.

The number of shares of IDGC of South, JSC and shares of subsidiary/dependent entities of IDGC of South, JSC, owned by the person: none
The date of the first election in the Auditing Committee of IDGC of South, JSC: 30.05.2008
The date of the latest election in the Auditing Committee of IDGC of South, JSC: 30.05.2008

The activity of the Auditing Committee in 2008

In the reported year 3 meetings of the Auditing Committee of the Company took place where the following decisions were made:

- Chairman and Secretary of the Auditing Committee are elected, the plan of work of the Auditing Committee is approved for the years 2008–2009 (Minutes No. 1 dd. 22.08.2008);
- The terms of the auditing check of the financial and economic activity of IDGC of South, JSC following the results of 9 months of 2008 are determined, the Program of check, the staff of the auditing group are approved, a decision to outsource specialists – experts to participate in the auditing check (Minutes No. 2 dd. 14.10.2008) is made;
- The audit results of financial and economic activity of IDGC of South, JSC following the results of 9 months of 2008 are approved (Minutes No. 3 dd. 01.12.2008).

In 2008 the Auditing Committee performed a check of the financial and economic activity IDGC of South, JSC from 31.10.2008 to 20.11.2008, following the results of 9 months of the year 2008.

Pursuant to the section 8.6 of Provision “About the Auditing Committee of the Company” the results of audit were given on approval to the Chairman of Board of Directors and the Director General of the Company.

The Information about the payment out of remuneration (compensation for expenses) to the members of the Auditing Committee

Remunerations or compensations to the members of the Auditing Committee are paid out in accordance to Regulations for remuneration pays to the members of the Auditing Committee of IDGC of South, JSC as amended on 30.05.2008 (further as the text of Provision goes), approved by the Annual General Shareholders’ Meeting of IDGC of South, JSC (Minutes No. 1dd. 04.06.2008).

Pursuant to the mentioned Provision a member of the Auditing Committee is paid one time bonus for the participation in audit of financing and operating activity. The remuneration sum amounts to 5 (five) minimal tariff rates of the first class worker including the indexation approved by branch-wise tariff agreement.

The member of the Auditing Committee may be paid extra bonus for each audit of financing and operating activities made. The extra bonus amounts to a sum that does not exceed 20(twenty) minimal tariff rates of the first class worker including the indexation approved by branch-wise tariff agreement.

All the expenses of the members that are related to the participation in the Auditing Committee Meeting and auditing are compensated in accordance with the current standards of reimbursement of travel expenses of the Company.

The complete text of Provision of the Auditing committee of IDGC of South, JSC is posted on the website of the Company: www.mrsk-yuga.ru.

The total compensation for 2008 paid to the members of the Auditing Committee of South, JSC amounts to RUR 707,825.65 (including reimbursement of travel expenses that amount to RUR 196,939.65).

The Auditor of the Company

The Auditor of the Company is hired following the results of the open competition that is arranged by the Company or Company authorized company in accordance with Provision that runs about the procedure of the regulated purchases, works and services for the demands of IDGC of South as amended and approved by the Board of Directors of the Company (Minutes No. 12/2008 dd.18.04.2008).

On the 30th of May the Board of Directors recommended and approved a vacancy of LLC “Fineart-Audit” for proceeding annual account of IDGC of South, JSC for the year 2008. The choice was made on the basis of decision of General Shareholders Meeting of the Company (Minutes No. 1 dd. 04.06.2008). Information of the Auditor of the Company: LLC “Fineart-Audit”, license for auditing activities No. E 006407 dd. 06.09.2004 issued Ministry of Finance of Russian Federation, statutory seat: 119607, Udaltsova str. 60, Moscow, Russia.

LLC “Fineart-Audit” signed the insurance contract No. 18/08-097053 dd. 30.09.2008 about professional responsibility with an insurance company System of Automation Control “Informstrakh”, JSC.

The payment amount of the auditor of IDGC of South, JSC – LLC “Fineart-Audit” for auditing of accounting reports of IDGC of South, JSC for 2008 is settled by decision of the Board of Directors (Minutes No. 18/2008 dd. 26.09.2008), the sum amounts to RUR 9,763,910 including VAT.

The System of Internal Control of the Company

The system of Internal Control is the most efficient element of management and control of IDGC of South, JSC. The system of Internal Control is based on interaction and sharing of powers of its entities (bodies and individuals) that perform elaboration, approval, application and estimation of efficiency of internal control procedure.

The department of the Internal Control and Audit was established in the Company with intent to increase efficiency of System of Internal Control. This Department consists of two subdivisions: the Internal audit Department and the Strategy and Risks Department.

The system of Internal Control performs the following functions:

- to control performance and establishment of business plan of the Company approved by the Board of Directors;
- to detect the violations with audits, monitoring and analysis of business activities of branches, representatives, structural departments of the executive office;
- to carry out a control work to avoid violations in business activities with giving information about the educed material violations and weak points to the departments of the Company;
- to control curing of the educed violations;
- to detect and analyze the business risks of the Company;
- to monitor and elaborate actions to mitigation of risks in business activities of the Company;
- to establish acquisition, proceeding and transition of financial, operational and other information about the Company activities as well as to adjust efficient channels and communication means that provide with vertical

- and horizontal connection net inside the Company;
- to determine and to inform the employees of the Company about their functions and responsibilities in Internal Control System;
- to implement the procedures of the internal control approved in the Company;
- to record properly all the procedures of internal control;
- to make a preventive control with the system of agreement of terms and conditions, to hold tenders, to form a committee of assets depreciation, to consider the standards and other policies and procedures of the Company.

Share capital and securities market

The share capital

The history of the share capital

As of 01.01.2008 the authorized capital of the Company amounted to RUR 10,000,000 and was divided into 100,000,000 pieces of ordinary nominal shares with the par value of 10 copecks each.

On 31.03.2008 as a result of the reorganization of the Company in the form of connection to it of “Astrakhanenergo”, JSC, “Volgogradenergo”, JSC, “Kalmenergo”, JSC and “Rostovenergo”, JSC and the number of the Company’s shares has increased to 49,811,096,064 pieces due to the conversion of shares of connected entities.

As of 31.12.2008 the authorized capital of the Company amounts to RUR 4,981,109,606.40 copecks. It’s divided into 49,811,096,064 pieces of ordinary nominal shares with the par value of 10 copecks each. The Company didn’t issue preference shares.

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

Notice: Pursuant to the notification of The Federal Financial Markets Service of Russia dd. 12.08.2008 No. 08-EK -03/17099 aliquidation of individual numbers (codes) of additional issues of shares is made; the integrated issue is given a number of the state registration 1-01-34956-E dd. 20.09.2007.

The share capital structure

As of 01.01.2008 100 % of shares belonged to the Sole Founder of the Company – RAO "UES of Russia" JSC.

On 31.03.2008 as a result of the Company reorganization in the form of connection to it of “Astrakhanenergo”, JSC, “Volgogradenergo”, JSC, “Kalmenergo”, JSC and “Rostovenergo”, JSC, the holders of Company’s shares became holders of shares of the connected entities who didn’t implement a legal claim by buyout of shares in the reorganization course of these entities.

As of 31.12.2008 the total number of persons registered in a list of the Company’s shareholders amount to 9,587.

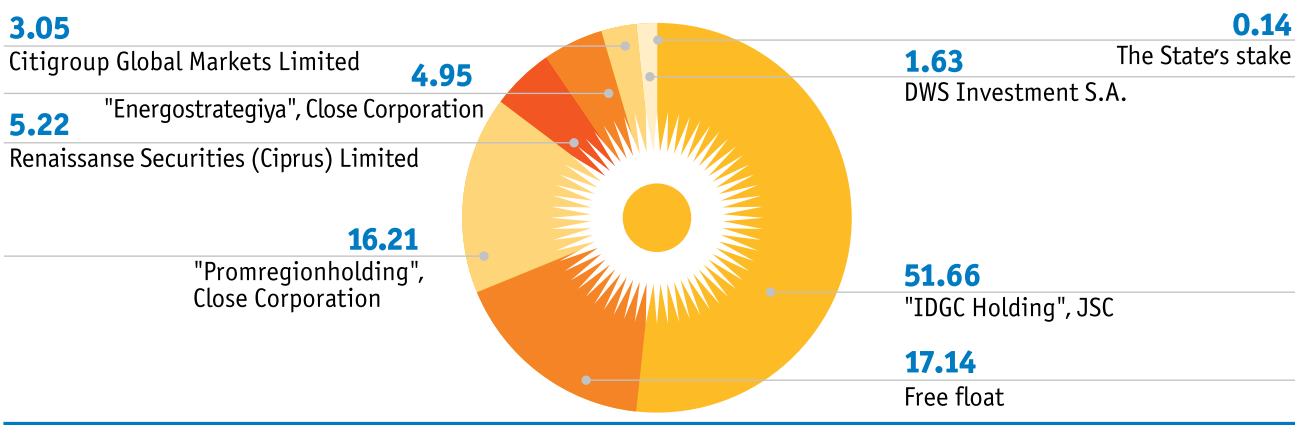
The share capital structure as of 31.12.2008

Type of the registered person	Number of the Company's shareholders	Number of shares	Part in the authorized capital, %
Natural persons	9,486	1,678,658,211	3.37
Legal persons	86	88,547,875	0.178
The State	1	69,125,536	0.139
Nominee shareholders	14	47,974,764,442	96.313
Confidential managers	–	–	–
IN TOTAL:	9,587	49,811,096,064	100%

The structure of the authorized capital as of 18.04.2008 (the date of making of a list of persons having a right to participate in the annual General Shareholders' Meeting)

The type of registered person	The number of the Company's shareholders	The number of shares	A part in the authorized capital, %
Natural persons	9,636	1,739,538,873	3.492
Legal persons	91	191,426,182	0.384
The State	1	69,125,536	0.139
Nominee shareholders	15	47,811,005,473	95.985
Confidential managers	–	–	–
IN TOTAL:	9,743	49,811,096,064	100 %
Including non-residents	148	9,753,927,497	19.58 %

The largest end beneficiaries of the Company's shares (stakes of over 1 % in the authorized capital) as of 18.04.2008



* Since 01.07.2008 as a result of reorganization of RAO "UES of Russia" JSC IDGC Holding is a holder of its parcel of shares of the Company.

The shares circulation at stock market

On 03.07.2008 the shares of the Company underwent an admittance procedure to a circulation at trade venues of the following trade organizers:

- "RTS", JSC (127006, Moscow, Dolgorukovskaya str., 38, building 1) – without alisting procedure at two venues – "Stock market" (ticker tape MRKYG) and 'Classical market" (ticker tape MRKY);
- "MICEX", JSC (125009, Moscow, Bolshoy Kislovsky per., 13) – with the inclusion of shares in quotation list "I" (ticker tape – MRKA).
ISIN code: RU000A0JPPG8.

In November 2008 in terms of a global indexes' decrease of the world stock markets there happened a fall down of bids' volumes of the Company's shareslower thelevel needed for supporting of the Company' shares in Quotationlist "I" of "MICEX", JSC.

To minimize an unfavourable influence of its image the

Company implemented a possibility to avoid a procedure of delisting by an initiative of "MICEX", JSC by way of passing of the Company's shares in "Thelist of out-of-list securities" of "MICEX", JSC. It made it possible for the Company's shares to stay in a free circulation at "MICEX", JSC, not to pass one more time an admittance procedure of the shares to circulation.

After coping with the crisis situation at stock markets the Company plans to pass the shares in Quotationlist "B" of "MICEX", JSC and also to introduce a program of global depositary signs aimed at putting the Company's shares to the markets of foreign capital. Nowadays the Company undertakes the active measures by aliquidity increase of shares and the rating increase of the corporate govern-ance aimed at corresponding to the requirements put in to issuers – trade organizers for the inclusion and support of shares in Quotationlist "B".

Quotations and volumes of bids in 2008 (the data are given for the period from 03.07.2008 – the date of the bids' beginning – to 31.12.2008)

The organizer of trade	Volume, pcs.	Volume, RUR	Number of transactions, psc.	Prices of transactions, RUR				Price change for the reporting year, %
				the first	the maximal	the minimal	the last	
MICEX	572,929,409	51,425,171.40	1 336	0.3323	0.5069	0.0405	0.0510	–85
RTS (Exchange market)	10,955,300	3,081,925.56	60	0.4650	0.4650	0.0500	0.0500	–89
RTS (Classical market)	82,848,643	30,931,877.56	38	0.4995	0.4995	0.0588	0.0588	–88
The average price change*								–87

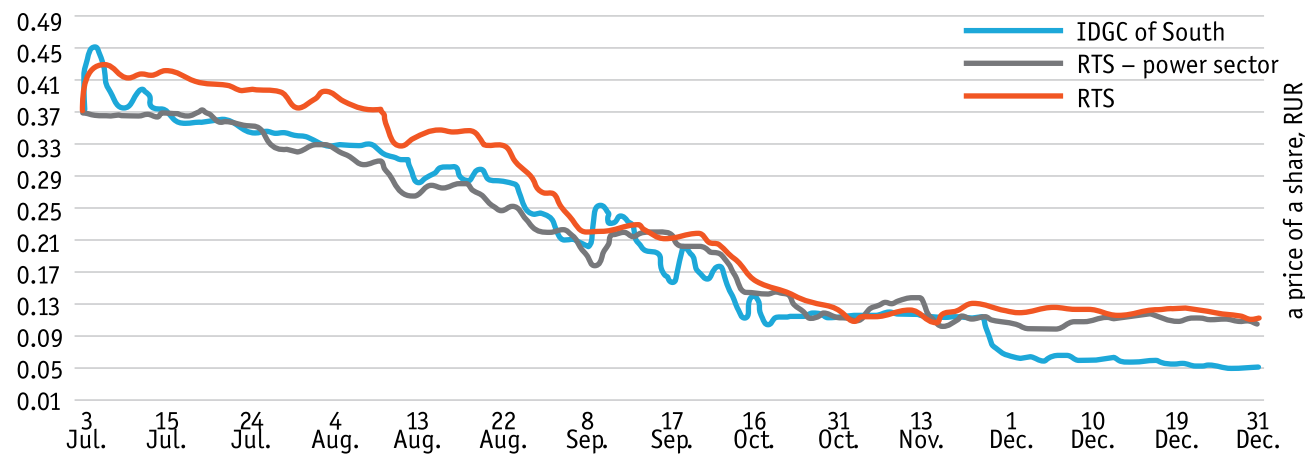
* converted to roubles at a rate of CB of RF as of 31.12.2008; USD 1 = RUR 29.3804

The most sales activity is observed at "MICEX", JSC – in 2008 the total volume of transactions with the Company's shares amounted to RUR 51,425,171.40. The peak values of the volumes are achieved in August and December and amounted to RUR 15,323,364.76 and RUR 24,866,663.93 correspondingly. The activity increase in August is connected with an interest of investors to the Company's

shares which made their début at the trade venues. The shares possessed a high potential of the exchange cost increase.

The minimal volume of transactions with the Company's shares is achieved following the results of November 2008 and amounted to RUR 66,419.73. Such an abrupt decrease is explained by the crisis situation at exchange markets.

The dynamics of the prices' change of the Company's shares in 2008



The dynamics of the market capitalization of the Company showed a negative value in the reporting year. Within the period beginning from the shares circulation of the Company at the trade venues of the trade organizers (03.07.2008) till 31.12.2008 the decrease of their market cost amounted to 85 % according to the data of "MICEX", JSC. By the data of "MICEX", JSC the market capitalization amounted to RUR 2,540,365,899.26 (on close) as of 31.12.2008.

It should be noted that such a decrease happened not due to any non-qualified actions of the Company. As it can be seen from the diagram the dynamics of the exchange cost of the Company's shares followed the general tendency of the indexes change of the Russian exchange market for the given period: RTS made 71.93 %, RTS – power sector made 74.92 %.

Thereby pursuant to the consensus-prediction of competent analysts of the exchange market of Russia, the goal-oriented cost of 1 share of the Company amounts to about 90 copecks, that is the growth potential amounts to over 1,500 % of the price of last transaction price at "MICEX", JSC.

Besides in 2009 the Company plans to undertake a series of arrangements able to influence favourably the market capitalization.

The Company's strategy as to the appeal increase of shares for the Russian and foreign investors.

The Department of the corporate governance is established in the organizational structure of the Executive Body of the Company which is responsible for the work with shareholders, analysts, potential investors and other parties concerned (IR), the objectives of which are the following ones:

- the development and implementation of the information policy, the regulation of inside – corporate provision mechanisms of a timely information representation about the Company's activity;
- the organization of representation of a needed accountability to the key publics – shareholders, regulating bodies, stock exchanges etc.;
- the establishment and support of relationships with an

investment Company including aimed at achieving of a better familiarity of the parties concerned about the Company.

The Company executes all the requirements to the information disclosure settled by the legislation of the Russian Federation and also of internal local normative acts. It provides a high level of the information transparency. The shareholders, investors and other parties concerned get the information from the Company sufficient for the decisions taking by them in respect to the Company's shares.

The Company concluded the contract with "Corporate Governance Institute", JSC rendering qualified services by the preparation of reviews of the exchange market. The analytical reviews are published weekly at the corporate web page.

The Company supports the English version of the corporate web page aimed at treating of its activity for foreign shareholders and investors.

In 2009 the Company plans to implement a series of arrangements aimed at increasing of the investment appeal of the shares for potential investors and the market capitalization, in particular:

- the rating giving of the corporate governance by a competent rating agency of Russia and also the arrangements undertaking for its increase;
- the openness increase – the Company will strive to disclose additionally the information about its activity. The information isn't to be compulsory disclosed pursuant to the requirements of the legislation of the Russian Federation in force and the local normative acts;
- the process perfection of the information disclosure about the Company including that by way of the perfection of the corporate web page;
- undertaking of the public arrangements by facts of expected or made global corporate events in the Company's life;
- the list of the Company's shares in Quotation list "B" of "MICEX", JSC;
- the market entry of the foreign capital by way of the program beginning of global depository signs for the Company's shares.

Besides the Company strives to increase the financial stability, achieve high results of the financial and economic activity making it possible to increase the dividend yield of the Company's shares.

The issuance activity

Shares

In the reporting year the issuance activity was made in respect to the Company's shares in the framework of its reorganization by way of the reorganization by means of the connection to it of "Astrakhaenergo", JSC, "Volgogradenergo", JSC, "Kalmenergo", JSC and "Rostovenergo", JSC.

On 20.03.2008 the Federal Financial Markets Service made the registration of additional issues of the Company's shares. On 31.03.2008 the shares' conversion of the connected entities was made in the shares of IDGC of South, JSC in number of 49,711,096,064 pieces.

Bonds

On the 16th of December 2008 IDGC of South, JSC registered a prospectus of securities (certified percent bonds, non-converted for a bearer, of series 02 with a compulsory centralized keeping, with a maturity period in 1 the 820th (One thousand eight hundred twentieth) day after the date of the placement beginning, with the par value RUR 1,000 (One thousand) each, in number of 6,000,000 (Six million) pieces placed by way of a public subscription). The bonded debt placement was planned in the 1st quarter of 2009. The cash flow received as a result of a bonded debt placement of IDGC of South, JSC of series 02 was planned to be directed for financing of the technical re-equipment of the Company and also the liabilities' restructuring. Thus the bonded debt placement at the moment is not advantageous in terms of the existing financial and economic crisis and the bank liquidity crisis. Should the debt market opportunities change in 2009, IDGC of South, JSC plans place the given bonded debt.

Profit distribution and dividend policy

The dividend policy of the Company. The information about the payment out of dividends to the shareholders.

The dividend policy of the Company is understood by the Company as a system of relationships and principles by a definition of a size of dividends, the order and terms of their payment out and also by the responsibility establishment of the Company for the non-execution of a duty by the payment out of dividends.

The Company strives alongside with capitalization growth to increase the size of dividends paid out to shareholders, in terms of a size of the received net profit for the reporting financial period and the development needs of the production and investment Company's activity.

The dividend policy of the Company is based on the balance of interests of the Company and its shareholders in the definition course of a size of dividend payments out, on respect and the rights observation of the shareholders stipulated by the legislation of the Russian Federation in force, the Charter and internal documents of the Company and is aimed at increasing the investment appeal of the Company, its capitalization and the shareholder value.

To provide transparency of mechanisms of a size definition of dividends and their payments out and also informing of the shareholders and other parties concerned about the dividend policy of the Company, the Regulations for the dividend policy

of Open Joint-Stock Company "Interregional Distribution Grid Company of South" (Minutes dd. 23.12.2008 No. 21/2008) is developed and approved by the Board of Directors of the Company, pursuant to the Civil Code of the Russian Federation, the Federal Law "About Joint-Stock Companies" dd. 26.12.1995 No. 208-FL, the normative and legal acts of the Russian Federation, the Charter of IDGC of South, JSC and also the recommendations of the Code of the Corporate Conduct of IDGC of South, JSC and other internal documents of the Company.

The net profit distribution by the usage trends

On the 30th of May 2008 the first annual General Shareholders' Meeting of IDGC of South, JSC took place at which the following decisions were taken by the issue "About the profit distribution (including the payment out of dividends) and losses of the Company following the results of the financial year":

- to approve the following profit distribution of the Company following the results of the 2007th financial year in the amount of RUR 6,883 thousand:
the reserve fund RUR 344 thousand;
the accumulation fund RUR 6,539 thousand.
- The dividends by the Company's shares following the results of 2007 are not subject to be paid out.

The receipt by the Company of the net profit at a sum of RUR 445,773 thousand was planned for 2008. Following the results of 2008 IDGC of South, JSC got a profit at a sum of RUR 486,049 thousand. This figure exceeded the planned value by 9.04 percent.

Distribution of the year 2008 profit recommended by the Board of Directors	
Indicator name	RUR, thousand
Reserve fund	24,302
Production development	461,747
Dividend	–
Total:	486,049

Thus the Board of Directors of IDGC of South, JSC recommends not to pay out dividends by the activity results of the Company for 2008.

Additionally disclosed information

In the process of the information disclosure about the Company as the issuer, the Company observes the requirements of the legislation of the Russian Federation in force and also the local normative acts.

The information inclusive messages about significant facts and affiliated persons of the Company is placed at the corporate web page www.mrsk-yuga.ru.

The legal groundwork of the Company's activity

The legal groundwork of the Company's activity is made by the following trends:

- The legal groundwork of the Company's economic activity
- The pretention and claim work,
- The organizational and methodological support of the branches' activity.

The legal groundwork of the Company's economic activity includes the legal expertise of the civil and legal contracts, orders, instructions, provisions, regulations and other local normative acts, the preparation of normative acts, the preparation of legal conclusions by the issues of the Company's activity, the development and agreement of standard forms of economic contracts, other documents etc.

In the framework of the pretension and claim work a timely and efficient protection of the Company is provided both in a pre-trial order and in the framework of judicial procedures. The efficiency of the given activity trend is provided by a clear regulation by local normative acts accepted in the Company, the actions of all the Services and Departments in cases of controversial and conflict situations with the counterparties of the Company, the public authorities and governance bodies, municipal bodies.

The organizational and methodological support of the branches' activity is aimed at achieving of uniformity in the law enforcement practice of all the Company's branches, the provision of the united methodology and principles of the legal groundwork, the establishment of an agreed legal position of the branches by judicial contests in which the Company participates. The given goals are achieved by way of a collection and an analysis reporting data of the branches, the development and bringing to the notice of branches of the Company's position by issues of the enforcement of law,

the control over the execution of the organizational and order documents, written instructions by the issues of the legal groundwork of the Company's activity.

The data about trials for the year of 2008 which could have significantly influenced the Company's activity

On 06.03.2008 a shareholder of "Kubanenergo", JSC – "Neft-Active", LLC brought an action against "Kubanenergo", JSC, to its registrar – "Central Moscow Depository", JSC and also to IDGC of South, JSC about the following:

- the acknowledgement invalid of minutes dd. 21.01.2008 of the Returning Board about the results of voting at the General Shareholders' Meeting of "Kubanenergo", JSC, made by "Central Moscow Depository", JSC;
- the acknowledgement invalid of a decision of the Extraordinary General Shareholders' Meeting of "Kubanenergo", JSC dd. 18.01.2008 about the reorganization of "Kubanenergo", JSC by way of its connection to IDGC of South, JSC in the order and at conditions stipulated by a contract about the connection, the contract approval and the deed of assignment;
- the acknowledgement invalid of the contract about the connection dd. 03.12.2007 as to the connection of "Kubanenergo", JSC to IDGC of South, JSC and the deed of assignment dd. 03.12.2007 about transmission of rights and liabilities of "Kubanenergo", JSC in favour of IDGC of South, JSC.

The claims are partially met by a decision of the Arbitration tribunal of city of Moscow dd. 11.06.2008 confirmed by courts of appellate and cassation instances, namely: the decision of the Extraordinary General Shareholders' Meeting of "Kubanenergo", JSC dd. 18.01.2008, the contract dd. 03.12.2007 about the connection of "Kubanenergo", JSC to IDGC of South, JSC and the deed of assignment dd. 03.12.2007 about the transmission of rights and liabilities of "Kubanenergo", JSC in favour of IDGC of South, JSC are acknowledgement invalid.

Nowadays a statement about reconsideration of the stated pleas is prepared in a supervisory order. The Company discharges functions of the Sole Executive Body in respect to "Kubanenergo", JSC.

*One should aim to see and know
more than their parent. Anton Chekhov*



6

Subsidiaries and dependent entities of IDGC of South, JSC

Subsidiaries and dependent entities of IDGC of South, JSC

As a result of reorganization of "Astrakhanenergo" JSC, "Volgogradenergo" JSC, "Kalmenergo" JSC, "Rostovenergo" JSC (hereinafter referred as DGCs) in the form of merger with IDGC of South, JSC, the Company by the way of universal succession became owner of 100 percent of voting shares of companies owned by merged DGCs.

As of 31 December 2008, IDGC of South, JSC, was the owner of 100 percent of voting shares of five SDEs: "Astrakhanelectrosetremont" JSC, "Volgogradsetremont" JSC, "Agricultural Enterprise n.a. A. A. Grechko" JSC, "Sokolovskoye Agricultural Enterprise" JSC, "Energetik Recreation Camp" JSC.

"Astrakhanelectrosetremont" JSC

"Astrakhanelectrosetremont" Joint-Stock Company (short name "Astrakhanelectrosetremont" JSC) was established on the ground of the Decision of the Board of Directors of "Astrakhanenergo" JSC of 3 March 2004 and registered on 16 March 2004 at address: Russia, Astrakhan, Kramatorskaya Street, 204.

Authorized capital of "Astrakhanelectrosetremont" JSC is RUR 71,308,000 (seventy one million, three hundred and eight thousand rubles) and is divided into 71,308 (seventy one thousand, three hundred and eight) ordinary registered shares with par value of RUR 1,000 (one thousand rubles) each.

Since 31 March 2008, as a result of reorganization of "Astrakhanenergo" JSC in the form of merging with IDGC of South, JSC, the only shareholder of "Astrakhanelectrosetremont" JSC (hereinafter referred as the Company) by the way of universal succession became IDGC of South, JSC.

Information on the Company is disclosed at the Internet corporate web-site of IDGC of South, JSC, at: <http://www.astrakhanenergo.ru/>.

The Company carries out relations with subsidiaries and dependent entities (SDEs) according to requirements of the RF Legislation, the Charter and the Order of Interaction between IDGC of South, JSC, and companies which shares belong to IDGC of South, JSC. The Order was approved by the Board of Director of the Company.

The decision on the Company having a stake, purchase, carve-out and encumbrance of stocks and shares in the authorized capitals of subsidiaries and dependent entities of IDGC of South, JSC, and on stopping of having a stake was not made by the Board of Directors of IDGC of South, JSC in 2008.

According to the RF applicable legislation and the Charter of "Astrakhanelectrosetremont" JSC, the General Shareholders Meeting is the supreme management body of the Company.

During the period when 100 percent of the Company's voting shares are owned by IDGC of South, JSC, decisions on issues which were the responsibility of the General Shareholders Meeting are made by the Management Board of IDGC of South, JSC.

The Management Board of IDGC of South, JSC (Minutes No. 2 of 30 June 2008) elected the Board of Directors of the Company in the following structure:

- Pavel Viktorovich Goncharov – Deputy Director for Technical Issues – Senior Engineer of "Astrakhanenergo", a branch of IDGC of South, JSC;
- Svetlana Mikhailovna Matveeva – Head of the Department for Legal Support, Relations with Authorities and Mass Media of "Astrakhanenergo", a branch of IDGC of South, JSC;

- Viktor Mikhailovich Stolyarov – Deputy Director for Logistics and Material and Technical Support at "Astrakhanenergo", a branch of IDGC of South, JSC;
 - Georgy Akhmedovich Sultanov – Deputy General Director for Technical Issues – Senior Engineer of IDGC of South, JSC; Chairman of the Board of Directors;
 - Margarita Alexandrovna Storchay – Leading Expert of the Division for Standards and Methodology under the Department of Corporate Governance and Shareholder Relations of "Holding IDGC" JSC.
- Evgeniy Vasilyevich Zheleznov has been acting General Director of the Company since 29 June 2007.

To carry out control over financial and business activities of the Company, the General Shareholders Meeting elected the Auditing Committee of the Company in the following structure: A. V. Romanenko, P. V. Evdokimov, O. M. Baranova, R. V. Kulagina.

To control and confirm reliability of annual financial reporting, "Activ-Audit" LLC, license for implementation of auditing activities No. E 000523 issued on 25 June 2002 by the RF Ministry of Finance and valid through 25 June 2012, was approved as the Auditor of the Company.

The Charter of the Company does not provide for the Management Board.

The major purpose of the Company is profit-making.

Major activities of the Company:

- Capital and routine repair of equipment, transfer devices, buildings and constructions, technical re-equipment and reconstruction;
- Electric networks maintenance.

The Company has the right to carry out other kinds of activities which are not forbidden by the law.

The Company is licensed:

- To carry out activities in electric networks operations (reception, transmission and distribution of electric power, technical maintenance and repair of electric networks) A 019111 No. 00-EE-003701(E) of 24 November 2004, issued by the Federal Service of Environment, Technology and Nuclear Oversight, valid through 24 November 2009;
- To carry out construction of buildings and structures of I and II levels of responsibility according to state standard D 797627, registration No. GS-3-34-02-27-0-3016042386-008764-1 of 9 October 2006, issued by the

Federal Agency for Construction, Housing and Public Utilities, valid through 9 October 2011.

The Company carries out repair and construction work of electric network objects mainly in the territory of Astrakhan and Astrakhan Region.

Average number of staff of the Company in 2008 was seventeen employees.

Indicators of financial and business activities of the Company

In the reporting year 2008 the Company carried out works within major activities only for "Astrakhanenergo" JSC ("Astrakhanenergo JSC, a branch of IDGC of South, JSC, since the moment of reorganization of "Astrakhanenergo" JSC).

Starting from 2006, the Company demonstrated decreasing amount of orders and increasing amount of works carried out by subcontracting method. That's why main part of cost price of products is payments for services of subcontractors.

At the same time, own expenses of the Company steadily fell during the reporting period. It was conditioned by implementation of measures on cutting costs. Within the measures, headcount reduction was carried out and all operating costs were minimized.

Financial results of activities of the Company during last three years:

- 2006 – Loss in the amount of RUR 9,941 K,
- 2007 – Loss in the amount of RUR 3,267 K,
- 2008 – Profit in the amount of RUR 64.5 K.

Improvement of financial result in 2008 was achieved by the program of cost management implemented by the Company:

- headcount reduction;
- Increase of other incomes;
- Surplus assets sale.

The most effective measure in 2008 became increase of incomes from lease of surplus area which allowed the Company to gain additional income in the amount of RUR 2,101 K (which is two times as much as in 2007).

Thus, in spite of hard situation, the management of the Company took steps on improvement of financial results and reduction of the Company's loss ratio in 2008.

Major goals of the Company are:

- Stabilization of financial state;
- Increase of profitability of all activities.

Financial coefficients

Coefficients	Standard	2006	2007	2008
Absoluteliquidity ratio	Notless than 0.2–0.5	0.05	0.001	0.035
Acid test ratio	Notless than 0.7–0.8	0.34	0.811	0.876
Currentliquidity ratio	Notless than 1.4–2	0.46	0.856	0.971
Financial independence ratio	>1	0.74	0.645	0.819
Return on sales		–21.02 %	0.31 %	14.65 %
Return on equity		–17.15 %	–6.36 %	0.13 %
Return on assets		–13.40 %	–4.39 %	0.09 %
Dynamics of accounts receivable		–6.37 %	304.74 %	–58.43 %
Dynamics of accounts payable		37.64 %	45.92 %	–59.95 %
Balance of receivables and payables		0.29	0.81	0.84

- Conclusion on represented data:
- Absoluteliquidity and Currentliquidity ratios allow to conclude that the Companylacks working assets;
 - Financial independence ratio showslimited possibilities of the Company to raise borrowed funds;
 - Return ratios demonstrate positive dynamics.

Results of activities of “Astrakhanelectrosetremont” JSC in 2008

In spite of high competitivelevel on regional market of repair services, the joint-stock company achieved its main aim in 2008 – profit-making.

Concerted effort of the personnel of the Company allowed implementation of all figures set by the Business Plan in 2008 including indicators of return and profitability. Achievement of the aim became possible by implementation of the following measures:

- List of services rendered was considerably expanded (including conclusion of contracts on reconstruction and technical re-equipment).
- Ambitious program on cost management was implemented. As a result, fixed costs of the Company decreased even in comparison with the amount set by the

Business Plan of the Company.

- General contractor agreements were concluded. This allowed increase of amount of marketable products and growth of major activities profitability.

Levels of return on sales (14.65 %) and return on equity (0.13 %) achieved in 2008 are maximum over recent years of the Company’s activities.

The main goal for the year 2009 is increase and growth of profitability of services rendered within the major activities.

Current tasks of the Company in 2009 remain:

- Search of new clients and increase of competitive ability on the regional market of repair services;
- Further improvement of the program of costs management.

“Volgogradsetremont” JSC

“Volgogradsetremont” Joint-Stock Company (short name “Volgogradsetremont” JSC) was created on the ground of the Decision of the Board of Directors of “Volgogradenergo” JSC on 6 February 2004 No. 20 and the Order of “Volgograd-energo” JSC of 16 March 2004 No. 70-P/65, registered on 1 April 2004 by Interdistrict Inspectorate No. 38 of the RF Ministry of Taxes and Levies in Volgograd Region at address: Russia, Volgograd, Granovitaya Street, 1A.

Authorized capital of “Volgogradsetremont” JSC is RUR 40,648,000 (forty million, six hundred and forty eight thousand rubles) and divided into 40,648,000 (forty million, six hundred and forty eight thousand) ordinary registered shares with par value of RUR 1 (one ruble) each.

Since 31 March 2008, as a result of reorganization of “Volgogradenergo” JSC in the form of merging with IDGC of South, JSC, the only shareholder of “Volgogradsetremont” JSC (hereinafter referred as the Company) by the way of universal succession became IDGC of South, JSC.

Information on the Company is disclosed at the Internet corporate web-site of IDGC of South, JSC, at: <http://www.volgogradenergo.ru/svd/cnt/netrepair>.

According to the RF applicablelegislation and the Charter of “Volgogradsetremont” JSC, the General Shareholders Meeting is the supreme management body of the Company.

During the period when 100 percent of the Company’s voting shares are owned by IDGC of South, JSC, decisions on issues which are the responsibility of the General Shareholders Meeting are made by the Management Board of IDGC of South, JSC.

The Management Board of IDGC of South, JSC (Minutes of 30 June 2008 No. 2) elected the Board of Directors of the

Company in the following structure:

- Georgy Akhmedovich Sultanov – Deputy General Director for Technical Issues – Senior Engineer of IDGC of South, JSC; Chairman of the Board of Directors;
- Sergey Ivanovich Smirnov – Deputy Director for Economy and Finance of “Volgogradenergo”, a branch of IDGC of South, JSC;
- Valentin Vladimirovich Pronin – Deputy Director for Legal Supply and Relations with Authorities and Mass Media of “Volgogradenergo”, a branch of IDGC of South, JSC;
- Anatoly Petrovich Vlasenko – General Director of “Volgogradsetremont” JSC;
- Konstantin Sergeevich Serebryakov – Deputy Head of the Directory for Corporate Management under the Department for Corporate Governance and Shareholder Relations of “Holding IDGC” JSC.

Anatoly Petrovich Vlasenko has been acting General Director of the Company since 30 June 2005.

To carry out control over financial and business activities of the Company, the General Shareholders Meeting elected the Auditing Committee of the Company in the following structure: I. V. Shmakov, P. V. Evdokimov, O. M. Baranova, R. V. Kulagina.

To control and confirm reliability of annual financial reporting, “Activ-Audit” LLC, license for implementation of auditing activities No. E 000523 issued on 25 June 2002 by the RF Ministry of Finance and valid through 25 June 2012, was approved as the Auditor of the Company.

The Charter of the Company does not provide for the Management Board.

The major purpose of the Company is profit-making.

Major activities of the Company:

- Electric networks operations, capital and routine repair of equipment, transfer devices, buildings and constructions, technical re-equipment and reconstruction. The Company has the right to carry out other kinds of activities which are not forbidden by the law.
- The mentioned kinds of activities are provided for by proper licenses:
- For implementation of activities on electric networks operations, registration No. 50023547 of 3 June 2004;
 - For construction of buildings and structures of I and II levels of responsibility according to state standard,

registration No. GS-3-34-02-27-0-3445067291-004535-1 of 7 June 2004.

The Company carries out repair and construction work of electric network objects in the territory of Volgograd and Volgograd Region.

Average number of staff of the Company in 2008 was 45 employees.

The main customer of the Company is “Volgogradenergo”, a branch of IDGC of South, JSC.

The Company has five sites of equipment repair: Volgograd, Mikhailovsk, Uryupinsk, Kamyshinsk, Levobereshny sites.

Indicators of financial and business activities of the Company

- Amount of implemented works decreased in 2008 by RUR 322,016 K in comparison with 2007, including:
- Capital repair – by RUR 23,904 K;
 - Capital building – by RUR 294,915 K;
 - Project works – by RUR 3,197 K.

Financial results in the period 2006–2008
RUR K

No.	Name of indicators	2006	2007	2008
1.	Revenue from sales (services) – total, including:	262,834	357,042	36,584
1.1.	Capital repair of equipment and 0.4–110 kV overhead transmission lines	140,494	24,766	862
1.2.	Capital building of 0.4–110 kV overhead transmissionlines	107,960	320,199	25,284
1.3.	Project works	6,529	3,197	–
1.4.	Other incomes	7,851	8,880	10,438
1.4.1.	General contract interest rate	545	492	–
1.4.2.	Office and transportlease	7,306	8,178	10,438
2.	Production (services) cost – total	256,940	354,530	44,952
3.	Gross profit (+)	5,894	2,512	–8,368
4.	Other profits and losses (balance)	–536	–668	–2,134
5.	Net profit (+), loss (–)	2,919	1,542	–10,530

As a result of 2008, the Company got negative financial result – loss in the amount of RUR 10,530 K which was determined by a significant reduction of number of personnel because of sharp fall of amount of works.

Financial coefficients

Return on sales of the Company – 22.87 %, return on equity (ROE) – 25.29 %, equity ratio – 0.93, accounts of receivable turnover – 1.47, accounts payable turnover – 2.38.

Results of activities of “Volgogradsetremont” JSC in 2008

“Volgogradsetremont” JSC from 2005 to 2007 demonstrated positive financial results.

The program of amount of works on capital repair and

capital building was overfulfilled, and the objects were registered ahead of schedule.

The main customer of the Company’s works and services was “Volgogradenergo” JSC (later – “Volgogradenergo”, a branch of IDGC of South, JSC).

Major production activities of “Volgogradsetremont” JSC in 2008 were carried out within the conditions of sharp fall in amount of works, maintenance personnel outflows, high level of competitiveness on the regional market of repair services.

Nevertheless, in spite of poor business conditions, the personnel carried out works on capital repair of 0.4–10 kV overhead transmissionlines, reconstruction of 0.4–10 kV overhead transmissionlines, swiftly avoidance of accidents in networks at different areas of Volgograd Region. Electricians of the Company carried on development of new technologies

of repair works – without de-energization. Several specialists work out this method at 1,000 V distributive networks in Russia. Hot-line work is future day of energy sector.

However, under the conditions of economic crisis, sharp fall of amount of contracts (works) for 2009, the main sources of working assets for the Company remain payments for

properties operations (movable and immovable)leased to structures of “FGC UES” JSC and other side organizations.

The management and personnel of the Company considers provision of financial stability of the Company, timely repair and building of overhead transmissionlines of high quality and equipping of substations as their main task.

“Agricultural enterprise named after A. A. Grechko” JSC

“Agricultural Enterprise named after A. A. Grechko” Joint-Stock Company (short name “AE n.a. A. A. Grechko” JSC) was created on the ground of the Decision of the Board of Directors of “Rostovenergo” JSC on 31 October 2003 No. 11 and registered on 17 November 2003 at address: Russia, Rostov Region, Kuybyshevo Rural Community, Teatralnaya Street, 21.

Authorized capital of “AE n.a. A. A. Grechko” JSC is RUR 77,686,000 (seventy seven million, six hundred and eighty six thousand rubles) and divided into 77,686,000 (seventy seven million, six hundred and eighty six thousand) ordinary registered shares with par value of RUR 1 (one ruble) each.

Since 31 March 2008, as a result of reorganization of “Rostovenergo” JSC in the form of merging with IDGC of South, JSC, the only shareholder of “AE n.a. A. A. Grechko” JSC (hereinafter referred as the Company) by the way of universal succession became IDGC of South, JSC.

Information on the Company is disclosed on the Internet web-site at: <http://www.ork-reestr.ru/default.asp?sID=37&dID=1994&dt=t>.

According to the RF applicablelegislation and the Charter of “AE n.a. A. A. Grechko” JSC, the General Shareholders Meeting is the supreme management body of the Company.

During the period when 100 percent of the Company’s voting shares are owned by IDGC of South, JSC, decisions on issues which are the responsibility of the General Shareholders Meeting are made by the Management Board of IDGC of South, JSC.

The Management Board of IDGC of South, JSC (Minutes of 30 June 2008 No. 2) elected the Board of Directors of “AE n.a. A. A. Grechko” JSC in the following structure:

- Olga Petrovna Abaimova – Deputy Director on Economy and Finance of “Rostovenergo”, a branch of IDGC of South, JSC, Chairperson of the Board of Directors;

- Ekaterina Georgievna Romek – Deputy Head of the Department for Legal Supply of “Rostovenergo”, a branch of IDGC of South, JSC;
- Nikolay Alexeevich Kaplunov – General Director of “AE n.a. A. A. Grechko” JSC;
- Larisa Alexandrovna Martynova – Senior Specialist of the Department for Legal Supply of “Rostovenergo”, a branch of IDGC of South, JSC;
- Elena Yurievna Ivanova – Deputy Chief of Direction for Corporate Events under the Department for Corporate Governance and Shareholder Relations of “Holding IDGC” JSC. Nikolay Alexeevich Kaplunov has been acting General Director of the Company since 1 January 2008.

To carry out control over financial and business activities of the Company, the General Shareholders Meeting elected the Auditing Committee of the Company in the following structure: I. V. Shmakov, S. A. Popov, N. V. Pechyonkin.

To control and confirm reliability of annual financial reporting, “Active-Audit” LLC,license for implementation of auditing activities No. E 000523 issued on 25 June 2002 by the RF Ministry of Finance and valid through 25 June 2012, was approved as the Auditor of the Company.

The Charter of the Company does not provide for the Management Board.

The major purpose of the Company is profit-making.

Major activities of the Company: production, processing and selling of own agricultural products (plant and cattle breeding).

The Company has the right to carry out other kinds of activities which are not forbidden by thelaw.

The Company carries farming ofleased area and production of milk. As of 31 December 2008, cattle stock was 337 animal units at main flock and 114 animal units of young ones.

Indicators of financial and business activities of the Company

Dynamics of indicators which form 2006–2008 financial results of the Company
RUR K

Indicators	2006		2007		2008	
	Planned	Actual	Planned	Actual	Planned	Actual
Sales revenue	44,851	38,607	39,835	45,747	49,000	41,182
Net cost	40,356	35,486	37,305	41,028	45,861	37,181
Sales profit	4,495	3,121	2,530	4,719	3,139	4,001
Income before income tax	1,595	631	891	1,007	1,319	718
Net profit	1,045	165	541	297	769	90

Because of fall in sales of the Company’s products – milk and crops, the Company got net profit in the amount of RUR 90 K, which is less than it was planned by RUR 679 K (–88.3 %).

Dynamics of the Company’s costs

Cost of production and selling of production	RUR K		Rate of growth, %	
	Planned	Actual	2008/2006	2008/2007
2006	42,538	36,849	139.4	99.8
2007	39,861	51,487		
2008	50,412	51,360		

Financial coefficients

Key performance indicators of the Company

Name of coefficient	2006	2007	2008
Return on equity, %	0.2	0.4	0.1
Return on assets, %	0.2	0.3	0.1



Analysis of the Company’s liquidity

Indicator	2006	2007	2008
Absoluteliquidity ratio	0.001	0.001	0.002
Acid test ratio	0.22	0.25	0.26
Currentliquidity ratio	3.08	3.72	1.99
Financial independence ratio	0.85	0.86	0.76

- Conclusions on represented data:
- Decrease of currentliquidity ratio of the Company is a result of increase of accounts payable in 2008 by RUR 9,982 K comparing with 2007;
 - Growth of acid test ratio is explained by increase of resources side by side with accounts payable;
 - At the same time, own capital of the Company is enough for implementation of short-runliabilities and

repayment of expenses which is proved by significant excess of own working assets over the amount of accounts payable.

The Company is going to reduce amount of animal production in 2009 as cattle breeding remains a planned loss-making because oflow purchasing prices. A change for crop production as advanced and profitable is planned.

“Sokolovskoe Agricultural Enterprise” JSC

“Sokolovskoe Agricultural Enterprise” Joint-Stock Company (short name “Sokolovskoe AE” JSC) was established on the ground of the Decision of the sole founder – “Rostovenergo” JSC of 31 October 2003 No. 11.

“Sokolovskoe AE” JSC was registered on 13 November 2003 by Interdistrict Inspectorate of the RF Ministry of Taxes and Levies at Rostov Region at address: Russian, Novoshakhtinsk, Sokolovo-Kundryuchensky Township Kurskaya Street, 32.

Authorized capital of “Sokolovskoe AE” JSC is RUR 161,713,447 (one hundred and sixty one million, seven hundred and thirteen thousand, four hundred and forty seven rubles) and divided into 161,713,447 (one hundred and sixty one million, seven hundred and thirteen thousand, four hundred and forty seven) ordinary registered shares with par value of RUR 1 (one ruble) each.

Information on the Company is disclosed on the Internet corporate web-site of IDGC of South, JSC at: http://www.rosten.ru/shareholder/dzo/emit_sokolovskoe.

Since 31 March 2008, as a result of reorganization of “Rostovenergo” JSC in the form of merging with IDGC of South, JSC, the only shareholder of “Sokolovskoe AE” JSC (hereinafter referred as the Company) by the way of universal succession became IDGC of South, JSC.

According to the RF applicable legislation and the Charter of “Sokolovskoe AE” JSC, the General Shareholders Meeting is the supreme management body of the Company.

During the period when 100 percent of the Company’s voting shares are owned by IDGC of South, JSC, decisions on issues which are the responsibility of the General Shareholders Meeting are made by the Management Board of IDGC of South, JSC.

The Management Board of IDGC of South, JSC (Minutes of 30 June 2008 No. 2) elected the Board of Directors of “Sokolovskoe AE” JSC in the following structure:

- O. P. Abaimova – Deputy Director on Economy and Finance of “Rostovenergo”, a branch of IDGC of South, JSC, Chairman of the Board of Directors;
- E. G. Romek – Head of the Department for Legal Supply of “Rostovenergo”, a branch of IDGC of South, JSC;
- Yu. A. Galkin – General Director of “Sokolovskoe AE” JSC;
- K. S. Serebryakov – Deputy Chief of Direction for Corporate Events under the Department for Corporate Governance and Shareholder Relations of “Holding IDGC” JSC.
- L. M. Martynova – Head of the Department for Property Management of “Rostovenergo”, a branch of IDGC of South, JSC.

Yuriy Alexandrovich Galkin has been General Director of the Company since 28 February 2007.

To carry out control over financial and business activities of the Company, the General Shareholders Meeting elected the Auditing Committee of the Company in the following structure: A.V. Romanenko, S.A. Popov, N.V. Pechyonkin.

To control and confirm reliability of annual financial reporting, “Activ-Audit” LLC, license for implementation of auditing activities No. E 000523 issued on 25 June 2002 by the RF Ministry of Finance and valid through 25 June 2012, was approved as the Auditor of the Company.

The Charter of the Company does not provide for the Management Board.

The major purpose of the Company is profit-making.

Major activities of the Company: production, processing and selling of own agricultural products. The Company has the right to carry out other kinds of activities which are not forbidden by the law.

Average number of staff of the Company as of 31 December 2008 was 128 employees.

For manufacturing of crop production, “Sokolovskoe AE” JSC uses 2,738 ha of leased field at Krasnosulinsk Region. For selling of animal production, 3,281 swine were kept at farms of the Company.

Indicators of financial and business activities of the Company

All planned indicators of production and selling of agricultural production were overfulfilled by the Company in 2008:

- Crops production by 42 %;
- Sunflower production by 36.4 %;
- Pork production by 17 %;
- Crops selling by 85.6 %;
- Pork at live weight basis selling by 20 %;
- Sunflower selling by 47.9 %.

Income plan was fulfilled by 152.4 %. Received income was RUR 48,680 K compared with planned income in the amount of RUR 31,938 K. Weather conditions in 2008 allowed good corn and sunflower crop. However, prices of this production sharply fell.

Amount of other losses was RUR 23,054 K which increased the planned level by RUR 18,104 K (by 366 %) because of depreciation of sold fixed assets.

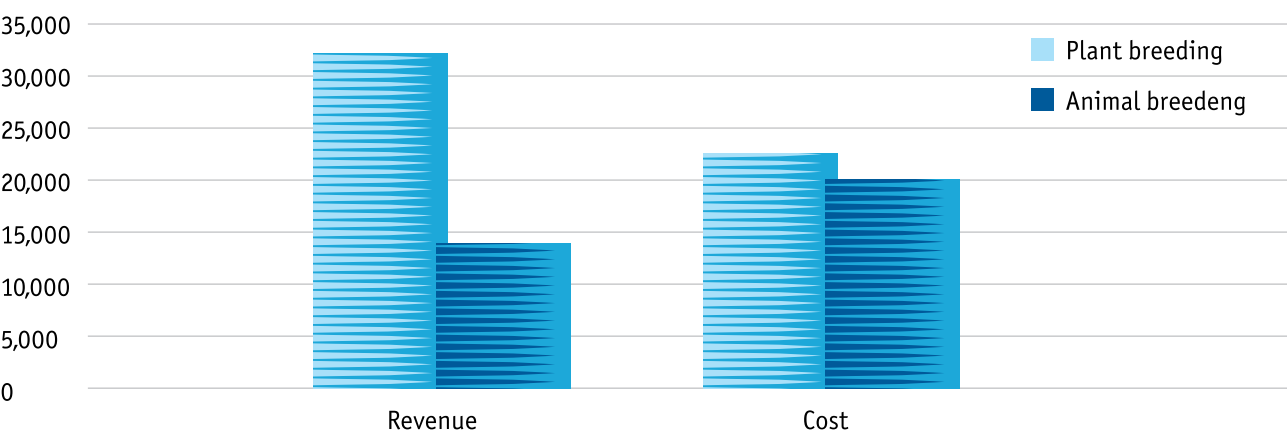
Other incomes were RUR 22,979 K with comparison with planned incomes in the amount of RUR 2,618 K.

Amount of production reserve is RUR 57,641 K which demonstrates an increase by RUR 2,913 K compared with 2007. It is connected with purchase at the end of the year 2008 of seeds, fuel oil, and manorial necessary for spring farm works.

Dynamics of indicators which form the Company’s financial results in 2008
RUR K

Indicator	Planned	Actual	%
Sales revenue	31,938	48,680	152.4
Sales cost	28,320	47,650	168.3
Gross profit	3,618	1,030	28.5
Net profit	156	157	101
Production profitability	11.8	8.5	72

Balance of sales revenue and cost by types of activities
RUR K



Explanation on represented data:

- Sales cost was RUR 44,856 K or 158.3 % compared with the planned amount of RUR 28,320 K. It occurred because of overfulfillment of the sales plan and growth of inflation of material assets used in production. Selling of unprofitable production (pork at live weight basis, sunflower);
- The plan on net profit was 101% realized: received

amount is RUR 157 K with the planned one of RUR 156 K. Modest percent of growth of the indicator is explained by negative influence of crop market price reduction in spite of growth of the amount of gained revenue;

- General profitability of production in 8.5 % compared with the planned one of 12.7 %. It was influenced by high prices of feed and increase of inflation of material assets.



The Company involved large credit resources in the amount of RUR 4,000 K which were used to purchase:

- Fertilizer – RUR 856 K;
- Feed and feed additives – RUR 954 K;
- Seeds – RUR 1,164 K;
- Repair parts – RUR 118 K.

All credits were repaid on time. Interests on credits were repaid.

Reduction of number of employees in 2008 was carried out through regulation of loading standards, service sectors, and closing of deficit productions.

The Company carries out active diversification of products, own products sales markets, and increase of the production's quality.

“Energetik Recreation Camp” JSC

“Energetik Recreation Camp” Joint-Stock Company (short name “Energetik Recreation Camp” JSC) was created on the ground of the Decision of the Board of Directors of “Rostovenergo” JSC on 31 October 2003 No. 11 registered at address: Russia, Krasnodar Territory, Tuapse Region, Shepsy Rural community, Shkolnaya Street, 3.

Authorized capital of “Energetik Recreation Camp” JSC is RUR 111,279,355 (one hundred and eleven million, two hundred and seventy nine thousand, three hundred and fifty five rubles) and divided into 111,279,355 (one hundred and eleven million, two hundred and seventy nine thousand, three hundred and fifty five) ordinary registered shares with par value of RUR 1 (one ruble) each.

Information on the Company is disclosed on the Internet corporate web-site of IDGC of South, JSC, at: http://www.rosten.ru/shareholder/dzo/emit_baza.

Since 31 March 2008, as a result of reorganization of “Rostovenergo” JSC in the form of merging with IDGC of South, JSC, the only shareholder of “Energetik Recreation Camp” JSC (hereinafter referred as the Company) by the way of universal succession became IDGC of South, JSC.

According to the RF active legislation and the Charter of “Energetik Recreation Camp” JSC, the General Shareholders Meeting is the supreme management body of the Company.

During the period when 100 percent of the Company's voting shares are owned by IDGC of South, JSC, decisions on issues which are the responsibility of the General Shareholders Meeting are made by the Management Board of IDGC of South, JSC.

The Management Board of IDGC of South, JSC (Minutes No. 2 of 30 June 2008) elected the Board of Directors of “Energetik Recreation Camp” JSC in the following structure:

- E. Yu. Alexandrov – Deputy Director of Capital Building of “Rostovenergo”, a branch of IDGC of South, JSC;
- V. I. Laparev – Senior Specialist of the Division for Assets Management of “Rostovenergo”, a branch of IDGC of South, JSC;
- V. P. Kirpa – General Director of “Energetik Recreation Camp” JSC;
- K. E. Deryagin – Deputy Head of the Department for Legal Support of IDGC of South, JSC;

- E. Yu. Ivanova – Deputy Head of the Directory for Corporate Governance under the Department for Corporate Governance and Shareholder Relations of “Holding IDGC” JSC.
- Vasily Petrovich Kirpa has been acting General Director of “Energetik Recreation Camp” JSC since 6 March 2007.
- To carry out control over financial and business activities of the Company, the General Shareholders Meeting elected the Auditing Committee of the Company in the following structure: I. V. Shmakov, S. A. Popov, N. V. Pechyonkin.
- To control and confirm reliability of annual financial reporting, “Activ-Audit” LLC, license for implementation of auditing activities No. E 000523 issued on 25 June 2002 by the RF Ministry of Finance and valid through 25 June 2012, was approved as the Auditor of the Company.
- The Charter of the Company does not provide for the Management Board.
- The major purpose of the Company is profit-making.
- Major activities of the Company: the activities of health resort institution on treatment and health improvement (rest) of grown-ups, parents with children (at least five-year old and upward) and organized school groups, rendering of daily services, sightseeing and tourist services, entertainment services.
- The Company has the right to carry out other kinds of activities which are not forbidden by the law.

The Company renders its services to enterprises of the Russian Federation, tour operators, agencies, and individual persons arrived separately.

Indicators of financial and business activities of the Company

The Board of Directors made decisions on several real property objects in March 2008: on slum clearance, capital reconstruction of dormitory block No. 1 of one hundred and seventy bedrooms and building of cafe for sixty seats. In connection with it, the Company did not render services in organization of recreation in 2008.

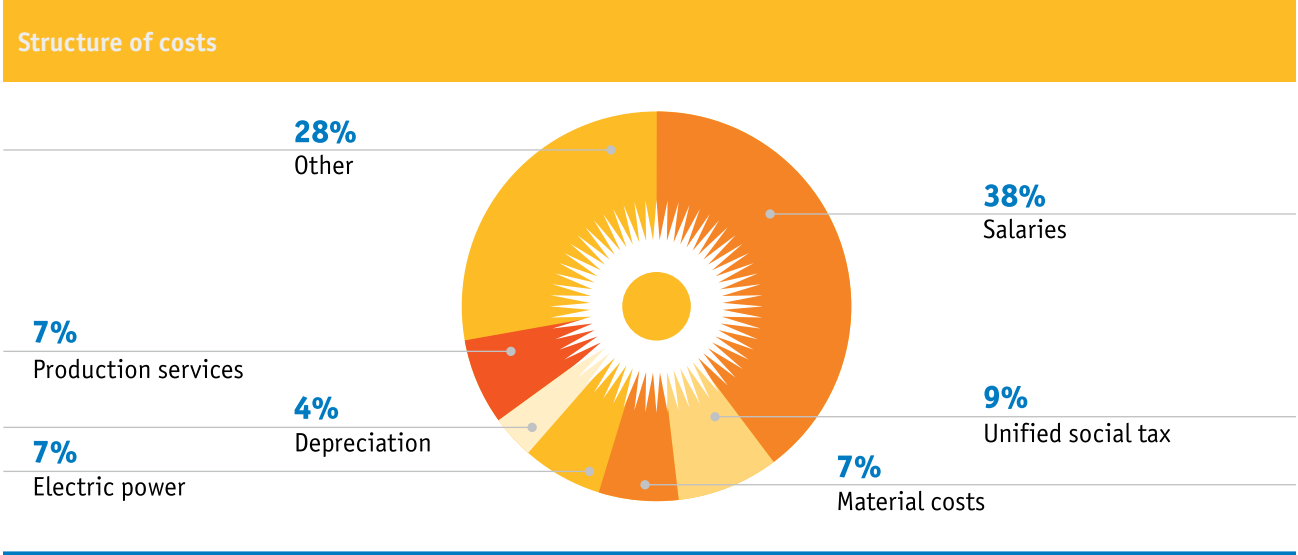
Putting into operation of the dormitory block No. 1 is planned for April 2009, putting into operation of the cafe is planned for May 2009. Implemented works will allow the Company to improve the quality of rendering services significantly.

Rundown of personnel took place on 1 June 2008 in the amount of 16. The number of employees was 26 as of 31 December 2008.

The incomes of the Company in 2008 were RUR 2,084 K.

Amount of other incomes from profits (incomes from real property selling and selling of low-value assets) was RUR 93,246 K.

Cost was RUR 12,336 K.



- Other expenses from profits were RUR 90,947 K including:
- Depreciation value of sold and liquidated fixed assets,
 - Expenses for examination and estimation of buildings and constructions,
 - Repair of dormitory followed by municipalization,
 - Other minimally necessary expenses.
- Financial result of the Company in 2008 is loss in the amount of RUR 6,825 K.

*By protecting the value,
we preserve everything.
Mikhail Kutuzov*



7

Social report

Social report

Personnel poliicy

Main principles and purposes of IDGC of South, JSC, per- sonnel policy

The personnel management system of IDGC of South, JSC, is determined by strategic targets and tasks of the company development and is formed proceeding from principles of preservation, strengthening and development of the personnel potential, creation of the qualified high-efficient team.

The main objective of the personnel policy is attraction of professional personnel to the Company, maximum using of the potential of managers, experts and workers through various mechanisms of material and non-material stimulation.

The basic directions of the Company personnel policy include:

- personnel planning and determination of a need for the personnel, taking into account implementation of new technologies;
- attraction, selection, hiring, estimation and arrangement of personnel;
- development of the motivation and payment management system based on the results of individual performance and the Company performance;
- system of preparation, retraining and improvement of personnel's professional skills aimed to maintain a skill level of the personnel for the Company competitiveness maintenance;
- working out of personnel development programs in order to solve not only the current, but also the future tasks on the basis of training system improvement, employees promotion and reserve preparation for promotion to the supervising positions;

- system of targeted granting of social privileges and guarantees to the Company employees;
- the Company corporate culture formation providing the collective approach to current tasks on both the Company scale and its structural divisions scale.

The personnel policy system in IDGC of South, JSC, is formed taking into account the balance of interests of the Company proprietor represented by the employer and employees' interests. The system assumes the Company economic targets accounting, requirements and interests of employees, is focused on the balance maintenance between the Company economically proved efficiency and social responsibility.

The information on IDGC of South, JSC, personnel number

Average personnel number of IDGC of South, JSC, for 2008 equals 13,022 people.

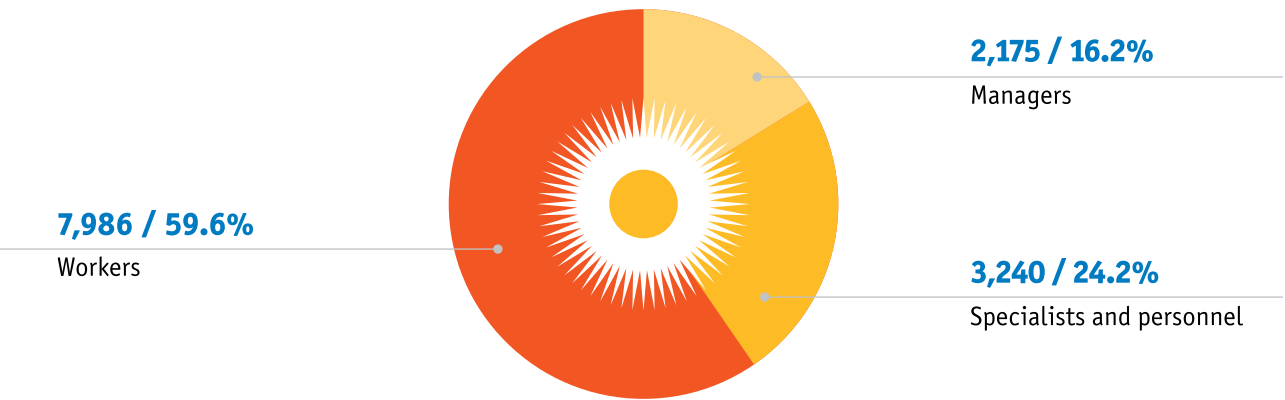
In 2008, the Company personnel number increased by 6 % in comparison with the data of 2007.

The growth trend is caused by a change of organizational structure, the number bringing to the standard, vacant workplaces filling, according to the confirmed lists of branches staff and the executive body of IDGC of South, JSC.

The Company personnel structure

Personnel Management and Organizational Designing Department of IDGC of South, JSC, carried out internal audit of personnel and personnel processes for the year 2008 within the limits of which qualitative and quantitative structure of the workers, specialists, personnel and managers of the Company was analyzed.

IDGC of South, JSC personnel number structure as of 31.12.2008
people and %

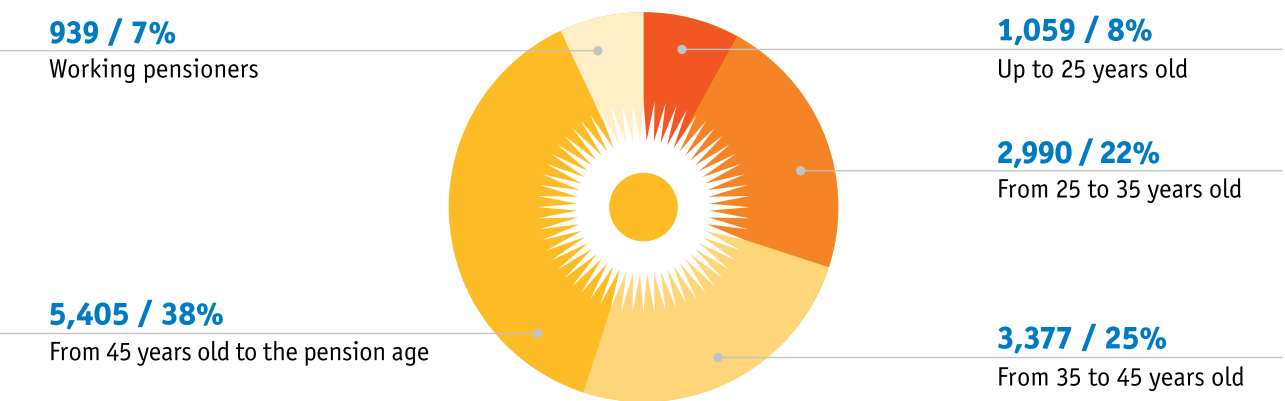


IDGC of South, JSC, employees age structure

The analysis of the personnel age structure showed that the basis of labor (personnel) potential of IDGC of South, JSC, in 2008 consisted of employees in the age from 25 to 45 years old – 47 % of total number. The next group is

employees from 45 years old to the pension age – 38 %. Number of young employees up to 25 years is approximately equal to the number of working pensioners (8 % and 7 % accordingly).

IDGC of South, JSC workers age structure
people and %

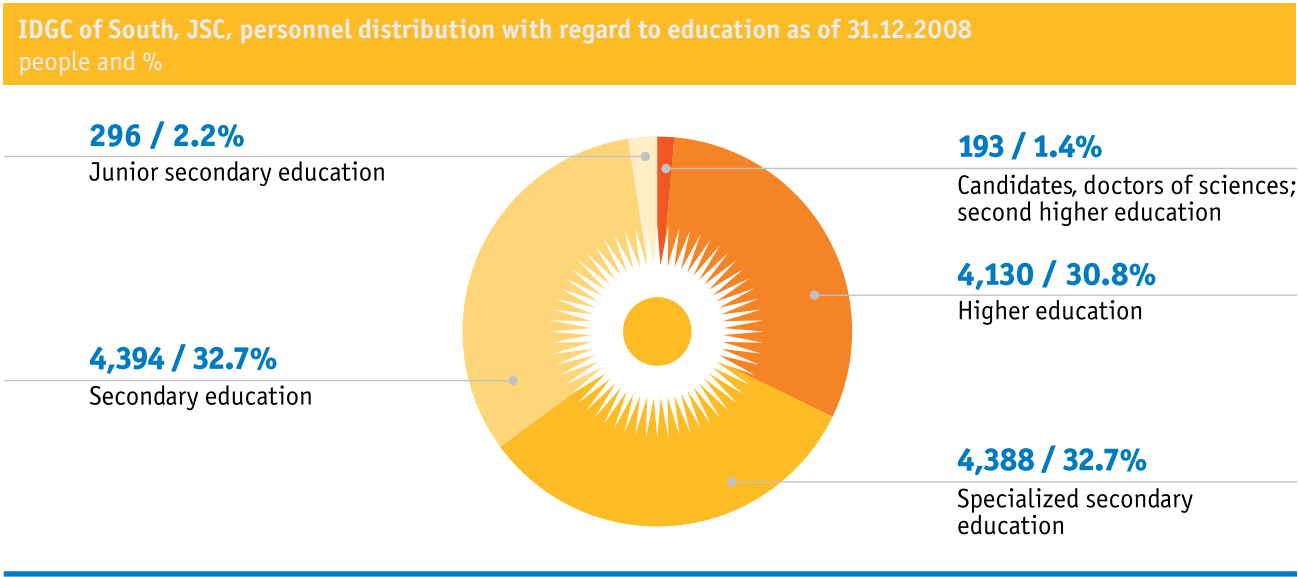




IDGC of South, JSC employees qualification structure

As of December 31, 2008 – 65 % of IDGC of South, JSC, personnel have higher professional education and secondary vocational education. The relation of employees with

higher education to employees with secondary vocational education is equal to 32.3 % and 32.7 % accordingly. It is possible to consider such indicators more than satisfactory: these data characterize educational level of key personnel and experts.



The employees having secondary (general) education and junior secondary education equal 35 % of the total number of IDGC of South, JSC, personnel; they are basically workers who passed the respective special professional preparation and received admission to independent jobs.

The structure of the Company personnel as a whole is optimum. The quantitative and qualitative personnel structure corresponds to a specificity of DGC operational activity and allows to solve not only the current tasks urgent for the Company, but also strategic problems of the Company development.

Personnel development and training

The system of IDGC of South, JSC, personnel development includes the following activities:

- determination of need for retraining and improvement of professional skills;
- training process organizing;
- training efficiency assessment;
- personnel reserve formation;
- working out of individual development programs for the personnel reserve.

The purpose of IDGC of South, JSC, personnel training is maintenance of a necessary skill level of the Company personnel taking into account requirements of existing manufacture and prospects of its development, and according to requirements of Professional Training, Retraining, and Skills Improvement Organization Standard (SO-UES-PP-1-2005).

All employee categories training is carried out. In 2008, 5,129 employees of the Company took professional training, retraining and skills improvement, among them:

- managers – 1,310 people;
- specialists, personnel – 1,204 people;
- workers – 2,615 people.

The share of workers who took part in various educational programs equals 39.5 % of the total number of the Company personnel.

The main form of the personnel training is professional training on the basis of their own educational centers: NEI “Energetik” educational centre, NEI “Astrakhan Educational Center”, and on the basis of the educational centre NNEI “Kubanenergo Educational Centre” belonging to JSC “Kubanenergo”.

In 2008 the Company began working on realization of the future-oriented programs aimed to working out of optimization of processes and standards introduction in the Company branches. The corporate seminars are held on the theme: “Integrated management system of IDGC of

South, JSC, working out, introduction, certification” within the limits of management integrated system introduction.

According to “Program of the centralized client servicing development in IDGC of South, JSC, zone of responsibility up to 2011” a training course “Organization, principles and mechanisms of service centers operation” for SC employees preparation was developed and adapted.

Within the limits of the operational company, the work on the certificate of IDGC of South, JSC, key posts and professions is continued to be worked out, which is planned to be completed in 2010.

One of the strategic tasks in the sphere of the Company personnel policy is young experts’ attraction for work in IDGC of South, JSC; in this connection the programs of interaction with higher and specialized secondary educational establishments are executed, which carry out training in power specialties. Therefore, the Company finances training of students in the Volgograd Power College who have concluded the training contract of with the further employment within three years after graduation in “Volgogradenergo” branch of IDGC of South, JSC. This experience is planned to be implemented also in other branches of the Company.

Open houses were held in IDGC of South, JSC, branches in 2008 for students of specialized higher education establishment, students of elementary vocational training and technical training colleges, students of the senior forms. The purpose of such kind of actions carrying out is educational institutions graduates’ occupational guidance, attraction of young people’s attention to the professions in demand in IDGC of South, JSC.

Personnel reserve formation is one of priority lines of works with the personnel. Annually lists of an internal reserve for positions of top and middle management are approved in branches. The special attention is paid to improvement of professional skills of the personnel reserve; individual training plans are drawn up for them.

Training of personnel reserve in supervising posts in 2008 was held at the largest Russian universities for professional training for power industry (St. Petersburg Power Institute of Professional Skills Improvement, Center of Power Industry Professional Training, Corporate Electric Power University, Institute of Improvement of Public Service Professional Skills). With a view of improvement of preparation of technical services’ heads and chief engineers, the program of professional skills improvement of the technical personnel in electric power industry “School of Chief Engineer” was developed. Realization of this program will start in 2009; 43 employees included in the personnel reserve will take the training.

Ways of solution of issues of the Company employees' health care provision and workplace safety increase

Work in the sphere of labor protection in IDGC of South, JSC, in 2008 was based on requirements of operating federal and regional legislation of the Russian Federation, and sector administrative documents. Thus, the basic document regulating work in the sphere of labor protection was "Program of measures for traumatism prevention for 2008" approved by IDGC of South, JSC, Board of Directors and co-ordinated with IDGC Management Center of "JSC "UES FGC".

Within the limits of the specified Program, *IDGC of South, JSC, in 2008 realized a number of the main measures for employees' labor protection and health:*

- carrying out of all provided forms of work with corresponding personnel categories (instructing in labor safety and fire safety, preparation of all new comers and employees transferred to a new post, training, pre-examination preparation, examination in norms and rules, duplication, admission to independent work, control anti-damage and fire-prevention trainings, special preparation, skills upgrading and others);
- personnel maintenance with protective means, tools;
- carrying out of obligatory preliminary medical inspections of new personnel, and periodic medical inspections of workers in the course of labor activity;
- carrying out of workplaces certification on working conditions and subsequent certification of works on labor protection;
- establishment of various privileges and compensations (additional holidays, milk and treatment-and-prevention food, additional payments, reduced business

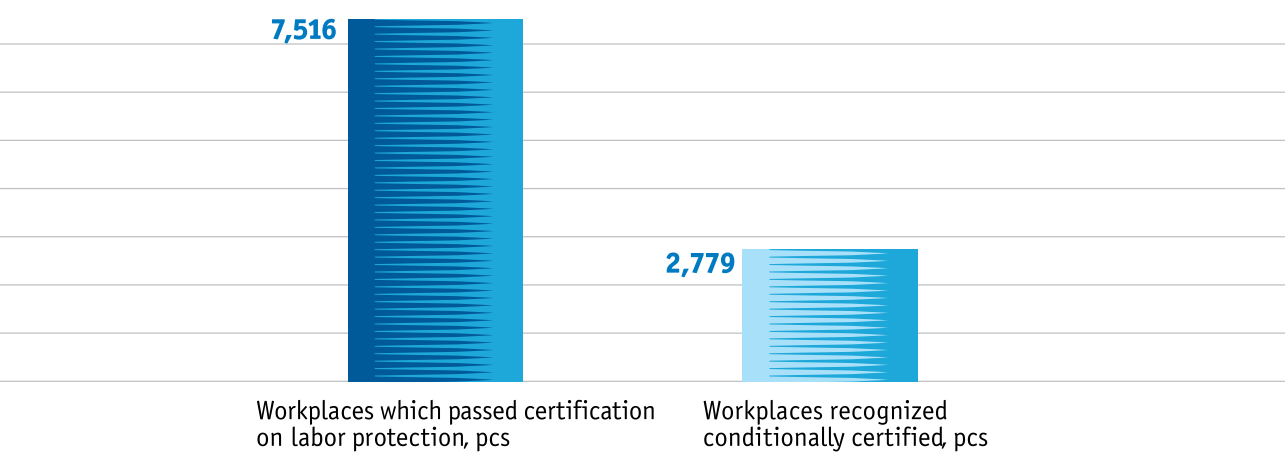
- day or week) to the workers occupied in conditionally certified workplaces, following the results of the out certification performed;
- carrying out of workers' psycho-physiological inspections.

According to the decision of The Ministry of Labor and Social Development of the Russian Federation "On Carrying out of Workplaces Certification on Working Conditions" as of 14.03.1997 No. 12, branches of IDGC of South, JSC, from 2003 to 2008 held workplaces certification for working conditions.

In a number of branches in 2008 the second stage of workplaces certification had place. Out of 7,813 workplaces, 7,516 workplaces were certified. Out of this number, 2,779 workplaces were recognized conditionally certified. Results of workplaces certification in IDGC of South, JSC, are shown in figure 7.1. 3,509 people are occupied at conditionally certified workplaces. The financing volume for carrying out of workplaces certification on working conditions and certification of works on labor safety in branches of IDGC of South, JSC, equals 3,494 thousand rubles. IDGC of South, JSC, also accepted for execution the Order of Carrying out of Workplaces Certification on Working Conditions approved by the Russian Federation Ministry of Public Health and Social Development as of 31.08.2007 No. 569.

Following the results of workplaces certification, for reduction of working conditions in conformity with safety requirements, IDGC of South, JSC, branches developed "Plans of Measures on Improvement of Working Conditions" containing in total 658 measures; 559 of them at the end of the financial year were executed, including 156 measures with execution period in 2008. On the rests 99 measures, the execution period has not expired yet.

Workplaces certification results in IDGC of South, JSC

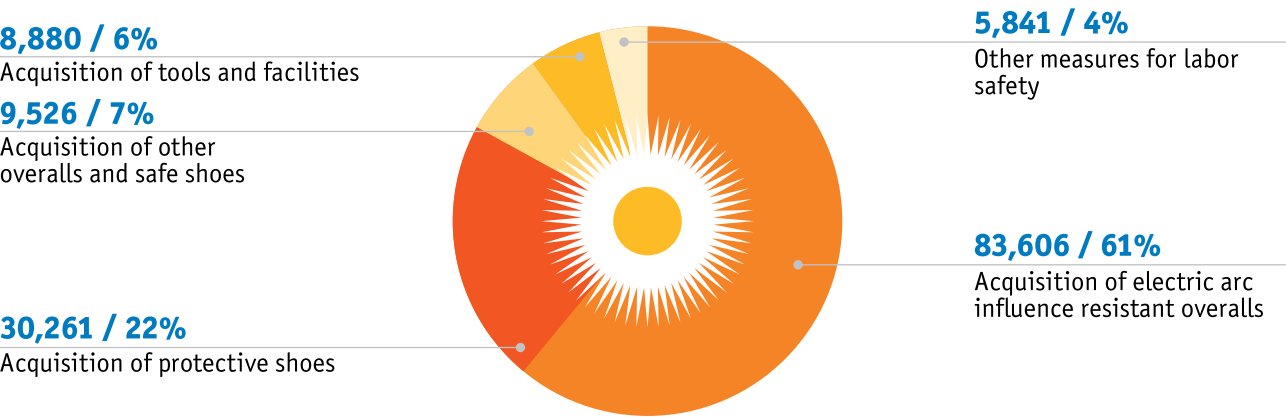


IDGC of South, JSC personnel is provided with safety equipment, tools and facilities. The total amount of expenses for protective measures in 2008 equals 138,114 thousand rubles, including:

- 83,606 thousand rubles were spent on acquisition of electric arc influence resistant overalls;
- 30,261 thousand rubles were spent on acquisition of protective shoes;

- 9,526 thousand rubles were spent on acquisition of other overalls and safe shoes;
- 8,880 thousand rubles were spent on acquisition of tools and facilities;
- 5,841 thousand rubles were spent on other measures for labor safety.

IDGC of South, JSC, expenses on labor safety measures in 2008
RUR K and %



Approval and coordination of «Programs of Measures on Traumatism Prevention in 2008» on the level of IDGC Management Center of JSC "UES FGC" and giving to it a special status in this connection, has allowed additional financing and for the first time provided the corresponding personnel of branch of IDGC of South, JSC – "Kalmenergo" branch with complete sets of the electric arc influence resistant overalls, and provide personnel of 6–10 kV municipal networks accepted in 2008 on the balance of "Astrakhanenergo" branch of IDGC of South, JSC, with necessary protective equipment and overalls.

In 2008, IDGC of South, JSC, got essentially new protective means and facilities (portable grounding and the voltage indicators allowing to make operations without lifting to current-carrying parts, glass-plastic ladders and so on) which owing to design features and operation principle allow to lower level of danger. These devices were acquired for a total of 8,172 thousand.

Within 2008, employees of IDGC of South, JSC, were trained

according to schedules. In particular, to execute article 212 of the Russian Federation Labor Code, during the period from December 8 till December 19, 2008, 18 employees of branches of IDGC of South, JSC, were trained in Educational Centre "Kubanenergo" in "Instructor in first-aid treatment of the victim after accidents" for the subsequent qualified training of emergency resuscitation for all personnel of the Company branches.

IDGC of South, JSC, as of 28.12.2007 No. 107 the long-term Target Program of Fire Safety Level Increase was approved for 2008–2010. In branches of IDGC of South, JSC, on the basis of the above-stated order, own target programs of level increase of the fire safety have been developed and are executed under supervision by the Company, containing in total 394 measures for the similar prospect. All measures planned for 2008 were executed. IDGC of South, JSC, expenses on measures for fire safety provision in 2008 equal 19,670 thousand rubles.

Social policy

IDGC of South, JSC social policy is a component of the Company personnel policy.

Demanding the greatest feedback and efficiency increase of each employer, the Company admits necessity of giving additional, over those established by the legislation, social privileges and the guarantees to employees which are financed from the Company profit.

IDGC of South, JSC, social policy was carried out on the basis of the Sector Tariff Agreement (STA) in electric power industry of the Russian Federation as of 2007–2008, collective agreements, internal standards and strategy of JSC "IDGC Holding" regulations and rules, other local statutory acts.

With a view of an increase of personnel social security, the Company provides the employees with qualitative health services, the industrial activity of which is connected with risk for life, or with a probability of occupational diseases and carries out round-the-clock insurance of 100 % of their employees upon accidents. In 2008,

13,320 people were insured under voluntary medical insurance program; 13,151 people were insured against accidents in IDGC of South, JSC.

Improvement of the system of moral and material stimulation of the personnel was and remains the major activity line of IDGC of South, JSC. Within the limits of employment benefits provided to the Company employees, there is a material aid in case of emergency, material aid in connection with a birth of the child, marriage registration, burial of close relatives, material aid in case of an employee's death, at retiring, compensation for support of children in preschool institutions, partial compensation of expenses for electric energy to workers and pensioners and other payments provided by the sector collective agreements.

With a view of improvement of employees' social security and development of non-material stimulation, IDGC of South, JSC, finances and develops programs of non-state pension coverage.



Realization of non-state pension coverage of the Company employees is carried out by means of Non-state Pension Electric Energy Pension Fund.

Non-state pension coverage urged to provide a worthy standard of well-being of workers at a pension age, to create conditions for the effective decision of the personnel questions connected with attraction and motivation of the personnel.

In 2008, 6,812 people, or 35 % of the average number of the Company employees took part in programs of non-state pension coverage; 5,192 people (27 %) of them participated in the parity plan; 1,620 people (8 %) participated in the corporate plan.

For development and maintenance of a healthy lifestyle, IDGC of South, JSC, carries out health and fitness work and develops mass kinds of sports among employees, providing access to sports infrastructure, organizing trainings and competitions.

In June, 2008 in Krasnodar territory there were competi-

tions of a Cup of General Director with total quantity of 45 participants.

In September 2008, The I Sports Games of IDGC of South, JSC, of Power Specialists started. In the given competitions held on the basis of the State Educational Institution of Additional Education of Children of Federal Children's Improvingly-Educational Centre "Smena", more than 140 sportsmen from IDGC of South, JSC, took part.

IDGC of South, JSC, place importance on improvement and rest of employees and their children. In 2008, under preferential permits, 750 people had a rest, including children of employees.

Taking into consideration a problem with the Company employees' provision with habitation, collective agreements of branches provide corporate assistance and corporate support in living conditions improvement on the basis of Regulation for Corporate Assistance and Support of Branches' Employees in Living Conditions Improvement approved by the Company Board of Directors.

Environmental policy

IDGC of South, JSC, carries out work on implementation of ecological measures to protect air and water resources, rational use of land, and reduction of negative influence on environment from the industrial activity.

As a result of industrial activity of IDGC of South, JSC, a waste of hazard classes 1–5 are formed; emissions of pollutants into the atmospheric air are carried out, deterioration of land. Besides technical measures, the main lever of regulation of the scale of the given negative influences is an economic lever which consists of establishment of limits of this negative influence, the exceeding of which entails a considerable increase in payments. Land deterioration is compensated by their subsequent soil reclamation. Influence limits are defined by projects of waste generation specifications and limits on their placing, projects of specifications of maximum permissible emissions which are developed for each industrial platform.

Non-exceeding of the established specifications is provided due to:

- improvement of operational activity and technology of repair manufacture;
- performing of control over carbonic oxide content in exhaust gases of motor transport and carrying out of timely repair of motor transport, use of the certificated fuel;
- carrying out of inventory of sources of polluting substances emissions in atmospheric air and waste formations;
- waste recycling of hazard classes 1–5.

Measures for water pool protection in IDGC of South, JSC, are not provided because a discharge of sewage to the superficial reservoirs is not carried out by the Company divisions and objects.

In 2008, IDGC of South, JSC, implemented a number of the measures aimed to on reduce physical negative influence on the environment:

- Restoration of oil receiving devices at substations for prevention of environmental pollution at hydrocarbon oil flood.
- Equipping of concrete platforms for time storage of oil-filled equipment and accumulation of production wastes.
- Timely export of production wastes and consumption from industrial platforms.
- Installation of devices impeding approaching of birds in order to protect rare birds against electric current.
- Maintenance of water-supply wells in proper condition, equipping of zones of sanitary protection of water fence, carrying out of sanitary-chemical and microbiological analysis.
- Reclamation of lands.
- Maintenance service, repair and replacement of vehicles.

- Decrease in electric power losses.
The Company Board of Directors (Minutes No. 4/2007) approved on December 7, 2007 the Program of IDGC of South, JSC, Environmental Policy carrying out for 2008–2010. This Program was put into force by IDGC of South, JSC, Order as of 28.12.2007 No. 108.

Within the period of performing by IDGC of South, JSC, of the authority of the sole executive body of JSC "Rostov-energo", JSC "Volgogradenergo", JSC "Astrakhanenergo", JSC "Kalmenergo", the Boards of Directors of specified DGCs also approved environmental policy programs.

Expenses for carrying out of programs of IDGC of South, JSC, branches environmental policy realization in 2008 equal:

- on measures for atmospheric air protection – 1,664.87 thousand rubles
- on measures for protection and rational use of water resources – 1,870.52 thousand rubles
- on measures for protection and rational use of land – 3,927.74 thousand rubles
- on operational arrangements – 253,529.46 thousand rubles

In 2008, the amount of payments of IDGC of South, JSC, for negative influence on the environment considerably increased. Their increase is caused by absence in IDGC of South, JSC, of licenses for the right to handle dangerous waste.

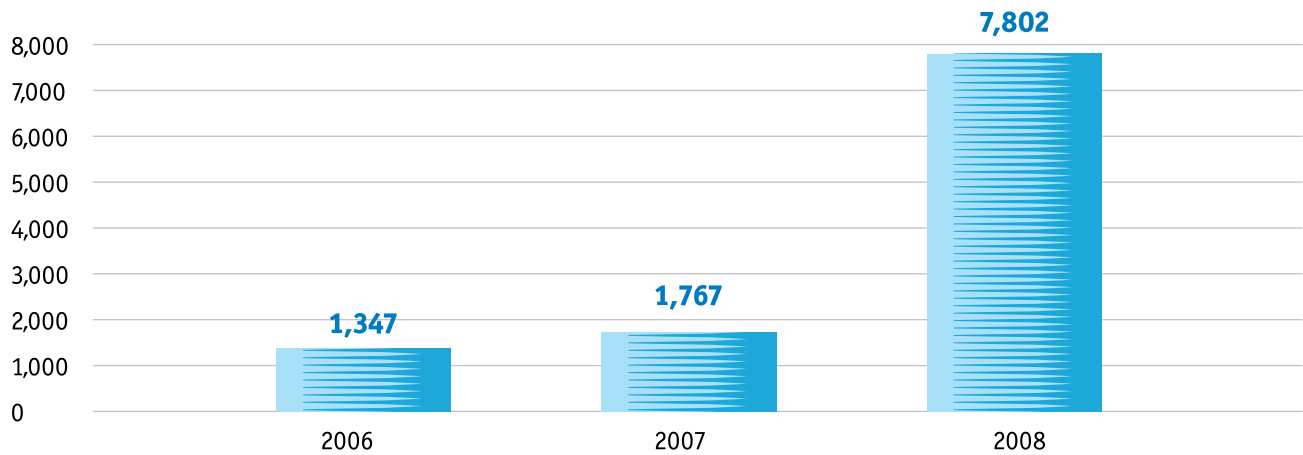
According to order of the Federal Service of Rostekhnadzor (Russian Federal Commission for Atomic, Technical and Ecological Supervision) as of 20 September 2007 No. 643, the limits for disposal of dangerous waste are established for the term of the effect of the license. Absence in the Company of the specified license is the basis for charging, according to the Governmental Order of the Russian Federation as of 28 August 1992 No. 632 "On approval of the order of definition of payment for environmental contamination" of superlimit (fivefold) payments for disposal of waste.

According to the Federal Law "On licensing of separate kinds of activities" as of 8 August 2001 No. 128-FL, IDGC of South, JSC, is obliged to have the license for realization of activities of dangerous waste disposal. Expenses for reception of the license are included in the annual comprehensive purchases program 2009 with the planned cost of 9 million rubles. The works will be executed in 2009. The projected term of the license obtaining is December 2009.

Alongside with absence at the Company of the license for the right to dangerous waste disposal, one of principal causes of increase in the amount of payments for negative influence on the environment is an increase in payments for disposal of the waste regulated by the regional legislation.

Figure 7.3. shows the dynamics of expenses for realization of payment for negative influence on the environment for 2006–2008.

Dynamics of expenses for payment for negative influence on environment for 2006–2008
RUR K



In 2008 IDGC of South, JSC, executed the following most significant measures in the environment preservation:

- Training of employees in waste handling was held. Expenses were 725.9 thousand rubles. Realization of the action allowed to raise the competence of the personnel in the field of dangerous waste handling.
- Reclamation of land was held. Expenses were 1,400 thousand rubles. Realization of the action has allowed to lower considerably the damage which was caused to the soil layer.
- Maintenance in proper condition of water-supply wells, equipment of zones of sanitary protection of water supply points, carrying out of sanitary chemical and microbiological analysis. Expenses were 1,770 thousand rubles. Realization of the action prevented a possible damage to land.
- Concrete platforms were equipped for storing oil-filled equipment and accumulation of production wastes for the amount of 359 thousand rubles. Realization of action prevented pollution of the land due to oil-filled equipment, lowered cluttering up of territories.
- Repair of oil-filled devices at substations for the amount of 2,268.7 thousand rubles. Realization of the action prevented pollution of the land in case of oil splitting. In conformity with article 15 of the Federal Law "On production wastes and consumption" as of 24 June 1998 No. 89-FL, and also on the basis of the order of Federal Service of Rostekhnadzor "On preparation and certification of

heads and experts of organizations in the field of ecological safety" as of 20 November 2007 No. 793 in IDGC of South, JSC, in 2008 training heads and experts in the field of ecological safety was held. The quantity of the trained employees in the field of the dangerous waste handling and carrying out of ecological audit within the limits of introduction in the Company of the system of ecological management was the following:

- The employees, who were trained in dangerous waste handling – 103 people;
- The employees who were trained in the field of ecological audit – 47 people.

The Company primary goals in the field of ecological safety for 2009 are the following:

- Reception of the Company license for the right to handle dangerous waste and use bowels (at exploitation of water-supply wells);
- Development and coordination with supervising bodies of the nature protection normative and permissive documentation;
- Repair of oil-filled devices at substations;
- Training and certification of personnel in the field of ecological safety;
- Introduction of the system of ecological management on the basis of international standard ISO 14000;
- Bringing of water-supply wells of Rostovenergo – a branch of IDGC of South, JSC, in conformity with requirements of the nature protection legislation.

8

**Development
strategy**

*No good reality is possible without ideals
and without definite desires for the better.
Fyodor Dostoevsky*

Development strategy

Future oriented process organisation

Information about the implementation of the agreement with the region Administration to ensure the future connection of the consumers (concerning the objects included into the agreement where the source is the payment for technological connection).

“Astrakhanenergo” branch of IDGC of South, JSC prepared a draft Agreement “On interaction of the Astrakhan Region Administration and RAO “UES of Russia” JSC aimed at the development of electric power system of the Astrakhan region and reliable power supply of its consumers provision”. The draft of the Astrakhan region agreement went through the process of coordination in the Astrakhan Region Government, “FGC UES” JSC.

Because of RAO “UES of Russia” JSC activity cessation (on July 1, 2008) the procedure of coordination and signing of the Agreement is suspended.

At present, in accordance with the minutes of the meeting headed by V. U. Sinyugin, Deputy Minister of Energy of the Russian Federation as of July 30, 2008 No. 9, “FGC UES” JSC as the legal successor of RAO “UES of Russia” JSC was determined as the major coordinator of the parties during the conclusion (correction) and analysis of the present Agreements implementation. “SO UES” JSC was also determined as the party to the Agreements carrying out the coordination of the Agreements activities correspondence to the conditions of reliability ensuring of UES future work regimes.

As a pilot project aimed at the development of the conclusion (correction) mechanism of the Agreements were determined the agreements between RAO «UES of Russia» JSC and the Government of the Tyumen region, Government of Khanty-Mansi autonomous area – Yugra and Yamalo-Nenets autonomous district Administration.

By the decision of the mentioned meeting, “FGC UES” JSC was charged to present to the Ministry of Energy of the Russian Federation the edited variant of the Agreement

text as well as the proposal concerning the new procedure of conclusion (correction) of the Agreements and to inform of the results of the pilot project realization prior to September 1, 2008. The work aimed at coordination and signing of the Agreement shall be continued after the results summing up of “FGC UES” JSC pilot project implementation.

Within the framework of “Astrakhanenergo” electric grid complex municipal unitary enterprise (MUE) (the city of Astrakhan) acquisition by “Astrakhanenergo” branch of IDGC of South, JSC, in accordance with the Federal law as of December 30, 2004 No. 210-FL “On tariff regulatory framework of public utility complex organizations” the explanatory materials were sent to the interregional department (ID) “City of Astrakhan” to settle the tariff for connection to the power grid for 2008–2010 together with the amount of investments accounting for RUR 4,616,364 thousand (excluding VAT).

As a result, on April 24, 2008 by the Decision No. 48, No. 49 of the ID State Duma “City of Astrakhan” the investment program aimed at the power supply development in the city of Astrakhan for 2008–2010 was approved, as well as the tariff for connection to the electric grid accounting for RUR 23,082 per 1 kW. The source of the investment program financing is the payment for technological connection to the electric grid. The tariff is valid in the territory of ID “City of Astrakhan”.

“Astrakhanenergo” branch of IDGC of South, JSC, provides the future oriented connection to power grids of the city of Astrakhan consumers within the framework of the signed agreements for technological connection, according to Decision No. 49 of the ID State Duma “City of Astrakhan”, Resolution of the Russian Federation Government as of June 9 No. 360 “On approval of the rules determining the conclusion and fulfillment of the public agreements on connection to the systems of municipal infrastructure”, Federal Law as of December 30, 2004 No. 210-FL “On tariff regulatory framework of the public utility complex organizations”.

“Volgogradenergo” branch of IDGC of South, JSC prepared a draft Cooperation Agreement between RAO “UES of Russia” JSC and Volgograd Region Administration. It was approved by RAO “UES of Russia” JSC regional working group and forwarded to “FGC UES” JSC for approval. Because of RAO “UES of Russia” JSC liquidation on July 1 2008, the procedure of approval and signing of the Agreement was suspended.

Currently, according to the minutes of the meeting headed by V. U. Sinyugin, Deputy Minister of Energy of the Russian Federation as of July 30, 2008 No. 9, “FGC UES” JSC as the legal successor of RAO “UES of Russia” JSC was entrusted with the functions of the major coordinator of the parties during the conclusion (correction) and analysis of the current Agreements fulfillment. “SO UES” JSC was also determined as the party to the Agreements carrying out the coordination of the Agreements activities compliance with the conditions of reliability ensuring of UES future work regimes.

The agreements between RAO “UES of Russia” JSC and the Government of the Tyumen region, Government of Khanty-Mansi autonomous area – Yugra and Yamalo-Nenets autonomous district Administration were determined as a pilot project aimed at the development of the conclusion (correction) mechanism of the Agreements.

By the decision of the mentioned meeting, “FGC UES” JSC charges to present to the Ministry of Energy of the Russian Federation the edited variant of the Agreement text as well as the proposal concerning the new procedure of conclusion (correction) of the Agreements and to inform of the results of the pilot project realization prior to September 1, 2008. The work aimed at coordination and signing of the Agreement shall be continued after the results summing up of “FGC UES” JSC pilot project implementation.

The Cooperation Agreement “On cooperation of the Volgograd region Administration and IDGC of South, JSC”, in the course of the technological connection of consumers realization in the Territory of the Volgograd region as of October 25, 2007 No. S-247/07 was signed.

Within the framework of the Agreement power, “Volgogradenergo” branch of IDGC of South, JSC, developed and the Volgograd region administration approved the investment program of “Volgogradenergo” branch of IDGC of South, JSC, aimed at creation of the technical possibility for technological connection of the consumers to power grids of “Volgogradenergo” branch of IDGC of South, JSC, for 2007–2009 and the investment program of “Volgogradenergo” branch of IDGC

of South, JSC, aimed at the creation of the technological possibility (distribution electric grids construction) for technological connection of the consumers to the electric grids of “Volgogradenergo” branch of IDGC of South, JSC for 2007–2009.

Within the framework of the invest program implementation, it is put forward to build (reconstruct) 8 substations of 110 kV, the implemented transformer capacity of the substations is 492 MVA, as well as to construct (reconstruct) 153 pieces of transformer substations of 10(6)/0.4 kV, the implemented transformer capacity of transformer substations of 10(6)/0.4 kV – 259.29 MVA, and to built new cable lines (overheadlines) with the total length of 394.06 km, thus, the total amount of capital investments accounts for RUR 2,870.2 million.

The abovementioned investment programs serve the basis for the calculation of the payment rates for technological connection, approved by regional tariffs regulation management (RTRM) of the Volgograd region Administration as of June 4, 2008 No. 17/2.

To provide the reliable and sustainable power supply of the consumers of the Republic of Kalmykia in November 22, 2007 the Cooperation agreement was signed aimed at the cooperation of the Republic of Kalmykia Administration and IDGC of South, JSC in case of failure occurrence in the power supply of the region or such a threat.

Rostovenergo branch of IDGC of South, JSC as of June 30, 2008 signed the Cooperation Agreement “On cooperation between the Rostov region Administration and RAO “UES of Russia” JSC” directed to the development of the electric grid system of the Rostov region and provision of the reliable power supply of its consumers” as well as the “First and foremost measures program directed to the construction and reconstruction of power capacities for the period up to 2012 year to exclude the capacity deficiency and ensure the reliability increase of the Rostov Region consumers supply”.

Within the framework of the Agreement approved till 2012, it is planned to put into operation 15 substations of 110 kV which total implemented capacity accounted for 1200 MVA, the total amount of capital investments accounted for RUR 7,500 million.

Rostovenergo branch of IDGC of South, JSC prepared and sent on February 19, 2009 to the Rostov region administration the proposals concerning the terms correction and activities fulfillment determined in the Agreement.

Information on the presence (working out) of the grids future oriented development schemes coordinated with the administration of the Russian Federation subjects.

In December 2007, "Volgogradenergosetproekt" branch of "South Engineering Power Center" JSC developed for **"Astrakhanenergo" branch of IDGC of South, JSC** the scheme called "Distribution grids of 35–110 kV capacity future oriented development scheme of "Astrakhanenergo" JSC for the period till 2015 with an outlook till 2020". The mentioned scheme was coordinated by "SO UES" JSC Astrakhan regional dispatch administration and IDGC of South, JSC. It was not coordinated in the Astrakhan region administration.

In March 2007, Volgogradenergosetproekt branch of "South Engineering Power Center" JSC for **"Volgograd-energo" branch of IDGC of South, JSC**, developed the scheme called "Distribution grids of 35–110 kV future oriented development scheme of "Volgogradenergo" JSC for the period till 2015 with an outlook till 2020". In October 2007, the above-mentioned scheme was coordinated by IDGC of South, JSC. It was not coordinated in the Volgograd region administration.

According to the present scheme the city of Volgograd Administration approved the sector scheme of the electric grids future oriented development of "Volgogradenergo" JSC in the city of Volgograd.

At present, "Volgogradenergo" branch of IDGC of South, JSC, carries out the work directed to the future oriented development Scheme implementation and land plots reservation aimed at new substations and power transmission lines overhangs in the city of Volgograd.

In **"Kalmenergo" branch of IDGC of South, JSC** the future oriented development scheme is not topical at present.

In December 2008, "Yuzhenergosetproekt" branch of "South engineering power center" JSC for **"Rostovenergo" branch of IDGC of South, JSC**, implemented the scheme of "Rostovenergo" JSC Regional Grid Company development for the period up to 2010 with an outlook till 2020.

At present "Rostovenergo" branch of IDGC of South, JSC, carries out the internal assessment of the Future oriented development scheme. After the assessment completion the Scheme and notes will be sent for approval to IDGC of South, JSC. The abovementioned scheme was not coordinated in the Rostov Region administration.

Information about the Unified National Energy System (UNPG) and generation objects

Astrakhan power system consists of 10 substations belonging to UNPG. There are no Astrakhanenergo substations belonging to UNPG objects on the balance of IDGC of South, JSC.

According to the list of the closed main substations of Bulk Power Systems (BPS) of Centre branch of "FGC UES" JSC in the territory of Astrakhan and Volgograd region approved by the Chief engineer of BPS of Centre "FGC UES" JSC and coordinated with Deputy General Director of "SO UES" JSC – Operative dispatch administration of South as of March 5, 2008 in the territory of the Astrakhan region the closed substations are Vladimirovka, Kharabali and Gazovaya of 220 kV.

There are two generation objects of 480 MW total installed capacity in the Astrakhan region territory.

Volgograd power system consists of 33 substations belonging to UNPG. There are no "Volgogradenergo" branch substations belonging to UNPG objects on the balance of IDGC of South, JSC.

According to the list of the closed main substations of Bulk Power Systems (BPS) of Centre branch of "FGC UES" JSC in the territory of Astrakhan and Volgograd region approved by the Chief Engineer of BPS of Centre "FGC UES" JSC and coordinated with Deputy General Director of "SO UES" JSC – Operative dispatch administration of South as of March 5, 2008 in the territory of Volgograd region the closed substations are Archeda, Gumrak, Krasnoarmeyskaya of 220 kV. There are no closed main substations of 35–110 kV.

In accordance with the letter of Volgograd Regional Dispatch Administration branch of "SO UES" JSC as of April 4 2008 No. 41-03/50a-77 the straps of 110 and 10 kV of Volgograd State District Power Station of "Volgograd Generation" branch of "SGC-TGC-8" are main substations where the limits for the connected capacity occur concerning the mode of the grid operation.

There are 6 objects of generation with the total installed capacity of 1,501 MW in the territory of the Volgograd region.

There are two 220 kV substations on the balance of "Kalmenergo" branch of IDGC of South, JSC, belonging to UNPG objects: "Elista-Severnaya" and "Bolshoy Tsaryn – 1". The above-mentioned 220 kV substations do not belong to the open main substations.

There are no substations on the balance of "Rostovenergo" branch of IDGC of South, JSC, belonging to UNPG objects. There are 23 substations belonging to UNPG on the balance of Rostov power system:

- 1 substation of 500 kV
- 22 substations of 220 kV (among them, according to the letter of "SO UES" JSC – Rostov regional dispatch



administration as of March 26, 2008 No. 3-446 the closed substations are 220 kV substations R-4 and Koisug).

The generation objects located in the territory of the Rostov region and not included into the investments program approved by A. B. Chubais, RAO "UES of Russia" JSC Chairman of the Board of Directors, include Shakhtinskaya gas-turbine power plant. Rostovenergo branch of IDGC of South, JSC, got the application to increase the capacity supplied to the electric grid of Shakhtinskaya gas-turbine power plant for the total customer contract demand of 106.7 MW.

On the basis of "Shakhtinskaya gas-turbine power plant" application made by "Rostovenergo" branch of IDGC of South, JSC, "SO UES" JSC "Rostov regional dispatch administration" branch prepared and coordinated requirements specifications. Such requirements specifications are in the process of approval in IDGC of South, JSC.

Information about the implemented programs of technological connection of objects being under construction

Housing construction under Affordable Housing federal target program (FTP)

In the city of Rostov-on-Don according to "Affordable Housing" FTP two sites were presented to build "Leventsovsky" residential area which contains 11 micro districts with the total power demand for 44 MW. "Rostovenergo" branch of IDGC of South, JSC, got three applications with the total power of 12,215 kW.

On May 8 2008 two technological connection agreements were signed on behalf of "KKPD-Invest", JSC, for the connection of "Leventsovsky" first micro district and the first stage of the third micro district "Leventsovsky" with the total capacity of 8,773 kW for the amount of RUR 38,192,680.8, VAT excluded. "KKPD-Invest" JSC issued technical requirements for the power supply of the construction site of "Leventsovsky" first micro district with the capacity of 1 MW.

To carry out the technological connection, it is necessary to reconstruct P-26 substation of 110 kV with the change of transformers of 2x25 MVA by 2x40 MVA and reconstruction of 110 kV P-19 substation with installation of the 3rd transformer of 40 MVA. At present, the abovementioned works have not been started.

Within the framework of the Federal target program "Affordable Housing" in the territory of the Rostov Region the following programs of villa communities' construction are implemented:

- In Neklinovsky district, in the village of Pokrovskoye, the construction of 20 low-rise houses is carried out. Technological connection agreements will be signed with physical persons. To carry out the technological connection it is necessary to build 10 kV overhead lines with the length of 350 m, 0.4 kV overhead lines with the length of 600 m as well as to construct the transformer substations of 10/0.4 kV – 160 kVA. For the present moment the design and survey works have been carried out.

- In the village of B. Martynovka the construction of 19 low-rise houses is carried out. Technological connection agreements were signed between Donenergo JSC and physical persons. To carry out the technological connection it is necessary to reconstruct the relay protection and emergency equipment and linear cell No. 4 – 10 kV at 110 kV Martynovskaya substation; for the present moment no activities have been implemented as far as there is no application from “Donenergo” JSC;
 - In Novomirsky farm, the construction of 32 low-rise houses is carried out. The technological connection agreement was signed with the Kalinov Village settlement Administration. To carry out the technological connection in the loads centre it was necessary to put into operation the transformer substations of 10/0.4 kV with the transformer capacity of 250 kVA. Between the supports of 15, 16 overheadlines of 10 kV it is necessary to build the additional dead-end support as well as carry out the construction of a 25-meter separate overheadline of 10 kV to the new transformer substation of 10/0.4 kV, from the switchgear of 0.4 kV of new 10/0.4 kV transformer substation to construct 2 power transmission lines of 0.4 kV with the total length of 2.3 km. In December of 2008 all the works were carried out and the equipment was transited to IDGC of South, JSC, branch in payment for technological connection.
 - In Peshkovo village the construction of 20 low-rise houses is carried out. Technological connection agreements are concluded with the physical persons. The agreement was also signed with the Administration of Peshkovo village settlement to organize the illumination of the village. To carry out the technological connection, it is necessary to build 10 kV overheadline of 200 m total length, 0.4 overheadline of 1.5 km, and integrated transformer substation of 10/0.4 kV – 250 kVA.
 - Construction of 20 low-rise houses is performed in Kugei village. Contract for technological connection was signed with the Administration of Kugei Village. In order to carry out technological connection, construction of OL-10 kV – 100 m, OL-0.4 kV – 1.5 km, complex transformer substations – 10/0.4 kV – 250 kVA is needed;
 - In Egorlykская village it is planned to build 300 living houses. For the present moment 50 applications have been submitted, on the basis of which the technological connection agreements were signed. To carry out the technological connection at 35 kV E3 substation it is necessary to reconstruct one linear cell of 10 kV No. 5 and one water cell of 10 kV No. 3 with the change of the oil circuits for vacuum ones, as well as reconstruct relay protection and emergency controls. For the present moment the works have not been carried out.
 - In Bagayevskaya village the construction of 7 living houses is carried out. Technological connection agreements were signed with physical persons. All the technical activities are carried out with the help of “Donenergo” JSC.
 - In Krasnogoryatsky village the construction of 10 living houses is carried out. Technological connection agreement was signed with the administration of Kommunarsky village settlement. To carry out the technological connection it is necessary to build integrated transformer substation of 100 kVA, 10 kV overhead line with the length of 120 m, 0.4 kV overheadline of 430 m. In December of 2008 all the works were carried out by the Customer (ID Administration) and equipment was transferred to the branch of IDGC of South, JSC, in payment for technological connection.
- Power supply of the abovementioned districts is planned to carry out in the second half of 2009 within the framework of technological connection investment program implementation.
- According to the plan of the City of Astrakhan districts development for 2007–2011 worked out by the Architecture and Urban Planning Committee of the city of Astrakhan it is planned to connect the potential load of multistoried residential construction – 90.5 MW, objects of individual residential construction – 8.3 MW, business and trade objects – 69.5 MW, social and cultural facilities – 23.6 MW, as well as industrial purpose projects – 11.3 MW.
- The city of Astrakhan carries out the program directed to objects construction of multistoried residential construction within the framework of slum dwelling and dangerous structure liquidation program. The given program is financed at the expense of federal and regional budgets. “Astrakhanenergo” branch of IDGC of South, JSC, carries out the construction of electric grids within the framework of the signed agreements for technological connection to the electric grid.
- All in all, the considerable part of the technological connection program (putting into operation and reconstruction of substations, construction and modernization of cableline and overheadlines) is implemented with the consideration of future oriented development of territories and requirements of the urban development plans of the housing construction. Objects financed out of the budgets of different levels shall be included into FTP after the completion of all the necessary activities, and, first of all after the determination of land plots right holders as well as housing construction planning permission. At present, the excessive amount of objects which shall be included into FTP shall go through the coordination stages in the regions and territorial formations.

Special economic zones

Within the framework of social and economic development program implementation in the territory of the Rostov region it is planned to create the following industrial and social zones:

- Novoaleksandrovskaya industrial zone of the city of Azov. Total customer contract demand accounts for 39,878.1 kW. Eight agreements for technological connection were signed with all the residents of the zone of RUR 338,591,231.51 total value (VAT excluded). Power

supply of the zone is planned to provide from “A-2b” new substation of 110 kV. The planned term of objects putting into operation is 2009–2010.

- South-Eastern zone of the city of Azov. For the present moment the technological connection agreement is signed with only one resident of the zone “Frito Lay Manufacturing” LLC. The amount of the signed agreement accounts for RUR 93,394.000 (VAT excluded). The main substation is 220 kV “A-20” substation; the planned term of the objects putting into operation is 2009.

Technological connection of the generation objects in accordance with the investment program

Astrakhan State District Power Station “SGC-TGC-8”

The application from “SGC-TGC-8” for technological connection of Astrakhan State District Power Station was received by IDGC of South, JSC, where it is planned to increase the amount of the consumed 10 MW capacity.

The connection of the applied capacity does not require new electric grid construction as well as reconstruction carrying out of the present electric capacities of IDGC of South, JSC.

The project of the technological connection agreement was addressed to “SGC-TGC-8” as of November 18, 2008, but by the present moment it was not signed by “SGC-TGC-8”.

The coordination of requirements specification and power distribution scheme with Regional Dispatch Administration was not carried out, technical specifications were not developed, requirements specifications will be given out to the generation company after the agreement signing and power distribution scheme preparation.

Tsymlyanskaya hydro-electric power station “SGC-TGC-8”

The application from “SGC-TGC-8” for technological connection of Tsymlyanskaya Hydro-Electric Power Station was received by IDGC of South, JSC, where it is planned to increase the amount of the consumed 2 MW capacity.

The connection of the given capacity does not require new electric grid construction as well as reconstruction carrying out of the present electric capacities of IDGC of South, JSC.

The coordination with regional dispatch administration and Generation Company of requirements specification and power distribution scheme was not carried out, technical specifications were not developed, requirements specifications will be given out by the generation company after the agreement signing and power distribution scheme preparation.

On the basis of “SGC-TGC-8” letters as of June 17, 2008 the applications for technological connection of generation objects connection of “Rostov Thermal Power Station-2” and “Distribution Company No. 3” were cancelled as well as for technological connection of the generation objects of “Volga Thermal Power Station-2” and “Volograd Hydro-Electric Power Station” as of October 9, 2008.

The main purpose of IDGC of South, JSC, activity concerning the technological connection for the near future is the needs meeting of the growing economy of the South of Russia as well as transition to the unified system of forming and application of payment for technological connection and achievement of mutual interests unity during the value determination of the technological connection of consumers to the electric grids.

Besides, the priority directions of the activity directed to technological connection are such projects as creation and development of the “Gambling Zone” (Krasnodar and Rostov region border), industrial zones development (Azov-City and Krasnosulinskaya zone – the Region of Rostov) as well as liquidation of the capacity deficiency in major industrial and residential centers – cities of Rostov-on-Don, Astrakhan, Volgograd, and Taganrog.



Top priority goals of activity and strategic objectives of IDGC of South, JSC

The major purpose of IDGC of South, JSC, activity is profit-making. To achieve this, in present conditions, the following goals and strategic objectives are of top priority for the Company:

- Meeting of demand and electric capacities reserve creation in the amount outrunning the economic development by 3–5 years;
- Decrease of the Company's electric grid facilities objects wear to the level of the developed countries;
- Ensuring of reliable and uninterrupted power supply of the consumers;
- Company's operation productivity indices achievement to the level of the same electric grid companies of the developed countries of the world;
- Provision of the stable economic viability of the Company by 2015 at the level of the Russian Federation companies with the correspondent market conditions;

- Company's capitalization growth ensuring to the level of the same companies from countries with the correspondent level of economic development;
- IDGC of South, JSC, securities investment attractiveness increase.

Within the framework of uninterrupted and reliable functioning of the electric grid facilities of IDGC of South, JSC, within the framework of the increasing power consumption and ensuring the possibility of new consumers' connection to the Company's electric grids, the top priority goals of IDGC of South, JSC are:

1. Tendency overcoming of the IDGC of South, JSC, fixed assets ageing with the change of the outdated equipment as well as new technologies and materials equipment of increased strength and reliability use:
 - SF6 circuit breakers of 110–220 kV;

- Vacuum circuit breakers of 10 kV;
- self-supporting insulated conductor (SIC) at overhead lines of 0.38 kV;
- overvoltage suppressor (OS) including the overhead OS to protect overhead lines of 110 kV and above without the ground wire;
- low-maintenance batteries;
- polymer insulator;
- AERO-Z type snow- and ice-proof wires at overhead lines of 110 kV and above;
- Spiral connecting equipment, stretching and supporting attachments and etc.

2. Future oriented schemes development of IDGC of South, JSC, grids considering all the top priority trends and technologies.
3. The ensuring of IDGC of South, JSC, electric grids adaptability to dynamically developing conditions in the regions, powerloads growth and power supply reliability considering the consumers' needs.
4. Power losses decrease due to voltage regulation in the grid of 6–110 kV, putting the non-loaded transformers into reserve, power transmission lines overloaded zones relieving, detection and elimination of power imbalances and etc, Company's electric grids capacity increase due to the activities implementation directed to reactive power management.
5. Improvement and quality increase of the of Company's grids maintenance, decrease of the amount and duration of grids elements cut off with the implementation of new technologies including the complex maintenance methods as well as overhead lines of 0.38 kV alive maintenance.
6. Monitoring of the condition of the current power equipment as well as implementation of the modern methods and testing gadgets and diagnostics including thermal imaging control and non-burnout cable lines isolation control.
7. Substations reconstruction with the increase of the settled capacity to ensure the technological connection of the consumers to power grids of the Company.

8. Implementation of telemechanics gadgets and new generation connection as well as IT-technologies development.
9. The renewal of special-purpose machines and Mechanisms Park.
10. New information technologies use during the distribution power grids operation on the basis of SAP R/3.
11. Ensuring timely preparation of the Company's power facilities operation during autumn and winter period 2009/2010.

To achieve the tasks set forth, all the branches of IDGC of South, JSC, develop and implement the activities, target programs of substitution and modernization of the equipment, including:

- Substitution of oil circuit breakers of 6–10 kV by vacuum ones at the substations of 35–110 kV;
- Substitution of isolating switches-short circuitors of 35–110 kV by SF6 (vacuum) circuit breakers;
- Substitution of key rod insulators of 110 kV;
- Self-supporting insulated conductors implementation;
- Automation of distribution electric grids of 6–20 kV on the basis of reclosers;
- Automation reconstruction of on-load tape changers and BAR;
- Technical re-equipment and reconstruction of the relay protection and automatic equipment;
- Telemechanisation, automation and modernization of the distributed control system objects (as well as telecommunication system and automated system of dispatch and process management);
- Measuring transformer of current and voltage of 35–110 kV change;
- Measuring transformer of current and voltage of 6–10 kV change;
- Reactive power operation activities;
- Activities directed to icing and snow sticking prevention.

Respect
for truth
is basis
for wisdom.
Aleksandr Herzen

APPENDICES



Reference information

CONTACT INFORMATION OF IDGC OF SOUTH

Full name of the company:	"Interregional Distribution Grid Company of South", Joint Stock Company
Short name of the company:	IDGC of South, JSC
Actual address:	49, Bolshaya Sadovaya St, Rostov-on-Don, 344002, Russian Federation
Postal address:	327, Severnaya St, Krasnodar, 350015, Russian Federation
The Company's corporate web site	www.mrsk-yuga.ru
Corporate Governance Department	
Head of the Corporate Governance Department	Nataliya Olegovna Bondar (861) 279-86-35 e-mail: bondarno@mrsk-yuga.ru
Head of the Securities Management and Shareholders Cooperation Office	Anna Ivanovna Yurchenko (861) 279-85-38 e-mail: yurchenkoai@mrsk-yuga.ru
Public Relations Department	
Head of the Public Relations Department	Alexei Yevgenievich Pedchenko Tel.: (861) 279-87-22 e-mail: pedchenkoae@mrsk-yuga.ru

INFORMATION ABOUT THE AUDITOR

Full name of the company:	"Fineart-Audit" limited liability company
Short name of the company:	"Fineart-Audit" ltd
Actual address:	60, Udaltsova St, Moscow, 119607, Russian Federation
Licence for execution of auditor activities	
Number of the licence	No. E 006407
Date of issuance	7 September, 2004
Validity period of the licence	Five years
Body that issued the licence	Ministry of Finance of the Russian Federation
Telephone number	(495) 431-99-70, (499) 726-91-12, (499) 726-91-13
Fax	(495) 431-99-70, (499) 726-91-12
E-mail address:	office@fineart-audit.ru

INFORMATION ABOUT THE REGISTRAR

Full name of the company:	"Central Moscow Depository" open joint-stock company
Short name of the company:	"CMD" JSC, or "Central Moscow Depository" JSC
Actual address:	3, bld. B, Orlikov lane, Moscow, 107078, Russian Federation
Postal address:	32, bld. 8, Bolshaya Pochtovaya St, Moscow, 105082, Russian Federation
Licence for keeping register of securities holders	
Number of the licence	No. 10-000-1-00255
Date of issuance	13 September, 2002
Validity period of the licence	unlimited
Body that issued the licence	Russian Federal Committee for Securities Market
Telephone number, fax	(495) 221-13-34, 221-13-30, 221-13-33, (495) 221-13-83
E-mail address:	info@mcd.ru, dre@mcd.ru

Information on transfer agents of the Registrar that serve the Company's shareholders

Full name of the company:	"DonFAO Registrar" limited liability company
Short name of the company:	"DonFAO Registrar" ltd
Actual address:	98-100, Pushkinskaya St, Rostov-on-Don, 344002, Russian Federation
Telephone number, fax	(863) 269-88-01, (863) 269-88-02, (863) 269-88-03
E-mail address:	donfao@donpac.ru
Number of the licence for keeping register of securities holders	No. 10-000-1-00310
Date of issuance	19 March, 2004
Validity period of the licence	unlimited
Body that issued the licence	Russian Federal Committee for Securities Market

Glossary

Affiliate	Natural or legal person able to exert influence over the activity of legal persons and/or natural persons engaged in entrepreneurial business.
AIPP (in Russian it is ‘GKPZ’)	Annual integrated programme of purchases.
AISBU	Automated budget management information system.
AIIS KUE	Automated information measuring system of commercial energy metering.
ASDTU	Automated dispatch and technological management system.
ASKUE	Automated system of commercial energy metering.
ASUD	Automated document management system.
Auditor of the Company	Company that, under the resolution of the General Shareholders Meeting and the concluded contract, checks the Company’s commercial activities.
Authorised capital of the company	Consists of the nominal value of a company’s placed shares; its amount is set out in the company’s Charter.
AWP/Autumn and winter period	Autumn and winter, the period of great loadings in the energy system due to great use of electric and thermal energy by consumers. This period requires special preparation from the part of grid companies.
CL/Cable line/cable electricity transmission line	Electricity transmission line that consists of one or several parallel cables with sockets and fixing parts.
Capitalisation	Market cost of a company calculated as a product of market (exchange) cost and number of shares in circulation.
Closed joint-stock company (JSC, CJSC; in the Russian language – ‘ZAO’)	Joint-stock company the shares of which are distributed only between its founders or persons chosen in advance (compare with the ‘open joint-stock company’).
Company	IDGC of South, JSC.
Control	Managerial supervision.
Consumer/customer/client	Legal or natural person that receives the results of the business process (products, services).
Customer Service Centre/CSC	A centre where customers may turn to with electricity-related issues or send applications for technological connection.
Design and survey work	Engineering research work, development of technical and economic basis for building, preparation of projects and working documentation, development of cost estimate documents, for construction (construction of new facilities or expansion, reconstruction of technical re-equipment of existing facilities) of plant and equipment. Design and survey work is a system of technical and economic research for construction.
Distribution unit/switchgear	the combination of electrical disconnects, fuses and/or circuit breakers used to isolate electrical equipment. Switchgear is used both to de-energize equipment to allow work to be done and to clear faults downstream.
Dividend	Part of the Company’s net income distributed under the resolution of the General Shareholders Meeting between the shareholders according to their shares in the total number of the placed shares of the Company.
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization.
ENZ	Electric Network Zone.
EMERCOM (in Russian it is ‘MCHS’)	Ministry of the Russian Federation for Civil Defence, Emergency Management and Natural Disasters Response.

‘energo’ JSC	Energy industry joint-stock companies included in “RAO UES of Russia” JSC holding.
Energy supply company/energy sale company	Company that sells electricity to other companies/persons as its major business activity.
Extra (commercial) losses of electric energy	Difference between factual and standard losses of electric energy; it is fully paid by the grid company the networks of which suffered from extra losses of electric energy.
Factual (reported) losses of electric energy	Difference between the volume of electric energy transmitted to the electric network from other networks or from electricity producers and the volume of electric energy consumed by electric devices connected to this network and/or transmitted to other network organisations.
Federal Energy Committee (in Russian, ‘FEK’)	A federal executive body engaged in the energy industry that was set up by Presidential order No. 1194 as of 29 November, 1995.
Federal Grid Company/UES Federal Network Company (in Russian, ‘FSK’)	Russian energy company, the operator of Russian electric networks. Located in Moscow.
Federal Service for Financial Markets	Federal executive body in Russia that adopts standard legal acts, control and supervises financial markets (except for insurance, bank and auditor activities). The Federal Service for Financial Markets is directly subordinate to the Government of the Russian Federation.
Federal Commission for Securities Market/FCSM (in Russian, ‘FKTSB’)	The federal executive body of Russia that executed regulation of the securities market in Russia, performed state policy in the sphere of the securities market development, controlled the activity of issuers and market participants and provided information disclosure on the securities market from 1993 to 2004. On 13 March, 2004 the powers of the Federal Service for Securities Market of Russia were given to the Federal Service for Financial Markets.
Federal Tariff Service/FTS	Federal executive body in Russia that executes legal regulation of state regulation of prices (tariffs) for products (services) under the legislation of the Russian Federation and control over their application, except for regulation of prices and tariffs within the competence of other federal executive bodies.
FI	Finances (accounting).
Fixed asset/property, plant and equipment (PP&E)	term used in accountancy for assets and property which cannot easily be converted into cash. This can be compared with current assets such as cash or bank accounts, which are described as liquid assets. In most cases, only tangible assets are referred to as fixed.
High-frequency channel	Carrier channel.
Housing and utilities infrastructure/housing maintenance and utilities	Activities targeted at maintenance of city blocks and provision of comfortable life conditions of citizens that include water-supply, sewerage system, major repair of buildings, electricity supply, etc. It is an integral part of municipal services.
HR	Human resources management.
HV	High voltage (over 110 kV).
ICTS	Information collection and transmission system.
IDGC	Interregional Distribution Grid Company.
Independent Director	Person who was elected by shareholders to the Board of Directors and who corresponds to criteria of independence set by the operating legislation of the Russian Federation and local regulatory.
Interested-party transaction	Transaction that is of interest for a Board of Directors member, a Management Board member, the unique executive body of the Company or a company shareholder who owns, together with its affiliates, 20 and more percent of the company’s voting shares, and also persons entitled to give obligatory instructions for the company. A special approval procedure is set out in the legislation of the Russian Federation.
Inventory	list for goods and materials, or those goods and materials themselves, held available in stock by a business. It is also used for a list of the contents of a household and for a list for testamentary purposes of the possessions of someone who has died. In accounting inventory is considered an asset.
Investment activity	Investment of money and work execution targeted at generation of income and/or achievement of another positive result.

Investment programme	Integrated investment projects in the form of a list of facilities that are to be invested in, their specifications and amount of financing that is drawn up for one year or for another fixed period on the basis of regulatory documents. The investment programme is an integral part of the business plan.
Investment project	Basis for economic feasibility, volume and term of capital investing in the fixed capital (construction of new facilities, expansion, reconstruction and technical reequipment of existing enterprises and other investments that, under the financial accounting standards, may be referred to capital investments); including obligatory design specifications and estimates developed under the Russian legislation and standards (norms and rules) approved in accordance with the established procedure.
IS-U – (Industry Solution Utilities)	Industrial solution in the electric industry.
IS-U/EDM	Energy data management.
IS-U/CCS	Customer care and service (billing, calculation of services).
IT	Information technologies.
KISUR	Corporate information resource management system.
KPI	Key performance indicator.
kV	Kilovolt. A voltage measurement unit.
kWh	Kilowatt hour. A unit for electric energy measurement.
Last mile	Connection channel between a communication provider and a subscriber.
Liquidity	Indicator that shows the possibility to conclude, quickly and without a considerable price-wave, stock-exchange deals with shares; it is directly proportional to the number of made transactions and the trade volume.
Load tap change	Regulation of live electric devices. This type of regulation is applied for operative regulation connected with constant changes in loadings (for example, at the daytime and at night the network loading will be different). Depending on the voltage class and transformer capacity, the load tap change may change its conversion factor from ± 10 to $\pm 16\%$ (around 1.5% for each subbranch). The load tap change is carried out at high voltage, because the amperage is lower there and, thus, it is easier and less expensive to carry out the load tap change. The regulation (load tap change) may be made automatically from a general substation management centre or a dispatch.
Losses of electric energy	Difference between actual and productive network supply, i.e. energy that is lost during its transmission to the network.
LV	Low voltage (below 0.4 kV).
Major/large transaction	Transaction or several related transactions connected with acquisition, alienation or the possibility of alienation by the company of its property that costs in total over 25% of the balance cost of the Company's assets defined according to its financial accounting for the last accounting date, except for cases set by the legislation of the Russian Federation. The legislation sets a special approval procedure for execution of such a transaction.
Majority shareholder	Shareholder that owns large blocks of shares (usually over 50% of the Company's shares).
Management/top managers	Top managers of the Company that include General Director and his/her Deputies.
Managing company/ management company/ managing organization/ management organization	Commercial organisation that, under the resolution of the General Shareholders Meeting and concluded contracts, executes the functions of the unique executive body of the Company.
Material fact	Event that affects the commercial activities of a securities issuer that shall disclose the information about its issues under the legislation of the Russian Federation.

Minority shareholder	All shareholders of the Company, except for the majority shareholder.
MM	Materials management.
Municipal entity/ municipal unit	In Russia: city, town, village or other territory that has, under the legislation, its own institutions of local governing, including election institutions.
Motivation	Inducement of the company's members to perform their duties in order to achieve the goals planned by the company.
MV 1	Medium (mid) voltage 1 (35 kV).
MV 2	Medium (mid) voltage 2 ($20\text{--}1\text{ kV}$).
MVA	Megavolt-ampere, an electric power measurement unit.
MW	Megawatt, an electric power measurement unit.
Network company, grid company/ GC	Company that provides services in electricity transmission with the use of grid facilities not connected with the UNPG, and, in cases set out in the legislation of the Russian Federation, with the use of grid facilities included in the UNPG.
Network supply	Electric energy transmits to the electric network of a grid company from other networks or from electric energy producers.
Open distribution unit/ open switchgear	Electric distribution unit that is located outdoors.
Open joint-stock company (JSC, OJSC; in Russian – 'OAO')	A form of public company in Russia where shareholders may alienate their shares.
Operative dispatch service	Service that organises management of technological processes and state of grid facilities or electricity receiving equipment.
Ordinary/common/equity shares	Shares that give their owners the right to participate in the General Shareholders Meeting of the Company and vote on all issues of its competence, to receive dividends and a part of the Company's property in case it is liquidated (liquidation cost).
OL/Overhead line	Overhead electricity transmission line.
PM	Preventative maintenance of equipment.
Power transmission line	Electric line that oversteps the limits of the electric station or substation and is used for electricity transmission.
Productive network supply	Electric energy consumed by energy receiving devices of the consumer that are connected to a network or transmitted to other network.
Production department	A company department engaged in production work.
Regional electricity market	Electricity market in this or that region of the Russian Federation.
Regional Tariff Service	Service that is engaged in tax treatment and collection in this or that region of the Russian Federation.
Regulated activities	Activities regulated under federal law On state regulation of tariffs for electric and thermal energy in the Russian Federation.
Return on equity/ROE	ROE measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every dollar of shareholders' equity (also known as net assets or assets minus liabilities). It shows how well a company uses investment dollars to generate earnings growth. ROE is equal to a fiscal year's net income (after preferred stock dividends but before common stock dividends) divided by total equity (excluding preferred shares), expressed as a percentage.
Return on total assets/ ROTA	A measure of how effectively a company uses its assets. Calculated by (income before interest and tax) / (fixed assets + current assets).

Appendix No. 1

Balance sheet at 31 December 2008

		Codes		
	Form No. 1 according to ARCMD (All-Russia Classifier of Management Documentation)	0710001		
	Date (year, month, day)	2008	12	31
Company: "Interregional Distribution Grid Company of South", Joint Stock Company	According to RNNBO (Russian National Nomenclator of Businesses and Organizations)	80380011		
Tax Payer Id. Number	TPIN (Tax Payer Id. Number)	6164266561		
Type of activity: electric power transmission	According to OKVED (Russian Classification of Economic Activities OKVED)	40.10.2		
Businesslegal structure/legal structure		47/16		
Open Joint Stock Company/private ownership	According to ARCLSB (All-Russian Classifier of Legal Structures of Businesses)/ARKFO (All-Russia Classifier of Forms of Ownership)			
Measurement unit: RUR, thousand	According to ARCMU (All-Russia Classifier of Measurement Units)	384		

Location (address): 344002, Rostov-on-Don city, 49 Bolshaya Sadovaya street.

Date of approval	
Send (acquisition) date	

ASSET	Index code	For the beginning of the reporting year	For the end of the reporting period
1	2	3	4
I. NON-CURRENT ASSET			
Intangible asset	110	–	–
Fixed assets	120	1,609	24,986,699
Construction-in-progress	130	–	1,283,913
Income yielding investments into tangible assets	135	–	–
Long-term financial investments	140	–	447,206
Deferred tax assets	145	–	77,526
Other non-current assets	150	–	–
Section 1 TOTAL	190	1,609	26,795 344
II. CURRENT ASSETS			
Inventories	210	6,139	1,385,014
Including			
Raw materials, materials other same values	211	4,792	757,058
Rearers and fatteners	212	–	–
Work-in –process costs	213	–	–
Finished products and goods for resale	214	–	4,958
Goods delivered	215	–	–
Deferred expenses	216	1,347	622,998
Other inventories and costs	217	–	–
Input value added tax	220	11	44,006
Receivables (which payments are due more than in 12 months after the reporting date)	230	–	378,253
Including buyers and customers	231	–	316,213
Receivables (which payments are due in 12 months after the reporting date)	240	14,073	6,597,420
Including buyers and customers	241	6,531	3,500,527
Short-term financial investments	250	–	2,680
Money means	260	49,948	490,725
Other current assets	270	–	–
Section II TOTAL	290	70,171	8,898,098
BALANCE	300	71,780	35,693,442

Russian Accounting Standards/RAS/Accounting Regulations/AR (in Russian – ‘PBU’)	Financial accounting standards in Russia that regulate the procedure of financial accounting of assets, obligations and business events. These standards are approved by the Ministry of Finance of the Russian Federation. Execution of requirements and instructions set out in the Russian Financial Accounting Standards is obligatory at keeping of financial accounting and registers of financial accounting in the Russian Federation.
Scheme of power distribution	Number and quality of transformers, electricity transmissionlines and buses.
Share/stock	Issued security that fixes the rights of its owner (shareholder) to receive a part of the joint-stock company revenue in the form of dividends, to take part in the management of the joint-stock company and to come into ownership of a part of the property that shall remain in case the joint-stock company isliquidated.
SIC	self-supporting insulated conductor.
Specification	an explicit set of requirements to be satisfied by a material, product, or service.
Staff rotation	Horizontal rotation of staff from one place to another in order to familiarize employees with different production tasks of the company.
Standard losses of electric energy	Calculation values oflosses set by an authorised federal executive body concerning electricity transmissionlines or other grid facilities owned by the network company that differ by voltagelevels. The cost of standardlosses of electric energy is included in charges (tariffs) for technological connection.
Subsidiary and dependent companies	Legal persons where the Company owns over 20 % of their voting shares and, due to the prevailing participation in the authorised capital, under the concluded contract or in any other way, is entitled to approve resolutions made by theselegal persons
Substation/electrical substation	subsidiary station of an electricity generation, transmission and distribution system where voltage is transformed from high tolow or the reverse using transformers. Electric power may flow through several substations between generating plant and consumer, and may be changed in voltage in several steps.
Technological connection	Technological connection of energy receiving devices (electric installations) owned by natural andlegal persons to the electric networks of a company that renders services in electricity transmission.
Technical reconstruction and reequipment	Technical reconstruction and reequipment of fixed assets.
TMA	Transport Management Administration
Transformer substation	An electric substation for increase and reduction of voltage in the alternating current network and for electric energy distribution.
UES	United Energy System.
UST/Uniform Social Tax	Tax paid to the Federal Budget and state non-budge funds – Pension Fund of the Russian Federation, Fund of Social Insurance of the Russian Federation and Russian funds of obligatory medical insurance – and for collection of money for execution of the rights of citizens to receive state pension and social support and medical treatment.
Uniform tariffs for electricity transmission	Uniform tariffs for electricity transmission in RF entities for electricity consumers (except for network companies), despite of the fact to the networks of which network company they are connected. The uniform tariffs are different for different voltagelevels.
Unitary enterprise	a form of a business in Russia and some other post-Soviet states. Unitary enterprises are commercial organizations that have no ownership rights to the assets they uses in their operations. This form is possible only for state and municipal enterprises, operating with state or municipal property, respectively. The owners of the property of a unitary enterprise have no responsibility for its operation and vice versa.
UNPG	United National (All-Russia) Power Grid.
Wholesale electricity market	market where energy is bought and sold inlarge quantities (compare with the ‘retail electricity market’).

LIABILITIES	Index code	For the beginning of the reporting year	For the beginning of the reporting year
1	2	3	3
III CAPITAL AND RESERVES			
Authorized capital	410	10,000	4,981,110
Own shares bought out from the shareholders	411	–	–
Additional capital	420	–	14,857,284
Reserve capital	430	–	118, 565
Including:			
Reserves created in accordance with thelegislation	431	–	118,565
Reserves created in accordance with the articles of association	432	–	–
Undistributed profit (uncoveredloss)	470	6,883	1,300,363
Section III TOTAL	490	16,883	21,257,322
IV. NON-CURRENT LIABILITY			
Loans and credits	510	–	7,191,498
Deferred taxliabilities	515	–	319,179
Other non-currentliabilities	520	–	87,741
ACCOUNTS DUE OF SUPPLIERS AND CONTRACTORS	521	–	87,575
Section IV TOTAL	590	–	7,598,418
V. CURRENT LIABILITY			
Loans and credits	610	–	2,113,189
Payables	620	29,303	4,612,277
Including:			
Suppliers and contractors	621	2,176	3,542,455
Accounts due to the Company's personnel	622	151	157,891
Accounts due to state and non-budgetary funds	623	32	54,219
Taxes and chargesliability	624	7,844	148,201
Other creditors	625	19,100	709,461
Accounts due to the participants (organizers) concerning the income payment	630	–	12,673
Deferred credits	640	–	99,613
Future periods reserves	650	25, 594	–
Other currentliabilities	660	–	–
	661	–	–
Section V TOTAL	690	54,897	6,837,702
BALANCE	700	71,780	35,693,442
Information about the presence of valuables considered by off-balance accounts			
Leased fixed assets	910	29,466	3,344,323
Including theleasing	911	–	277,818
Inventory items, accepted in correspondent deposit	920	–	165,399
Goods accepted on commission	930	–	–
Indebtedness of insolvent debtors written off tolosses	940	–	629,176
Securities received for obligations and payments	950	–	80,000
Securities given for obligations and payments	960	–	55,510
Housing funds depreciation	970	–	876
Land improvement facilities depreciation and other same objects	980	–	–
Intangible assets	990	–	87,707
Strict accounting forms	1000	–	2,268
Fixed assets presented forlease	1000	–	28,679
Property acquired forlease	1000	–	–
Publicly owned property	1000	–	7,674

Profit and loss statement for january-december of 2008

		Codes		
	Form No. 2 according to ARCMD (All-Russia Classifier of Management Documentation)	0710002		
	Date (year, month, day)	2008	12	31
Company: “Interregional Distribution Grid Company of South”, Joint Stock Company	According to RNNBO (Russian National Nomenclator of Businesses and Organizations)	80380011		
Tax Payer Id. Number	TPIN (Tax Payer Id. Number)	6164266561		
Type of activity: electric power transmission	According to OKVED (Russian Classification of Economic Activities OKVED)	40.10.2		
Businesslegal structure/legal structure	According to ARCLSB (All-Russian Classifier of Legal Structures of Businesses)/ARKFO (All-Russia Classifier of Forms of Ownership)	47/16		
Open Joint Stock Company/private ownership				
Measurement unit: RUR, thousand	According to ARCMU (All-Russia Classifier of Measurement Units)	384		

Index name	Code	For the reporting period	For the same period of the previous year
1	2	3	4
Ordinary activities profits andlosses	010	13,092,621	125,496
Profit (net) from goods, works and services (net of VAT, excise taxes and same ordinary payments)			
Net cost of the sold goods, works and services	020	(10,908,347)	(66,017)
	021		
Gross profit	029	2,184,274	59, 479
Commercial expenses	030	–	–
Administrative expenses	040	(399,727)	(29,034)
Profit (loss) from sale	050	1,784,547	30,445
Other profits andlosses	060	–	–
Interest receivable			
Interest payable	070	(579,367)	–
Profit form participation in other organizations	080	329	–
Other profits	090	522,237	–
Otherlosses	100	(754,469)	(15,655)
Profit (loss) before tax	140	973,277	14,790
Deferred tax assets	141	(61,625)	(3,549)
Deferred taxliabilities	142	(126,267)	(4,272)
Current profit tax	150	(286,677)	–
OTHER SAME OBLIGATORY PAYMENTS	151	(12,659)	(86)
Reporting period net profit (loss)	190	486,049	6,883
REFERENCE			
Constant taxliabilities	200	240,982	4,272
Base profit (loss) per share		0.0130	0.0688
Diluted earnings (loss) per share		0.0130	0.0688

Certain profits and losses description

Form 0710002 , p. 2

Index name	Code	For the reporting period		For the same period of the previous year	
		profit	loss	profit	loss
1	2	3	4	5	6
Fines, charges and forfeit penalties accepted or those which recovery has judgment of the court (arbitration court).		3,395	2,533	–	–
Profit (loss) of the previous years		12,518	20,402	–	–
Indemnity oflosses caused but unfulfillement or improper fulfillment of the obligations		–	–	–	–
Currency translation difference		–	–	–	–
Deductions to the valuation reserves		–	–	–	–
Description of the payables and receivables whichlegallimitation period expired.		4,957	6,117	–	–

Statement of changes in equity for 2008

		Codes		
	Form No. 3 according to ARCMD (All-Russia Classifier of Management Documentation)	0710003		
	Date (year, month, day)	2008	12	31
Company: “Interregional Distribution Grid Company of South”, Joint Stock Company	According to RNNBO (Russian National Nomenclator of Businesses and Organizations)	80380011		
Tax Payer Id. Number	TPIN (Tax Payer Id. Number)	6164266561		
Type of activity: electric power transmission	According to OKVED (Russian Classification of Economic Activities OKVED)	40.10.2		
Businesslegal structure/legal structure		47/16		
Open Joint Stock Company/private ownership	According to ARCLSB (All-Russian Classifier of Legal Structures of Businesses)/ARKFO (All-Russia Classifier of Forms of Ownership)			
Measurement unit: RUR, thousand	According to ARCMU (All-Russia Classifier of Measurement Units)	384		

Index Name	Code	Authorized capital	Additional capital	Reserve capital	Undistributed profit (uncoveredloss)	Total
1	2	3	4	5	6	7
Balance for December 31 of the year preceding the previous one	010	–	–	–	–	–
2007 (previous year)						
Accounting policy changes	011	×	×	×	–	–
Result from fixed assets objects reassessment	012	×	–	×	–	–
Accounting principles change	013	×	–	×	–	–
Balance for January 1 of the previous year	020	–	–	–	–	–
Currency translation difference result	023	×	–	×	×	–
Net profit	025	×	×	×	6,883	6,883
Dividends	026	×	×	×	–	–
Reserve fund deductions	030	×	×	–	–	–
Capital amount increase due to:	040	10,000	–	–	–	10,000
Additional issue of shares	041	–	×	×	×	–
Shares par value increase	042	–	×	×	×	–
Legal entity reorganization	043	–	×	×	–	–
other	044	10,000	–	–	–	10,000
Equity decrease due to	050	–	–	–	–	–
Shares par value decrease	051	–	×	×	×	–
Shares amount decrease	052	–	×	×	×	–
Legal entity reorganization	053	–	×	×	–	–
other	054	–	–	–	–	–
Balance for December 31 of the previous year	060	10,000	–	–	6,883	16,883
2008 (reporting year)						
Accounting policy changes	061	×	×	×	–	–
Result from fixed assets objects reassessment	062	×	–	×	–	–
Accounting principles change	063	×	–	×	–	–
Balance for January 1 of the reporting year	100	10,000	–	–	6,883	16,883
Currency translation difference result	103	×	–	×	×	–
Net profit	105	×	×	×	486,049	486,049
Dividends	106	×	×	×	–	–
Reserve fund deductions	110	×	×	344	(344)	–
Capital amount increase due to:	120	4,971,110	14,857,284	118,221	807,775	20,754,390
Additional issue of shares	121	–	×	×	×	–
Shares par value increase	122	–	×	×	×	–
Legal entity reorganization	123	4,971,110	×	×	807,775	5,778,885
other	124	–	14,857,284	118,221	–	14,975,505
Capital amount decrease due to	130	–	–	–	–	–
Company's par value decrease	131	–	×	×	×	–
Shares amount decrease	132	–	×	×	×	–
Legal person reorganization	133	–	×	×	–	–
other	134	–	–	–	–	–
Balance for December 31 of the reporting year	140	4,981,110	14,857,284	118,565	1,300,363	21,257,322

Reserves

Index name	Code	Balance	Entered	Spent	Balance
1	2	3	4	5	6
Reserves created in accordance with thelegislation:					
Previous year data	150	–	–	–	–
Reporting year data	151	–	118,565	–	118,565
Reserves created in accordance with the articles of association					
Previous year data	152	–	–	–	–
Reporting year data	153	–	–	–	–
Valuation reserves:					
Doubtful debt reserve					
Previous year data	160	–	–	–	–
Reporting year data	161	–	–	–	–
Reserve on security of financial investments					
Previous year data	162	–	–	–	–
Reporting year data	163	–	–	–	–
Liabilities reserve arisen due to the recognition of the activity suspended					
Previous year data	164	–	–	–	–
Reporting year data	165	–	–	–	–
Reserve created due to the relative factors of the industrial activity					
Previous year data	166	–	–	–	–
Reporting year data	167	–	–	–	–
Reserve for inventories value decrease					
Previous year data	168	–	–	–	–
Reporting year data	169	–	–	–	–
Other					
Previous year data	170	–	–	–	–
Reporting year data	171	–	–	–	–
Future expenses reserves:					
Remuneration payment reserve concerning the results of the year					
Previous year data	180	–	25,594	–	25,594
Reporting year data	181	25,594	31,061	(56,655)	–
Vacation payment reserve (including deductions)					
Previous year data	182	–	–	–	–
Reporting year data	183	–	–	–	–

Index name	Code	Balance	Entered	Spent	Balance
1	2	3	4	5	6
Annual service record remuneration payment					
Previous year data	184	–	–	–	–
Reporting year data	185	–	–	–	–
Fixed assets repair reserve					
Previous year data	186	–	–	–	–
Reporting year data	187	–	–	–	–
Other					
Previous year data	188	–	–	–	–
Reporting year data	189	–	–	–	–

References

Index name	Code	Balance for the beginning of the year		Balance for the end of the year	
1	2	3		4	
1) Net assets	200	16,833		21,356,935	
		From budget		From extra budgetary funds	
		For the reporting year	For the previous year	For the reporting year	For the previous year
		3	4	5	6
2) Acquired for the ordinary types of activity expenses – total:	210	10	–	–	–
Including:					
Chernobyl cleanup veteran payments	211	–	–	–	–
Other	212	10	–	–	–
Capital investments into fixed assets	220	–	–	–	–
Including:					
	221	–	–	–	–
Other	222	–	–	–	–

Cash flow statement for 2008

		Codes		
	Form No. 4 according to ARCMD (All-Russia Classifier of Management Documentation)	0710004		
	Date (year, month, day)	2008	12	31
Company: “Interregional Distribution Grid Company of South”, Joint Stock Company	According to RNNBO (Russian National Nomenclator of Businesses and Organizations)	80380011		
Tax Payer Id. Number	TPIN (Tax Payer Id. Number)	6164266561		
Type of activity: electric power transmission	According to OKVED (Russian Classification of Economic Activities OKVED)	40.10.2		
Businesslegal structure/legal structure		47/16		
Open Joint Stock Company/private ownership	According to ARCLSB (All-Russian Classifier of Legal Structures of Businesses)/ARKFO (All-Russia Classifier of Forms of Ownership)			
Measurement unit: RUR, thousand	According to ARCMU (All-Russia Classifier of Measurement Units)	384		

Index name	Code	For the reporting period	For the same period of the previous year
1	2	3	4
Money means balance for the beginning of the reporting year	010	49,948	–
Current activity cash flow			
Means acquired from the buyers and customers	020	13,275,938	156,467
Foreign exchange coming	030	–	–
Other incomes (proceeds)	050	746,950	155
Money means directed to:			
acquired goods, works, services, raw materials and other current assets payment	150	(6,812,287)	(18,355)
Labor remuneration	160	(1,998,504)	(45,418)
Dividends, interest payment	170	(587,065)	–
Taxes and charges payment	180	(1,185,391)	(40,635)
Other expenses (payments)	190	(4,180,044)	(10,312)
Current activity net money means	200	(740,403)	41,902
Investment activity cash flow			
Fixed assets objects sale profit and other fixed assets	210	86,264	–
Securities and other financial investments sale profit	220	194,511	–
Acquired dividends	230	625	–
Acquired interest	240	–	–
Proceeds fromloans redemption presented to other organizations	250	2,967	–
Other proceeds	260	22,287	–
Subsidiary companies acquisition	280	–	–
Fixed assets objects acquisition, interest bearing investments and other financial investments	290	(271,598)	(1,445)
Securities acquisition and other financial investments	300	–	–
Loans presented to other organizations	310	–	–
Other expenses	320	(3,448,232)	(509)
Net cash accruals form the investment activity	340	(3,413,067)	(1,954)
Financial activity cash flow			
Proceeds from shares issue or other equity securities	350	–	10,000
Loans and credits proceeds, presented to other organizations	360	7,348,000	–
Target financing means acquisition	370	10	–
Other types of income	380	–	–
Loans and credits redemption (without interest)	390	(2,513,594)	–
Financiallease obligations redemption	400	(240,161)	–
Other expenditures	405	–	–
Financial activity net money means	410	4,594,255	10,000
Net increase (decrease) of money means and their equivalents	420	440,776	49,948
Money means balance at the end of the reporting period	430	490,724	49,948
Amount of foreign currency translation change influence in relation to ruble	440	–	–

Appendix to the balance sheet for 2008

		Codes		
	Form No. 5 according to ARCMD (All-Russia Classifier of Management Documentation)	0710005		
	Date (year, month, day)	2008	12	31
	According to RNNBO (Russian National Nomenclator of Businesses and Organizations)	80380011		
Company: "Interregional Distribution Grid Company of South", Joint Stock Company	According to RNNBO (Russian National Nomenclator of Businesses and Organizations)	80380011		
Tax Payer Id. Number	TPIN (Tax Payer Id. Number)	6164266561		
Type of activity: electric power transmission	According to OKVED (Russian Classification of Economic Activities OKVED)	40.10.2		
Businesslegal structure/legal structure		47/16		
Open Joint Stock Company/private ownership	According to ARCLSB (All-Russian Classifier of Legal Structures of Businesses)/ARKFO (All-Russia Classifier of Forms of Ownership)			
Measurement unit: RUR, thousand	According to ARCMU (All-Russia Classifier of Measurement Units)	384		

Intangible assets

Index name	Code	Presence for the beginning of the reporting year	Entered	Left	Presence for the end of the reporting period
1	2	3	4	5	6
Intellectual property objects (exclusive rights for the intellectual property results)	010	–	–	–	–
Including:					
The patent holder possesses the right for the invention, industrial design, useful model	011	–	–	–	–
The rights owner possesses the rights for computer programs, data bases	012	–	–	–	–
The owner possesses the rights for trademark, service trademark, appellation of the goods origin	014	–	–	–	–
Company's business reputation	030	–	–	–	–
Other	040	–	–	–	–
Total	045	–	–	–	–

Index name	Code	Or the beginning of the reporting year	For the end of the reporting period
1	2	3	4
Fixed assets depreciation - total	050	–	–

Fixed assets

Index name	Code	Presence for the beginning of the reporting year	Entered	Left	Presence for the end of the reporting period
1	2	3	4	5	6
Buildings	110	–	3,474,030	(23,095)	3,450,935
Constructions and transmission devises	111	–	15,337,743	(5,681)	15,332,062
Machinery and equipment	112	881	7,270,093	(1,834)	7,269,140
Transport means	113	–	231,538	(2,247)	229,291
Production stock	114	775	77,534	(68)	78,241
Work stock	115	–	–	–	–
Productivelivestock	116	–	–	–	–
Perennial plantations	117	–	328		328
Other fixed assets types	118	–	1,619	(30)	1,589
Land plots and environmental facilities	119	–	1,240	–	1,240
Capital investments into fundamental improvement oflands	120	–	–	–	–
Total	130	1,656	26,394,125	(32,955)	26,362,826

Index name	Code	For the beginning of the reporting year	For the end of the reporting period
1	2	3	4
Fixed assets depreciation – total	140	47	1,376,127
Including:			
Buildings and constructions	141	–	814,678
Machinery, equipment, money means	142	47	546,220
Others	143	–	15,229
Leased out fixed assets objects – total	150	–	162,338
Including:			
Buildings	151	–	143,226
Constructions	156	–	10,818
Machinery, equipment, transport facilities	152		7,651
other	153		643
Fixed assets objects transition to a caretaking status	155		310
Acquisition of the fixed assets objects forlease – Total	160	29,466	3,344,323
Including:			
Buildings and constructions	161	17,290	65,142
Machinery, equipment, transport facilities	162	12,176	555,288
other	163	–	2,723,893
Immovable property put into operation and being in the process of state registration	165	–	489,519
For reference			
The result of the fixed assets reassessment of:	170	–	–
Initial (restored) value	171	–	–
Depreciation	172	–	–
Change of the fixed assets cost as a result of further construction, equipping, reconstruction, and partial liquidation	180	–	1,317,787

Income-bearing investments and inventories

Index name	Code	Presence for the beginning of the reporting year	Entered	Left	Presence for the beginning of the reporting period
1	2	3	4	5	6
Property forleasing	210	–	–	–	–
Property presented by theleasing agreement	220	–	–	–	–
Other	230	–	–	–	–
Total	240	–	–	–	–

Index name	Code	Presence for the beginning of the reporting year	For the end of the reporting period
1	2	3	4
Depreciation of the income bearing investments to the inventories	250	–	–

Expenses for the research and development and technological works

Works type name	Code	Presence for the beginning of the reporting year	Entered	Written off	Presence for the end of the reporting period
1	2	3	4	5	6
Total	310	–	–	–	–
Including	311	–	–	–	–
	312	–	–	–	–
Other	313	–	–	–	–

Works type name	Code	For the beginning of the reporting year	For the end of the reporting year
1	2	3	4
For reference			
Amount of expenses concerning the non-completed research and development and technological works	320	–	6,047
Amount of the research and development and technical works not given the positive results and directed to other expenses	Code	For the reporting period	For the same period of the previous year
	2	3	4
	330	–	–

Expenses for resources development

Index name	Code	Balance for the beginning of the reporting period	Entered	Written-off	Balance for the end of the reporting period
1	2	3	4	5	6
Expenses for the resources development – total	410	–	–	–	–
Including	411	–	–	–	–
	412	–	–	–	–
Other	413	–	–	–	–

Index name	Code	For the beginning of the reporting year	For the end of the reporting year
1	2	3	4
For reference			
Amount of expenses concerning the subsurface sites, non-completed search and assessments of the fields, prospecting and (or) hydro geological searches and other same works	420	–	–
Amount of the expenses for the resources development which were reported to other expenses as ineffective	430	–	–

Financial investments

Index name	Code	Long-term investments		Short-term investments	
		For the beginning of the reporting year	For the end of the reporting year	For the beginning of the reporting year	For the end of the reporting period
1	2	3	4	5	6
Investments into authorized (share capitals of other organizations) total	510	–	401,518	–	–
Including the subsidiary and dependent industrial companies	511	–	399,349	–	–
State and municipal securities	515	–	–	–	–
Securities of other organizations - total	520	–	–	–	–
Including the debt securities (bonds, bills)	521	–	–	–	–
Presentedloans	525	–	–	–	2,680
Deposits	530	–	–	–	–
Other	535	–	45,688	–	–
Total	540	–	447,206	–	2,680

Out of the total amount the financial investments possessing the current market value:

Investments into authorized (share) capitals of other organizations – total	550	–	–	–	–
Including the subsidiary and dependent industrial companies	551	–	–	–	–
State and municipal securities	555	–	–	–	–
Securities of other organizations – total	560	–	–	–	–
Including debt securities (bonds, bills)	561	–	–	–	–
Other	565	–	–	–	–
Total	570	–	–	–	–

For reference

Concerning the financial investments possessing current market value, value change as a result of the assessment correction	580	–	–	–	–
The difference between the initial value and par value was directed to the financial result of the reporting period.	590	–	–	–	–

Receivable and payables

Index Name	Code	Balance for the beginning of the reporting year	Balance for the end of the reporting year
1	2	3	4
Advances receivable:			
Short-term - total	610	14,073	6,597,420
Including:			
Settlements with purchasers and clients	611	6,531	3,500,527
Advances made	612	1,733	801,066
Other	613	5,809	2,295,827
Long-term - total	620	–	378,253
Including:			
Settlements with purchasers and clients	621	–	316,213
Advances made	622	–	62,040
Other	623	–	–
Total	630	14,073	6,975,673
Advances payable			
short term - total	640	29,303	6,738,089
Including:			
Settlements with purchasers and clients	641	2,176	3,542,455
Advances received	642	14,913	460,822
Settlements in respect of taxes andlevies	643	7,844	148,201
Credits	644	–	2,113,189
Loans	645	–	–
Other	646	4,370	473,422
Long term - total	650	–	7,279,239
Including:			
Settlements with purchasers and clients	651	–	87,575
Settlements in respect of taxies andlevies	652	–	–
Credits	653	–	7,191,498
Loans	654	–	–
Other	655	–	166
Total	660	29,303	14,017,328

Expenses concerning the ordinary types of activity (concerning elements of costs)

Index name	Code	For the reporting year	For the previous year
1	2	3	4
Material expenses	710	6,334,536	3,702
Labor costs	720	2,116,121	44,308
Allocation for social needs	730	485,406	8,184
Depreciation	740	1,350,556	47
Other costs	750	1,021,455	38,810
Elements of costs total			
Balance change (increase [+], decrease [–]):	760	11,308,074	95,051
Work-in-process	765	–	–
Future periods expenses	766	621,651	1,347
Future periods reserves	767	(25,594)	25,594

Guarantee

Index name	Code	Balance for the beginning of the reporting year	Balance for the end of the reporting period
1	2	3	4
Received – total	810	–	80,000
Including:			
Bills	811	–	–
Property inlease	820	–	–
Together with:			
Fixed assets objects	821	–	–
Securities and other financial investments	822	–	–
Other	823	–	–
Given out – total	380	–	55,510
Including:			
Bills	831	–	–
Property transited tolease	840	–	–
Together with:			
Fixed assets objects	841	–	–
Securities and other financial investments	842	–	–
Other	843	–	–

Government assistance

Index name	Code	Reporting period	For the same period of the previous year
1	2	3	4
Budget means acquired in the reporting period – total	910	10	–
Including:			
	911	–	–
Other	912	10	–

Index name	Code	For the beginning of the reporting year	Acquired for the reporting period	Returned for the reporting period	For the end of the reporting period
1	2	3	4	5	6
Budget credits – total	920	–	–	–	–
Including:					
	921	–	–	–	–
Other:	922	–	–	–	–

Information about the balance change of IDGC of South, JSC

Index name	According to the balance as of December 31, 2007 (annual report for 2007)		According to the balance as of January 1, 2008		Discrepancies	Including	
	Item code	Column 4 meaning	Item code	Column 3 meaning	Total	Change of the accounting principles and reporting in the reporting year	Fixed assets reassessment
1	2	3	4	5	6	7	8
ASSET							
1. NON-CURRENT ASSETS							
Intangible assets	110	–	110	–	–	–	–
Including							
Rights to patents, programs, trademarks (service trademark)		–		–	–	–	–
Other rights and assets similar to the listed ones	111	–	111	–	–	–	–
Company's business reputation	112	–	112	–	–	–	–
Other types of non-current assets	113	–	113	–	–	–	–
R&D results	114	–	114	–	–	–	–
Fixed assets	120	1,609	120	1,609	–	–	–
including							
Land plots and environmental facilities	121	–	121	–	–	–	–
Buildings, machinery and equipment, constructions	122	834	122	834	–	–	–
Other types of fixed assets	123	775	123	775	–	–	–
Uncompleted construction	130	–	130	–	–	–	–
Income-bearing investments into inventories	135	–	135	–	–	–	–
Property for leasing	136	–	136	–	–	–	–
Property presented according to leasing agreement	137	–	137	–	–	–	–
Long term financial investments, including	140	–	140	–	–	–	–
Investments into subsidiaries	141	–	141	–	–	–	–
Investments into dependent companies	142	–	142	–	–	–	–
Investments into other organizations	143	–	143	–	–	–	–
Loans granted by the organizations for the term of no more than 12 months	144	–	144	–	–	–	–
Other long term financial investments	145	–	145	–	–	–	–
Deferred tax assets	148	–	148	–	–	–	–
Other non-current assets	150	–	150	–	–	–	–
Section 1 TOTAL	190	1,609	190	1,609	–	–	–

Index name	According to the balance as of December 31, 2007 (annual report for 2007)		According to the balance as of January 1, 2008		Discrepancies	Including	
	Item code	Column 4 meaning	Item code	Column 3 meaning	Total	Change of the accounting principles and reporting in the reporting year	Fixed assets reassessment
1	2	3	4	5	6	7	8
II. CURRENT ASSETS							
Reserves	210	6,139	210	6,139	–	–	–
Including:							
Raw materials, materials and other same valuables	211	4,792	211	4,792	–	–	–
Rears and fatteners	212	–	212	–	–	–	–
Work in progress expenses	213	–	213	–	–	–	–
Finished products and goods for sale	214	–	214	–	–	–	–
Goods delivered	215	–	215	–	–	–	–
Future periods expenses	216	1,347	216	1,347	–	–	–
Other reserves and expenses	217	–	217	–	–	–	–
Value Added Tax concerning the acquired values	220	11	220	11	–	–	–
Accounts receivable (which payments are due in more than 12 months after the reporting date)	230	–	230	–	–	–	–
Including:							
Buyers and customers	231	–	231	–	–	–	–
Bills receivable	232	–	232	–	–	–	–
Subsidiary and dependent companies debts	233	–	233	–	–	–	–
Advances made	234	–	234	–	–	–	–
Other debtors	235	–	235	–	–	–	–
Accounts receivable (which payments are due during 12 months after the reporting date)	240	14,073	240	14,073	–	–	–
including							
Buyers and customers	241	6,531	241	6,531	–	–	–
Bills receivable	242	–	242	–	–	–	–
Subsidiary and dependent companies debts	243	–	243	–	–	–	–
Participants (owners) debts concerning the charges to the authorized capital							
Capital	244	–	244	–	–	–	–
Advances made	245	1,733	245	1,733	–	–	–
Other debtors	246	5,809	246	5,809	–	–	–
Short term financial investments	250	–	250	–	–	–	–
Including:							
Loans presented to the organizations for the term of less than 12 months	251	–	251	–	–	–	–

Index name	According to the balance as of December 31, 2007 (annual report for 2007)		According to the balance as of January 1, 2008		Discrepancies	Including	
	Item code	Column 4 meaning	Item code	Column 3 meaning		Change of the accounting principles and reporting in the reporting year	Fixed assets reassessment
1	2	3	4	5	6	7	8
Other short term financial investments	252	–	252	–	–	–	–
Money means	260	49,948	260	49,948	–	–	–
Including:							
cash	261	–	261	–	–	–	–
Operating accounts	262	49,948	262	49,948	–	–	–
Currency accounts	263	–	263	–	–	–	–
Other money means	264	–	264	–	–	–	–
Other current assets	270	–	270	–	–	–	–
Section II total	290	70,171	290	70,171	–	–	–
Balance	300	71,780	300	71,780	–	–	–
LIABILITIES							
III. CAPITAL AND RESERVES							
Authorized capital	410	10,000	410	10,000	–	–	–
Own shares bought out from the shareholders	415	–	415	–	–	–	–
Additional capital	420	–	420	–	–	–	–
Reserve capital	430	–	430	–	–	–	–
Including:							
Reserved made up in accordance with the legislation	431	–	431	–	–	–	–
Reserves made up in accordance with the articles of association	432	–	432	–	–	–	–
Undistributed profit of the previous years	460	–	460	6,883	6,883	6,883	–
Uncoveredloss of past years	465	–	465	–	–	–	–
Undistributed profit of the reporting year	470	6,883	470	–	(6,883)	(6,883)	–
Uncoveredloss of the reporting year	475	–	475	–	–	–	–
Section III TOTAL	490	16,883	490	16,883	–	–	–
IV. LONG TERM LIABILITIES							
Loans and credits	510	–	510	–	–	–	–
Including:							
Bank credits due to redemption in more than 12 months after the reporting date	511	–	511	–	–	–	–
Loans subjected to redemption in more than 12 months after the reporting date	512	–	512	–	–	–	–
Deferred taxliabilities	515	–	515	–	–	–	–
Otherlong-termliabilities	520	–	520	–	–	–	–

Index name	According to the balance as of December 31, 2007 (annual report for 2007)		According to the balance as of January 1, 2008		Discrepancies	Including	
	Item code	Column 4 meaning	Item code	Column 3 meaning		Change of the accounting principles and reporting in the reporting year	Fixed assets reassessment
1	2	3	4	5	6	7	8
Including:							
Accounts of suppliers and contractors	521	–	521	–	–	–	–
Accounts due to social funds	522	–	522	–	–	–	–
Otherlong term obligations	523	–	523	–	–	–	–
Section V TOTAL	590	–	590	–	–	–	–
V. SHORT TERM LIABILITIES							
loans and credits	610	–	610	–	–	–	–
including							
Bank credits subjected to redemption during 12 months after the reporting date	611	–	611	–	–	–	–
Loans subjected to redemption during 12 months after the reporting date	612	–	612	–	–	–	–
Short term debt	620	29,303	620	29,303	–	–	–
Including							
Suppliers and constrictors	621	2,176	621	2,176	–	–	–
Bills payable	622	–	622	–	–	–	–
Accounts to Subsidiary and dependent companies	623	–	623	–	–	–	–
Payrollliabilities	624	151	624	151	–	–	–
State and extra-budgetary funds	625	32	625	32	–	–	–
Taxes and charges payable	626	7,844	626	7,844	–	–	–
Advances made	627	14,913	627	14,913	–	–	–
Other creditors	628	4,187	628	4,187	–	–	–
Dividends payable	630	–	630	–	–	–	–
Future periods revenues	640	–	640	–	–	–	–
Reserves of future expenses and payments	650	25,594	650	25,594	–	–	–
Other short term debts	660	–	660	–	–	–	–
Section V TOTAL	690	54,897	690	54,897	–	–	–
BALANCE	700	71,780	700	71,780	–	–	–

Appendix No. 2

Limited Liability Company “Fineart-Audit”

Tax Payer Identification Number (TPIN) 4027022866,
Tax Code 772901001, Primary State Registration number
(PSRN)1024001183898
License to carry out auditing activities

60 Udaltsova street, City of Moscow, Russian Federation, 119607
Phone/Fax: (495) 969-24-90, (495) 969-24-88
E-mail: fineart-audit@bk.ru, office@fineart-audit.ru
www.fineart-audit.ru

Auditor’s report of the independent auditing firm LLC “Fineart-Audit” of “Interregional Distribution Grid Company of South”, Joint Stock Company (IDGC of South, JSC) financial (accounting) statement for 2008

Auditor:

Name: Limited Liability Company “Fineart-Audit”

Legal address: 60 Udaltsova street, City of Moscow, Russian Federation, 119607

Postal address: Building 1, Entrance 4, Block A, Floor 9, Rumyantsevo village, Leninskiy district, Moscow Region, 142784, Russian Federation.

Phone: (495) 969 24 90, fax (495) 969 24 88

E-mail: fineart-audit@bk.ru

LLC “Fineart-Audit” OB No. 128 State Registration Certificate was issued on January 24, 1995

Certificate of registration in Unified State Register of Legal Entities No. 1024001183898 (PSRN) was issued on February 9, 2002.

License to carry out auditing activities No.E006407 was issued by the Ministry of Finance of the Russian Federation as of September 7, 2004 for five years.

Moscow Audit Chamber member, Certificate No. 1531 was issued by the decision of the Management Board of Moscow Audit Chamber No. 99 as of November 1, 2006.

Auditee:

Name: “Interregional Distribution Grid Company of South”, Joint Stock Company (IDGC of South, JSC)

Legal address: 49 Bolshaya Sadovaya street, City of Rostov-on-Don, 344007, Russian Federation

Postal address: 327 Severnaya street, City of Krasnodar, 350015, Russian Federation

IDGC of South, JSC State Registration Certificate and registration in Unified State Register of Legal Entities No. 1076164009096 (PSRN) was issued on June 28, 2007.

Auditing activities carrying out contract: No. A-25/2008 as of July 9, 2008.

We carried out the audit of the present financial (accounting) statement of “Interregional Distribution Grid Company of South”, Joint Stock Company (IDGC of South, JSC) for the period of January 1 through December 31 of 2008.Financial (accounting) statement consists of:

- Balance sheet (form No.1)
- Profit andloss statement (form No.2)
- Statement of changes in equity (form No.3)
- Cash flow statement (from No.4)
- Appendices to the balance sheet (form No.5)
- Explanatory note

The statement is prepared by the executive body of IDGC of South, JSC in accordance with the norms, determined by the Federal law as of November 21, 1996 No. 129-FL “On Accounting”, “Regulation on Accounting Record Keeping in the Russian Federation” approved by the order of the Ministry of Finance of the Russian Federation as of July 29, 1998 No. 34n. “Accounting Regulations (AR) “Accounting Policy of the Company” AR 4/99, approved by the Order of the Ministry of Finance of the Russian Federation as of July 6, 1999 No. 43n, Order of the Ministry of Finance of the Russian Federation as of July 22, 2003 No. 67n “On Forms of the Accounting Statement of the Companies”.

The executive body of IDGC of South, JSC carries out the responsibility for the preparation and presentation of the financial (accounting) statement. We are responsible for the reliable opinion offering concerning the statement truthfulness and accounting record keeping order compliance with the Legislation of the Russian Federation on the basis of the carried out auditing activities.

We carried out the audit in accordance with the Federal Law as of December 30, 2008 No. 307-FL “On Auditing Activities”, Federal Rules (Standards) of Auditing Activity (Regulation of the Russian Federation Government as of September 23, 2002 No.696 in Russian Federation Government Regulations issue as of July 4, 2003 No. 405 as of October 7, 2004 No. 532as of April 16, 2005 No. 228 as of August 25, 2006 No. 523 as of July 22, 2008 No. 557) as well as the internal standards.

The Audit was planned and carried out so that we could be confident in the fact that the financial (accounting) statement does not include material misstatements. The Audit is carried out on a test basis and includes the study on the basis of facts testing approving the indices in financial (accounting) statement and information disclosure concerning the financial and economic activities, as well as assessment of standards and accounting principles meeting, examination of the major evaluation indices acquired by the Auditee management together with the financial (accounting) statement presentation assessment. We think that the carried out audit, presents the reasonable grounds for the expression of our opinion concerning the financial (accounting) statement reliability and accounting record keeping order compliance with the Legislation of the Russian Federation.

We think that the financial (accounting) statement of IDGC of South, JSC gives a true and fair view of the financial situation for December 31, 2008 and the results of its economic and financial activity for the period of January 1 through December 31, 2008 in accordance with the requirements of the Russian Federationlegislation to the extent it relates to financial (accounting) statement preparation.

March 18, 2009

LLC “Fineart-Audit” President

Head of the checkup
(General Audit Qualification
Certificate No. K 005415
valid for an indefinite term)



N. V. Bondarenko

A. V. Lutokhin

Appendix No. 3

IDGC of South, JSC, Auditing Committee’s Report following the results of 2008

City of Krasnodar

April 16, 2009

According to the decision of the Auditing Committee as of January 29, 2009 (Minutes No.4), the committee consisting of L.R. Maljutina, Auditing Committee Chairman, First Deputy Head of JSC “IDGC Holding” Internal Audit Department; R.F. Gabbidullin, Auditing Committee Member, Chief Specialist of JSC “IDGC Holding” Purchasing Activities Directorate; M.V. Petrova – Auditing Committee Member, IDGC of South, JSC Deputy Chief Accountant; involved experts-specialists: L.D Kormushkina, Audit Organization and Carrying Out Department Head of JSC “IDGC Holding” Internal Audit Department; O.V. Rokhlina, Chief Expert of Audit Organization and Carrying Out Department of JSC “IDGC Holding” Internal Audit Department; N.P. Krivobokova, Chief Expert of the Investment Activity Control Department of JSC “IDGC Holding” Internal Audit Department, carried out a checkup of the financial and economic activities of IDGC of South, JSC, following the results of 2008.

Persons responsible for the financial and economic activity during the checkup period were:

- Alexander Ilyich Gavrolov, General Director (IDGC of South, JSC Order as of June 28, 2007 No.1 during the period from June 29, 2007 up to now);
- Grigoriy Grigorievich Savin, Chief Accountant (IDGC of South, JSC Order as of July 2, 2007 No.2-l from July 2, 2007 up to now).

LLC “Fineart-Audit”, Company’s Auditor, approved by the Annual General Meeting of Shareholders (Minutes No.1 as of June 4, 2008) carried out the audit of the Company’s Accounting statement for the period from January 1, 2008 up to December 31, 2008 (Auditor’s report as of March 18, 2009). According the Auditor, IDGC of South, JSC, financial statement gives a true and fair view of the financial position at December 31, 2008 and the results of the financial and economic activity for the period from January 1 through December 31, 2008 inclusive in accordance with the requirements of the Russian Federation laws in the field of accounting reports preparation.

The checkup carried out from April, 6 till April, 16 of 2009.

The checkup of the presented supporting primary documentation was carried out by sampling procedure.

In 2008, from the sales of goods, woks and services, the Company acquired proceeds accounting for RUR 13,092 million as well as from power transmission services rendering – RUR 10,785.3 million. Net cost of the sold goods, works and services accounted for RUR 10,908.31 million as well as from power transmission services rendering – RUR 10,429.9 million.

Sales profit gained for the accounting period is RUR 1,784.5 million. Other expenditures including interests payable - RUR 232.2 million exceeded other revenues, including the interests receivable and accounted for RUR 754.5 million.

In 2008, the Company’s net profit accounted for RUR 486 million.

Balance sheet assets value for December 31, 2008 accounted for RUR 35,693.4 million.

As of December 31, 2008 the accounts receivable accounted for RUR 6,975.67 million including customers and clients – RUR 3,816.74, concerning the advances made – RUR 863.1 million, other accounts receivable – RUR 2,295.8 million.

As of December 31, 2008 the accounts payable accounted for RUR 4,700 million, including suppliers and contractors – RUR 3,630.0 million, according to the advances received – RUR 460.8 million, budget and state non-budgetary funds debt accounted for RUR 202.42 million, salaries payable – RUR 157.89 million, other debt – RUR 248.89 million.

Major financial indices of the Company as of December 12, 2008 are characterized by the following information:

- Equity ratio (financial independence) accounted for 0.596 which corresponds to the recommended value (> 0.5);
- Quick assets ratio accounted for 1.037 which exceeds the recommended value (0.3-0.7)
- Currentliquidity ratio accounted for 1.301 the isless than the recommended value (> 2);
- Profitability of sales ratio accounted for 16.7%.

The ratio of receivables and payables of IDGC of South, JSC for the end of 2008 accounted for 1.51.

On the basis of the carried out checkup and taking into account the Company’s Auditor’s report, the Auditing Committee possesses reasonable grounds to confirm the reliability of data contained in the annual report of the Company and annual accounting statement.

IDGC of South, JSC
Auditing Committee Chairman

 L.R. Matyunina

Appendix No. 4

Information on participation of IDGC of South, JSC in other companies

Participation of IDGC of South, JSC in the authorised capitals and voting shares of other companies

Name and address of the company	Date of the company's registration	Major business activity	Stake of IDGC of South, JSC, in the company	Stake of the company's voting shares owned by IDGC of South, JSC
Group 1. Stake of over 50 %				
1. Astrakhanelectrosetremont, open joint-stock company, 204, Kramatorskaya St, Astrakhan, Russian Federation	16 March, 2004	Major and current repair of equipment, transfer installations, plant and equipment; technical updating and reconstruction; maintenance of electric networks	100 %	100 %
2. “Volgogradsetremont” open joint-stock company, 1A, Granovitaya St, Volgograd, Russian Federation	1 April, 2004	Maintenance of electric networks, capital and current repair of equipment, transfer installations, plant and equipment; technical updating and reconstruction	100 %	100 %
3. “Agricultural Enterprise named after A. A. Grechko” open joint-stock company, 21, Teatralnaya St, Kuibyshevo district, Kuibyshevo villge, Rostov Region, Russia	17 November,2003	Production, processing and supply of agricultural products made by the company	100 %	100 %
4. “Sokolovskoye Agricultural Enterprise” open joint-stock company, 32, Kurskaya St, Sokolovo-Kondryuchensky village, Novoshakhtinsk, Russian Federation	13 November, 2003	Production, processing and supply of agricultural products made by the company	100 %	100 %
5. “Energetik Recreation Camp” open joint-stock company, 3, Shkolnaya St, Shepsi village, Tuapse district, Krasnodar Region, Russian Federation	10 November, 2003	Medical treatment and recreation of adults, parents with children (atleast five years old) and organised groups of school pupils; domestic, guide and recreational	100 %	100 %
6. “Markinskoye Agricultural Enterprise” open joint-stock company, Markinskoye village, Tsimlyansk district, Rostov Region, Russian Federation	13 November, 2003	Agricultural activities	100 % (till 28 May, 2008*)	100 % (till 28 May, 2008*)

Name and address of the company	Date of the company's registration	Major business activity	Stake of IDGC of South, JSC, in the company	Stake of the company's voting shares owned by IDGC of South, JSC
Group 4. Stake of less than 25%				
7. “Volgogradenergobyt” open joint-stock company, 14, Kozlovskaya St, Volgograd, 400001 Russian Federation	1 January, 2005	Purchase and sale of electric energy	0.5610 %	0.5610 %
8. “Volgograd Transmission Networks” open joint-stock company, 15, Lenin's lane, Volgograd, 400066, Russian Federation,	1 September, 2005	Transmission and distribution of electric energy	0.5610 %	0.5610 %
9. “Rostov Football Club” open joint-stock company, 31/6A, Sholokhov's passage, Rostov-on-Don, 344000, Russian Federation.	19 November, 1997	Preparation and organisation of football teams, holding of football competitions	2 %	2 %
10. “ENERGOGARANT Insurance joint-stock company” open joint-stock company, 23, Sadovnicheskaya embarkment, Moscow, 115035, Russian Federation	14 August, 2002	Insurance	0.0220 %	0.0220 %
11. “Gazenergo” open joint-stock company, 26, Podstantsionnaya St, Pyatigorsk, Stavropol Territory, 357506, Russian Federation	16 January, 1992	Purchase, sale and generation of electric energy	0.5550 %	0.5550 %
12. “International Investment and Privatising Fund” closed joint-stock company, 3/3, Solyanka St, Moscow, 109028, Russian Federation	22 June, 1994	Development and support of projects and insurance systems	0.0330 %	0.0330 %
13. “Joint-Stock Grid Company” open joint-stock company, 27, Osipenko St, Moscow, 113035, Russian Federation	4 August, 1992	Electric installation works	5.2220 %	5.2220 %
14. “Sphere-Income” closed joint-stock company, 13, Prazhskaya St, Volgograd, Volgograd Region, 400005, Russian Federation	13 June,1996	Development, production and supply of producer and consumer goods, etc.	12.8890 %	12.8890 %
15. “Chaganskoye” closed joint-stock company, 1, Lenin's St, Chagan village, Kamyzyak district, Astrakhan Region, Russian Federation	30 June,1999	Agricultural activities	2.8810 %	2.8810 %
16. “TGK-9 Southern Generating Company” open joint-stock company, 32, Krasnaya Naberezhnaya St, Astrakhan, Astrakhan Region, 414000, Russian Federation	22 March, 2005	Production of thermal and electric energy	0.015 % (till 4 September, 2008 **)	0.015 % (till 4 September, 2008 **)

* “Markinskoye Agricultural Enterprise” JSC shares were sold at the open tender on 12 March, 200 (transfer order No. 17 as of 28 May, 2008) under the resolution of “RAO UES of Russia” JSC Management Board (Minutes No. 1125pr/6 as of 22 December, 2004), “Rostovenergo” JSC Board of Directors (Minutes No. 13 as of 29 January, 2005) on termination of participation of “Rostovenergo” JSC in “Markinskoye Agricultural Enterprise” JSC.

** Resolution on termination of participation of the Company in “YGK-TGK-8” JSC through alienation of “YGK-TGK’8” shares, under the received obligatory proposal on purchase of securities was made by IDGC of South, JSC Board of Directors on 14 August, 2008 (Minutes No. 17/2008 as of 18 August, 2008).

Participation of IDGC of South, JSC in non-profit organisations

Name and place of the non-profit organisation	Date of joining the non-profit organisation	Major activities of the non-profit organisation
Group 1. Unions and associations of legal entities		
1. "Russian National Industrial Association of Electric Industry Employers" C-109, 101/3, Vernadsky's Avenue, Moscow, 119526, Russian Federation	17 November, 2008	Representation and defence of electric industry employers' interests in their relations with trade unions and other representatives of employees' interests and with state and local authorities
Group 2. Non-profit partnerships		
2. "Energy Industry Long-Service Employees Union" non-profit partnership 119/55, Mira square, Moscow, Russian Federation, 129344	30 January, 2009	Comprehensive help to electric industry long-service employees
3. "Science and Engineering Council of the Uniform Energy System" non-profit partnership 119/55, Mira square, Moscow, 129344, Russian Federation	16 February, 2009	Activities of professional organisations, scientific research and developments in natural and technical sciences
4. "Rostov Study Centre of the Uniform Energy System" non-profit partnership Bldg P, 13, Krasnokazarmennaya St, Moscow, 111250, Russian Federation	5 February, 2009	Services in preparation, advanced education and qualification provided to the companies' personnel, enterprises of all forms of organisation and ownership and also to discharged employees, unoccupied and unemployed people
5. "Innovations in Electric Industry" non-profit partnership 19, Leninsky Avenue, Moscow, Russian Federation	10 April, 2008	Services provided to the Partnership members in improvement of financing of science and research works in production, transmission, distribution and supply of electric energy; supply with information on products of science and research works that exist on the world market and on developments in the electric industry, implementation of advanced technical and technological solutions that improve their work efficiency

Name and place of the non-profit organisation	Date of joining the non-profit organisation	Major activities of the non-profit organisation
Group 3. Enterprises		
6. "Energetik Study Centre" private educational institution 147, Second Krasnodarskaya St, Rostov-on-Don, 344091, Russian Federation	31 March, 2008	Education and advanced education of workers and specialists of IDGC of South, JSC and other enterprises and organisations, unoccupied and unemployed people. Advanced education in the sphere of maintenance and repair of electric stations, electric networks and substations, labour protection, electric safety, economy of the electric industry, market relations and legal knowledge.
7. "Astrakhan Study Centre" private educational institution Territory of Astrakhan Thermal Power Generation Plant No. 2, Kulakovka village, Privolzhsky district, Astrakhan Region, 416474, Russian Federation	31 March, 2008	Education and secondary (advanced) education of IDGC of South, JSC workers and specialists and other enterprises and organisations
Group 5. Other		
8. "Private Pension Fund of Electric Industry" Bldg 5, 16, Bersenevskaya embankment, Moscow, 119072, Russian Federation	31 March, 2008	Private pension support of the fund participants; obligatory pension insurance and professional pension insurance.

Appendix No. 5

Information about tariffs for electricity transmission in IDGC of South, JSC, branches

Tariffs for “Rostovenergo”, a branch of IDGC of South, JSC

Tariffs		High voltage	Mid voltage 1	Mid voltage 2	Low voltage
2008					
Uniform tariffs approved in decree No. 5/3 of the Regional Tariff Service as of 23 May, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	394,475.30	395,191.20	400,651.50	481,935.20
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	91.29	151.9	162.03	272.53
	TOTAL, RUR/MWh	716.81	719.61	1,181.91	941.20
2009					
Uniform tariffs approved in decree No. 14/3 of the Regional Tariff Service as of 26 December, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	252,085.98	391,628.90	414,019.97	437,422.70
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	628.24	589.07	113.15	380.82
	TOTAL, RUR/MWh	1,027.77	1,681.45	952.10	1,303.10
Growth rate of uniform tariffs for electricity transmission in 2009/2008, %	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	−36.10	−0.90	3.34	−9.24
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	588.18	287.80	−30.17	39.74
	TOTAL, RUR/MWh	43.38	133.66	−19.44	38.45

Tariffs for “Volgogradenergo”, a branch of IDGC of South, JSC

Tariffs		High voltage	Mid voltage 1	Mid voltage 2	Low voltage
2008					
Uniform tariffs approved in decree No. 40/1 of the Regional Tariff Administration, Volgograd Region, as 26 December, 2007 (from networks)	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	209,620.00	373,540.00	487,440.00	658,310.00
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	21.87	97.82	124.91	414.33
Uniform tariffs approved in decree No.40/1 of the Regional Tariff Administration, Volgograd Region, as 26 December, 2007 (from substation buses)	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	52,405.00	93,385.00	121,860.00	164,578.00
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	–	–	–	–
2009					
Uniform tariffs approved in decree No. 45/5 of the Regional Tariff Administration, Volgograd Region, as of 25 December, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	268,963.11	533,217.85	638,340.93	907,151.25
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	21.33	113.45	132.18	478.3
	TOTAL, RUR/MWh	413.52	843.89	1,835.45	2,081.76
Growth rate of uniform tariffs for electricity transmission, %	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	28.31	42.75	30.96	37.80
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	−2.47	15.98	5.82	15.44
	TOTAL, RUR/MWh	–	–	–	–

Tariffs for “Kalmenergo”, a branch of IDGC of South, JSC

Tariffs		High voltage	Mid voltage 1	Mid voltage 2	Low voltage	Low voltage – town population, inclusive of VAT	Low voltage – rural population, inclusive of VAT	Mid voltage-2, rural population, inclusive of VAT
2008								
Uniform tariffs approved in order No. 28-p/e of the Regional Tariff Service of the Republic of Kalmykia, as of 24 March, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	613,507.09	787,155.61	808,149.88	885,009.00	568,451.12	175,511.55	241,021.54
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	42.34	98.15	132.26	215.62	254.43	254.43	156.07
	TOTAL, RUR/MWh	1,046.42	1,386.42	1,456.42	1,906.42	1,107.98	517.98	517.98
2009								
Uniform tariffs approved in order No. 88-p/e Tariff Service of the Republic of Kalmykia, as of 16 December, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	1,259.28	1,618.61	1,656.66	2,092.90	1,133.62	393.62	–
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	52.97	93.64	165.59	269.35	317.84	317.84	–
	TOTAL, RUR/MWh	1,312.25	1,712.25	1,822.25	2,362.25	1,451.46	711.46	–
Growth rate of uniform tariffs for electricity transmission, %	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	–	–	–	–	–	–	–
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	25.11	–4.60	25.20	24.92	24.92	24.92	–
	TOTAL, RUR/MWh	25.40	23.50	25.12	23.91	31.00	37.35	–

Tariffs for “Astrakhanenergo”, a branch of IDGC of South, JSC

Tariffs		High voltage	Mid voltage 1	Mid voltage 2	Low voltage
2008					
Uniform tariffs approved in decree No. 6 of the Astrakhan Regional Tariff Service as of 30 January, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	261,880.94	231,853.00	185,968.26	236,785.63
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	21.54	95.54	135.62	212.08
	TOTAL, RUR/MWh	448.62	509.26	533.26	671.22
2009					
Uniform tariffs approved in decree No. 79 of the Astrakhan Regional Tariff Service as of 16 October, 2008	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	126,178.62	163,657.87	321,658.57	471,240.12
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	192.9	228.45	278	109.5
	TOTAL, RUR/MWh	427.74	548.56	853.96	995.92
Growth rate of uniform tariffs for electricity transmission, %	Rate (tariff) for maintenance of electric networks (RUR/MW/month)	–51.82	–29.41	72.96	99.02
	Rate (tariff) of technological waste of electric energy during its transmission through networks (RUR/MWh)	795.54	139.11	104.98	–48.37
	TOTAL, RUR/MWh	–4.65	7.72	60.14	48.37

Appendix No. 6

Information about volumes and tariffs for technological connection

Volumes and tariffs for technological connection reported to the tariff regulation body in 2008 and 2009, and tariffs for technological connection to “Rostovenergo” branch of IDGC of South, JSC, electric networks that were set and approved by the tariff regulation body

Capacity range, kW	Level of voltage in the connection point, kV	“Rostovenergo”, a branch of IDGC of South, JSC					
		2008			2009		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 30 kW inclusive (second category of reliability)	0.4 kV	14,038	18,730.8	17,685.8	3,649.7		17,685.8
from 30 to 100 kW inclusive (third category of reliability)				11,837.63	6,296.9		11,837.63
from 100 to 750 kW inclusive (first category of reliability)				20,192.16	8,265.3		20,192.16
over 750 kW					–		–
up to 100 kW inclusive (first category of reliability)	6–10 kV	24,977	14,478.41	15,629.82	3,172.8		15,629.82
from 100 to 750 kW inclusive (second category of reliability)				13,689.77	5,408.5		13,689.77
over 750 kW (third category of reliability)				9,162.97	27,232.4		9,162.97
up to 15 kW inclusive	0.4 kV, natural persons for domestic needs	RUR 550 (inclusive of VAT) for one connection					

Note: The multiplying and degression factors are added to the charge for technological connection depending on the consumer reliability category and location (in energy deficient zones it is 1.05 and 1.1, and in energy proficient zones, 0.9 and 0.85 accordingly); in case consumers are connected to the networks of cooperating enterprises, there is a fixed procedure of share participation of branches in distribution of received revenue from technological connection.

Volumes and tariffs for technological connection reported to the tariff regulation body in 2008 and 2009, and tariffs for technological connection to “Volgogradenergo” branch of IDGC of South, JSC, electric networks that were set and approved by the tariff regulation body

«City» zone

Capacity range, kW	Level of voltage in the connection point, kV	“Volgogradenergo”, a branch of IDGC of South, JSC					
		2008			2009		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Technological connection is technically possible							
up to 100 kW inclusive	0.4 kV	1,510	1,778.23	1,778.23	1,510	1,778.23	1,778.23
from 100 kW		134,035	90.43	93.17	134,035	90.43	93.17
up to 100 kW inclusive	6–10 kV	1,668	544.23	544.23	1,668	544.23	544.23
from 100 to 750 kW inclusive		309,831	211.54	211.54	309,831	211.54	211.54
over 750 kW		39,424	93.98	93.98	39,424	93.98	93.98
up to 15kW inclusive		RUR 550 (inclusive of VAT) for one connection					
Technological connection is impossible due to the necessity of construction and reconstruction of feeding centres							
Other consumers of technological connection services	3,834.69 RUR/kW						
Technological connection is impossible due to the necessity of construction and reconstruction of distribution electric networks of a grid organisation							
up to 100 kW inclusive	0.4 kV	1,510	10,238.62	2,312.85	1,510	10,238.62	2,312.85
from 100 kW		134,035	22,338.38	9,206.63	134,035	22,338.38	9,206.63
up to 100 kW inclusive	6–10 kV	1,668	11,059.00	3,340.04	1,668	11,059.00	3,340.04
from 100 to 750 kW inclusive		309,831	14,641.39	5,297.58	309,831	14,641.39	5,297.58
over 750 kW		39,424	14,968.35	5,519.84	39,424	14,968.35	5,519.84
up to 15 kW inclusive		RUR 550 (inclusive of VAT) for one connection					

«Region» zone

Capacity range, kW	Level of voltage in the connection point, kV	“Volgogradenergo”, a branch of IDGC of South, JSC					
		2008			2009		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Provided technological connection is technically possible							
up to 100 kW inclusive	0.4 kV	1,510	1,847.99	1,847.99	1,510	1,847.99	1,847.99
from 100 kW		134,035	90.43	90.43	134,035	90.43	90.43
up to 100 kW inclusive	6–10 kV	1,668	510.09	510.09	1,668	510.09	510.09
from 100 to 750 kW inclusive		309,831	192.76	192.76	309,831	192.76	192.76
over 750 kW		39,424	110.82	110.82	39,424	110.82	110.82
up to 15 kW inclusive		RUR 550 (inclusive of VAT) for one connection					
Technological connection is impossible due to the necessity of construction and reconstruction of feeding centres							
Other consumers of technological connection services	2,119.62 RUR/kW						
Technological connection is impossible due to the necessity of construction and reconstruction of distribution electric networks of a grid organisation							
up to 100 kW inclusive	0.4 kV	1,510	9,818.21	2,925.30	1,510	9,818.21	2,925.30
from 100 kW		134,035	17,297.77	7,543.86	134,035	17,297.77	7,543.86
up to 100 kW inclusive	6–10 kV	1,668	9,571.19	3,470.74	1,668	9,571.19	3,470.74
from 100 to 750 kW inclusive		309,831	13,443.30	5,565.46	309,831	13,443.30	5,565.46
over 750 kW		39,424	13,293.68	5,531.62	39,424	13,293.68	5,531.62
up to 15 kW inclusive		RUR 550 (inclusive of VAT) for one connection					
Payment for technological connection to the electric networks of “Volgogradenergo”, a branch of IDGC of South, JSC, for “Volga Interdistrict Electric Networks” municipal federal budget-supported enterprise, “Volgogradoblektro” JSC,							
Over 15 kW		2,221.89 RUR/kW					
Payment for technological connection to the electric networks of “Volgogradenergo”, a branch of IDGC of South, JSC, for “Regional Energy Service” JSC							
Over 15 kW		4,055.29 RUR/kW					

- Note:
1. In case consumers are connected to the networks of cooperating enterprises, there is a fixed procedure of share participation of branches in distribution of received revenue from technological connection.
 2. Charges for technological connection vary depending on:
 - Presence/absence of technical conditions necessary for technological connection,
 - The category of power supply reliability declared by the consumer,
 - Location of the consumer's electric devices.

Volumes and tariffs for technological connection reported to the tariff regulation body in 2008 and 2009, and tariffs for technological connection to “Astrakhanenergo” branch of IDGC of South, JSC, electric networks that were set and approved by the tariff regulation body

Capacity range, kW	Level of voltage in the connection point, kV	“Astrakhanenergo”, a branch of IDGC of South, JSC					
		2008			2009		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
up to 30 kW inclusive	0.4 kV	430.1	385.4	335.0	441.5	477.1	356.0
from 30 to 100 kW inclusive		–	–	–	–	–	–
from 100 to 750 kW inclusive		–	–	–	–	–	–
over 750 kW		–	–	–	–	–	–
up to 100 kW inclusive	6–10 kV	1,865.0	66.7	57.0	1,451.8	87.3	67.0
from 100 to 750 kW inclusive		7,180.0	16.1	14.0	6,356.8	25.1	19.0
over 750 kW		46,341.0	3.1	3.0	3,2437.0	4.5	4.0
up to 15 kW inclusive	0.4 kV, natural persons for domestic needs	RUR 550 (inclusive of VAT) for one connection					

Volumes and tariffs for technological connection reported to the tariff regulation body in 2008 and 2009, and tariffs for technological connection to “Kalmenergo” branch of IDGC of South, JSC electric networks that were set and approved by the tariff regulation body

Capacity range, kW	Level of voltage in the connection point, kV	“Kalmenergo”, a branch of IDGC of South, JSC					
		2008			2009		
		Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
up to 30 kW inclusive	0.4 kV	165	5,780.4	Tariffs approved in order No. 23-p/e as of 17 February, 2006, and prolonged in order No. 29-p/e as of 8 April, 2008 126.95 RUR (exclusive of VAT)	5.4	1,676.63	Tariffs approved in order No. 23-p/e as of 17 February, 2006, and prolonged in order No. 29-p/e as of 8 April, 2008 126.95 RUR (exclusive of VAT)
From 30 to 100 kW inclusive		32	5,876		50	1,877.46	
from 100 to 750 kW inclusive							
over 750 kW							
up to 100 kW inclusive	6–10 kV	957	12,947.4		18.7	895.44	
from 100 to 750 kW inclusive		2,540	3,664.1		152.5	4,253.58	
over 750 kW		8,000	3,941.1		–	–	
up to 15 kW inclusive	0.4 kV, natural persons for domestic needs	–	550 RUR (inclusive of VAT) for one connection	318.30 RUR (inclusive of VAT) for one connection	–	550 RUR (inclusive of VAT) for one connection	318.30 RUR (inclusive of VAT) for one connection

Demanded quantity of technological connection and its meeting in 2008

No.	Connection category	Connection voltage, kV	Number of sent applications for technological connection		Specifications given out without conclusion of technological connection contracts		Conclusion of technological connection contracts in the current period			Number of technological connection contracts that are being considered by the client		
			pieces	For total capacity (N), kW	pieces	For total capacity (N), kW	pieces	Total capacity, kW	Total cost, thousand RUR	pieces	Total capacity, kW	Total cost, thousand RUR
"Astrakhanenergo", a branch of IDGC of South, JSC												
1	up to 15 kW (natural persons)	0.4	1,155	5,509.50	–	–	735	3,148.70	342.58	420	2,360.80	195.76
2	Up to 30 kW	0.4	795	15,742.36	–	–	518	10,238.40	9,777.26	277	5,503.96	5,256.06
3	from 30 kW	0.4	–	–	–	–	–	–	–	–	–	–
4	up to 100 kW	6–10	151	18,541.18	–	–	120	7,543.50	16,239.64	31	10,997.68	23,675.80
5	from 100 to 750 kW	6–10	145	45,065.41	–	–	126	33,038.58	141,852.70	19	12,026.83	51,637.76
6	Over 750 kW	6–10	42	36,680.31	–	–	12	22,423.30	148,900.10	30	14,257.01	125,015.02
7	Over 750 kW	35–110	–	–	–	–	–	–	–	–	–	–
8	TOTAL		2,288	121,538.76	–	–	1511	76,392.48	317,112.28	777	45,146.28	205,780.40
"Volgogradenergo", a branch of IDGC of South, JSC												
1	up to 15 kW (natural persons)	0.4	1,008	5,931.40	35	200.00	973	5,731.40	557.68	–	–	–
2	Up to 30 kW	0.4	412	4,227.97	1	4.00	411	4,223.97	13,852.31	–	–	–
3	from 30 kW	0.4	29	17,984.00	–	–	29	17,984.00	156,183.96	–	–	–
4	up to 100 kW	6–10	184	3,622.70	–	–	184	3,622.70	14,146.63	–	–	–
5	from 100 to 750 kW	6–10	161	29,194.90	–	–	161	29,194.90	49,849.69	–	–	–
6	Over 750 kW	6–10	17	42,328.00	–	–	17	42,328.00	184,456.5	–	–	–
7	Over 750 kW	35–110	1	5,981.30	–	–	1	5,981.30	8,354.03	–	–	–
8	TOTAL		1,812	109,270.27	36	204.00	1,776	109,066.27	427,400.84	–	–	–
"Kalmenergo", a branch of IDGC of South, JSC												
1	up to 15 kW (natural persons)	0.4	50	212.05	–	–	50	212.05	13.56	–	–	–
2	Up to 30 kW	0.4	79	437.10	–	–	79	437.10	55.49	–	–	–
3	from 30 kW	0.4	12	82.96	–	–	12	82.96	10.53	–	–	–
4	up to 100 kW	6–10	49	908.34	–	–	49	908.34	143.63	–	–	–
5	from 100 to 750 kW	6–10	9	1,927.70	–	–	9	1,927.70	216.42	1	160.00	20.31
6	Over 750 kW	6–10	–	–	–	–	–	–	–	–	–	–
7	Over 750 kW	35–110	1	18,000	–	–	1	18,000.00	1,799.19	–	–	–
8	TOTAL		200	21,568.15	–	–	200.00	21,568.15	2,238.82	1	160.00	20.31
"Rostovenergo", a branch of IDGC of South, JSC												
1	up to 15 kW (natural persons)	0.4	1,782	11,832.10	–	–	1,591	10,452.21	741.10	20	99.99	39.92
2	Up to 30 kW	0.4	839	4,559.36	–	–	585	2,845.60	28,059.97	26	194.13	659.14
3	from 30 kW	0.4	131	22,924.21	–	–	56	10,431.81	124,181.93	6	986.80	22,861
4	up to 100 kW	6–10	1,145	20,509.19	–	–	733	9,721.73	55,686.43	211	4,412.55	18,484.43
5	from 100 to 750 kW	6–10	215	61,598.30	–	–	128	36,563.64	238,027.88	52	12,643.11	79,969.65
6	Over 750 kW	6–10	85	248,108.43	–	–	57	185,592.12	1,953,563.46	8	13,773.05	208,464.68
7	Over 750 kW	35–110	10	496,580.00	–	–	–	–	–	–	–	–
8	TOTAL		4,207	866,111.59	–	–	3,150	255,607.11	2,400,260.77	323	32,109.63	330,478.82
IDGC of South, JSC, total												
1	up to 15 kW (natural persons)	0.4	3,995	23,485.05	35	200	3,349	19,544.36	1,654.92	440	2,460.79	235.68
2	Up to 30 kW	0.4	2,125	24,966.79	1	4	1,593	17,745.07	51,745.03	303	5,698.09	5,915.2
3	from 30 kW	0.4	172	40,991.17	–	–	97	28,498.77	280,376.42	6	986.8	22,861
4	up to 100 kW	6–10	1,529	43,581.41	–	–	1,086	21,796.27	86,216.33	242	15,410.23	42,160.23
5	from 100 to 750 kW	6–10	530	137,786.31	–	–	424	100,724.82	429,946.69	72	24,829.94	131,627.72
6	Over 750 kW	6–10	144	327,116.74	–	–	86	250,343.42	2,286,920.06	38	28,030.06	333,479.7
7	Over 750 kW	35–110	12	520,561.3	–	–	2	23,981.3	10,153.22	–	–	–
8	TOTAL		8507	1,118,488.77	36	204	6,637	462,634.01	3,147,012.71	1,101	77,415.91	536,279.53

Number of connections (complete execution of technological connection contracts)				Number of dissolved technological connection contracts that were dissolved through the fault of the client, including				Number of declined applications		Technological connection to the networks of the branches under the contracts	
According to contracts of the accounting year		According to contracts of previous years		From contracts of the accounting year		From contracts of previous years		pieces	Total capacity, kW	Transformer capacity, kVA	Power transmission line, Km
pieces	Total capacity, kW	pieces	Total capacity, kW	pieces	Total capacity, kW	pieces	Total capacity, kW				
612	2,611.00	48	256.80	–	–	–	–	–	–	–	–
469	3,641.10	38	471.60	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
78	5,028.70	9	508.60	–	–	–	–	–	–	1,280	1.8
65	16,563.30	16	4,188.70	–	–	–	–	–	–	2,120	3.7
4	4,350.30	8	18,073.00	–	–	–	–	–	–	33,920	40.05
–	–	–	–	–	–	–	–	–	–	–	–
1,228	32,194.40	119	23,498.70	–	–	–	–	–	–	37,320	45.55
621	2,601.80	109	868.55	–	–	–	–	–	–	–	–
199	2,251.24	52	634.96	–	–	–	–	–	–	–	–
20	7,788.50	4	2,409.00	–	–	–	–	–	–	60.83	8,222
131	2,104.96	36	1,034.94	–	–	–	–	–	–	–	–
129	20,152.00	8	3,592.26	–	–	–	–	–	–	–	–
4	9,628.20	4	8,458.80	–	–	–	–	–	–	–	2.59
1	5,981.30	–	–	–	–	–	–	–	–	–	–
1,105	50,508.00	213	16,998.51	–	–	–	–	–	–	60.83	10.812
50	212.05	–	–	–	–	–	–	–	–	–	–
47	274.62	–	–	–	–	–	–	–	–	–	–
6	47.96	–	–	–	–	–	–	–	–	–	–
6	78.5	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	1	160.00	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
109	613.13	–	–	–	–	1	160.00	–	–	–	–
1,052	6,796.52	–	–	1	3.00	–	–	–	–	–	–
–	–	468	1,889.10	7	40.78	–	–	–	–	–	–
–	–	16	1,799.65	–	–	–	–	–	–	–	–
–	–	616	6,360.75	6	109.81	–	–	–	–	–	–
–	–	5	770.00	1	500.00	–	–	4	1,416.31	6,720	12.38
–	–	1	3,000.00	1	894.00	–	–	–	–	230,000	122
–	–	–	–	–	–	–	–	–	–	–	–
1,052	6,796.52	1,106	13,819.5	16	1,547.59	–	–	4	1,416.31	236,720	134.38
2,335	12,221.37	157	1,125.35	1	3	–	–	–	–	–	–
715	6,166.96	558	2,995.66	7	40.78	–	–	–	–	–	–
26	7836.46	20	4,208.65	–	–	–	–	–	–	60,830	8,222
215	7,212.16	661	7,904.29	6	109.81	–	–	–	–	1,280	1.8
194	36,715.3	29	8,550.96	1	500	1	160	4	1,416.31	8,840	16,08
8	13,978.5	13	29,531.8	1	894	–	–	–	–	263,920	164,64
1	5,981.3	–	–	–	–	–	–	–	–	–	–
3,494	90,112.05	1,438	54,316.71	16	1,547.59	1	160	4	1,416.31	334,870	190.74

Appendix No. 7

Report on compliance with corporate conduct code

(approved by Order of the Federal Commission for Securities Market No. 421/r of 4 April 2002 «On recommendation for application of the Corporate Conduct Code)

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
General Shareholders Meeting			
1	Notification of shareholders on carrying out of general meeting of shareholders atleast 30 days prior to the meeting date irrespective of the items included in its agenda, unless a greater term is stipulated by thelegislation	Compliant	Provided for in item 11.5 of Article 11 of the Charter
2	Shareholders' opportunity to examine thelist of the persons authorized to participate in the general meeting of shareholders, starting from the day of notification on the general meeting of shareholders through to closing the internal general meeting of shareholders, and in case of the in-absentia general meeting of shareholders till the date of voting bulletins reception termination	Compliant	The Charter and internal documents do not provide for this opportunity; actually the process of examination is carried out in accordance with item 4 of Article 51 of the Federal Law as of 26 December 1995 No. 208-FL "On Joint-stock Companies"
3	Shareholders' opportunity to examine the information (data) which is subject to submission during preparation of the general meeting of shareholders, via electronic communication, including the Internet	Compliant	Provided for in item 4.1. of the Regulations for Procedure of Preparation and Carrying out of General Shareholders Meeting, item 1 of Chapter IV, Corporate Governance Code
4	Shareholder's opportunity to submit an item to the agenda of the general meeting of shareholders or to demand a general meeting of shareholders without giving an extract from the register of shareholders if their rights to shares are registered in the shareholders registry and in case their rights to shares are registered on the account of deposit, – the sufficiency of an extract from the account of deposit for execution of the above-mentioned rights	Compliant	The Charter and internal documents do not provide for this opportunity; actually this opportunity is provided
5	Provision in the Charter or internal documents of the joint-stock company of a requirement of obligatory presence of the General Director, members of the Management Board, members of the Board of Directors, members of the Auditing Committee and the auditor of the joint-stock company at the general meeting of shareholders.	Non-compliant	Such requirements are not stipulated by the Charter and internal documents; actually the general director is present at the general shareholders meeting (hereinafter in the text called GSM); besides, the Company aspires to provide presence at GSM of members of managing and control bodies, and the Company auditor. In 2009 the respective amendments are planned to be made in the Company internal documents
6	Candidates' obligatory presence during a consideration of items on election of members of the Board of Directors, the General Director, members of the Management Board, members of the Auditing Committee, as well as the item on approval of the auditor of the joint-stock company at the general meeting of shareholders	Non-compliant	Such requirements are not stipulated by the Charter and internal documents. The Company aspires to provide presence at GSM of members of managing and control bodies, and the Company auditor. In 2009 the respective amendments are planned to be made in the Company internal documents
7	Registration procedure of participants of the general meeting of shareholders in internal documents of the joint-stock company	Compliant	item 5.1 of the Regulations for the Procedure of Preparation and Carrying out of General Shareholders Meeting of IDGC of South, JSC
Board of Directors			
8	Provision in the Charter of joint-stock company of the Board of Directors' authority for annual approval of the financial and economic plan of the joint-stock company	Compliant	Provided for in subitem19 of item 15.1 Article 15 of the Charter

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
9	The procedure of risks management approved by the Board of Directors in the joint-stock company	Non-compliant	On 9 February 2009 the Company Board of Directors approved the Regulations for Procedures of Internal Control aimed to prevent risks arising at realization of financial and economic activities
10	Provision in the Charter of the joint-stock company of the right of the Board of Directors to make a decision on termination of the General Director's powers appointed by the general meeting of shareholders	Non-compliant	Election of the general director and early termination of his powers falls within the competence of the Company Board of Directors according to subitem 12 of item 15.1. of Article 15, item 21.4. and item 21.10. of Article 21, the Charter
11	Provision in the Charter of the joint-stock company of the right of the Board of Directors to establish requirements to professional skills and rate of remuneration of the General Director, members of the Management Board, heads of the main structural divisions of the joint-stock company	With regard to professional skills – non-compliant; with regard to rate of remuneration – compliant	In conformity with items 21.6, 21.7. of Article 21 of the Company Charter, the terms oflabor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts. Besides, the Company Board of Directors approved the Regulations for Material Stimulation of Top Managers of IDGC of South, JSC, fixing the amount of remuneration of heads of the Company main structural divisions, the competence of which includes solution of strategic issues in the field of manufacture, finance and reforming
12	Provision in the Charter of the joint-stock company of the right of the Board of Directors to approve terms of contracts with the General Director and members of the Management Board	Compliant	In conformity with items 21.6, 21.7. of Article 21 of the Company Charter, the terms oflabor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to signlabor contracts
13	Provision in the Charter or internal documents of the joint-stock company of the requirements concerning the fact that votes of members of the Board of Directors who are either the General Director or members of Management Board, are not taken into account of votes during approval of contract terms with General Director (a managing organization, a managing director) and members of the Management Board	Non-compliant	Not provide for; actually the requirement is complied with
14	Presence in the structure of the Board of Directors of the joint-stock company of atleast 3 independent directors meeting requirements of the Corporate Conduct Code	Compliant	The structures of the Board of Directors elected by the General Shareholders Meeting (Order of RAO «UES of Russia» of 22.06.2007 No. 192r, the term of appointment from 28 June 2007 to 30 May 2008) and by the Company Annual General Shareholders Meeting (minutes of 4 June 2008 No. 1, the term of appointment since 1 June 2008), includes over 3 independent directors
15	Absence in the structure of the Board of Directors of the joint-stock company of persons who were accused of crimes in the area of economic activities or crimes against the government, interests of public service and service in institutions oflocal government or who experienced administrative punishments for a violation oflaw in the area of the enterprise activity or in the area of finance, tax and tax collections and securities market	Compliant	These data are quarterly requested from the Board of Directors members
16	Absence in structure of the Board of Directors of the joint-stock company of persons, being participants, the General Director (managing director), member of a managing body or employee of alegal entity competing with the joint-stock company	Compliant	These data are quarterly requested from the Board of Directors members. The Company is a natural monopoly entity

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
17	Requirement in the Charter of the joint-stock company on election of the Board of Directors through cumulative voting	Compliant	Provided for by item 10.8 of Article 10 of the Company Charter
18	Provision in internal documents of the joint-stock company of an obligation of members of the Board of Directors to withdraw from actionsleading or potentiallyleading to a conflict between their interests and the interests of the joint-stock company; obligation of disclosing the information on this conflict to the Board of Directors in case of its occurrence	Compliant	Provided for in Chapter V item 1 of the Corporate Governance Code, Regulations for Insider Information. Besides, additions to the Corporate Governance Code on this issue are prepared.
19	Provision in internal documents of the joint-stock company of the Board of Directors members' duty to notify the Board of Directors in writing on their intention to make transactions with securities of the joint-stock company, if they are members of the Board of Directors of this joint-stock company or its subsidiaries (dependent) companies, as well as disclose the information on the transactions with such securities made by them	Compliant	Provided for in item 4.1. of the Regulations for the Insider Information
20	Provision in the internal documents of the joint-stock company of the requirement to hold meetings of the Board of Directors atleast as often as every six weeks	Non-compliant	Item 18.2. of Article 18 of the Charter and item 5.1. of the Regulations for Procedure of Convocation and Carrying out of the Board of Directors Meetings of IDGC of South, JSC, fixed a periodicity of atleast once a quarter. Actually in the reporting year the meetings were held atleast once a month (16 meetings)
21	Meetings of the Board of Directors of the joint-stock company during the year which is the subject of the annual report of the joint-stock company, are carried out atleast as often as every six weeks	Compliant	In the reporting year the meetings were held atleast once a month (16 meetings)
22	Provision in the internal documents of the joint-stock company of the procedure of holding the meetings of the Board of Directors	Compliant	Provided for in the Regulations for Procedure of Convocation and Carrying out of the Board of Directors meetings of IDGC of South, JSC
23	Provision in internal documents of the joint-stock company of regulations on necessity of approval by the joint-stock company's Board of Directors of transactions for the amount of 10 and more percent of the cost of the Company assets, except for the transactions made as a part of the company's every day economic activity	Compliant	Provided for in subitem 38 of item 15.1. of Article 15 of the Charter
24	Provision in internal documents of the joint-stock company of the right of members of the Board of Directors to receive from executive bodies and heads of the main structural divisions of the joint-stock company the information required to perform their functions, as well as responsibility for failure to provide such information	Compliant	Provided for in the Regulations for Procedure and Convocation and Carrying out of the Board of Directors meetings of IDGC of South, JSC (item 3.1. – 3.3., item 4.4. – 4.6.)
25	The Committee under the Board of Directors for Strategic Planning or another committee assigned such functions (except for the Committee for Audit and the Personnel and Remuneration Committee)	Non-compliant	In the reporting year the committees under the Board of Directors were not established; now the work on development of the regulations for the Committees under the Company Board of Directors and election of their quantitative structure is held
26	Provision of the Committee under the Board of Directors (the Committee for Audit) which recommends the auditor to the Board of Directors of the joint-stock company and cooperates with the auditor and the Auditing Committee of the joint-stock company	Non-compliant	The item on approval of the Regulations for the Committee for Audit and election of the personal structure of the Committee for Audit is in the process of preparation to be submitted to the meeting of the Company Board of Directors
27	Presence of only independent and non-executive directors in the Committee for Audit	Non-compliant	The item on approval of the Regulations for the Committee for Audit and election of the personal structure of the Committee for Audit is in the process of preparation to be submitted to the meeting of the Company Board of Directors

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
28	The Committee for Audit is managed by an independent director	Non-compliant	The item on approval of the Regulations for the Committee for Audit and election of the personal structure of the Committee for Audit is in the process of preparation to be submitted to the meeting of the Company Board of Directors
29	Provision in internal documents of the joint-stock company of access right for all members of the Committee for Audit to any document and information of the joint-stock company under the condition of nondisclosure of confidential information	Non-compliant	The item on approval of the Regulations for the Committee for Audit and election of the personal structure of the Committee for Audit is in the process of preparation to be submitted to the meeting of the Company Board of Directors
30	Establishment of a Committee under the Board of Directors (the Personnel and Remuneration Committee), whose function is to define criteria of candidates to the positions of members of the Board of Directors and develop the joint-stock company's policy in the area of remuneration	Non-compliant	
31	The Personnel and Remuneration Committee is managed by an independent director	Non-compliant	
32	Absence of officials of the joint-stock company in the structure of the Personnel and Remuneration Committee	Non-compliant	
33	Establishment of the Risks Committee under the Board of Directors or assigning such functions to another committee (except for the Committee for Audit and the Personnel and Remuneration Committee)	Non-compliant	
34	Establishment of Corporate Conflicts Settlement Committee under the Board of Directors or assigning such functions to another committee (except for the Committee for Audit and the Personnel and Remuneration Committee)	Non-compliant	
35	Absence of the joint-stock company officials in the structure of Corporate Conflicts Settlement Committee	Non-compliant	
36	The Corporate Conflicts Settlement Committee is managed by an independent director	Non-compliant	
37	Provision in internal documents of the joint-stock company of the process of establishment and operation of the Board of Directors committees approved by Board of Directors	Non-compliant	Item 19 of the Charter stipulates that the Committees are established under the decision of the Board of Directors; their procedure of formation and work is fixed in separate decisions of the Board of Directors. Besides, the specified provisions will be included in the Regulations for the Committees under the Board of Directors
38	Provision in the Charter of the joint-stock company of the process of definition of quorum of the Board of Directors allowing to provide for the obligatory participation of independent directors in the meetings of Board of Directors	Non-compliant	
Executive Bodies			
39	Provision of the collegial executive body (Management Board) of the joint-stock company	Compliant	This norm is stipulated in Article 21, 22 of the Charter, Regulations for the Company Management Board
40	Provision in the Charter or internal documents of the joint-stock company of the regulations on necessity of approval by the Management Board for transactions with the real estate, joint-stock company's obtaining credits if the specified transactions are not referred tolarge transactions and their fulfillment is not referred to ordinary economic activities of the joint-stock company	Compliant	This norm is stipulated in subitem 7of item 22.2 of Article 22 of the Charter
41	Provision in the internal documents of the joint-stock company of the procedure of coordination of operations beyond the financial and economic plan of the joint-stock company	Compliant	This norm is stipulated in subitem 2 of item 22.2 of Article 22 of the Charter

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
42	Absence in the structure of executive bodies of a person being either a participant, general director (managing director), member of managing body or employee of a legal entity competing with the joint-stock company	Compliant	These data are quarterly requested from the members of the Management Board. The Company is a natural monopoly entity
43	Absence of persons in the structure of executive bodies of the joint-stock company who were found guilty in fulfillment of crimes in the sphere of economic activities or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for violations in the area of enterprise activity or in the area of finance, tax, tax collections, and the securities market. If functions of the sole executive body are carried out by a managing organization or a managing director, the General Director and members of the management board of the managing organization or managing director must meet the requirements to the General Director and members of the Management Board of the joint-stock company	Compliant	These data are quarterly requested from the members of the Management Board
44	Provision in the Charter or internal documents of the joint-stock company of the prohibition for the managing organization (managing director) to carry out similar functions in a competing company, as well as to be in any other material relations with the joint-stock company besides rendering services to the managing organization (managing director)	Compliant	Provided for in Chapter V of the Corporate Governance Code. The Company is a natural monopoly entity
45	Provision in internal documents of the joint-stock company of executive bodies' duties to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company, and duties to inform the Board of Directors if such conflict occurs	Compliant	Article 3 of the Regulations for the Management Board stipulates declaring by members of the Management Board of affiliation (which can lead to the conflict of interests), item 3.7. of the Regulations for Insider Information regarding abstention from transactions with the Company shares. Besides, the respective additions to the Corporate Governance Code are in the process of preparation
46	Provision in the Charter or internal documents of the joint-stock company of criteria for election of the managing organization (managing director)	Compliant	Provided for in Chapter V of the Corporate Governance Code
47	The joint-stock company executive bodies' presentation of monthly performance reports to the Board of Directors	Non-compliant	Reports on industrial and economic activities of the Company are examined at every other meeting of the Board of Directors (which take place every three weeks on the average) that is every 6 weeks
48	Determination of the responsibility for infringements of provisions on the use of confidential and service information stated in the contracts concluded by the joint-stock company with the General Director (managing organization, managing director) and members of the Managing Board	Compliant	The contracts have such terms. Besides, contract obligations containing such terms are signed with members of executive bodies and insiders
Company Secretary			
49	Presence in the joint-stock company of a special official (secretary of the Company) whose task is to maintain supervision by bodies and officials of the joint-stock company over procedural requirements guaranteeing execution of the rights and legitimate interests of shareholders of the Company	Compliant	Provided for in Article 20 of the Charter, Regulations for Corporate Secretary
50	The process of appointment (election) of the secretary of the Company and duties of the secretary of the Company stipulated by the Charter or internal documents of the joint-stock company	Compliant	Provided for in Article 20 of the Charter and item 3.6 of the Regulations for Corporate Secretary of the Company Board of Directors
51	Provision of the Requirements to the candidate of the Secretary of the Company in the Charter of the joint-stock company	Partly compliant	Provided for in Article 20 of the Charter and item 3.6 of the Regulations for Corporate Secretary of the Company Board of Directors

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
Material Corporate Actions			
52	Requirement in the charter or internal documents of the joint-stock company to approval of a large transaction before its fulfillment	Compliant	Subitem 17 of item 10.2 of Article 10, item 24 of item 15.1. of Article 15 of the Charter
53	Obligatory involving of an independent appraiser for estimation of the market cost of the property which is a subject of a large transaction	Compliant	Provided for in subitem 24 of item 15.1. of Article 15 of the Charter
54	Presence in the Charter of the joint-stock company of the interdiction for taking any action while acquiring (taking over) a large stake of shares of the joint-stock company (takeover) aimed to protect interests of executive bodies (members of these bodies) and members of the Board of Directors of the joint-stock company, as well as actions worsening shareholders' position in comparison with the existing position (in particular, the interdiction for taking actions by the Board of Directors before termination of prospective term of making the decision on the issue of additional shares, issue of securities convertible into shares, or securities enabling a person to purchase shares of the Company even if the right of such decision-making is provided to by the Charter)	Non-compliant	
55	Requirement in the Charter of the joint-stock company on an obligatory involvement of an independent appraiser to estimate the current market share price and possible changes in the share price as a result of a takeover	Non-compliant	
56	Absence in the Charter of the joint-stock company of a release of the purchaser's duty to propose shareholders to sell ordinary shares of the Company belonging to them (the issue of securities convertible into ordinary shares) during a takeover	Compliant	
57	Presence in the Charter or internal documents of the joint-stock company of the requirement on an obligatory involvement of an independent appraiser in order to define the share conversion ratio during reorganization	Non-compliant	
Information Disclosure			
58	Presence of the internal document approved by the Board of Directors which defines rules and approaches of the joint-stock company to the information disclosure (Regulations on the information policy)	Compliant	Regulations for Information Policy
59	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on the purpose of the shares issue, on persons intending to purchase the shares to be issued, including a large share holding, and on the fact if the top officials of the joint-stock company participate in the purchase of the Company's shares to be issued	Non-compliant	
60	Presence of the list of the information, documents and data in internal documents of the joint-stock company which should be given to shareholders for decision-making on the items submitted to the general meeting of shareholders	Compliant	Provided for in item 1 of Chapter IV of the Corporate Governance Code
61	Presence of the joint-stock company web-site in the Internet and regular disclosure of information on the joint-stock company on such web-site	Compliant	Regulations for Information Policy
62	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on transactions of the joint-stock company made with the persons referred to according to the Charter, to the top officials of the joint-stock company, as well as on the transactions of the joint-stock company made with the organizations in which the top officials of the joint-stock company directly or indirectly own 20 and more percent of the authorized capital of the joint-stock company or which can be essentially influenced by such persons	Compliant	Item 5.2.10.2. of the Regulations for Information Policy

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
63	Presence in internal documents of the joint-stock company of the requirement to disclose the information on all transactions which can influence the market price for the joint-stock company's shares	Compliant	Item 12.2. of the Regulations for Information Policy
64	Presence of the internal document approved by the Board of Directors on the use of the essential information on activity of the joint-stock company, shares and other securities of the company and transactions with them which is not available to everybody and a disclosure of which can essentially influence the market value of shares and other securities of the joint-stock company.	Compliant	Regulations for Insider Information
Control over Financial and Economic Activities			
65	Presence of the procedures of the internal control over financial and economic activity of the joint-stock company approved by Board of Directors	Non-compliant	On 9 February 2009 the Company Board of Directors approved the Regulations for Procedures of Internal Control
66	Presence of a special division of the joint-stock company providing for an execution of procedures of internal control (of the Control and Inspection Service)	Compliant	Internal Control and Audit Department
67	Requirement to definition of structure and membership of the Control and Inspection Service of the joint-stock company by board of directors stipulated in internal documents of the joint-stock company	Non-compliant	
68	Absence in the structure of the Control and Inspection Service of persons who were found guilty in committing crimes in the sphere of economic activity or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for infringements in the area of enterprise activity or in the field of the finance, tax, tax collections, and the securities market	Compliant	
69	Absence in the structure of the Control and Inspection Service of the persons being a part of any executive body of the joint-stock company, and the persons being participants, general director (managing director), members of managing bodies or employees of a legal entity competing with the joint-stock company	Compliant	
70	Presence in internal documents of the joint-stock company of the term of presentation of documents and data to the Control and Inspection Service for estimation of the financial and economic operation held, and responsibility of officials and employees of the joint-stock company for their failure to present the documents and data in the specified term	Non-compliant	On 9 February 2009 the Company Board of Directors approved the Regulations for Procedures of Internal Control which has the specified provisions
71	Presence in the internal documents of the joint-stock company of the Control and Inspection Service's duty to inform the Committee for Audit of the revealed infringements, and in case of the latter's absence, presence of the duty to inform the Board of Directors of the joint-stock company of such infringements	Non-compliant	On 9 February 2009 the Company Board of Directors approved the Regulations for Procedures of Internal Control which has the specified provisions
72	Presence in the Charter of the joint-stock company of the requirement on preliminary estimation by the Control and Inspection Service of expediency of fulfillment of the operations not stipulated by the financial and economic plan of the joint-stock company (non-standard operations)	Non-compliant	
73	Presence in internal documents of the joint-stock company of the order of coordination of a non-standard operation with the Board of Directors	Compliant	Powers for approval of the business plan and updating to it are referred to the competence of the Board of Directors (subitem 19 of item 15.1. of Article 15 of the Charter)
74	Presence of the internal document approved by Board of Directors defining the order of carrying out inspections of the financial and economic activity of the joint-stock company by the Auditing Committee	Compliant	This procedure is stipulated in the Regulations for the Auditing Committee approved by GSM

No.	Provision of the Corporate Governance Code	Compliant/non-compliant	Note
1	2	3	4
75	Execution by the Committee for Audit of the evaluation of the Auditor's Report before it is presented to shareholders at the general meeting of shareholders	Non-compliant	The item on approval of the Regulations for the Committee for Audit and election of the personal structure of the Committee for Audit is in the process of preparation to be submitted to the meeting of the Company Board of Directors
Dividends			
76	Presence of the internal document approved by the Board of Directors and used by the Board of Directors as guidelines while approving recommendations on the amount of dividends (Regulations on the Dividend Policy)	Compliant	Regulations for Dividend Policy
77	Presence in the Regulation on the Dividend Policy of the rules of definition of the minimum net profit share of the joint-stock company dividends payment and conditions of non-payment or incomplete payment of dividends per preferred share, the amount of dividends per which is defined in the Charter of the joint-stock company	Non-compliant	
78	Publication of the data on the dividend policy of the joint-stock company and changes to it in periodicals stipulated by the Charter of the joint-stock company for publication of Notes on general meetings of shareholders, and publication of the specified data on the joint-stock company's web-site in the Internet	Partly compliant	With regard to placement of information on the corporate website

Company internal documents mentioned in this report and published on the Company corporate web-site:

No.	Document	Information on the document approval
1	Charter of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of the Management Board of RAO «UES of Russia» of 28 February 2008 No. 1829pr/7)
2	Regulations for Procedure of Preparation and Carrying out of General Shareholders Meeting of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of the Management Board of RAO «UES of Russia» of 28 February 2008 No. 1829pr/7)
3	Regulations for Procedure of Convocation and Carrying out of Board of Directors meetings of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of the Management Board of RAO «UES of Russia» of 28 February 2008 No. 1829pr/7)
4	Regulations for Management Board of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of the Management Board of RAO «UES of Russia» of 28 February 2008 No. 1829pr/7)
5	Regulations for Auditing Committee of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of the Management Board of RAO «UES of Russia» of 5 October 2007 No. 1751pr/4)
6	Regulations for Corporate Secretary of Board of Directors IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of 20 July 2007 No. 1/2007)
7	Corporate Governance Code of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of 3 September 2007 No. 2/2007)
8	Regulations for Dividend Policy of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of 23 December 2008 No. 21/2008)
9	Regulations for Information Policy of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of 3 September 2007 No. 2/2007)
10	Regulations for Insider Information of IDGC of South, JSC	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes of 3 September 2007 No. 2/2007)
11	Regulations for Internal Control Procedure	Approved by the General Shareholders Meeting of IDGC of South, JSC (minutes meeting of the Board of Directors of 11 February 2009 No. 22/2009)

Appendix No. 8

Information on interested-party transactions completed by IDGC of South, JSC, in 2008

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
1	Novation agreement	<p>Parties to agreement: Party 1 – Joint-Stock Company “International Commercial Center «Crystal»”; Party 2 – IDGC of South, JSC; Party 3 – JSC «Kubanenergo»</p> <p>Agreement subject: the Party 2 transfers, and the Party 3 takes all rights and duties of the Party 2 under the preliminary contract No. 407/30-1 of «IDGC» as of 09.01.2008, and the Party 1 agrees with the change of the party under the transaction.</p> <p>Agreement price: the Party 3 compensates to the Party 2 all confirmed expenses incurred by the Party 2 within the limits of obligations execution under the contract by funds transfer to the Party 2 settlement account within 30 calendar days from the moment of the present agreement signing.</p> <p>Duration of agreement: From the moment of agreement signing, the obligations of the Party 2 to the Party 1 are considered to be terminated under the agreement; obligations of the Party 3 to the Party 1 are considered to be newly appeared obligations; and obligations of the Party 1 are considered to be changed.</p> <p>The parties’ liability: According to the current legislation of the Russian Federation.</p>	Board of Directors of IDGC of South, JSC	JSC RAO “UES of Russia”, IDGC of South, JSC Board of Directors members A. N. Rappoport, F. A. Diakov, The Board of Directors member, General Director of IDGC of South, JSC A. I. Gavrilov
2	Real property lease contract	<p>Parties to contract: the lessee – IDGC of South, JSC The lessor – JSC «Astrakhan electroservice»</p> <p>Contract scope: the Lessor transfers in time possession and use of the following real estate:</p> <p>1. The uninhabited premises located at the address: Astrakhan region, Akhtubinsk city, Franko street, 18; the total area is 195 sq. m.;</p> <p>2. The uninhabited premises located at the address: Astrakhan region, Kharabali city, Lenina street, 143; the total area is 555.7 sq. m.</p> <p>Contract price: the Lessor monthly makes rent payments in the amount of 35,386 rubles and 48 kopecks, including the VAT of 18% in the amount of 5,550 rubles and 48 kopecks. Lease payment is paid by the lessor monthly on the basis of the issued invoice no later than on the 15th day of the current month, by funds transfer to the settlement account of the Lessor. In case of an incomplete month, the amount of rent payment is made proportionally to quantity of days of the month of the rent.</p> <p>Parties’ liability: the sanctions of the parties which were not provided by the present contract are applied according to the current legislation of the Russian Federation. Payment of the provided sanctions is made upon coming into effect of the court decision.</p> <p>Contract period of validity: the Contract comes into effect from the moment of its signing and is in effect till December 3, 2008.</p> <p>Order of disputes settlement: All disputes and disagreements are subject for consideration in the Arbitration Court under the «LEFFEC» fund (Non-for-Profit organization “Law and Economy Fund of the Fuel and Energy Complex”), Moscow.</p>	Board of Directors of IDGC of South, JSC	JSC RAO “UES of Russia”

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
3	Paid services agreement	<p>Parties to agreement: the Contractor – JSC «Kubanenergo» The Customer – IDGC of South, JSC</p> <p>Agreement scope: the Contractor on the instructions of the Customer undertakes to render driving services and technical operation of the LEXUS LS600 car, identification number JTHDU46F905005952, engine 2UR 2013313, vehicle registration plate K181KK93, belonging to the Customer under the right of lessee, with its safety security, normal and safe operation, and the Customer undertakes to pay these services.</p> <p>Agreement price: Cost of services does not exceed 590,000 rubles, including the VAT. Definitive cost is defined by certificates of the executed services reception-transfer issued in accordance with the order established by the Contract.</p> <p>Parties’ liability: For non-performance or improper performance of the obligations under the present contract the parties bear responsibility according to the legislation of the Russian Federation. The Contractor bears responsibility for completeness and reliability of data given to the Customer.</p> <p>Agreement term: the Agreement comes into effect from the moment of its signing. The agreement expired on May 16, 2009.</p> <p>Order of disputes settlement: all disputes, disagreements or requirements which may appear at interpretation, execution, change, cancellation of the present agreement or related infringements, and connected with its invalidity are resolved by the parties by negotiations and claims sending, and in the event of non-consent achievement at negotiations, are subject to be resolved in Krasnodar Arbitration Court.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov
4	Paid services agreement	<p>Parties to agreement: the Contractor – JSC «Kubanenergo» The Customer – IDGC of South, JSC</p> <p>Agreement scope: the Executing Party on the instructions of the Customer undertakes to render cars maintenance services according to the list, which belong to the Customer under the right of lessee under the lease agreement as of 21.11.2007 No. 14/11-07/1232, and the Customer undertakes to pay these services.</p> <p>Agreement price: Cost of services does not exceed 590,000 rubles, including the VAT. Definitive cost is defined by certificates of the executed services reception-transfer issued in accordance with the procedure established by the Contract.</p> <p>Parties’ liability: For non-performance or improper performance of the obligations under the present contract the parties bear responsibility according to the legislation of the Russian Federation. The Contractor bears responsibility for completeness and reliability of data given to the Customer.</p> <p>Agreement term: the Agreement comes into effect from the moment of its signing. The agreement expired on December 31, 2008</p> <p>Order of disputes settlement: all disputes, disagreements or requirements which may occur at interpretation, execution, change, cancellation of the present agreement or related infringements, and connected with its invalidity are resolved by the parties by negotiations and claims sending, and in the event of non-consent achievement at negotiations, are subject to be resolved in Krasnodar Arbitration Court.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
5	Agency agreement	<p>Parties to agreement: Principal – JSC «Kubanenergo» Agent – IDGC of South, JSC</p> <p>Agreement scope: the Agent undertakes on the instructions of the Principal on its own behalf but at the expense of the Principal to make thelegal and other actions, for a reward, connected with the investment program execution by the Principal for 2008 and directed to:</p> <ul style="list-style-type: none">– Carrying out of the regulated purchases (competitive and out-of-competition procedures) purchases of goods, works and services for the Principal needs;– Completion of transactions following the results of the regulated purchases carrying out;– Realisation of rights and exercise of the Customer (Buyer) duties under the completed transactions. <p>The list of the investment program objects for 2008 is specified in the appendix to the agreement.</p> <p>Agreement price: the amount of reward of the Agent is 30,000 rubles, including the VAT of 18 % in the amount of 4,576 rubles and 27 kopecks</p> <p>Parties' liability: For non-performance or improper performance of the obligations under the present agreement the parties bear responsibility according to the legislation of the Russian Federation.</p> <p>Agreement term: the Agreement comes into effect from the date of its signing by the parties and is in effect till full execution of their obligations by the parties.</p> <p>Order of disputes settlement: all disputes, disagreements or requirements which may appear with regard to the agreement, including those connected with its signing, change, execution, infringement, cancellation and validity are resolved by the parties by negotiations. In case of impossibility to settle the dispute by negotiations, the disagreements are subject be resolved in the Arbitration Court under the «LEFFEC» fund, Moscow, according to its rules acting as of the date of plaintiff's statement of claim giving. Arbitration court decisions are definitive and obligatory for the parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov
6	Additional agreement to the contract for transfer of authorities of the sole executive body No. 407/30-1143/26	<p>Parties to additional agreement: The company – JSC «Kubanenergo» The managing company – IDGC of South, JSC</p> <p>Additional agreement scope: To settle a constant component of services cost of the Managing Company for the period from 01.07.2008 to 31.12.2008, in the amount of 4,565,701 rubles and 93 kopecks , including the VAT of 18 % in the amount of 696,463 rubles.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
7	Contract for work and labour	<p>Contract parties: the Customer – IDGC of South, JSC The Contractor – JSC «Southern Engineering Centre of Power Industry»</p> <p>Contract scope: the Contractor undertakes to develop climatic zonation maps on the instructions of the Customer of the Volgograd area and the design-budget documentation to maps, and the Customer undertakes to accept and pay the works result.</p> <p>Contract price: For the executed work on the Volgograd area climatic zonation maps development and the design estimate documentation to the maps, the Customer pays the Contractor 6,498,689 rubles including the VAT (18 %) – 991,325 rubles and 55 kopecks.</p> <p>Parties liability: For default (inadequate execution) of obligations under the contract the parties bear the responsibility provided by the current legislation of the Russian Federation.</p> <p>Contract term: the Contract comes into effect from the date of its signing by the parties and acts till full execution of their obligations by the parties.</p> <p>Order of disputes settlement: All disputes, disagreements or requirements which may appear with regard to the contract, including those connected with its signing, change, execution, infringement, cancellation and validity are resolved by the parties in the Arbitration Court under the Non-for-Profit organization “Law and Economy Fund of the Fuel and Energy Complex”, Moscow, according to its rules acting as of the date of claim presentation. Decisions of the Arbitration Court under the Non-for-Profit Organization “Law and Economy Fund of the Fuel and Energy Complex” are definitive and obligatory for the parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
8	Agreement on joint tenders carrying out	<p>Parties to agreement: Party 1 – IDGC of South, JSC Party 2 – JSC «Kubanenergo»</p> <p>Agreement scope: Coordination procedure of the Parties at order placing on the insurance organisations choosing for the right to property realisation and personal insurance by carrying out of the joint auctions in the form of open competition on:</p> <ul style="list-style-type: none">– Lot No. 1 – insurance of property in amount of 10,181,698,973 rubles, including: IDGC of South, JSC in amount of 10,181,698,973 rubles– Lot No. 2 – insurance of property in amount of 77,664,012,299 rubles, including: IDGC of South, JSC in amount of 39,804,190,651 rubles; JSC «Kubanenergo» in amount of 37,859,821,648 rubles.– Lot No. 3 – voluntary medical insurance of 11,358 people, including: IDGC of South, JSC – 4,766 people; JSC «Kubanenergo» – 6,592 people.– Lot No. 4 – voluntary medical insurance of 9,422 people, including: IDGC of South, JSC – 9,422 people– Lot No. 5 – accident and diseases insurance – 20,780 people, including: IDGC of South, JSC – 14,188 people; JSC «Kubanenergo» – 6,592 people.– Lot No. 6 – Car voluntary insurance – 1 unit, including: IDGC of South, JSC – 1 unit.– Lot No. 7 – Car voluntary insurance – 105 units, including: IDGC of South, JSC - 62 units; JSC «Kubanenergo» – 43 units– Lot No. 8 – mandatory automobileliability insurance – 3 units, including: IDGC of South, JSC - 3 units– Lot No. 9 – mandatory automobileliability insurance – 4,887 units, including: IDGC of South, JSC – 3,015 units; JSC «Kubanenergo» – 1,872 units– Lot No. 10 – mandatory companiesliability insurance, dangerous industrial facilities operating – 27,500,000 rubles, including: IDGC of South, JSC – 15,700,000 rubles. JSC «Kubanenergo» – 11,800,000 rubles. <p>Agreement price: mutual settlements of parties on execution of their liabilities under the agreement are not stipulated.</p> <p>Agreement term: The agreement comes into effect on day of its signing by the parties and is in effect till the day of the signing of contracts by the parties.</p> <p>Order of the disputes settlement: The disputes connected with the agreement execution are considered and solved according to the Russian Federationlegislation.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
9	Contract for work and labour	<p>Contract parties: The Customer – IDGC of South, JSC The Contractor – JSC «Southern Engineering Power Center»</p> <p>Contract scope: The Contractor undertakes to execute on the instructions of the Customer design-budget documentation and prospecting works on object of building «SB 110/10-10 kV Kirovskaya (Ubileynaya) with PL-110 kV», and The Customer undertakes to accept results of the executed works and to pay them.</p> <p>Contract price: Works cost under the contract is defined by the parties on the basis of the report of the contractual price coordination and equals 65,247,245 rubles, besides the VAT (18 %) – 11,744,504 rubles and 10 kopecks</p> <p>Parties liability: For non-performance or improper performance of the obligations under the present contract the parties bear responsibility according to thelegislation of the Russian Federation.</p> <p>Contract term: the beginning – from the moment of contract signing; the end – after 12 months from the moment of the contract signing and advance payment reception without term of examination carrying out. Contract period of validity can be prolonged under the parties consent.</p> <p>Order of disputes settlement: If it is impossible for the parties to reach an agreement by negotiations, all disputes, disagreements or requirements which may appear with regard to the contract, including those connected with its signing, change, execution, infringement, cancellation and validity are resolved by the parties in the Arbitration Court under the Non-for-Profit organization “Law and Economy Fund of the Fuel and Energy Complex” (Moscow) according to its rules acting as of the date of claim presentation. Decisions of the Arbitration Court under the Non-for-Profit Organization “Law and Economy Fund of the Fuel and Energy Complex” are definitive and obligatory for the parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
10	Contract for work and labour	<p>Parties to contract: The Customer – IDGC of South, JSC The Contractor – JSC «Astrakhanelectrosetremont»</p> <p>Contract scope: The Contractor undertakes on the instructions of the Customer to carry out civil construction and erection works on object «Reconstruction of OL-110 kV Solodniki-Staritsa (No. 721)» and hand over the result to the Customer, and the Customer undertakes to accept the work results and pay it in an order provided by the contract.</p> <p>Contract price: It is defined by the Summary Table of working cost and makes 18,054,000 rubles, including the VAT (18 %) – 2,754,000 rubles.</p> <p>Parties' liability: For non-execution or inadequate execution of the obligations under the party contract bear responsibility according to the current legislation of the Russian Federation and the contract. In case of infringement by the Contractor of the final term of works carrying out under the contract, it pays to the Customer a penalty in the amount of 0.1 % from the contract total sum per every day of delay of the obligation execution.</p> <p>Contract term: the contract comes into effect from the date of signing and is in effect till 30.05.2009. To the extent of settlement payments-up to full obligations execution undertaken by the Parties.</p> <p>Order of disputes settlement: If it is impossible for the parties to reach an contract by negotiations, all disputes, disagreements or requirements which may appear with regard to the contract, including those connected with its signing, change, execution, infringement, cancellation and validity are resolved by the parties in the Arbitration Court under the Non-for-Profit organization “Law and Economy Fund of the Fuel and Energy Complex” (Moscow) according to its rules acting as of the date of claim presentation. Decisions of the Arbitration Court under the Non-for-Profit Organization “Law and Economy Fund of the Fuel and Energy Complex” are definitive and obligatory for the parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», member of the Management Board IDGC of South, JSC – G. A. Sultanov

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
11	Additional agreement to the agency contract No. 407/30-1064	<p>Parties to additional agreement: Principal – JSC «Kubanenergo» Agent – IDGC of South, JSC</p> <p>Additional agreement scope:</p> <ol style="list-style-type: none">To state point 1.1. of the contract as follows: «1.1. The agent undertakes on the instructions of the Principal on its own behalf but at the expense of the Principal to make for a compensation under instructions of the Principal (Appendix 1) legal and other actions connected with the investment program carrying out by the Principal for 2008 and directed to:<ul style="list-style-type: none">– Carrying out of the regulated purchases (competitive and out-of-competition procedures) of goods, works and services for needs of the Principal;– Signing of transactions following the results of the regulated purchases carrying out;– Realization of the rights and exercise of duties of the Customer (Buyer) under the concluded transactions».To state point 4.1. of the contract as follows: «4.1. The Rate of Agent commission equals 0.01 % from the sum specified in each instruction (taking into account the VAT of 18 %) of the principal. Agency compensation is paid to the Agent in the non-cash form by transfer of money resources to the settlement account of the Agent nolater than in 5 days after issuing of the invoice on the basis of the report accepted by the Principal and the signed certificate of the executed works».To state point 4.5. of the contract as follows: «4.5. The expenses incurred by the Agent in connection with the Principal commissions execution, and cost of the bought goods, works and services, are compensated to the Agent separately on each object defined in Commissions of the Principal, under the condition of their documentary acknowledgement by the Agent, but nolater than in 15 days after object delivery in operation. The reimbursement is carried out in the non-cash form by transfer of the expenses sum to the settlement account of the Agent, or a different way which does not contradict the Russian Federation current legislation, including by transfer of the objects placed in operation under the present contract to the property of the Agent according to the Russian Federation current legislation and local enactments of the Agent and the Principal.To delete point 6.2. from the contract.To state point 8.1. of the contract as follows: «8.1. All disputes, disagreements and requirements which appear during the present Agreement carrying out or in connection with it, including those related to its conclusion, change, execution, infringement, cancellation, termination are subject to consideration in Arbitration Court of Krasnodar territory».To delete point 8.2 from the contract.To state Appendix No. 1 to the contract in the wording applied to the present additional agreement. <p>Period of validity of the additional agreement: the additional agreement comes into effect from the moment of its signing by the parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
12	Paid services agreement	<p>Parties to agreement: The Customer – IDGC of South, JSC The Contractor – JSC «Southern Engineering Power Center»</p> <p>Agreement scope: The Customer charges, and the Executing Party assumes liability on carrying out of the following works: «Introduction of DTS 3 software complex with formation of a database for electric power losses calculations carrying out at its transmission through electric networks of «Kalmenergo» branch of IDGC of South, JSC, the Customer assumes liability to accept and pay the executed works in an order and amount established by the agreement.</p> <p>Agreement price: Cost of works under the present agreement equals 8,237,720 rubles and 82 kopecks, including the VAT (18 %) – 1,256,601 rubles and 48 kopecks.</p> <p>Agreement period of validity: the Agreement comes into effect from the date of its signing and up to full execution by the parties of the obligations.</p> <p>Term of works realization under the agreement: in full amount – no later than May 31, 2009</p> <p>Parties' liability: For non-performance or improper performance of the obligations under the present agreement the parties bear responsibility according to the legislation of the Russian Federation. In case of infringement of obligations by one of the parties the affected party has the right to demand payment of the penalty in the amount of 1/300 of the rate of refinancing, losses indemnification, but it should not exceed 10 % of works cost under the agreement.</p> <p>Order of the disputes settlement: All disputes and disagreements which appear between the Customer and the Executing Party under the agreement or in connection with it should be resolved by negotiations. In case of impossibility of the disputes resolution by negotiations, disputes and disagreements which appear during the agreement carrying out or in connection with it, including connected with its conclusion, change, execution, infringement, cancellation, termination are subject to be considered in Arbitration Court, according to the order established by the Russian Federation legislation. Arbitration Court decisions are obligatory for the Parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
13	Paid services agreement	<p>Parties to agreement: The Customer – IDGC of South, JSC The Contractor – JSC «Southern Engineering Power Center»</p> <p>Agreement scope: The Customer charges, and the Executing Party assumes liability on the following works carrying out: Power inspection (power audit) of industrial departments of IDGC of South, JSC – «Astrakhanenergo» branch; The Customer assumes liability to accept and pay the executed works in an order and amount established by the agreement.</p> <p>Agreement price: Cost of works under the agreement equals 10,984,026 rubles and 32 kopecks, including the VAT (18 %) – 1,675,529 rubles and 44 kopecks.</p> <p>Parties' liability: For non-performance or improper performance of the obligations under the present agreement the parties bear responsibility according to the legislation of the Russian Federation. In case of infringement of obligations of one of the parties the affected party has the right to demand payment of the penalty in the amount of 1/300 of the rate of refinancing, indemnification, but no more than 10 % of agreement works cost.</p> <p>Agreement period of validity: the Agreement comes into effect from the date of signing and up to full execution by the parties of the obligations.</p> <p>Term of works realization under the contract: in full amount – no later than August 31, 2009</p> <p>Order of the disputes settlement: All disputes and disagreements which appear between the Customer and the Executing Party under the agreement or in connection with it, should be resolved by negotiations between them. In case of impossibility of the disputes resolution by negotiations, disputes and disagreements which appear during the agreement carrying out or in connection with it, including connected with its conclusion, change, execution, infringement, cancellation, termination are subject to be considered in the Arbitration court, according to the order established by the Russian Federation legislation. Arbitration Court decisions are obligatory for the Parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
14	Paid services agreement	<p>Parties to agreement: The Customer – IDGC of South, JSC The Contractor – JSC «Southern Engineering Power Center»</p> <p>Agreement scope: The Customer charges, and the Executing Party assumesliability on the following works carrying out: Power inspection (power audit) of industrial departments of «Kalmenergo» branch of IDGC of South, JSC; The Customer assumesliability to accept and pay the executed works in an order and amount established by the agreement.</p> <p>Agreement price: Cost of works under the agreement equals 11,353,052 rubles and 79 kopecks, including the VAT (18%) – 1,731,821 rubles and 61 kopecks.</p> <p>Parties’ liability: For non-performance or improper performance of the obligations under the present agreement the parties bear responsibility according to thelegislation of the Russian Federation. In case of infringement of obligations of one of the parties the affected party has the right to demand payment of the penalty in the amount of 1/300 of the rate of refinancing, indemnification, but no more than 10 % of agreement works cost.</p> <p>Agreement period of validity: the Agreement comes into effect from the date of signing and up to full execution by the parties of the obligations.</p> <p>Term of works realization under the agreement: in full amount – nolater than August 31, 2009</p> <p>Order of the disputes settlement: All disputes and disagreements which appear between the Customer and the Executing Party under the agreement or in connection with it, should be resolved by negotiations between them. In case of impossibility of the disputes resolution by negotiations, disputes and disagreements which appear during the agreement carrying out or in connection with it, including connected with its conclusion, change, execution, infringement, cancellation, termination are subject to be considered in the Arbitration court, according to the order established by the Russian Federationlegislation. Arbitration Court decisions are obligatory for the Parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
15	Motor vehicle rent agreement	<p>Parties to agreement: Lessor – JSC «Kubanenergo» Lessee – IDGC of South, JSC</p> <p>Agreement scope: the Lessor undertakes to transfer vehicles to the Lessee in time rent using according to thelist.</p> <p>Parties’ liability: For non-performance or improper performance of the obligations under the present agreement the parties bear responsibility according to thelegislation of the Russian Federation.</p> <p>Agreement period of validity: the agreement comes into effect from the moment of its signing by the parties, it is applied to the relations of the parties which have occurred since 20.10.2008, and is in effect till October 20, 2009.</p> <p>Order of the disputes settlement: If it is impossible for the parties to reach an agreement by negotiations, all disputes, disagreements or requirements which may appear with regard to the agreement, including those connected with its signing, change, execution, infringement, cancellation and validity are resolved by the parties in the Arbitration Court under the Non-for-Profit organization “Law and Economy Fund of the Fuel and Energy Complex” (Moscow) according to its rules acting as of the date of claim presentation. Decisions of the Arbitration Court under the Non-for-Profit Organization “Law and Economy Fund of the Fuel and Energy Complex” are definitive and obligatory for the parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov
16	Motor vehicle and carriage rent agreement	<p>Parties to agreement: Lessor – JSC «Kubanenergo» Lessee – IDGC of South, JSC</p> <p>Agreement scope: the Lessor undertakes to transfer vehicles to the Lessee in time rent using according to thelist.</p> <p>Parties liability: For non-performance or improper performance of the obligations under the present agreement the parties bear responsibility according to thelegislation of the Russian Federation.</p> <p>Order of the disputes settlement: If it is impossible for the parties to reach an agreement by negotiations, all disputes, disagreements or requirements which may appear with regard to the agreement, including those connected with its signing, change, execution, infringement, cancellation and validity are resolved by the parties in the Arbitration Court under the Non-for-Profit organization “Law and Economy Fund of the Fuel and Energy Complex” (Moscow) according to its rules acting as of the date of claim presentation. Decisions of the Arbitration Court under the Non-for-Profit Organization “Law and Economy Fund of the Fuel and Energy Complex” are definitive and obligatory for the parties.</p> <p>Agreement period of validity: the agreement comes into effect from the moment of signing by the parties, it is applied to the relations of the parties which have occurred since 20.10.2008, and is in effect till 20.10.2009.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
17	Agreement on protection of information confidentiality making trade secret	<p>Parties to agreement: Disclosing party: JSC «SO UPS», Assignee: IDGC of South, JSC</p> <p>Agreement scope: The access realization to the information resources of the Disclosing Party containing data, making a trade secret, and conditions of the information transfer which is a trade secret of the Disclosing Party. Acceptance by the assignee of obligations about nondisclosure of the information making a trade secret of the Disclosing party, provision with special measures of security and use of the specified information and aliability of infringement of the given obligations according to the current legislation of the Russian Federation and the Agreement.</p> <p>Responsibility of the assignee: The assignee in case of causing damage to Disclosing Party owing to non-execution or inadequate realization of conditions of the Agreement pays the caused damages according to the current legislation of the Russian Federation.</p> <p>Agreement period of validity: The agreement is concluded for a period of 1 (one) year and comes come into effect from the moment of its signing. If 1 (one) month prior to the expiry date of the Agreement acting any of the parties does not demand its termination, the agreement is prolonged on former conditions and for the same term. The agreement can be stopped ahead of schedule by one of the parties at any moment after the preliminary notice in writing sending to the address of the counterpart for seven days prior the moment of the agreement cancellation. The early termination or the expiry date of the Agreement effect does not release the assignee from the obligations realization accepted under the Agreement, concerning the information making a trade secret of the Disclosing Party, transferred to it before the early termination or the expiry date of the Agreement acting. Such obligations remain in effect within 2 (two) years after the expiry or early termination of the agreement.</p> <p>Order of disputes disclosing: All disputes, disagreements and requirements which appear during the agreement realization or in connection with it, including connected with its conclusion, change, execution, infringement, cancellation, the termination are subject to consideration in the court.</p>	Board of Directors of IDGC of South, JSC	Member of the Board of Directors of IDGC of South, JSC A. N. Rappoport, JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
18	Paid services agreement	<p>Parties to agreement: the Contractor – JSC «Engineering Center of UES» The Customer – IDGC of South, JSC</p> <p>Agreement scope: JSC «Engineering Center of UES» assumes liability on works execution on inspection carrying out and the coordination of Regulation about the base organization of metrological service (BOMS) of IDGC of South, JSC – Rostovenergo, branch, and IDGC of South, JSC pays compensation for execution of work to JSC «Engineering Centre of UES».</p> <p>Agreement period of validity: the agreement comes into effect from the date of its signing by both the parties and is valid up to execution by the Customer and the Contractor of the obligations defined by the agreement.</p> <p>Term of work realization: one month from the date of advance payment and all necessary materials getting.</p> <p>Agreement price and procedure of payments: the agreement price on inspection carrying out and coordination of Regulation about the base organisation of metrological service (BOMS) of IDGC of South, JSC – «Rostovenergo» branch equals 35,400 (Thirty five thousand and four hundred) rubles, including the VAT 18 % – 5,400 (five thousand and four hundred rubles). The Customer transfers an advance payment to the Executing Party in the amount of 35,400 (Thirty five thousand four hundred) rubles, including the VAT 18 % – 5,400 (five thousand four hundred rubles) within a month from the date of agreement signing. Work will be started after advance payment reception.</p> <p>Order of disputes disclosing: if the Customer and the Contractor don't reach an agreement, all disputes are solved by Moscow Arbitration Court.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
19	Real property leasing agreement	<p>Parties to agreement: Lessor – IDGC of South, JSC Lessee – JSC «SO UES».</p> <p>Agreement scope: The Lessor gives uninhabited premises belonging to the Lessor on the property right to the Lessee in temporary for-a-fee possession and using; the premises arelocated in the office building of «Volgogradenergo» of IDGC of South, JSC – at the address: Volgograd, Lenina avenue, 15, according to Appendix 1 to the agreement, for use as office and for the Management and other services of the Lessee (further – premises).</p> <p>Rent amount and procedure of payments: Rent payment equals 998 rubles 60 kopecks (nine hundred and ninety eight rubles and 60 kopecks), including the VAT – 18 % – 152.33 (one hundred and fifty two rubles and 33 kopecks), for one square metre of the rented area a month.</p> <p>Rent amount for one month equals is 743,693 rubles and 92 kopecks (seven hundred and forty three thousand, six hundred and ninety three rubles and 92 kopecks), including the VAT – 18 % of 113,444 rubles and 84 kopecks (one hundred and thirteen thousand, four hundred and forty four rubles and 84 kopecks). The rent amount is defined on the basis of rent calculation for using the premises of the office building of «Volgogradenergo» (IDGC of South, JSC)located at the address: Volgograd, Lenina avenue, 15.</p> <p>Parties’ liability: For non-execution and (or) inadequate execution of the present agreement the Parties bear responsibility in accordance with the procedure and on the conditions provided by the current legislation of the Russian Federation. For delay of property return the Lessor has the right to collect from the Lessee the penalty in amount estimated on a discount rate of bank interest from the sum of non-returned property per every day of delay.</p> <p>Order of disputes settlement: all disputes and disagreements which appear between the Customer and the Executing Party under the agreement or in connection with it are resolved by negotiations between them. In case of impossibility of the disputes resolution by negotiations, disputes and disagreements appear during the agreement carrying out or in connection with it, including those connected with its conclusion, change, execution, infringement, cancellation, termination are subject to consideration in Arbitration Court, according to the order established by the Russian Federation legislation.</p> <p>Agreement period of validity: the present agreement comes into effect from the moment of signing by the parties and is in effect till October 1, 2009. The conditions of the present agreement are applied to the relations which have occurred since November 1, 2008</p>	Board of Directors of IDGC of South, JSC	Member of the Board of Directors of IDGC of South, JSC A. N. Rappoport, JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
20	Movable estateleasing agreement	<p>Parties to agreement: the Lessor – IDGC of South, JSC; The Lessee – JSC «SO UPS».</p> <p>Agreement scope: The Lessor undertakes to give movable estate to the Lessee in temporary possession and use according to item 1.2. of the present agreement (further - property), and the Lessee – to pay a rent in amount and on the conditions provided by the present agreement.</p> <p>The name, quantity and other features of movable estate transferred to the Lessee:</p> <ul style="list-style-type: none">– Since April 04, 2008 it is defined according to the List of movable estate transferred in rent (Appendix 1 to the present agreement)– Since July 16, 2008 it is defined according to the List of movable estate transferred in rent (Appendix 2 to the present agreement) <p>Rent amount and procedure of payments:</p> <p>Total rent sum:</p> <ul style="list-style-type: none">– Since April 4, 2008 it is defined according to rent calculation (Appendix 3 to the present agreement) and equals 184,820 rubles and 00 kopecks (one hundred and eighty four thousand, eight hundred and twenty rubles and 00 kopecks), including the VAT 18 % of 28,192 rubles and 88 kopecks (twenty eight thousand, one hundred and ninety two rubles and 88 kopecks).– Since July 16, 2008 it is defined according to rent calculation (Appendix 4 to the present agreement) and equals 161,548 (one hundred and sixty one thousand, five hundred and forty eight) rubles and 00 kopecks, including the VAT 18 % of 24,642 (twenty four thousand, six hundred and forty two) rubles and 92 kopecks. <p>The rent for using property a month equals:</p> <ul style="list-style-type: none">– Since April 4, 2008 – 15,401 rubles and 67 kopecks (fifteen thousand, four hundred and one rubles and 67 kopecks), including the VAT 18 % of 2,349 rubles and 41 kopecks (two thousand, three hundred and forty nine rubles and 41 kopecks).– Since July 16, 2008 – 13,462 rubles and 33 kopecks (thirteen thousand, four hundred and sixty two rubles and 33 kopecks), including the VAT 18 % – 2,053 rubles and 58 kopecks (two thousand, fifty three rubles and 58 kopecks). <p>Parties liability: For non-execution and (or) inadequate execution of the present agreement the Parties bear responsibility in accordance with the established procedure and on the conditions provided by the currentlegislation of the Russian Federation.</p> <p>The Lessee independently bears responsibility for damage caused by rented property to the third parties, in accordance with the procedure provided by the currentlegislation.</p> <p>For delay of property return the Lessor has the right to collect from the Lessee the penalty in amount estimated on a discount rate of bank interest from the sum of non-returned property per every day of delay.</p> <p>All disputes and disagreements which appear between the Customer and the Executing Party under the agreement or in connection with it are resolved by negotiations between them. In case of impossibility of the disputes resolution by negotiations, disputes and disagreements appear during the agreement carrying out or in connection with it, including those connected with its conclusion, change, execution, infringement, cancellation, termination are subject to consideration in Arbitration Court, according to the order established by the Russian Federation legislation.</p> <p>Agreement period of validity: the present agreement comes into effect from the moment of signing by the parties, and is in effect till April 4, 2009. The conditions of the present agreement are applied to the relations which have occurred since April 4, 2008</p>	Board of Directors of IDGC of South, JSC	Member of the Board of Directors of IDGC of South, JSC A. N. Rappoport, JSC «IDGC Holding»

No.	Transaction type	Transaction main terms	Name of the management body which approved the transaction	Interested party
1	2	3	4	5
21	Agreement about amending the contract of the services rendering for cars maintenance No. 407/30-1131-350.1 as of 10.09.2008	<p>Parties to agreement: The Customer – IDGC of South, JSC; The Contractor – JSC «Kubanenergo».</p> <p>Agreement scope: making the following amendments to the contract of the services rendering for cars maintenance No. 407/30-1131-350.1 as of 10.09.2008:</p> <p>1. Item 3.1.of agreement shall be stated as follows: «Services total cost in the present agreement does not exceed 5,900,000 (five million, nine hundred thousand) rubles, VAT included. Final cost is defined by certificates of executed services reception-transfer issued in accordance with the procedure established by the present agreement.»</p> <p>2. Item 8.1. shall be stated as follows: «Present agreement period of validity is established from the moment of signing till June 30, 2009»</p> <p>3. Item 2.1.5. shall be deleted from the agreement.</p> <p>4. The present agreement is an integral part of the contract of the services rendering for cars maintenance as of 10.09.2008 No. 407/30-1131-350.1.</p> <p>5. In all other issues which are not covered by the present agreement the provisions of the contract of the services rendering for cars maintenance as of 10.09.2008, No. 407/30-1131-350.1 are in effect.</p> <p>6. The additional agreement comes into effect from the moment of its signing by the Parties.</p>	Board of Directors of IDGC of South, JSC	JSC «IDGC Holding», the Board of Directors member, General Director of IDGC of South, JSC, A. I. Gavrilov; members of the Management Board of IDGC of South, JSC M. I. Belonogov, G. A. Sultanov, V. V. Brizhan, I. A. Lunev, V. J. Kostetskiy, G. G. Savin, D. V. Pestov



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