



ANNUAL REPORT 2008





INTERREGIONAL
DISTRIBUTION GRID
C O M P A N Y
IDGC
of VOLGA



ANNUAL REPORT of IDGC of VOLGA, JSC, for 2008

as approved by the Board of Directors on

« 24 » APRIL 2009 (Minutes No. 17)

Chief Executive Officer V. A. Ryabikin

Chief Accountant Ye. Ye. Mitrofanova

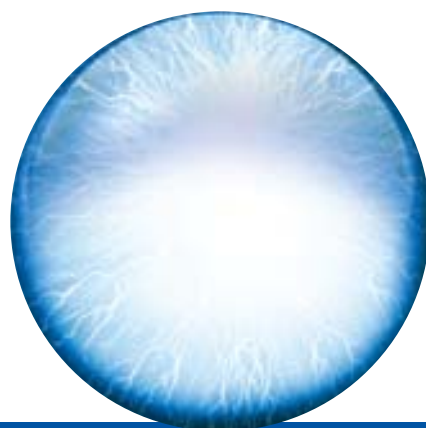
2008

CONTENTS



Addresses from the Chairman of the Board of Directors and the Chief Executive	5
General information	11
The Company	12
Review of main events	14
Geography of the Company's business	16
The situation within the sector	17
Key business results	18
Risks	20
Corporate Governance	23
Structure and principles of corporate governance	24
Management and supervisory bodies	25
General Meeting of Shareholders	26
Board of Directors	26
Management Board	30
Chief Executive Officer	33
Audit Committee	34
Details of Company Transactions	34
Securities	35
Share capital	36
Securities market	38
Dividend Policy	39
Review of Business Results	41
Production activities	42
Electricity output indicators	48
Prospects for development	49
Procedure for mains connection	52
Development of industrial facilities	52
Financial business	53
Financials	54
Credit history	57
Accounting policy	58
Tariff policy	58

Investment	61
Parameters of investment	62
Areas and breakdown of capital investments	66
Sources of investment finance	68
Information Technology	71
Social Responsibility	75
Personnel policy	76
Social policy	80
Environmental protection	81
Contacts	84
Annexes	85
Annex 1. Report by IDGC of Volga, JSC on Compliance with the Code of Corporate Governance in 2008	86
Annex 2. Review of Interested-Party Transactions approved by the Board of Directors of IDGC of Volga, JSC in 2008	98
Annex 3. Details of and affiliated Companies of IDGC of Volga, JSC	104
Annex 4. Financial accounts of IDGC of Volga, JSC for the reporting period	106
Annex 5. Auditor's Report	110
Annex 6. Report of the IDGC of Volga, JSC Audit Committee for 2008	112
Glossary	114



Address by the Chairman of the Board of Directors



Dears shareholders!

In 2008 the reorganisation of IDGC of Volga, JSC was completed by merging the regional network distribution companies with the Company. The network distribution assets of the seven regions in the Russian Federation's Privolzhsky Federal District became branches of a single operating company in accordance with the strategy of reforming JSC «RAO UES of Russia» by creating in Russia a genuine market for electricity supply which would

operate and develop by attracting private investment.

During the reporting period IDGC of Volga, JSC continued to improve the quality of its corporate governance, and to raise the level of corporate culture and transparency in the Company's business.

In 2008 the Company set up a Management Board which together with the sole executive body manages the Company's day-to-day business and is responsible for implementing the aims, development strategy and policies of IDGC of Volga, JSC. In order for the Board of Directors to operate effectively certain committees which report to the Board have been established. They are the Board of Directors Audit Subcommittee, the Personnel and Remuneration Subcommittee, and the Subcommittee for Mains Connection to Electrical Networks.

Over the year the Company's Board has taken key decisions on asset management, reorganising the Company, issuing securities, determining the priority areas of the Company's business, and key regulations and management policy.

Since May 2008 the Company's ordinary shares have been traded in the List of Unlisted Securities on the Classic and Stock Markets of the RTS and on the MICEX Exchange. By 31 December 2008 trading in IDGC of Volga, JSC securities had given the Company a market capitalisation of 11,98 bn rubles (\$0,41 bn.). In 2009 IDGC of Volga, JSC intends to take the appropriate steps to have its securities listed and ensure that its shares are quoted on the B lists, which are noted for their greater liquidity and attractiveness as investments. In spite of the real difficulties experienced during its first year of operations, the Company has successfully achieved the main objectives which it set itself. For such achievements no little praise is due to the management bodies, executives and the Company's entire staff, who form an integrated team sharing a single view of the Company's values and prospects.

Chairman of the Board of Directors IDGC of Volga, JSC
Aleksandr Nikolayevich Chistyakov



Chief Executive Officer's Statement



Dears shareholders!

For IDGC of Volga, JSC the past year has seen growth in investments and an increase in the efficiency of its business. It was for these reasons that the most significant events for the Company in the recent past are the introduction of new facilities: the Pivovar Substation in the Republic of Mordovia, and the Vostok and Tereshka Substations in Saratov Region.

Introducing new capacity and renovating old facilities has effected an increase in the network's throughput, and also reduced electricity losses on output to the network. Over the past year productive output of electricity increased by 1,7%, and losses in the electricity

networks have fallen from 7,6% to 6,9%.

In the first year of its operations IDGC of Volga, JSC has attained its principal production objectives at a time when it was establishing its organisational structure. In spite of the difficulties associated with starting up the new operating company, in 2008 IDGC of Volga, JSC discharged its main task in full – high quality and reliable provision of electricity to its consumers.

Over 2008 the productive output of electricity by IDGC of Volga, JSC amounted to 58 485 million kWh. The Company spent 6 653,9 million rubles on investment. Total earnings in 2008 amounted to 22 614,5 million rubles, including 19 791,6 million rubles for transmission services, and 1 508,7 million rubles for mains connections.

Return on sales over 2008 reached 12%.

In 2008 the Company's calculated nett profits (including the operations of the RSKs in the first quarter as independent legal entities) came to 1 157,5 million rubles. The Company's nett profit after the reform of 1 April 2008 amounted to 808,1 million rubles (or 123% of planned profits).

These results of production and investment activities in 2008 arose to a large extent because of the strengthening of management systems and a targeted personnel policy.

Volumes of investment to develop the electricity networks are dictated by the requirements of those regions which are included in implementing the Federal Special-Purpose Programme: Affordable and Comfortable Housing for Russian Citizens.

To implement the investment programme the Company took out loans, the volume of which was within the allowable limits. Throughout the year the Company maintained its financial independence and liquidity.

Since 2008 work has been in progress to introduce, and prepare for certification, an integrated quality management system. The results of such introduction will be an increased manageability, transparency and predictability in the Company's business, the implementation of a unified management mechanism in all its divisions, clarity in determining responsibility levels, and the level of decision-making, targeted and efficient allocation of resources, reduction in internal costs, reduction in adverse effects on the natural environment, and minimising risks to staff.

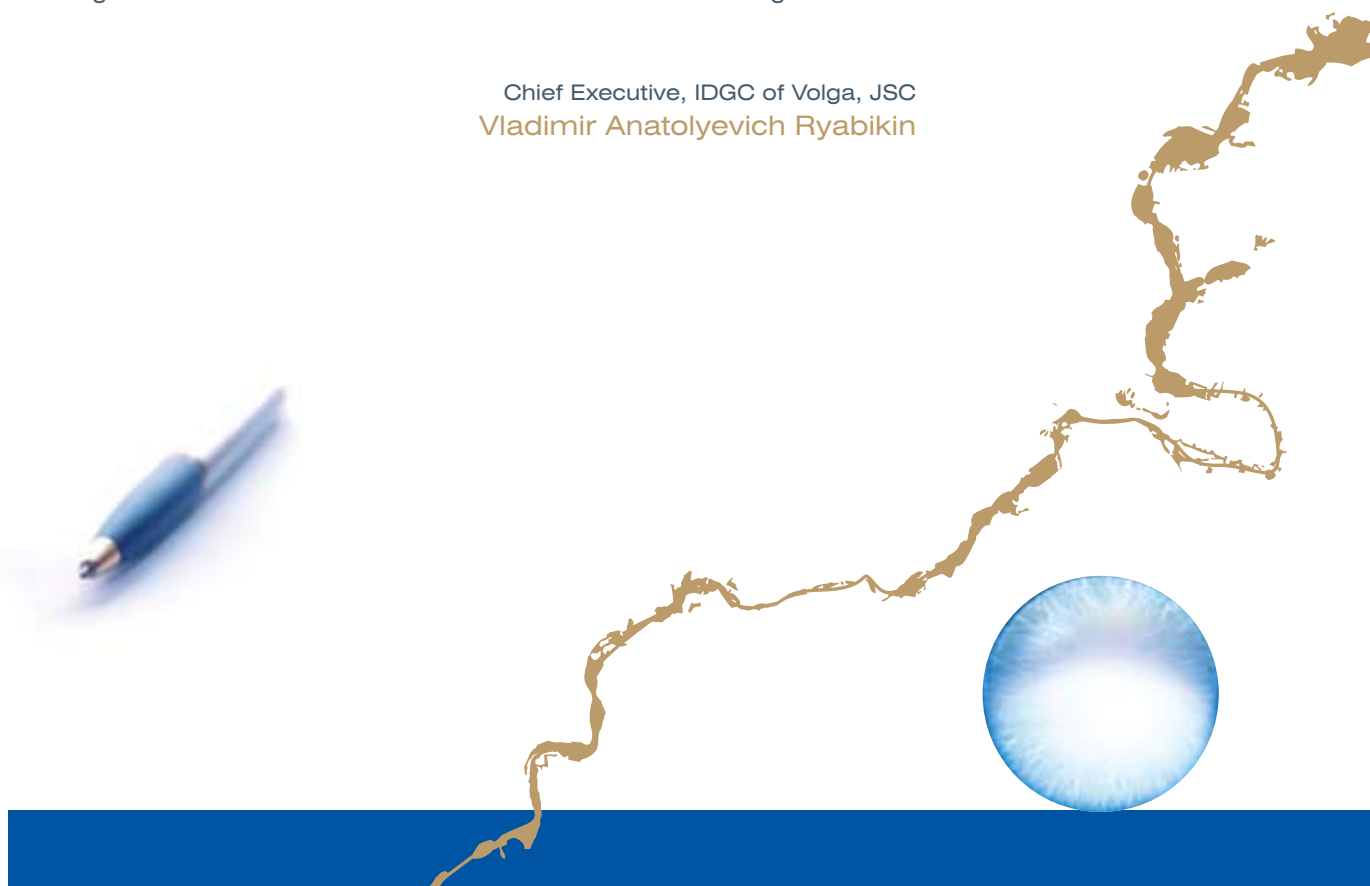
The Company is introducing a corporate information system of business management in the ERP class based on SAP software.

A drop in the level of industrial output at the end of the reporting period led to a fall in consumption of electricity and thus a decrease in the Company's earnings. The abrupt change in the market situation in 2008 forced the Company's management to take rapid and clear-cut decisions to facilitate effective control over the Company during a period of economic decline. IDGC of Volga, JSC is working hard to optimise expenditures and improve its efficiency in using financial resources.

The electricity industry is one of the most important sectors of the Russian economy, and without it normal life in the regions would be impossible. Because of this one of the Company's main objectives is to create the conditions for stable development of the economy. Further, to a significant extent the Company's business will be directed at implementing schemes for future development of the networks.

Next year will not be easy, but I can state with certainty that the Company will fulfil the obligations it has assumed towards its shareholders and the regions.

Chief Executive, IDGC of Volga, JSC
Vladimir Anatolyevich Ryabikin



General information

The Company 12

Review of main events 14

Geography of the Company's business 16

The situation within the sector 17

Key business results 18

Risks 20



General information

The Company

Interregional Distribution Grid Company of Volga, Joint-Stock Company (hereinafter referred to as IDGC of Volga, JSC; The company) was established by decision of its founder (Instruction № 191p issued by the Chairman of the Management Board at RAO UES of Russia, JSC on 22 June 2007) under the reforms of the Russian power engineering sector, and registered on 29 June 2007 in the Unified State Register of Legal Entities by Federal Tax Service Inter-regional Inspectorate № 8 for Saratov Region on the basis of a decision of the Board of Directors of RAO UES of Russia, JSC taken on 27 April 2007.

IDGC of Volga, JSC was established in order to provide efficient management of the Volga electricity grid facilities through implementation of the latest investment phase in the reform of JSC «RAO UES of Russia», in the course of which the interregional network distribution companies were unbundled. The basis of the new configuration of the IDGCs was the principle of linked territories and comparable book asset value of the network distribution companies (NDC) included in each IDGC.

At its foundation the charter capital of IDGC of Volga, JSC amounted to 10 000 000 rubles, divided into 100 000 000 ordinary registered shares with a par value of 10 kopecks each.

On 25 December 2007 an Extraordinary General Meeting of Shareholders in the Company (Minutes № 1795np/8 of 25.12.2007) passed a resolution to reorganise IDGC of Volga, JSC by merging with it Volzhskaya DGC, Mordovenergo, Orenburgenergo, Penzaenergo JSC, and Chuvashenergo JSC and to approve the Merger Agreement in respect of the merger of these firms with IDGC of Volga, JSC.

This Extraordinary General Meeting of Shareholders in IDGC of Volga, JSC also resolved to increase the Company's charter capital by placing an additional 178 515 200 000 (one hundred and seventy eight billion five hundred and fifteen million two hundred thousand) ordinary shares by converting the shares of the merging companies into additional ordinary shares in IDGC of Volga, JSC under the procedure set out in the Merger Agreement.

The reorganisation of IDGC of Volga, JSC by merging with it the five regional companies Volzhskaya DGC, JSC; Mordovenergo, JSC; Orenburgenergo, JSC; Penzaenergo JSC; Chuvashenergo JSC was completed on 1 April 2008.

Having become part of IDGC of Volga, JSC, Volzhskaya DGC, JSC; Mordovenergo, JSC; Orenburgenergo, JSC; Penzaenergo, JSC; and Chuvashenergo, JSC ceased to exist as legal entities from 1 April 2008 and commenced operations as subsidiaries of IDGC of Volga, JSC: Mordovenergo, Orenburgenergo, Penzaenergo, Samara Distribution Networks, Saratov Distribution Networks, Ulyanovsk Distribution Networks, and Chuvashenergo.

At present IDGC of Volga, JSC is a unified operating Company whose management centre is located in Saratov.

The Company's business is to ensure the efficient, uninterrupted and reliable supply of electricity to its consumers, to eliminate lack of capacity in the area for which it is responsible, to increase the networks' throughput capacity, and to modernise and renew its fixed assets.

In accordance with the Charter of IDGC of Volga, JSC its main kinds of business, which take priority, are as follows:

- providing transmission of electricity;
- operational and technological management;
- providing mains connection services for electrical equipment belonging to legal entities and individuals.

Mission

Efficient use of the Company's distribution network assets, maintaining their reliable operation, and attracting investments to the benefit of each shareholder and the Company as a whole.

Strategic objectives

- ensuring the reliability and safety of the system so as to maintain stable operation of the regions' distribution network, safe operation of the main and auxiliary machinery and equipment, and preventing danger to life;
- consistent development in the quality and volume of services provided for distribution of electricity, and ensuring environmental safety, which together should ensure an increase in the Company's value with the simultaneous creation of the basic infrastructure for the economic development of the regions;
- growth in the Company's value, which entails a consistent increase in revenues and profitability, an expansion and qualitative renewal of the Company's asset portfolio, which should ensure that the shareholders' interests are satisfied, make the Company and the projects it is to undertake more attractive as an investment, and also enable an assessment of efficiency in the use of resources and the quality of management.

Review of main events

JANUARY

- Board of Directors of IDGC of Volga, JSC resolved to set up subsidiaries of the Company.
- Extraordinary General Meetings of Shareholders in Volzhskaya DGC, JSC; Mordovenergo, JSC; Penzaenergo, JSC; Orenburgenergo, JSC; and Chuvashenergo, JSC passed a resolution passed the resolution for Reorganisation of the Companies by Merging them with IDGC of Volga, JSC.

FEBRUARY

- The Board of Directors of IDGC of Volga, JSC resolved to make an additional issue of securities and approve the Company's Share Prospectus.

MARCH

- State registration of the additional securities issues and registration of the prospectus for ordinary registered uncertificated shares in IDGC of Volga, JSC were completed, the shares to be placed by conversion on the merger with Orenburgenergo, JSC; Chuvashenergo, JSC; Mordovenergo, JSC; Penzaenergo, JSC; and Volzhskaya DGC JSC.
- The new Pivovar substation in Saransk (the Republic of Mordovia) was brought on stream.

APRIL

- The reorganisation of IDGC of Volga, JSC was completed by merging with it the regional distribution companies Volzhskaya DGC, JSC; Mordovenergo, JSC; Orenburgenergo, JSC; Penzaenergo, JSC; Chuvashenergo, JSC.
- A restated version of IDGC of Volga, JSC's Charter was approved.
- Network Control Centre in the IDGC of Volga, JSC branches Penzaenergo commenced its operations.
- A meeting of the TEK Section of the Orenburg Region's Association of Industrialists and Entrepreneurs was held at the IDGC of Volga, JSC branches Orenburgenergo to discuss matters

relating to mains connections and the procedure for co-operation by the owners of corporate generation sources with the network organisations.

- IDGC of Volga, JSC subsidiaries Chuvashenergo and Mordovenergo received management quality certificates to the international ISO 9001:2000 standard.
- The Federal Service for the Financial Markets (FSFR Rossiya) registered the reports on the additional issues of ordinary registered uncertificated shares in IDGC of Volga, JSC, which were placed by conversion on the merger of Orenburgenergo, Chuvashenergo JSC, Mordovenergo, Penzaenergo JSC, and Volzhskaya DGC.

MAY

- Shares in IDGC of Volga, JSC were admitted to trading on the RTS stock market.
- Shares in IDGC of Volga, JSC were admitted to trading on MICEX (Moscow Interbank Currency Exchange).
- The Annual General Meeting of Shareholders in IDGC of Volga, JSC was held.

JUNE

- A working meeting was held between S. V. Pakhomov, acting Chief Executive Officer of IDGC of Volga, JSC, and P. L. Ipatov, Governor of Saratov Region, on the question of co-operation between the Company and the Regional Government to implement a range of measures to develop the electricity network in Saratov Region.
- Reconstruction of the Dergachi – I high tension 110 kV transmission line in the Dergachevsk District of Saratov Region was completed.
- A working meeting was held between S. V. Pakhomov, acting Chief Executive Officer of IDGC of Volga, JSC, and M. I. Merkushkin, head of the Republic of Mordovia, on future development of the region's electricity grid.

JULY

- Since 1 July 2008 INDC Holding Company has held a controlling stake of 120 765 085 671 ordinary registered shares in IDGC of Volga, JSC, which is 67,626% of the Company's Charter Capital.

AUGUST

- The Federal Service for the Financial Markets decided to annul the individual numbers, or codes, granted to the additional issues of ordinary registered uncertificated shares in IDGC of Volga, JSC.
- IDGC of Volga, JSC issued the first half results with its accounts compiled to Russian Accounting Standards.
- IDGC of Volga, JSC was involved in giving help to the civilian population of South Ossetia which had suffered during the military conflict between Georgia and South Ossetia.
- In Orenburg a meeting was held of IDGC of Volga, JSC's Scientific and Technical Council to discuss various methods for evaluating the technical condition of transmission lines, the operation of the lines in bad weather, and introducing a system of quality management.
- IDGC of Volga, JSC began developing a long-term strategy for the Company's development up to 2020.

SEPTEMBER

- A team from the Samara Distribution Networks subsidiary of IDGC of Volga, JSC took second place in the All-Russian Professional Mastery Competition for operating and maintenance staff.
- The first command and staff training exercise was held in IDGC of Volga, JSC and all its subsidiaries on Conduct of the Management Bodies of IDGC of Volga, JSC on transition of the civil defence status from peacetime to military.

OCTOBER

- A new Vostok substation of 110 kV class was brought on stream in the town of Engels, Saratov Region.
- A meeting was held between the management of IDGC of Volga, JSC and representatives of the investment company Halcyon International on matters relating to the Company's prospects for development and tariff regulation.

NOVEMBER

- IDGC of Volga, JSC's Annual Report for 2007 was declared the Outright Winner in Saratov Region.
- The Board of Directors at IDGC of Volga, JSC resolved to set up an Audit Subcommittee, to report to the Board.

DECEMBER

- A meeting was held between P. L. Ipatov, the Governor of Saratov Region, and A. I. Kazakov, Chief Executive Officer of INDC Holding Company, and V. A. Ryabikin, Chief Executive Officer of IDGC of Volga, JSC, on the prospects for development of the region's electricity grid, and future co-operation.
- IDGC of Volga, JSC began implementation of a programme to introduce a quality management system.
- IDGC of Volga, JSC branches Saratov Distribution Networks brought on stream the new Tereshka substation of 220/110/10 kV in the Volsk District of Saratov Region.

Geography of the Company's business

IDGC of Volga, JSC carries on business throughout the seven regions of the Privolzhsky Federal District of the Russian Federation: The Republic of Mordovia, The Chuvash Republic, and the Samara, Orenburg, Penza, Ulyanovsk, and Saratov Regions. The total population dwelling within the area of the Company's business is more than 13 million (more than 9,15% of the RF population).

The total area within which the Company carries on business amounts to 403 000 square km. The total length of electricity transmission lines in the networks is 225 000 km. The Company has a staff of 17 906.

IDGC of Volga, JSC includes seven subsidiaries which carry on business in the corresponding regions.

of the IDGC of Volga, JSC branches:

■ Chuvashenergo

■ Mordovenergo

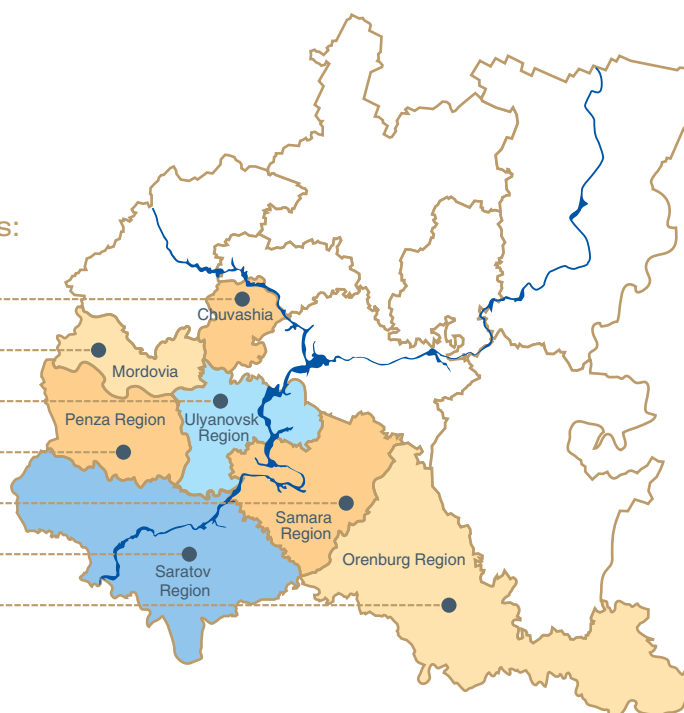
■ Ulyanovsky Distribution Grids

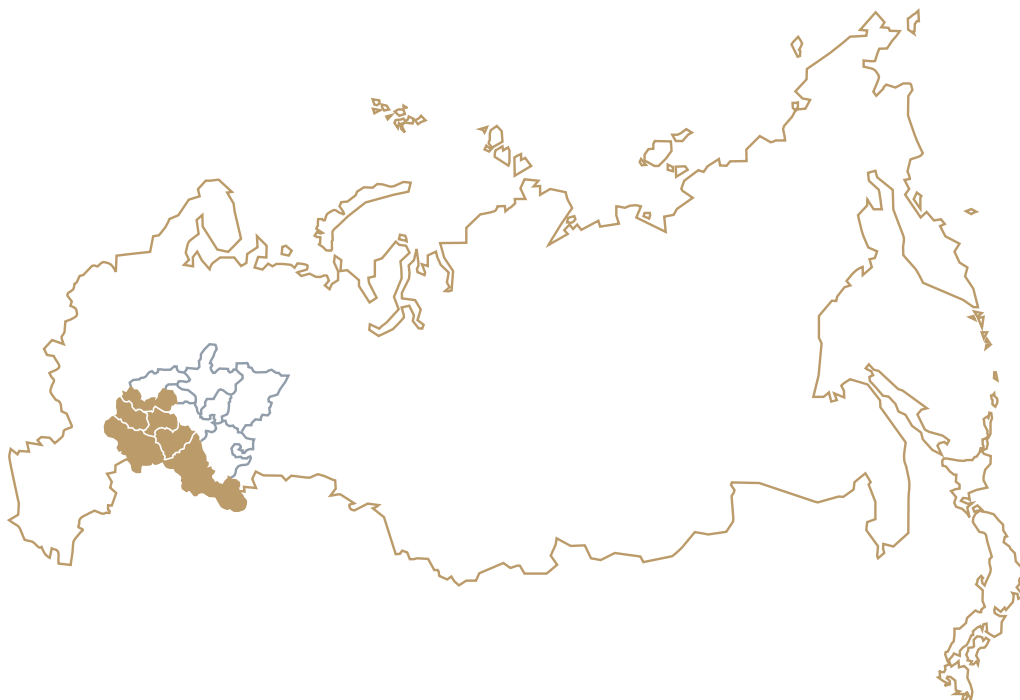
■ Penzaenergo

■ Samara Distribution Grids

■ Saratov Distribution Grids

■ Orenburgenergo





The situation within the sector

In accordance with Order № 237-э of the Federal Tariffs Service issued on 27 June 2008 IDGC of Volga, JSC is included in the register of entities operating in the natural monopolies of the fuel and power complex.

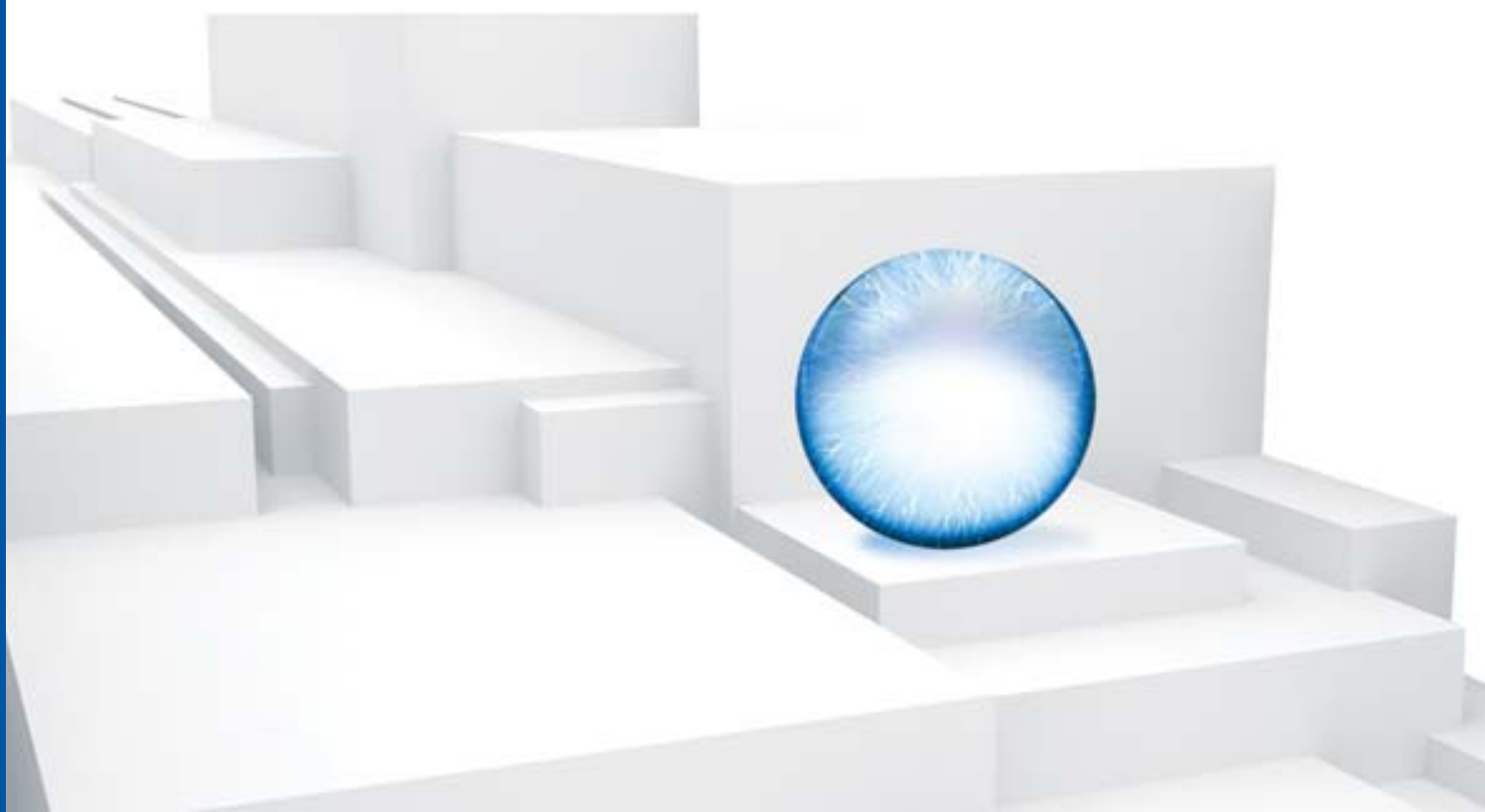
Transmission of electricity is a monopolistic type of business, and hence the Company is only to a negligible extent subject to the influence of competition on the market for electricity transmission. In those regions in which IDGC of Volga, JSC operates there are organisations which carry on a similar business but use their own electricity networks and have their own electricity consumers. Such companies include the joint municipal and private network companies. The proportion of electricity they transmit amounts to 27,9% (varying from 21% to 46,5%, depending on the region).

Future development of the Company will be accompanied by further stages in the reform of the electricity sector:

- Introduction of a new method for fixing tariffs (RAB), which will take account of the capital expenditures made together with the cost of borrowed capital, and this will facilitate an increase in the investment volumes for renewal of fixed assets and an increase in the amount of electricity transmitted, and also a greater efficiency of such transmission;
- Introduction of standards of reliability and service quality for electricity consumers, and subsequent monitoring of compliance with such standards.

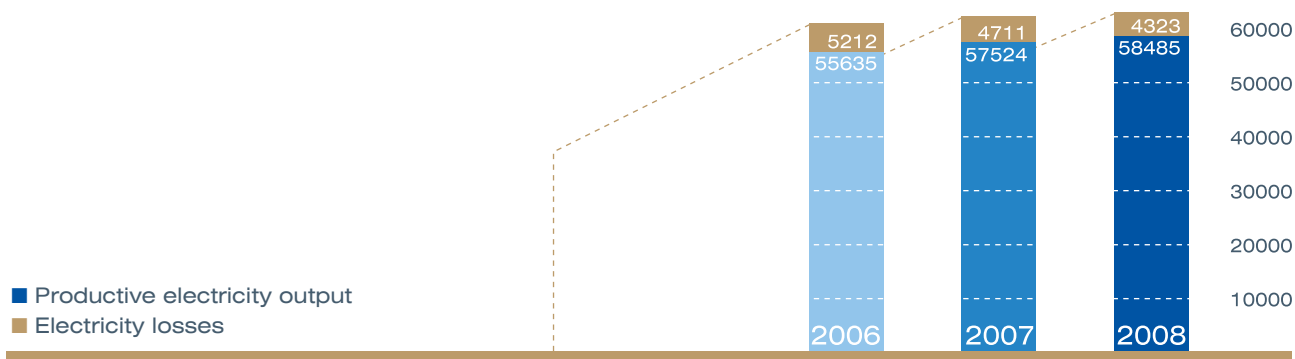
Key business results

Earnings:	22 614 524	thousand rubles
– from transmission of electricity	19 791 516	thousand rubles
– from mains connections	1 508 656	thousand rubles
Profits on sales	2 712 601	thousand rubles
Nett profits	808 083	thousand rubles
Profit per 1 share	0,00453	rubles
Return on equity	1,98	%
Return on assets	1,6	%
Return on sales	12	%
Solvency ratio	0,81	
Debt to equity ratio	4,14	%
Capitalisation (at 31.12.2008)	11 982 570,46	thousand rubles
Productive output of electricity	58 485	mn. kWh
Increase in productive output of electricity	1,7	%
Staff numbers	17 906	
Extent of electricity transmission lines	225 973,4	km
Aggregate transformer capacity	34 129,7	thousand kWh
Increase in extent of electricity transmission lines	1069	km



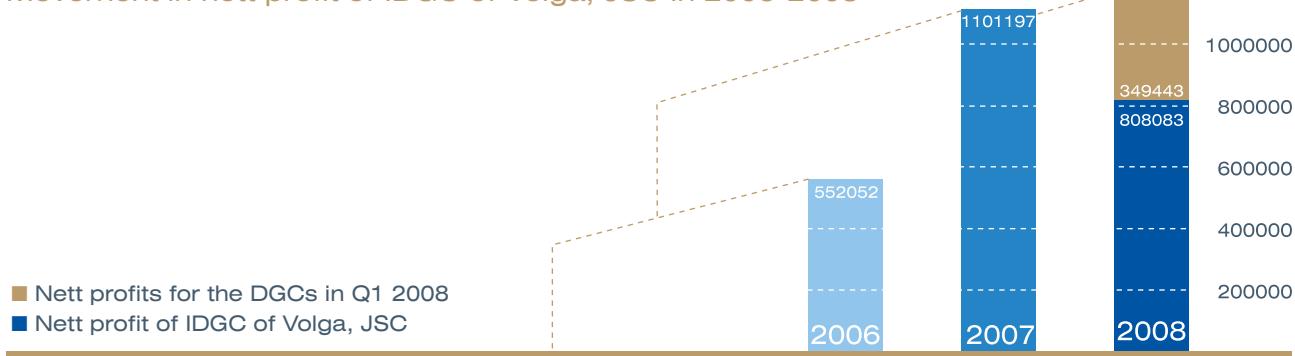
Movement in total electricity output by IDGC of Volga, JSC in 2006-2008

Million kWh



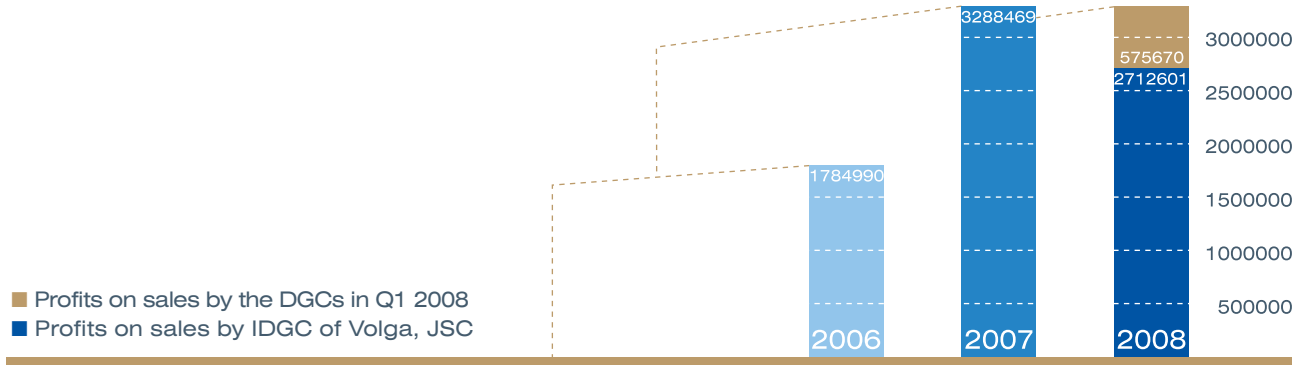
Movement in nett profit of IDGC of Volga, JSC in 2006-2008

000 rubles

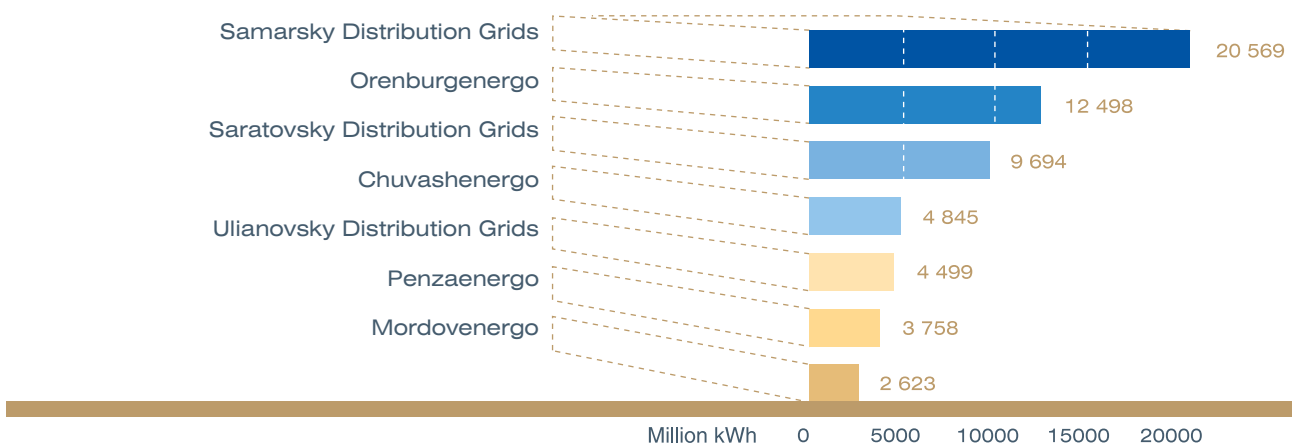


Movement in profits on sales by IDGC of Volga, JSC in 2006-2008

000 rubles



Volume of productive electricity output by branches of IDGC of Volga, JSC in 2008



Risks

Sector risks

In conducting its business IDGC of Volga, JSC is subject to various risk factors which can influence the Company's development and day-to-day activities. In addition to macro-economic factors, the Company's business may also be constrained by the probable onset of numerous sectoral risks.

Consumer demand for the products of the power sector is stable and subject to insignificant fluctuations, but during the world economic crisis there are real risks of a reduction in electricity consumption by certain consumer classes, including those caused by varying the timeframes for implementation of investment programmes for the expansion of generating capacity, or cancelling such programmes.

The high degree of obsolescence in fixed assets increases the risk of breakdown in the electricity networks, and this can entail an increase in the costs of repairs, and also a deterioration in the Company's image. This factor may also increase losses of electricity and lower the degree of efficiency in the networks, which in turn can have an adverse effect on the financial results.

The Company is taking measures to reduce this risk by renewal of equipment and automating the system for control of equipment and communications, and this will enable a rapid response for fault elimination. IDGC of Volga, JSC is focused on increasing the efficiency of electricity transmission and ensuring an uninterrupted supply of electricity in the volumes required.

Pursuant to current law, any organisation which is in business to provide transmission of electricity is an entity of a natural monopoly in which competition is absent. The business of such organisations is subject to state regulation.

The tariffs for an issuer's services are determined by the regulatory authorities of the corresponding RF constituents (the Regional Power Commissions for the Samara, Saratov, Ulyanovsk, Penza and Orenburg Regions and of the Republics of Mordovia and Chuvashia) within the powers granted to them by Federal Law № 41-FZ, dated 14.04.1995: State Regulation of Tariffs for Electricity and Heat Energy in the Russian Federation, in accordance with which tariffs must be valid for at least 12 months. On this basis, there is a minimal risk of variation in tariffs during a given financial year.

There are no risks associated with price variations on foreign markets since the Company provides no export services.

Financial risks

Risks associated with interest rate fluctuations.

During the world financial crisis there is high probability of an increase in interest rates in the Russian Federation. However, fluctuations in interest rates do not have a significant effect on the Company's financial activity, since the proportion of borrowed funds in the breakdown of finance sources and expenditure on interest payments for borrowed funds as a proportion of total expenditures are insignificant.

An interest rate exceeding 14,3% is unfavourable for the Company since in accordance with article 269 of the RF Tax Code "the limiting scale of interest payments acknowledged as expenditures is accepted as equal to the RF Central Bank refinancing rate multiplied by 1.1."

Inflation risk

At present the Russian economy is characterised by a high rate of inflation. After the crisis of 1998 the inflation rate fell and by 2006 it was 9,0%, but after that year it started rising again. At the end of 2008 the rate was 13,3%, and taking account of the effects of the world financial crisis it is forecast to rise again in 2009.

Where the rate of increase in inflation rises, the real value of interest payments on obligations in the national currency falls, which is a favourable factor for the Company. At the same time, part of the Company's expenditures depends on the general level of prices in Russia – in particular, wages. On the whole the effect of inflationary factors on the future financial stability of IDGC of Volga, JSC will not be significant.

With a rise in inflation the Company intends to optimise control of receivables and expenditures, increase the turnover period for circulating assets whilst retaining cost-efficient deadlines for making payments to suppliers in order to ensure the necessary volume of commercial credit.

Having regard to the long production cycle a level of annual inflation above 20% will be critical. The Company believes that there is only a small likelihood that inflation in Russia will reach this figure in the medium term because the Government and the Central Bank have declared their intention to follow an anti-inflationary policy and an appropriate monetary policy.

Risk of non-payments

The risk of non-payment arises where the Company's business partners, which are predominantly sales companies, fail to pay on time or simply do not pay. The risk of non-payment by business partners of part

of their obligations to IDGC of Volga, JSC may arise where they are experiencing financial difficulties or facing commencement of bankruptcy proceedings. The consequent slowing down in receivables turnover by the Company could lead to cash flow shortages and thus the need to obtain further loans.

To reduce the risk of non-payments IDGC of Volga, JSC monitors its business partners' compliance with payment discipline, and is also planning to increase the number of direct contracts with consumers in its sales structure. Should the situation deteriorate, and non-payments increase, then the Company will seek help from the regional administrations, and also institute legal proceedings.

The financial indicators which are most susceptible to variations are as follows (given with the predicted effect of the financial risks outlined above):

- Receivables – increase in turnover periods;
- Payables – increase in turnover periods;
- Cash funds – reduction in cash available;
- Profits from core business – reduction.

Risks associated with exchange rate fluctuations

IDGC of Volga, JSC conducts its business within the Russian Federation and does not intend to expand its business to foreign markets. All obligations are expressed in Russian currency. Hence the risks associated with exchange rate fluctuations are negligible. On the other hand, the Company buys imported machinery whose cost rises on increases in the foreign exchange rate. Where the cost of imported machinery does rise, the Company intends to curtail such purchases in favour of Russian machinery. Thus the susceptibility of the Company's financial position, liquidity and operating results to a change in the foreign exchange rates will be reduced.

Lowering of the RF credit rating

The lowering of the RF credit rating by international rating agencies (Standard&Poors, Fitch, Moody's) has an adverse effect on the country's economy, and that of specific regions. Further, a lowering of the country's credit rating as a rule entails a reduction in the credit rating of financial institutions doing business in the Russian Federation, which likewise has adverse effects on various sectors of the economy and directly increases the financial risks for IDGC of Volga, JSC. The Company cannot exert any influence on the Russian Federation's credit rating. Nevertheless the Company endeavours to increase the reliability of electricity supply and the efficiency of its business. The Company has a favourable credit history and is able to make repayments on its obligations.

Deterioration in the political and economic situation in the country as a whole and in those regions where the Company does its business

At year end 2008 the Russian economy was characterised by a comparatively high level of uncertainty as to its future development: on the one hand, the President and the Government have set themselves the task of changing over to an innovation growth model, but on the other hand at present there is a significant risk in a slowdown in development of the world's economy, caused by the substantial fall in oil prices over 2008, an instability in the international financial markets which arose over 2007–2008, and a general international instability.

The main macro-economic factors which affect the Company's development are the crisis trends in the world economy (which are manifest in the period known as 'economic crisis').

During a world economic crisis there is a reduction in production volumes by enterprises in allied sectors which are electricity consumers, a curtailment in construction of new capacity in the majority of industrial enterprises, and cancelling of investment projects. These factors have an adverse effect on the volume of power consumption and lead to a fall in demand for mains connection of electrical machinery to the transmission networks.

Legal risks

Legal risks associated with IDGC of Volga, JSC's business are only possible in the context of the domestic market and Russian jurisdiction. Overall, risks concerning the Company's business are typical of those for the majority of firms operating within the Russian Federation.

Risks associated with changes in tax legislation

In common with all businesses, IDGC of Volga, JSC has to pay taxes. Tax legislation in the Russian Federation is frequently subject to amendment. Major amendments to tax law can lead to an increase in tax payments and thus to a fall in nett profits.

IDGC of Volga, JSC fully complies with tax legislation as it relates to its business. Where amendments are made to the existing procedure and conditions for tax payments the Company immediately plans its financial and business operations having regard to such amendments.

Risks associated with variations in the rules for customs clearance and duty, and in the requirements for licences

There are no risks for the business of IDGC of Volga, JSC in terms of amendments in the rules for customs control and duty, or in the requirements for licensing (pursuant to Russian Federation law the transmission of electricity and the services of technical connection to the electricity networks are not subject to licensing).

Risks associated with the Company's involvement in legal proceedings

At present IDGC of Volga, JSC is not involved in any legal proceedings which might entail risks for the Company's business.

Corporate Governance

Structure and principles of corporate governance 24

Management and supervisory bodies 25

General Meeting of Shareholders 26

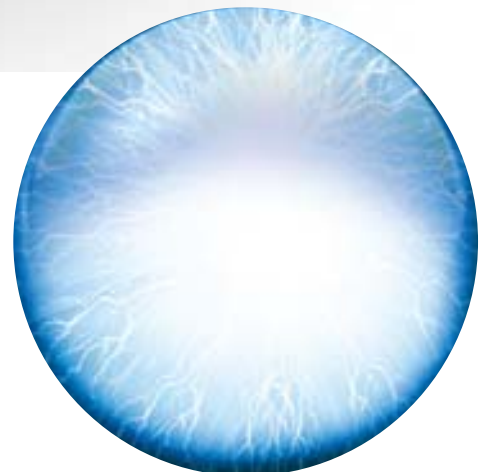
Board of Directors 26

Management Board 30

Chief Executive Officer 33

Audit Committee 34

Details of Company Transactions 34



Corporate Governance

Structure and principles of corporate governance

The management of IDGC of Volga, JSC pays particular attention to continuously improving the practices of corporate governance. Corporate governance defines the mechanism for setting the Company's objectives, choosing the means to achieve them and exercise control over its business. The Company looks on corporate governance as a method of increasing the economic efficiency of the Company's activities: strengthening its reputation, making it more attractive to investors, and reducing the cost of borrowing capital.

In formulating its policy of corporate governance the Company is guided by the rules of current law on joint stock companies, having regard to the requirements of the Code of Corporate Conduct approved by the Federal Commission for the Securities Market, the Company Charter, the Code of Corporate Governance approved by Company's Board of Directors on 29 August 2007, and other internal documents.

A report on the Company's compliance with the requirements of the Code of Corporate Governance is provided as Annex № 1.

The Company forms its policy of corporate governance on the basis of the following principles:

- Fairness (undertaking to secure equal relations for all shareholders and providing shareholders with the possibility of obtaining effective redress where their rights are breached);
- Responsibility and transparency (ensuring prompt disclosure of accurate information about all important matters concerning the Company's business, and giving free access to such information for all interested parties);
- Management being answerable to the shareholders.

The principles and rules of corporate governance at IDGC of Volga, JSC meet international standards of best practice in corporate governance and define the high level at which the management and supervisory bodies operate, the high level of business culture and compliance with the highest standards of ethics.

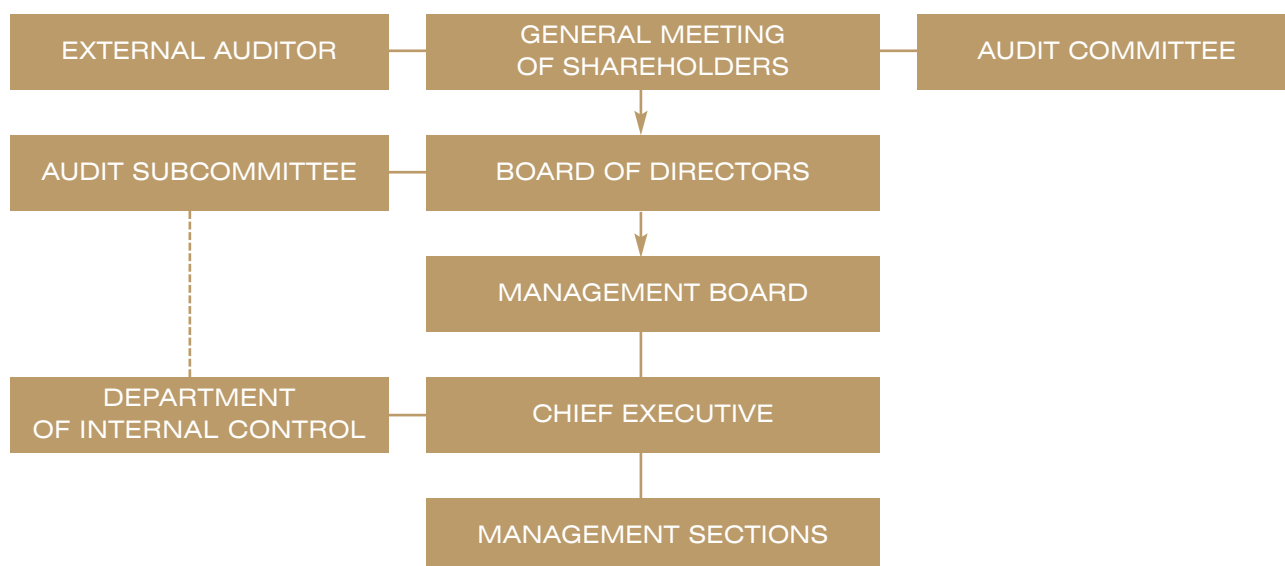
The Company has set up a department for shareholder and investor relations. One of the main functions of this department is to facilitate interaction by the Company's management with investors, analysts, and other interested parties in various ways (conferences, Internet conferences, round tables, road shows, etc.). In the course of such meetings discussions are held on the future development of IDGC of Volga, JSC, tariff regulation at the Company, the changeover of IDGC of Volga, JSC to RAB regulation, and also the implementation of its investment programme in the current difficult economic situation caused by the world financial crisis.

Management and supervisory bodies

In accordance with the Company Charter the Company's management and supervisory bodies are as follows:

- General Meeting of Shareholders
- Board of Directors
- Management Board
- Chief Executive Officer
- Audit Committee

Structure of Corporate Governance at 31.12.2008



General Meeting of Shareholders

The supreme management body of IDGC of Volga, JSC is the General Meeting of Shareholders. Shareholders in the Company participate in the Company's management by taking collective decisions on the most important aspects of the Company's business. All of the Company's management bodies – the Board of Directors, the Management Board, the Chief Executive Officer, the Audit Committee – are subordinate to the General Meeting of Shareholders.

Up to 1 April 2008, when RAO UES Rossiya owned 100 percent of the Company's voting shares, decisions on those matters falling within the competence of the Company's General Meeting of Shareholders were taken by the Management Board of RAO UES Rossiya.

In 2008 there was an Extraordinary and also the Annual General Meeting of Shareholders in IDGC of Volga, JSC.

On 28 February 2008 the Extraordinary General Meeting of Shareholders approved the Charter, the Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC in a restated version, the Standing Orders on preparing for and conducting a General Meeting of Shareholders, and the Standing Orders on the Company's Management Board.

On 30 May 2008 the Company's first Annual General Meeting of Shareholders was held. At this meeting the shareholders approved: the Company's Annual Report for 2007, the Annual Accounts, the distribution of profits/covering of losses by the Company on the results for 2007, appointment of the Company's external auditor, and the members of the Board of Directors and the Audit Committee were elected. Likewise the Standing Orders on payment of remuneration and compensation to the members of the Board of Directors, and amendments to the Standing Orders on payment of remuneration and compensation to the members of the Company's Audit Committee*.

Board of Directors

The Board of Directors of IDGC of Volga, JSC is the management body which carries out overall management of the Company's business, and acts within the competence granted to it by the Company Charter and the Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC.

The main tasks of the Board of Directors are as follows:

- Determining the Company's development strategy;
- Increasing the Company's market capitalisation;
- Providing disclosure of information about the Company for shareholders and other interested parties;
- Establishing methods for internal control;
- Regularly assessing the work of the Company's executive bodies and also that of the management.

Over the period under review the work of the Board of Directors complied with the requirements of the Code of Corporate Conduct, as exemplified by the prompt taking of decisions, the absence of conflicts in relation to the work of both the individual members of the Board of Directors, and to the Board as a whole.

Members of the Board of Directors from 22 June 2007 to 30 May 2008:

- Vyacheslav Mikhailovich Dolgikh
- Igor Ivanovich Zemlyansky
- Igor Alikovich Zenyukov
- Anton Sergeyevich Kolesnikov
- Vyacheslav Mikhailovich Kravchenko
- Aleksei Valeryevich Kurochkin
- Seppo Juha Remes
- Dmitry Vladislavovich Ryabov
- Sergei Viktorovich Streltsov
- Denis Vladimirovich Fyodorov
- Aleksandr Nikolayevich Chistyakov (Chairman)

During 2008 Anton Sergeyevich Kolesnikov and Igor Ivanovich Zemlyansky left the Board of Directors, and Iskander Jangirovich Ametov and Natalia Ilyinichna Erpsher joined the Board.

The current members of the Board of Directors were elected on 30 May 2008 at the Annual General Meeting of Shareholders. There are 11 members, of whom three are independent directors.

* The text of the Company Charter and the Standing Orders on the Procedure for Convening and Conducting Meetings of the Board of Directors and the Procedure for preparing for and conducting a General Meeting of Shareholders, and on the Company's Management Board, on remuneration and compensation payable to members of the Board of Directors, and on remuneration and compensation payable to members of the Company's Audit Committee, and also the minutes of the General Meetings of Shareholders are placed on the Company's website www.mrsk-volgi.ru in the section entitled: About the Company – for Shareholders and investors.

Members of the Board of Directors:

Chairman of the Board:

Aleksandr Nikolayevich Chistyakov

First Vice Chairman of the Management Board at the Federal Grid Company, Unified Energy Systems, First deputy Chief Executive Officer at INDC Holding Company (up to 17 March 2009)

Year of birth: 1973

Graduate of: St. Petersburg University of Economics and Finance; economist

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company



Members of the Board of Directors:

Aleksei Valeryevich Kurochkin

Director for Corporate Policy at INDC Holding Company

Year of birth: 1973

Graduate of: The Urals State Academy of Law; lawyer

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Iskander Jangirovich Ametov

Chief Executive Officer of the subsidiary UES Associated Power Systems Control for Middle Volga

Year of birth: 1950

Graduate of: Tashkent Polytechnical Institute; electrical engineer

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Dmitry Vladislavovich Ryabov

Chief Executive Officer of Lenenergo JSC

Year of birth: 1967

Graduate of: Perm State Technical University; planning engineer; RF Government Academy of the National Economy

Participation interest in the Company's charter capital – 0, 00011%

Holding of ordinary shares in the Company – 0, 00011%

Natalia Ilyinichna Erpsher

Head of the Directorate of Organisational Development at INDC Holding Company

Year of birth: 1969

Graduate of: Moscow Institute of Railway Engineers; systems engineer; Moscow Lomonosov State University, psychology of personnel management

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Seppo Juha Remes**Chief Executive Officer of Kiuru OOO**

Year of birth: 1955

Graduate of: University of Oulu, Tukko School of Economics; economist

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Denis Vladimirovich Fyodorov**Head of developing the power engineering sector and marketing of electricity at Gazprom**

Year of birth: 1978

Graduate of: Moscow State Bauman Technical University; management economist at Moscow Power Engineering Institute (Technical University)-postgraduate study, Candidate of Economic Sciences (with two theses: economics and commercial heat and power engineering)

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Vyacheslav Mikhailovich Dolgikh**member of the Expert Council on Legislation under the State Duma Committee of Fuel and Power**

Year of birth: 1969

Graduate of: the President's Russian Academy of State Service; economist, Candidate of economic sciences, thesis: Economics and Management of the National Economy

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Vyacheslav Mikhailovich Kravchenko**Chief Executive Officer of RN Energo**

Year of birth: 1967

Graduate of: Moscow Lomonosov State University; lawyer

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Igor Alikovich Zenyukov**Deputy Head of the Department of Corporate Governance and Shareholder Relations at the Corporate Centre of RAO UES Rossiya (up to 01 July 2008)**

Year of birth: 1966

Graduate of: Ivanovsk Lenin Power Institute; heating engineer; Ivanovsk State Power Engineering University, management economist

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

Sergei Viktorovich Streltsov**Chief Executive Officer of the Unified Energy System Federal Grid Company Subsidiary Western Siberia Main Grid Network**

Year of birth: 1959

Graduate of: Pavlodar Industrial Institute; electrical engineer

Has no participation interest in the Company's charter capital

Owns no ordinary shares in the Company

In 2008 there were no transactions by members of the Board of Directors for purchase or sale of shares in IDGC of Volga, JSC.

The Company has no information about any legal proceedings instituted against members of the Board of Directors.

Payment of remuneration and compensation to members of the Company's Board of Directors is made in accordance with the Standing Orders on Payment to Members of the Company's Board of Remuneration and Compensation. The amount of such remuneration paid to members of the Board of Directors at IDGC of Volga, JSC in 2008 was **5 557 612** rubles.

In 2008 19 meetings of the Board of Directors were held, at which 185 matters were discussed.

In the course of its work in 2008 the Board of Directors took decisions on the most important issues of the Company's business[•], including the following:

- establishing subsidiaries of the Company;
- approving additional issues of the Company's shares;
- approving share prospectuses;
- implementing the Company's investment programme;
- approving target values for key efficiency indicators;
- approving the organisational structure of the Company's executive department;
- election of members to the Management Board;
- approving the Programme for Private Pension Provision for the Company staff over 2008;
- approving the Programme for the Company charitable activities in 2008;
- approving the register of the Company's non-core assets;
- establishing an Audit Subcommittee of the Board of Directors.

The priority areas for the Company's business in 2008 as determined by decisions of the Board of Directors were as follows:

- compiling accounts to international accounting standards (IAS);
- carrying out a reappraisal of fixed assets and assessing the fair value of assets in accordance with the requirements of IAS in order to change to RAB tariff fixing.

Further, the Board of Directors regularly considered reports made by the Chief Executive Officer on various aspects of the Company's business.

[•] The decisions of the Board of Directors can be seen on the Company's website at www.mrsk-volgi.ru. They are posted in the section: About the Company – for Shareholders and Investors

In order to improve the effectiveness and quality of the Board's deliberations, on 14 November 2008 an Audit Subcommittee was set up. The following members of the Board sit on the Subcommittee:

- Seppo Juha Remes – Chief Executive Officer of Kiuru OOO, and Chairman of the Subcommittee
- Aleksei Valeryevich Kurochkin – Director for Corporate Policy at INDC Holding Company
- Vyacheslav Mikhailovich Dolgikh – a member of the Expert Council on Legislation under the State Duma Committee of Fuel and Power

The Audit Subcommittee is competent to consider matters relating to the annual independent audit of the Company's accounts, choosing candidates for appointment as external auditors, appraising their qualifications, quality of work and their compliance with the requirement to be independent, submitting candidates for consideration by the Board of Directors, making a report on candidates proposed by third parties, assessing the effectiveness of the Company's internal control procedures, and drawing up proposals for their improvement.

Management Board

The Management Board is a collective executive body which reports to the General Meeting of Shareholders and to the Board of Directors. The Management Board is responsible for elaborating a development strategy and for achieving strategic objectives via the operational management of the Company's day-to-day business. The Company's Chief Executive Officer is the Chairman of the Management Board.

On 18 April 2008 the Board of Directors decided that there should be nine members of the Management Board, and that the following nine people would be chosen as members:

Aleksei Vladimirovich Tchannikov
Natalia Vasilyevna Vaitulenis
Viktor Fyodorovich Kazhayev
Nikolai Ivanovich Laryushkin
Yulia Viktorovna Popkova
Vladimir Anatolyevich Ryabkin
Vladimir Viktorovich Ryabinin
Sergei Ivanovich Ryabov

On 26 June 2008 a new Management Board was established with the following members:

S. V. Pakhomov,
N. V. Vaitulenis,
V. F. Kazhayev,
N. I. Laryushkin,
Yu. V. Popkova,
V. A. Ryabikin,
V. V. Ryabinin,
S. I. Ryabov,
A. V. Tchannikov.

On 25 September 2008 N. V. Vaitulenis was dismissed.

Current members of the Management Board:



Vladimir Anatolyevich Ryabkin

**Chief Executive Officer of IDGC of Volga, JSC,
Chairman of the Management Board**

Year of birth: 1965

Graduate of: The Russian State Open Technical University
of Communications

Has no participation interest in the Company's charter capital
Owns no ordinary shares in the Company



Sergei Vladimirovich Pakhomov

**member of the Management Board (he was formerly Chief
Executive Officer and Chairman of the Management Board
(up to 12 December 2008))**

Year of birth: 1953

Graduate of: The Urals Electrical and Mechanical Institute
of Railway Engineers; Moscow State Aviation Institute

Has no participation interest in the Company's charter capital
Owns no ordinary shares in the Company

Viktor Fyodorovich Kazhayev

**deputy Chief Executive Officer IDGC of Volga, JSC
– director of the subsidiary Orenburgenergo,
member of the Management Board**

Year of birth: 1967

Graduate of: Moscow State Academy of Law

Has no participation interest in the Company's charter capital

Owens no ordinary shares in the Company



Nikolai Ivanovich Laryushkin

**first Deputy Chief Executive Officer of IDGC of Volga,
JSC, member of the Management Board**

Year of birth: 1948

Graduate of: Kuibyshev Polytechnical Institute

Participation interest in the Company's charter capital – 0,00065%

Holding of ordinary shares in the Company – 0,00065%



Vladimir Viktorovich Ryabinin

**deputy Chief Executive Officer Service Development
at IDGC of Volga, JSC,
member of the Management Board**

Year of birth: 1966

Graduate of: Ivanovsk Power Institute

Participation interest in the Company's charter capital – 0,00048%

Holding of ordinary shares in the Company – 0,00048%





Sergei Ivanovich Ryabov

**Deputy Chief Executive Officer
for Capital Construction at IDGC of Volga, JSC,
member of the Management Board**

Year of birth: 1957

Graduate of: Volgograd Agricultural Institute

Has no participation interest in the Company's charter capital
Owns no ordinary share in the Company



Aleksei Vladimirovich Tchannikov

**deputy Chief Executive Officer for Economics
and Finance at IDGC of Volga, JSC,
member of the Management Board**

Year of birth: 1979

Graduate of: The Urals State University

Has no participation interest in the Company's charter capital
Owns no ordinary shares in the Company



Yulia Viktorovna Popkova

**Deputy Chief Executive Officer for corporate
governance at IDGC of Volga, JSC**

Year of birth: 1977

Graduate of: Mordovia Ogarev State University

Has no participation interest in the Company's charter capital
Owns no ordinary shares in the Company

During the reporting year there were no transactions by members of the Management Board for sale or purchase of shares in the Company.

The Company has no information about any legal proceedings instituted against members of the Management Board.

In 2008 there were 13 meetings of the Management Board which discussed the entire range of matters pertaining to the Company's operations.

Remuneration and compensation are paid to the members of the Management Board in accordance with the corresponding contracts of employment.

The aggregate sum of remuneration and compensation paid to the members of the Management Board in 2008 was **938 180** rubles.

Chief Executive Officer

The Chief Executive Officer is the sole manager of the day-to-day business of IDGC of Volga, JSC. The Chief Executive Officer heads the Company's Management Board and reports to the General Meeting of Shareholders and to the Board of Directors. He is a guarantee that the Company's declared aims will be achieved, and is responsible for implementing the Company's strategy.

On 12 December 2008 by decision of the Board of Directors **Vladimir Anatolyevich Ryabikin** was elected as Chief Executive Officer.

Year of birth: 1965

Graduate of: The Russian State Open Technical University of Communications (1996.)

Posts held over the past five years:

2003 – 2006 – director of the subsidiary Privolzhskiy Elektricheskiy Seti of Volzhskaya DGC

2006 – 2007 – first deputy Chief Executive Officer of Volzhskaya DGC

2007 – 11.12.2008 – deputy Chief Executive Officer for technical matters and chief engineer at IDGC of Volga, JSC

12.12.2008 – to date – Chief Executive Officer and chairman of the Management Board at IDGC of Volga, JSC

He has no participation interest in the Company's charter capital.

He owns no ordinary shares in the Company.

The scale of the Chief Executive Officer's salary and bonus payments are determined in accordance with the Regulations on Bonus Payments for the Chief Executive Officer of IDGC of Volga, JSC, which are an integral part of the Contract of Employment with the Chief Executive Officer.

These Regulations provide as follows:

- A procedure for determining, approving and varying the salary of the Company's Chief Executive Officer;
- types of bonus payments;
- the procedure for payment of salary and bonuses;
- the procedure for implementing the Regulations as approved.

Audit Committee

The Audit Committee is a standing body which monitors the Company's financial and business operations. The Audit Committee's work is governed by the Charter and the Standing Orders on the Audit Committee.

The following were members of the Audit Committee from 5 October 2007 to 30 May 2008:

- | | |
|-----------------------------------|---------------------------------|
| ■ Anatoly Valeryevich Baitov | ■ Vitaly Aleksandrovich Nikitin |
| ■ Yelena Aleksandrovna Kabizskina | ■ Sergei Borisovich Sidorov |
| ■ Marina Alekseyevna Lelekova | |

Current members of the Audit Committee:

Anatoly Valeryevich Baitov
head of the directorate of financial control and internal audit at the Federal Grid Company of United Energy Systems
 Year of birth: 1977
 Graduate of: Kurgan State University

Denis Stanislavovich Kolyago
Head of the Department of Finance at INDC Holding Company
 Year of birth: 1980
 Graduate of: The Humanities Institute (Moscow)

Vitaly Aleksandrovich Nikitin
Chief Specialist in the Department of Corporate Governance and Shareholder Relations at the Corporate Centre of RAO UES Rossiya (up to 01 July.2008)
 Year of birth: 1981
 Graduate of: Graduate

Irina Yurevna Puchkova
Head of the Economics Department at IDGC of Volga, JSC
 Year of birth: 1963
 Graduate of: Saratov Institute of Economics; Povolzhskaya Academy of State Service

Sergei Borisovich Sidorov
Head of the Department of Internal Audit at INDC Holding Company
 Year of birth: 1952
 Graduate of: The All-Union Extramural Finance and Economic Institute

During the reporting year there were no transactions by members of the Audit Committee for sale or purchase of shares in the Company. The Company has no information about any legal proceedings instituted against members of the Audit Committee.

Information on the internal control system

The system of internal control is regarded as part of the Company's system of governance, which enables decisions to be taken to improve the financial and business operations, and to make a rapid determination, prevention and limitation of operating and financial risks. To this end IDGC of Volga, JSC has established a department of internal control and audit.

Details of Company Transactions

In 2008 there were no transactions which pursuant to the Federal Law: Joint Stock Companies are acknowledged as major transactions, nor any other transactions which pursuant to the Company Charter are also to be approved under the major transactions procedure.

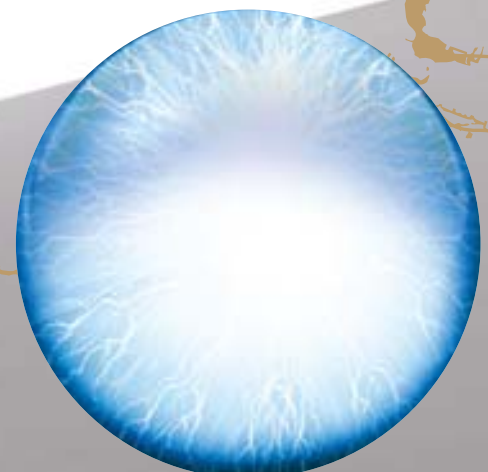
A list of those transactions concluded by the Company in 2008 and which were acknowledged pursuant to the Federal Law: Joint Stock Companies as interested-party transactions is given in Annex 2 attached to this Report.

Securities

Share capital 36

Securities market 38

Dividend Policy 39



Securities

Share capital

In accordance with the amendments and additions to the Charter of IDGC of Volga, JSC, which were registered on 8 May 2008 on the basis of a resolution by an Extraordinary General Meeting of Shareholders in IDGC of Volga, JSC or of the Management Board of RAO UES Rossiya to increase the charter capital (Minutes № 1795np/8 dated 25 December 2007), and Reports on Issuing Additional Securities of IDGC of Volga, JSC, registered by the Federal Service for the Financial Markets on 24 April 2008, the charter capital of IDGC of Volga, JSC amounts to 17 857 780 114,60 rubles and is divided into 178 577 801 146 ordinary shares with a par value of 0,10 rubles each.

Details of variations in the Company's Charter Capital:

Date of state registration	State registration number	Number of shares	Placing Method	Size of charter capital (rubles)
10 October 2007	1-01-04247-E	100 000 000	Acquisition of the shares by the Company's sole founder – RAO UES Rossiya	10 000 000,00
20 March 2008	1-01-04247-E-001D	51 756 840 992	Conversion of shares in the DGCs into additional ordinary registered shares in IDGC of Volga, JSC on the merger	17 857 780 114,60 (on the basis of Reports on additional issues of the Company's securities, registered by the Federal Service for the Financial Markets on 24 April 2008)
	1-01-04247-E-002D	11 558 321 461		
	1-01-04247-E-003D	9 553 277 567		
	1-01-04247-E-004D	2 712 970 897		
	1-01-04247-E-005D	12 953 643 326		
	1-01-04247-E-006D	1 155 126 447		
	1-01-04247-E-007D	88 787 620 456		

On the basis of Instruction № 08-1766/пз-и issued by the Federal Service for the Financial Markets on 31 July 2008, because of the expiry of three months from the date of state registration of the reports on the issues of additional ordinary registered uncertificated shares in IDGC of Volga, JSC the individual numbers were cancelled (Notice № 08-EK-03/17047 dated 12 August 2008).

Information on the number of persons registered (disregarding details of the clients of nominee holders) at 31 December 2008:

Type of shareholder	Number	% of the total number of shares
Individual owners, of which:	19 090	3,405
- RF residents	19 071	3,395
- RF non-residents	19	0,009
Legal entities of which:	149	0,923
- RF residents	130	0,866
- RF non-residents	19	0,056
Nominee holders	18	95,660
Trustees	3	0,001
Pledge holders	0	0
Persons unknown	1	0,009
TOTAL	19 261	100

Information about registered persons who owned at least 5% of the ordinary shares in the Company's Charter Capital at 31 December 2008:

Name	% of the Company's Charter Capital
Depozitarniye I Korporativniye Tekhnologii OOO (nominee holder)	67,626%
Company Depozitarno-Kliringovaya Kompania ZAO (nominee holder)	14,943%
Citibank Commercial Bank ZAO (nominee holder)	5,548%
Natsionalniy Depozitarniy Tsentr Non-commercial Partnership (nominee holder)	5,025%

Information about cross-held shares

At 31 December 2008 INDC Holding Company owned 120 765 085 671 ordinary shares in the Company, which comprises 67,626% of the charter capital of IDGC of Volga, JSC. In its turn, the Company owns 9 400 ordinary shares in INDC Holding Company, and the IDGC of Volga, JSC's share in its charter capital amounts to 0,00002%.

In accordance with Notice № АЭ-11/2108 issued by Natsionalniy Depozitarniy Tsentr Non-commercial Partnership on 25 March 2008 the shares in IDGC of Volga, JSC were granted ISIN (International Securities Identification Number) – RU000A0JPPN4.

Securities market

In May 2008 the shares in IDGC of Volga, JSC were admitted to on-exchange trading by being listed in the exchange lists of Securities admitted to trading but not quoted. Thus from 19 May shares in the Company began being traded on the classic and exchange floors markets of the RTS with an opening price of 0,18 rubles, and from 23 May 2008 on MICEX with a price per share of 0,195 rubles.

At 31 December 2008 the Company's capitalisation amounted to 11,98 bn. rubles (\$0,41 bn.). In the accounting period there were 5 051 trades with 3 858 281 398 ordinary shares in IDGC of Volga, JSC (which is 2,16% of the Company's Charter Capital) in a total sum of **221,17** bn. rubles

Results of trading in the Company's securities in 2008

Name of trading organiser	Volume (units)	Volume (rubles)	Number of transactions	Transaction price Minimum (rubles)	Transaction price Maximum (rubles)
RTS (classic and exchange floors)	676 107 698	55 735 998,87	227	0,0208	0,258
MICEX	3 182 173 700	165 430 895,84	4 824	0,0201	0,2243
Total:	3 858 281 398	221 166 894,71	5 051		

Since 15 July 2008 the shares in IDGC of Volga, JSC have been included in the list of shares in companies which are used to calculate the share index of companies with a basic capitalisation on MICEX SC (MICEX Start Cap Index), and since 27 October 2008 – in the list for calculating the share index of companies in the power sector on MICEX PWR (MICEX Power Index). At present the shares in IDGC of Volga, JSC are on the RTS-2 waiting list (shares in companies with average and low capitalisation – shares of the second echelon) and the index of shares in companies in the electricity sector RTSu.

In order to raise liquidity in the market for the Company's shares, after an open tender IDGC of Volga, JSC concluded a contract with Partner Universalniy Investitsionnaya Kompania – a professional participant in the securities market, on the basis of which from 26 September 2008 Unikom Partner has discharged the function of market maker at MICEX and the RTS. Also, to make the securities more attractive, in 2009 the Company intends to undertake a similar measure to have the Company's securities listed and ensure that its shares are included in the quoted B lists on the RTS and MICEX.

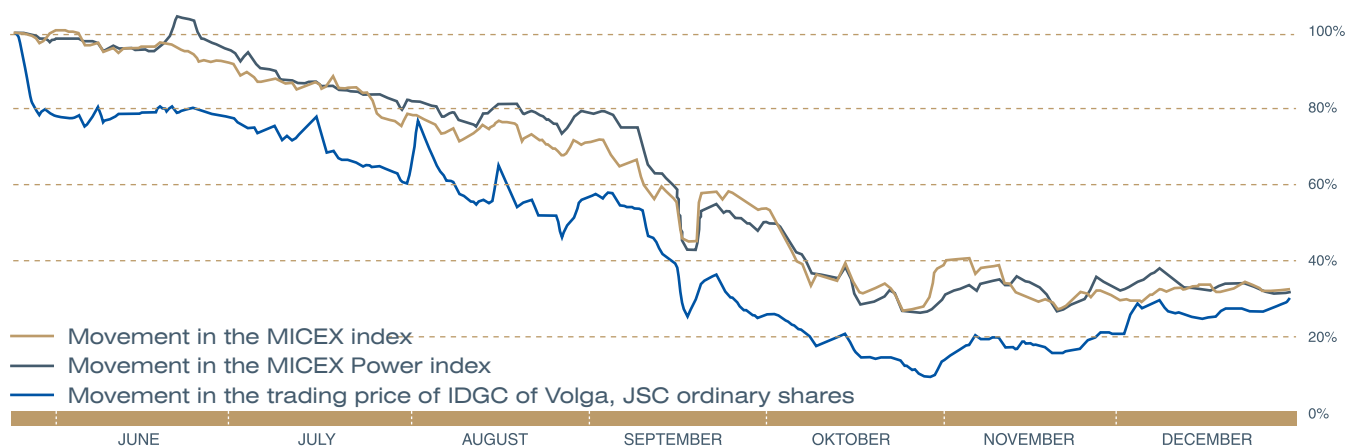
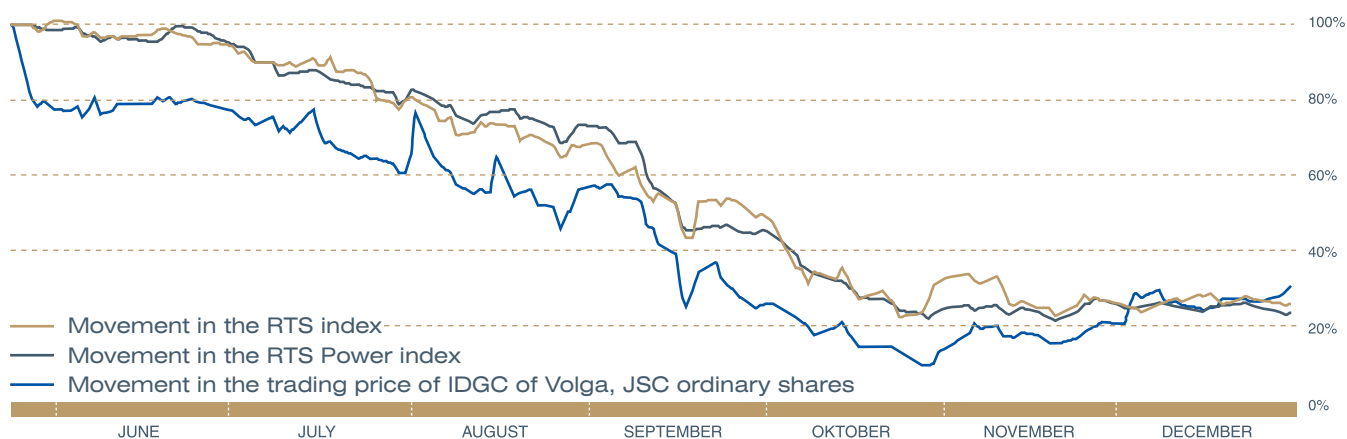
Dividend Policy

Dividend policy is a joint stock company's policy for use of its profits.

The Company's Board of Directors determines the size of the dividend it recommends for ordinary shares on the results of the financial year, and submits the matter to the General Meeting of Shareholders to take a final decision to declare a dividend or not..

At the Company's Annual General Meeting of Shareholders held on 30 May 2008 it was decided not to pay a dividend on the Company's ordinary shares on the results of 2007.

Movement in the trading price of the Company's ordinary shares in trading on MICEX in comparison with the RTS and RTSpower indexes, MICEX and MICEXpower trading in 2008







Review of Business Results

Production activities

Electricity output indicators 42

Prospects for development 48

Procedure for mains connection 49

Development of industrial facilities 52



Production activities

Electricity output indicators

In accordance with the Rules of Non-discriminatory Access to Services for the Transmission of Electricity and the Provision of Such Services (approved by RF Government Decree № 861 dated 27 December 2004) the main types of business in network organisations are the transmission of electricity and mains connections of electrical machinery owned by legal entities and individuals.

IDGC of Volga, JSC possesses certain grid facilities by right of ownership or other grounds established by Federal laws. In providing services for transmission of electricity the Company is the main business partner providing this service in the regions of its influence. Such service provision is a complicated process in which organisational and technological matters are inextricably linked, including technological management, which has increased the throughput capacity of the network and reduced electricity losses, in accordance with the requirements of technical regulations.

Thanks to the introduction of new capacity and renovation of existing facilities, which has caused an increase in the throughput capacity of the network and a reduction in electricity losses, in 2008 electricity transmission services to IDGC of Volga, JSC's consumers amounted to 58 485 mn. kWh, which corresponds to an increase of **1,7%** in comparison with 2007.

2008

Subsidiaries	Output to the grid, million. kWh	Volume of services provided, million kWh	Losses Million kWh	Losses %
Saratovsky DG	10 569	9 694	875	8.28%
Samarsky DG	21 564	20 569	995	4.62%
Ulyanovsky DG	5 040	4 499	541	10.74%
Orenburgenergo	13 404	12 498	907	6.76%
Penzaenergo	4 189	3 758	432	10.30%
Mordovenergo	2 908	2 623	285	9.78%
Chuvashenergo	5 133	4 845	289	5.62%
Total IDGC of Volga, JSC	62 808	58 485	4 323	6.88%

Share of electricity transmission services provided by IDGC of Volga, JSC during 2008, by subsidiary:

- IDGC of Volga, JSC branch – Saratovsky Distribution Grids – 91,72% which is 16,58%[•];
- IDGC of Volga, JSC branch – Samarsky Distribution Grids – 95,38% which is 35,17%[•];
- IDGC of Volga, JSC branch – Ulyanovsky Distribution Grids – 89,26% which is 7,69%[•];
- IDGC of Volga, JSC branch – Penzaenergo – 89,70% which is 6,43%[•];
- IDGC of Volga, JSC branch – Orenburgenergo – 93,24% which is 21,37%[•];
- IDGC of Volga, JSC branch – Mordovenergo – 90,22% which is 4,49%[•];
- IDGC of Volga, JSC branch – Chuvashenergo – 94,38% which is 8,28%[•].

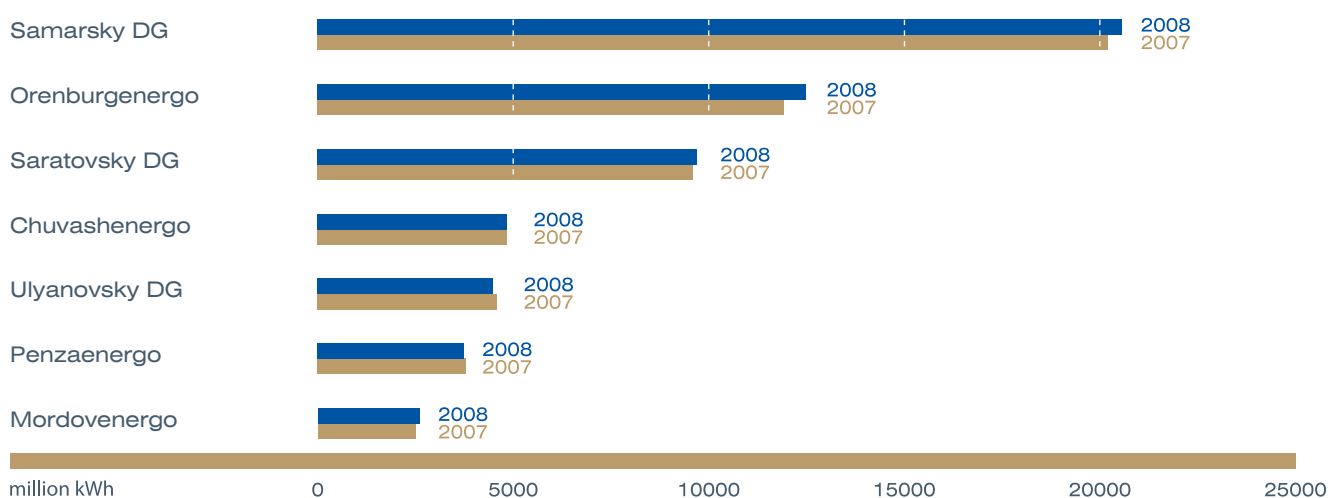
[•] – of the total productive output of electricity by IDGC of Volga, JSC during 2008.

On the results of 2008 the following IDGC of Volga, JSC subsidiaries took the leading positions for transmission of electricity:

- IDGC of Volga, JSC branch – Samarsky Distribution Grids;
- IDGC of Volga, JSC branch – Orenburgenergo;
- IDGC of Volga, JSC branch – Saratovsky Distribution Grids,

whose shares amounted to **73,1%** of the electricity transmission services to IDGC of Volga, JSC consumers.

Movement in productive electricity output by IDGC of Volga, JSC branches in 2007-2008

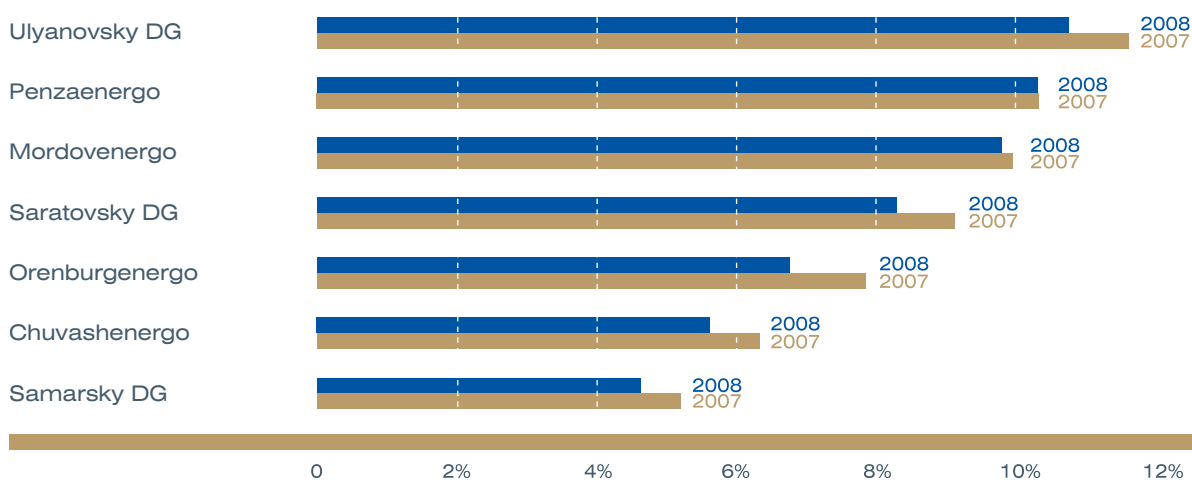


Efficiency. Reduction in losses of electricity

In comparison with 2007 the losses of electricity by IDGC of Volga, JSC fell over the reporting period as a result of which the change in this indicator was – 8,6% (408,14 mn. kWh).

This decline in electricity losses, noted in all of the Company's subsidiaries, indicates that there has been a consistent improvement in the indicators for electricity transmission to consumers associated with this reduction in electricity losses.

Movement in electricity losses in IDGC of Volga, JSC branches in 2007-2008



Efficiency. Provision of electricity supply services

The efficiency in transmission of electricity (provision of services for transmission of electricity from overall output of electricity to IDGC of Volga, JSC's network) by subsidiary of IDGC of Volga, JSC falls within a range from 89,7% to 95,38%.

The level of loss of electricity over 2008 in the overall output of electricity by subsidiary of IDGC of Volga, JSC was as follows:

IDGC of Volga, JSC branch – Saratovsky Distribution Grids – 8,28% (9,11% in 2007);
 IDGC of Volga, JSC branch – Samarsky Distribution Grids – 4,62% (5,20% in 2007);
 IDGC of Volga, JSC branch – Ulyanovsky Distribution Grids – 10,74% (11,60% in 2007);
 IDGC of Volga, JSC branch – Penzaenergo – 10,30% (10,32% in 2007);
 IDGC of Volga, JSC branch – Orenburgenergo – 6,79% (7,84% in 2007);
 IDGC of Volga, JSC branch – Mordovenergo – 9,79% (9,94% in 2007);
 IDGC of Volga, JSC branch – Chuvashenergo – 5,62% (6,33% in 2007).

Breakdown of electricity transmission by type of consumer

The following may be customers for the services of electricity transmission:

■ Guaranteed suppliers and energy retail companies which conclude contracts for discharging obligations to end consumers to regulate matters of transmission of electricity;

■ Network organisations which conclude contracts for discharging obligations to energy retail companies to regulate matters of transmission of electricity from the superior network organisation;

■ Legal entities which conclude direct contracts.

The main customers for transmission of electricity to consumers in each of the Company's regions are first rank GS (guarantee suppliers), whose share in 2008 amounted to 77,15% of the overall productive output of IDGC of Volga, JSC.

Share of electricity transmission services of 1st level guaranteed

10,8% Saratovenergo

6,7% Chuvashskaya Energosbytovaya Kompania

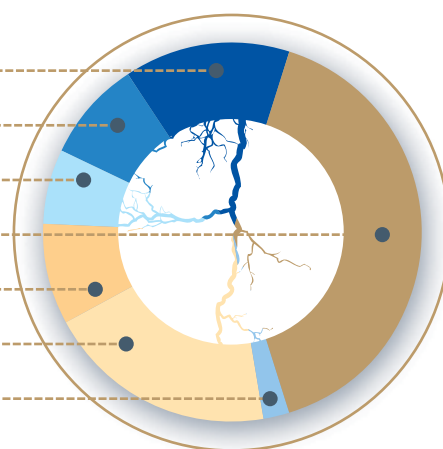
5,0% Penzaenergosbyt

31,2% Samaraenergo

6,6% Ulyanovskenergo

15,2% Orenburgenergosbyt

1,7% Mordovskaya Energosbytovaya Kompania

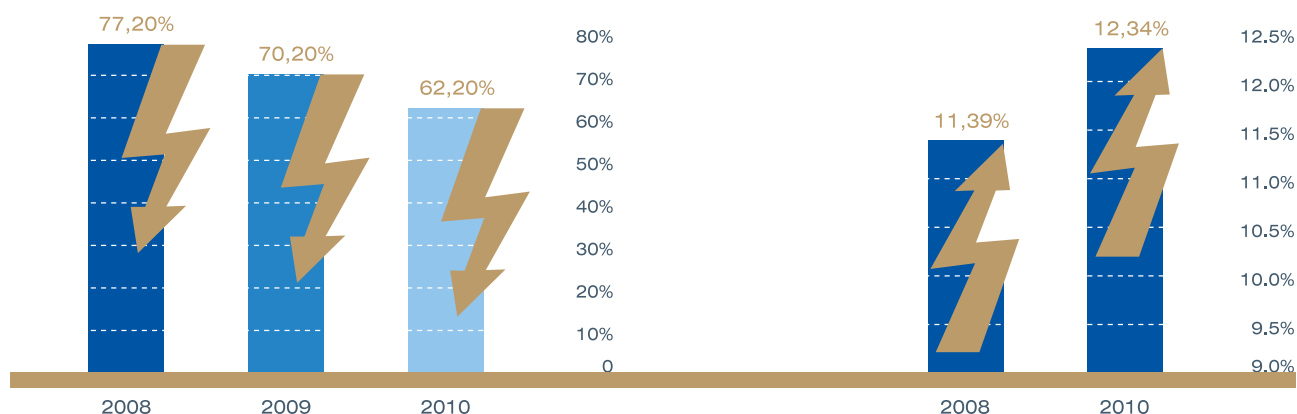


At present there is a trend to increasing market coverage by enterprises in the Wholesale Electricity Market. This is leading to an increase in direct relations between IDGC of Volga, JSC and consumers in the wholesale electricity market (WEM) group for electricity transmission which thus excludes first rank GS from relations with IDGC of Volga, JSC.

A reduction is expected in market coverage of first rank GS from 77,2 % in 2008 to 62,2 % by 2010 (see the diagram below), and in its turn the market coverage of the WEM group will expand from 11,39 % (2008) to 12,34 % (2010).

Proposed reduction in the zones where 1st rank guaranteed suppliers

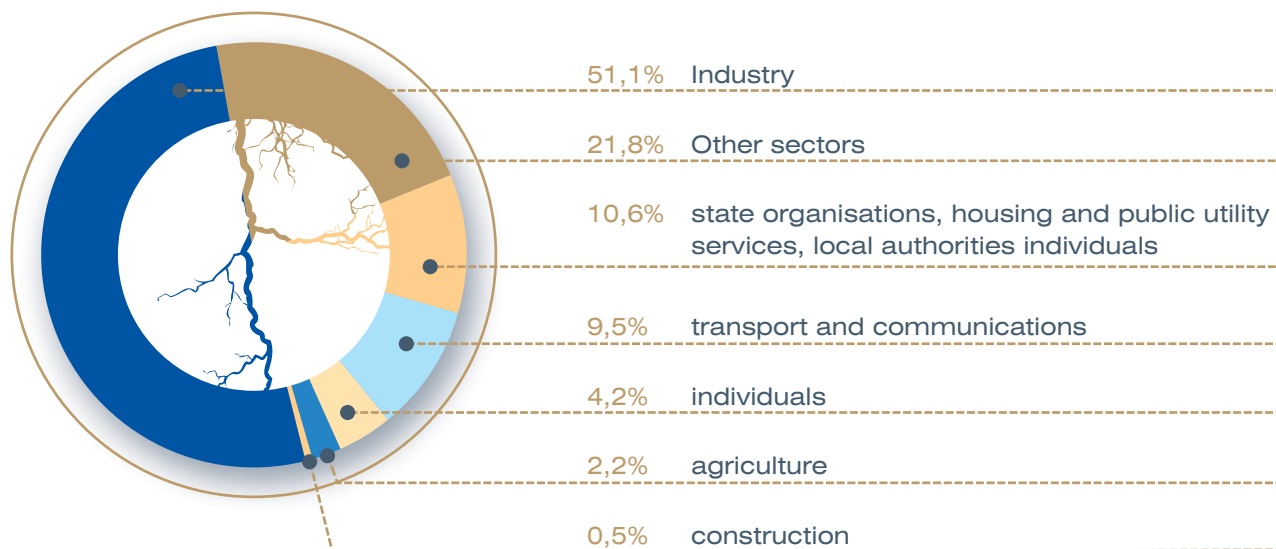
Change in market coverage by entities in the wholesale electricity



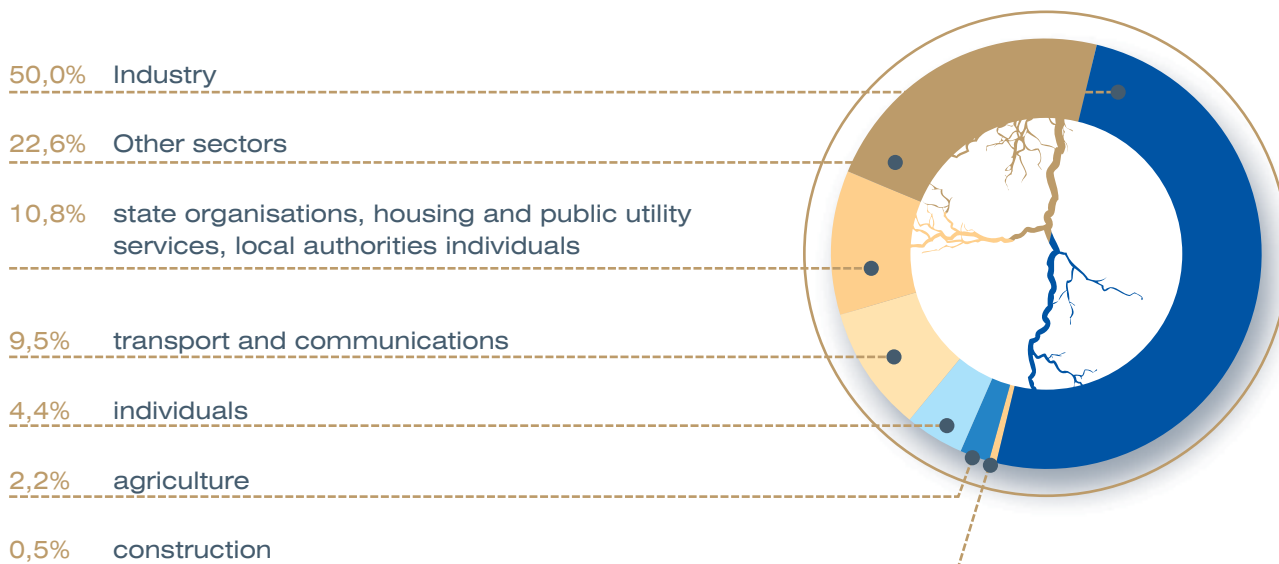
Electricity transmission by sector

The sector breakdown in electricity transmission is characterised by an emphasis on industrial consumers, the share of which in the total consumption in 2008 amounted to 51,1%:

Electricity transmission services by sector in 2008



Electricity transmission services by sector up to 2012



Breakdown of electricity transmission by voltage

Over 2008 the majority (77%) of electricity transmission was high tension voltage.

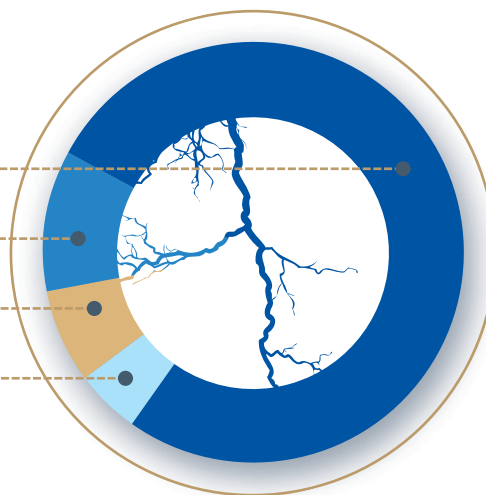
Breakdown of electricity transmission services by IDGC of Volga, JSC in 2008 by voltage

77% High tension

11% Low tension

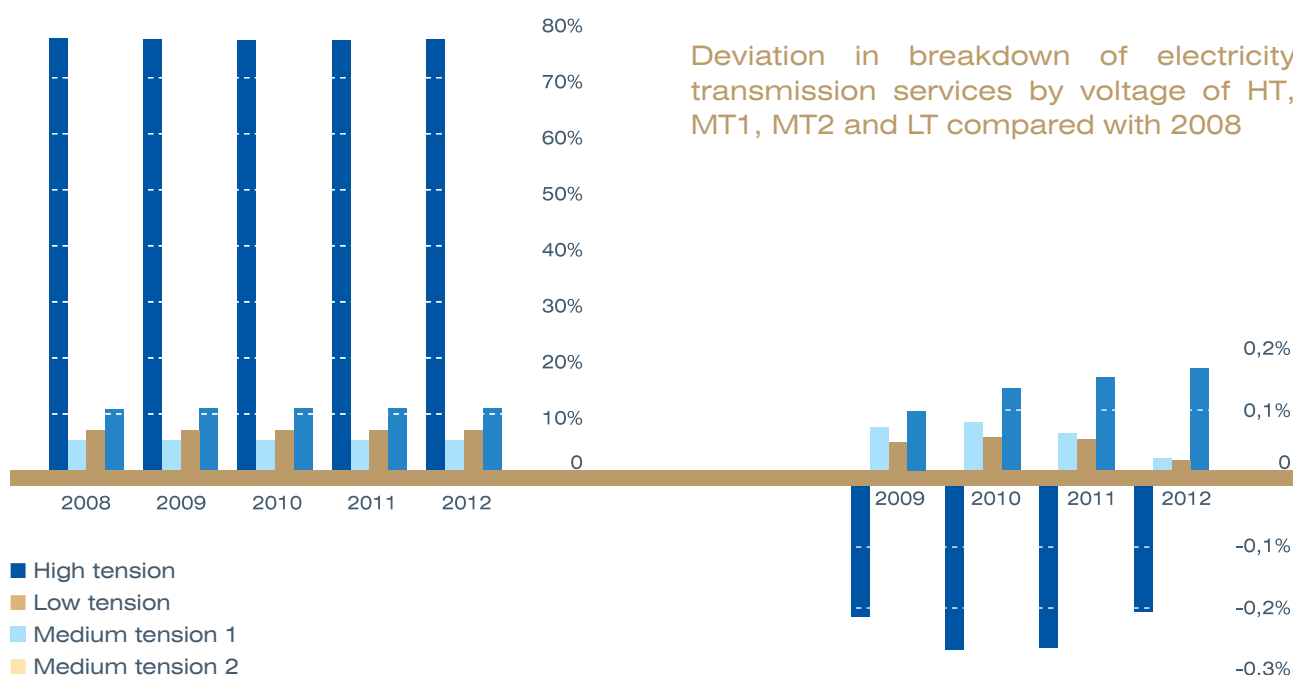
7% Medium tension 2

5% Medium tension 1



In view of the foregoing, and on the basis of analytic data on electricity consumption by major industrial enterprises located where the Company operates, it follows that during the next two years there will be changes in the breakdown of provision of electricity transmission both in terms of voltage level and of the sector structure.

Change in the breakdown of electricity transmission services by voltage HT, MT1, MT2, LT



The most likely change in electricity transmission voltage will be a reduction in high tension (see diagram below), which will come about because of a reduction in power consumption at major industrial enterprises and in the construction sector owing to the current crisis. Together with this there are prospects for growth in electricity transmission at the low tension and medium tension 2 levels, which, in turn, are linked with an increase in electricity consumption by individual consumers and by the agricultural sector (see the diagram above: Electricity transmission services by sector up to 2012).

Deviation in breakdown of electricity transmission services by voltage of HT, MT1, MT2 and LT compared with 2008

Prospects for development

Under its investment programme IDGC of Volga, JSC is retooling and installing new production capacity. To increase capacity and increase the volumes of electricity transmission it is necessary to make connections with generating facilities. In the area of IDGC of Volga, JSC's business, contracts are performed for connection to the grids of generating facilities which were concluded in a combined five year investment programme of those companies which were established as a result of the reform of RAO UES Rossiya from 2008-2012.

One of IDGC of Volga, JSC's subsidiaries – Samara Distribution Networks – has drafted the technical specification for a scheme to provide capacity under contracts already concluded for mains connection to three power generation plants at Novokuibyshev Steam Power Plant, two gas turbine installations and one steam turbine plant at Syzran Steam Power Plant, with a total capacity of 456 mW.

Bringing on stream of three power generation plants at Novokuibyshev Steam Power Plant in 2010 will provide the technical ability to connect up additional loading in an area where there is a shortage of electricity.

In accordance with the current conditions for forming investment programmes of the subsidiary and affiliated companies of IDGC Holding Company, which have arisen because of the economic crisis IDGC of Volga, JSC is contemplating measures for the necessary number of connections to generating facilities.

Because of the economic recession in the regions of IDGC of Volga, JSC's business and the consequent changes in the balances of productive electricity output and capacities, work is ongoing to update the draft agreements with the regional governments and programmes for development, and to increase the reliability of the grid networks.

At present two schemes for future development of the network are being elaborated after being agreed with the administrations of the Republic of Mordovia and Orenburg Region:

- The Electricity Industry Research Centre of the Urals Institute Uralenergoproekt is making an adjustment to the development scheme for the Orenburg power system for the period up to 2015;

- Drafting of the scheme for development of networks in the Republic of Mordovia is planned out for the

period up to 2010. Within the framework of drafting this network development scheme data on future electricity consumption and the capacity of major industrial enterprises in the Mordovian centres experiencing a power shortage for the period up to 2012 will be collected and processed. Material is being worked through on building developments in Saransk. This work will form the basis for a list of new substations which require reconstruction in order to upgrade their rated capacity and increase the reliability of electricity supply. These materials have been considered by the Government of the Republic of Mordovia and were the basis of the investment programme for the IDGC of Volga, JSC subsidiary – Mordovenergo for the period from 2008-2012, which was approved by the Republic of Mordovia's leadership.

For the other regions of IDGC of Volga, JSC's business data on future electricity consumption and capacity of large industrial enterprises is being collected and processed, and also about plans for further building development of these areas so as subsequently to elaborate schemes of regional grid/network development.

In addition to future network development schemes agreed with the administrations of various RF constituents, IDGC of Volga, JSC is making investments within the framework of various co-operation agreements with the regional administrations. At present bilateral co-operation agreements have been made between IDGC of Volga, JSC and the executive authorities of the regions, with the exception of Ulyanovsk and Penza Regions. A co-operation agreement between the Government of Saratov Region and IDGC of Volga, JSC is currently being approved by the regional Government.

Under numerous agreements IDGC of Volga, JSC is the legal successor to the restructured company Ural and Volga IDGC JSC.

IDGC of Volga, JSC, being an infrastructure company, and having a substantial influence on the social development of its various regions, takes part in implementation of the Federal Special Purpose Programme: Affordable and Comfortable Home for All Russian Citizens. Under this programme residential buildings are being erected, including within IDGC of Volga, JSC's business area. The construction of new buildings entails the use of electrical machinery, and this in turn creates demand for mains connection of such machinery and increases the potential sales of electricity.

Procedure for mains connection

In 2008 the Client Services Centres of IDGC of Volga, JSC subsidiaries received 11 262 applications for mains connection to a value of 990,8 mW, with the highest proportion – 32% of the total – going to Orenburgenergo.

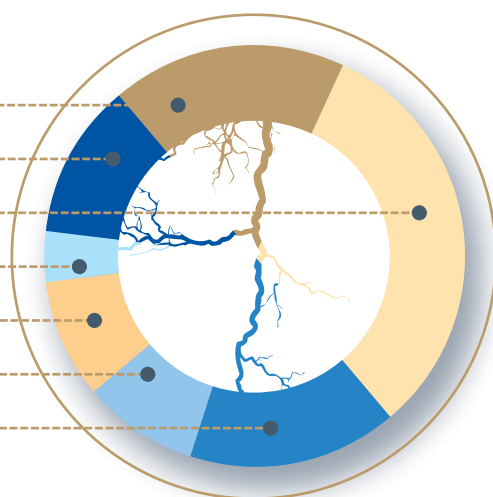
Because of the financial crisis and the refusal of financial institutions to grant loans to legal entities, which are the main clients for mains connection, in comparison with 2007 the number of applications for mains connection received in the reporting period fell by 15%, and the capacity requested in them, – by 19%. A fall in demand occurred in IDGC of Volga, JSC subsidiaries Saratov Distribution Networks (number of applications and capacity requested fell by 20% and 19% respectively) and Samara Distribution Networks (number of applications and capacity requested fell

by 48% and 79% respectively). The most significant fall in demand occurred in the IDGC of Volga, JSC subsidiary Penzaenergo, where the number of applications fell by 83%, and the capacity requested saw a 60% drop. In the remaining Company subsidiaries with a comparatively modest overall output of electricity there was an increase in demand for mains connections:

- in the IDGC of Volga, JSC subsidiary Orenburgenergo the number of applications increased by 81%, and the capacity requested by 301,7%;
- in the IDGC of Volga, JSC subsidiary Chuvashenergo the number of applications rose by 42,4%, and the capacity requested by 373,5%.

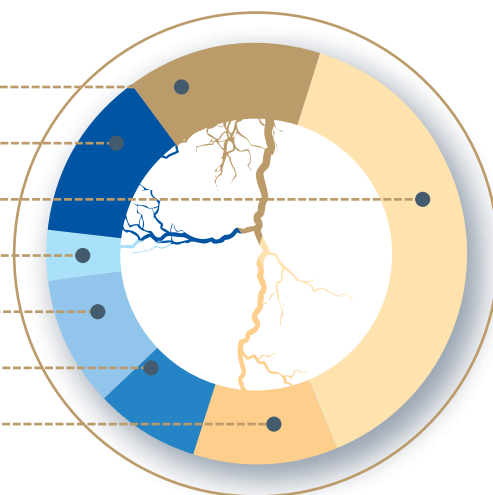
Volume of demand for mains connection by numbers of applications received in 2008

18%	Samarsky Distribution Grids
12%	Saratovsky Distribution Grids
32%	Orenburgenergo
4%	Penzaenergo
9%	Ulyanovsky Distribution Grids
9%	Mordovenergo
16%	Chuvashenergo



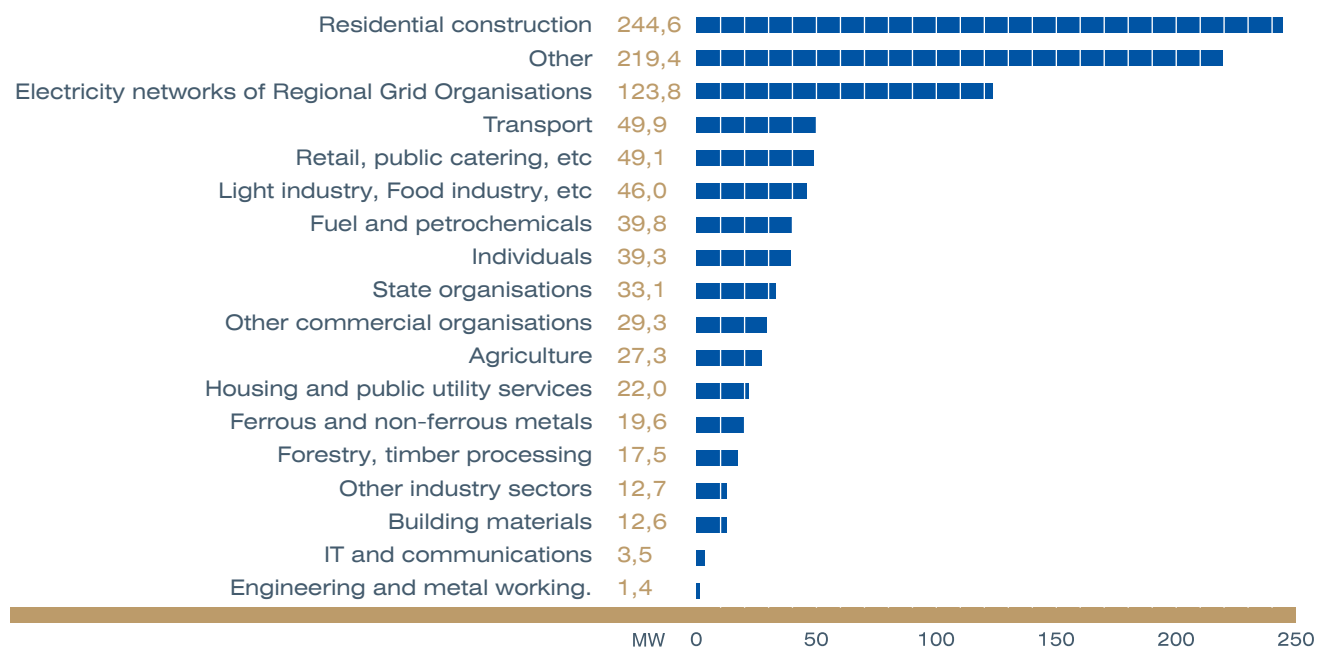
Volume of demand for mains connection by capacity requested in 2008

15%	Samarsky Distribution Grids
13%	Saratovsky Distribution Grids
39%	Orenburgenergo
4%	Penzaenergo
10%	Mordovenergo
8%	Chuvashenergo
11%	Ulyanovsky Distribution Grids



Review of Business Results

The greatest demand for mains connection was in the housing construction sector with 244,6 MW, and the smallest in the engineering and metalworking sector.



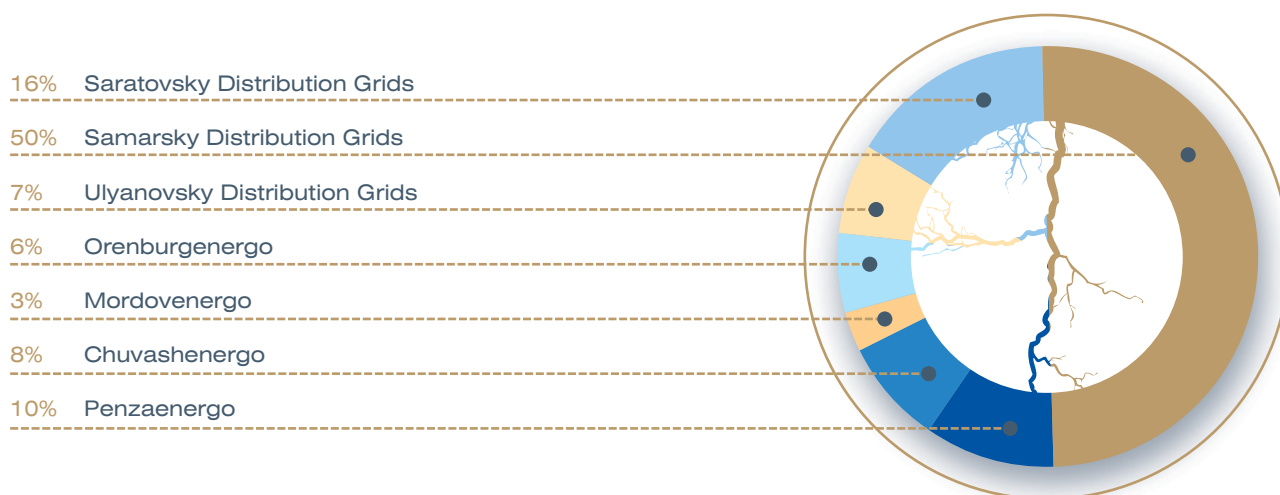
Amount of capacity connected

In 2008 there was an increase in the amount of capacity connected among all the subsidiaries of IDGC of Volga, JSC, with an aggregated increase from 161 mW (in 2007) to 402,2 mW. The most outstanding increase was noted in the subsidiary Samara Distribution Networks, where the amount of capacity connected in 2008 increased 2.5 times in comparison with 2007.

The substantial growth in this indicator was caused by an increase in the volume of financing for the Company's investment programme in all regions during the reporting period. It was the renovation of facilities and commissioning of new assets which enabled IDGC of Volga, JSC to start making mains connections under contracts which had been concluded in previous years.



Amount of capacity connected by IDGC of Volga, JSC's branches in 2008



The largest capacity of 233,2 mW was connected for the group of consumers which requested connection with a capacity at the highest voltage tension.

Breakdown of capacity connected over 2008, by groups of consumers across the branches

Groups of consumers	Up to 15 kW (individuals)	Up to 30 kW	Above 30 kW	Up to 100 kW	From 100 up to 750 kW	Above 750 kW	Above 750 kW	Total
voltage	0,4 kW	0,4 kW	0,4 kW	6-10 kW	6-10 kW	6-10 kW	35 kW	
Saratovsky DG	3,3	0,8	0,1	2,8	6,7	7,7	45,0	66,4 MW
Samarsky DG	2,5	0,3	0,0	4,2	41,7	152,4	0,0	201,2 MW
Ulyanovsky DG	3,3	0,7	0,2	1,5	6,0	14,9	0,0	26,7 MW
Orenburgenergo	4,3	1,2	2,4	1,2	4,6	10,9	1,0	25,6 MW
Mordovenergo	0,7	0,5	0,2	0,4	2,8	7,4	0,0	12,0 MW
Chuvashenergo	2,5	0,7	0,5	7,0	7,5	14,0	0,0	32,1 MW
Penzaenergo	1,0	0,1	0,0	2,5	8,7	25,8	0,0	38,3 MW
Total	17,5	4,5	3,4	19,7	78,0	233,2	46,0	402,2 MW

The increase in the Amount of capacity connected during the reporting period under contracts for mains connection, together with a fall in demand (volumes of capacity in applications and contracts concluded for connections) led to a reduction in unsatisfied demand for mains connection.

The number of new contracts for mains connection in the reporting period in comparison with 2007 remained at the same level – about 9 000 (with the number of unfulfilled applications for 2007 at 355, and applications submitted in 2008 at 11 262). The capacity requested under new contracts in comparison with the contractual obligations which arose in 2007 fell by 37% to 463,9 mW.

Review of Business Results

Development of industrial facilities

In comparison with 2007, in the reporting period IDGC of Volga, JSC made a substantial increase in the volume of its industrial capacity in the course of extensive implementation of its investment programme:

- the length of grid transmission lines increased by 1024 km (0,46%);
- the length of transmission lines increased by 1069 km (0,49%);
- the number of mains connections increased by 670 units and now comprises 45112 units;
- the size of installed capacity Substation rose by 126,01 mW to 7772,43 mW.

The increase in the length of transmission lines of 220 kV was caused by bringing on stream 6 km of lines feeding the Burovka Substation and entering them on the balance sheet of IDGC of Volga, JSC subsidiary Saratov Distribution Networks. The change in the length of transmission lines of 35 and 110 kV was caused in the main by an error in recording them at the IDGC of Volga, JSC subsidiary Orenburgenergo at 1 January 2008.

The change in the number of substations of 35-220 kV was caused by:

- construction of the Tereshka Substation of 220 kV, a Vostok Substation of 110 kV, the Novonikolayevka Substation of 35 kV, additional recording of three substations of 35/0,4kV (previously they were classed as transformer substations) for the IDGC of Volga, JSC subsidiary Saratov Distribution Networks;

- entering the Izumrudnaya Substation of 110 kV, the Norovchan-2 Substation of 110 kV on the balance sheet of IDGC of Volga, JSC subsidiary Penzaenergo;
- construction of the Polevaya Substation of 35 kV for the IDGC of Volga, JSC subsidiary Samara Distribution Networks;
- writing off the Matveyevskaya Substation of 35 kV at the IDGC of Volga, JSC subsidiary Orenburgenergo;
- Volga, JSC subsidiary Chuvashenergo.

The increase in the number of transformer substations 6-10/0,4 kV and transmission lines of 0,4-10 kV arose in the main because of the purchase of the grid from Orenburgselenergo ZAO by the IDGC of Volga, JSC subsidiary Orenburgenergo, and entering abandoned electricity networks on the balance sheet of IDGC of Volga, JSC subsidiary Penzaenergo, and also because of the construction of new electrical facilities.

The growth in the Company's production/industrial facilities had a favourable effect on the efficiency of the Company's operations, lowering the losses in the output of electricity and raising the productive output of electricity. Further, thanks to bringing new facilities on stream, there was an increase in the Amount of capacity connected.

Procurement

Over 2008 IDGC of Volga, JSC made 1 881 purchases in the sum of 12 855 012,7 thousand rubles, of which 93,6% was done under open procedures, which indicates the high level of transparency and openness in the Company's business.

Review of Business Results

Financial business

Financials 54

Credit history 57

Accounting policy 58

Tariff policy 58



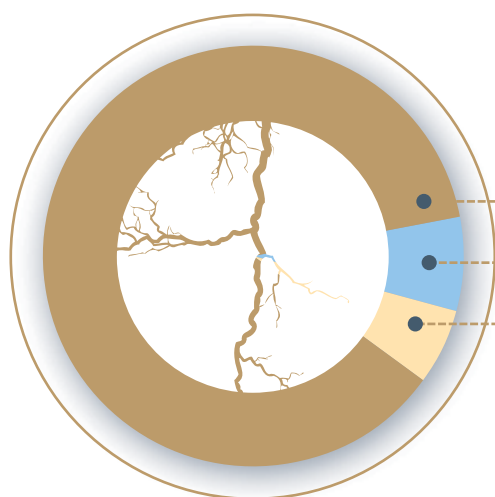
Financial business

Financials

Earnings and profits

According to the balance sheet at 31 December 2008 the earnings of IDGC of Volga, JSC amounted to 22 614 524 thousand rubles (disregarding the earnings of the DGC for QI 2008), most of which

comprised income from provision of services in transmission of electricity – 19 791 516 thousand rubles. Earnings from provision of services for mains connection amounted to 1 508 656 thousand rubles.

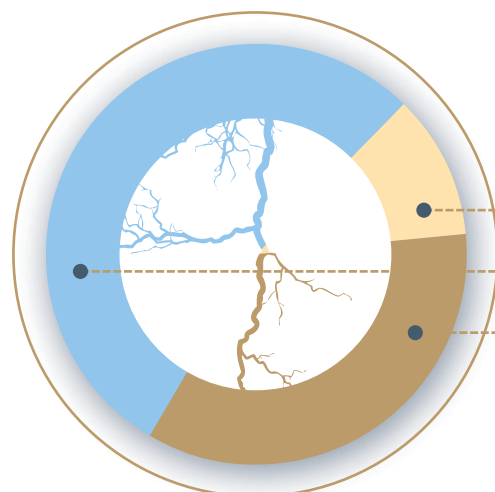


Breakdown of IDGC of Volga, JSC earnings in 2008

87% Earnings from electricity transmission

7% Earnings from mains connection

6% Earnings from other activities



Breakdown of IDGC of Volga, JSC gross profits in 2008

11% Earnings from electricity transmission

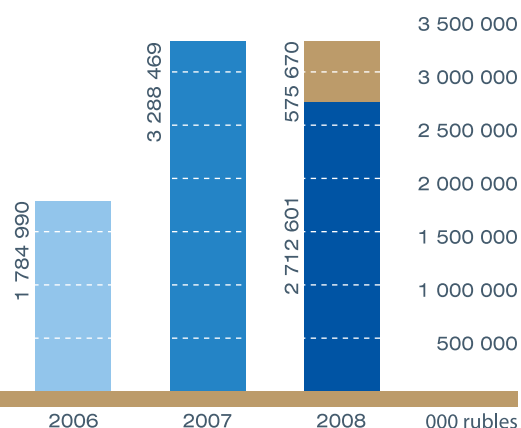
54% Earnings from mains connection

35% Earnings from other activities

Profit on sales by IDGC of Volga, JSC in 2008 amounted to 2 712 601 thousand rubles

Movement in profits on sales by IDGC of Volga, JSC in 2006-2008

- Profits from sales by the DGC in Q1 2008
- Profits from sales by IDGC of Volga, JSC

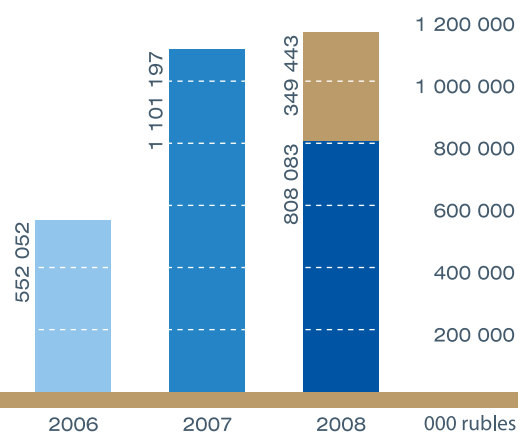


The Company's nett profits in 2008 came to 808 083 thousand rubles.

Nett profit per one share from data on the balance sheet for 2008 came to 0,00453 rubles.

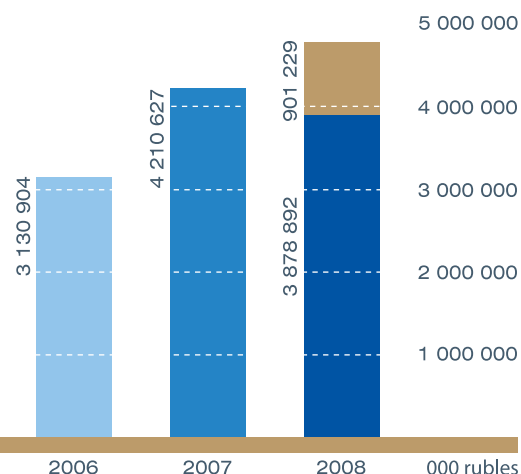
Movement in nett profits for IDGC of Volga, JSC in 2006-2008

- Nett profits for the DGC in Q1 2008
- Nett profits for IDGC of Volga, JSC



EBITDA

- EBITDA DGC in Q1 2008
- IDGC of Volga, JSC



Review of Business Results

Operating indicators for the Company

Capital turnover ratio	0,45
Equity turnover ratio	0,55
Turnover ration of free funds	4.43
Stock turnover ratio	17,92
Receivables turnover period	6,91
Payables turnover period (short-term, excluding credits and loans)	6,8
period for recovery of receivables	53 days
period for recovery of payables	54 days
period for stock turnover	20 days

Because of the merger of the regional DGC with IDGC of Volga, JSC on 1 April 2008, which had a significant influence on the Company's operating and financial indicators, records of the average indicators for receivables and payables, and also the volume of capital, were made using their calculation at year end 2008.

Breakdown of assets and liabilities

Provision of services for transmission and distribution of electricity cause a high figure for fixed assets in the total asset profile. At 31 December 2008 the share of fixed assets and investments in property (intangible assets, unfinished buildings, long-term financial investments) in the Company's total assets came to 90%.

The main component of the Company's non-circulating assets are fixed assets – 91,9%, and the main part of circulating assets is short-term receivables (59%). This asset profile corresponds to the features of the Company's activities since its main type of business is characterised as highly capital intensive, with a low level of stocks, and payment in arrears for its services of electricity transmission.

At 31 December 2008 the liabilities on IDGC of Volga, JSC's balance sheet were characterised by a high

proportion of capital and reserves (81%), whose profile, in turn, comprise charter capital and additional capital (44% and 46% respectively) and undistributed profits (9,8%).

Most of the Company's long-term liabilities consists of credits and loans (86%), and most of the short-term liabilities are payables (73%).

In comparison with 2007 the size of IDGC of Volga, JSC's short-term payables and receivables rose by 38,5% and 12% respectively*, which is the result of an increase in the volume of electricity transmissions, and the Amount of capacity connected.

The amount of the Company's long-term receivables and payables in 2008 showed a reverse trend, and fell by 87% and 28% respectively.

*For the results in 2006 and 2007, in order to reflect accurately the movement in indicators data was obtained by aggregating the figures from the DGCs.

Financial stability indicators

All indicators of financial stability for IDGC of Volga, JSC meet the standard criteria, which shows that the Company is able to meet its obligations in full when they become due.

The indicator used to assess the Company's financial stability is the ratio of financial independence. The value for this ratio at the end of the reporting year was 0,81, which indicated a relatively high level of financial independence in IDGC of Volga, JSC.

The current ratio is the main indicator of solvency and describes IDGC of Volga, JSC's total availability of circulating assets so as to conduct its business and make prompt settlements of its accrued liabilities. This indicator's value is 1,12. Its position at the lower limit of the standard range is caused by the fact that the power industry sector, in which the Company operates, is capital intensive and has a high proportion of fixed assets in its asset profile:

equity ratio*	0,81	(standard – at least 0,5)
financial stability index*	0,91	(standard – at least 0,6)
debt to equity ratio	0,24	(standard – less than 1)
absolute liquidity ratio	0,1	(standard – above 0,1)
quick ratio	0,8	(standard – above 0,8)
current ratio	1,12	(standard 1–2).

* Owned equity/balance sheet currency

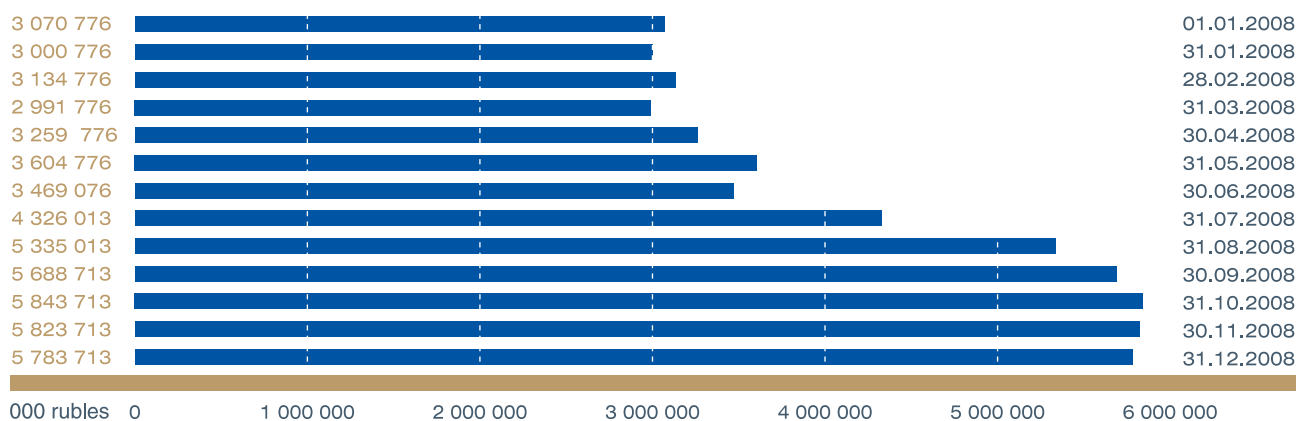
* (Owned equity+long-term loan capital)/Balance sheet currency

The strictest solvency criteria – the quick ratio and the absolute liquidity ratio – which show what portion of short-term obligations can be repaid after settlement of payables, and immediately in cash, are at an acceptable level thanks to the fact that the main element of circulating assets is short-term payables, while there is an appropriate level of cash funds.

Credit history

Because of an increase in financing of the investment programme in 2008 IDGC of Volga, JSC took out additional loans, and thus the size of the credit portfolio rose in that period by 88,3% and amounted to 5 783,7 mn. rubles.

Movement in loan debts for IDGC of Volga, JSC in 2008



The greatest increase in debt obligations arose in Q3 2008 because of an increase in loans to finance investment programme projects. In Q4 2008 the Company restricted taking of further credits and increased repayments on credits, and so the amount of debt obligations fell in Q4 2008.

Accounting policy

The Company keeps its accounts in accordance with Russian Federation accounting rules, and in particular Federal Law № 129-FZ, dated 21 November 1996: Accounting, the Regulations on Accounting: Accounting Policy for Organisations 1/98, as approved by Order № 60H issued by the Ministry of Finances on 09 December 1998, and Regulations on Keeping Accounts and Financial Reports in the Russian

Federation, as approved by Order № 34H issued by the Ministry of Finances on 29 July 1998.

The basic provisions of IDGC of Volga, JSC's Accounting Policy are posted on the Company's website:

http://www.mrsk-volgi.ru/stockholder_and_investors/raskr/financial_report/uchet_politika/

Tariff policy

With state regulations of tariff in the power sector a balance is obtained between the economic interests of suppliers and consumers of electricity, which ensures access to these types of energy whilst ensuring a return on the capital invested and used in the businesses involved in the sector.

Under current law the tariffs for electricity transmission are determined independently by the appropriate executive authority for state regulation of tariffs in each RF constituent.

Tariffs for electricity transmission are subject to annual amendment, with changes coming into effect at the start of the financial year.

In 2008-2009 in all subsidiaries of IDGC of Volga, JSC tariffs for electricity transmission were calculated and fixed using the Tariff plus method, or the economically justified expenditures method.

From 2009 the Company intends to transfer the subsidiary Orenburgenergo to RAB-regulation as a pilot exercise. Because of the adverse effects of the world financial crisis, at the end of 2008 the Orenburg Region tariff regulation authority decided to defer the date for tariff review to 2010.

Starting from 2008 in all the business regions of IDGC of Volga, JSC, electricity transmission tariffs are being determined with regard to the features of fixing tariffs by use of one or other of the methods of creating uniform services for end consumers (boiler method): – top-down boiler; bottom-up boiler; and distributing boiler.

The main purpose of the boiler method of tariff formation is to establish uniform tariffs in the region for electricity transmission for all network companies, and to eliminate the difference in the final tariff as between consumers at different network organisations.

In the regions of IDGC of Volga, JSC's business the regulation authorities have determined varying boiler schemes and the Company's subsidiaries are not boilerholder for electricity transmission services in all those regions:

- IDGC of Volga, JSC subsidiary – Saratov Distribution Networks – «boiler holder» – top-down boiler – makes mutual settlements with 47 allied network organisations;
- IDGC of Volga, JSC subsidiary – Penzaenergo – «boiler holder» – top-down boiler – makes mutual settlements with 27 allied network organisations;
- IDGC of Volga, JSC subsidiary – Orenburgenergo – «boiler holder» – top-down boiler – makes mutual settlements with 4 allied network organisations;
- IDGC of Volga, JSC subsidiary – Mordovenergo – is not a «boiler holder» – bottom-up boiler – 9 allied network organisations makes mutual settlements with IDGC of Volga, JSC;
- IDGC of Volga, JSC subsidiary – Ulyanovsk Distribution Networks – is not a «boiler holder» – distributing boiler – mutual settlements with subordinate regional network organisations are made by the sales company;
- IDGC of Volga, JSC subsidiary – Chuvashenergo – is not a «boiler holder» – distributing boiler – mutual settlements with allied network organisations are made by the sales company.

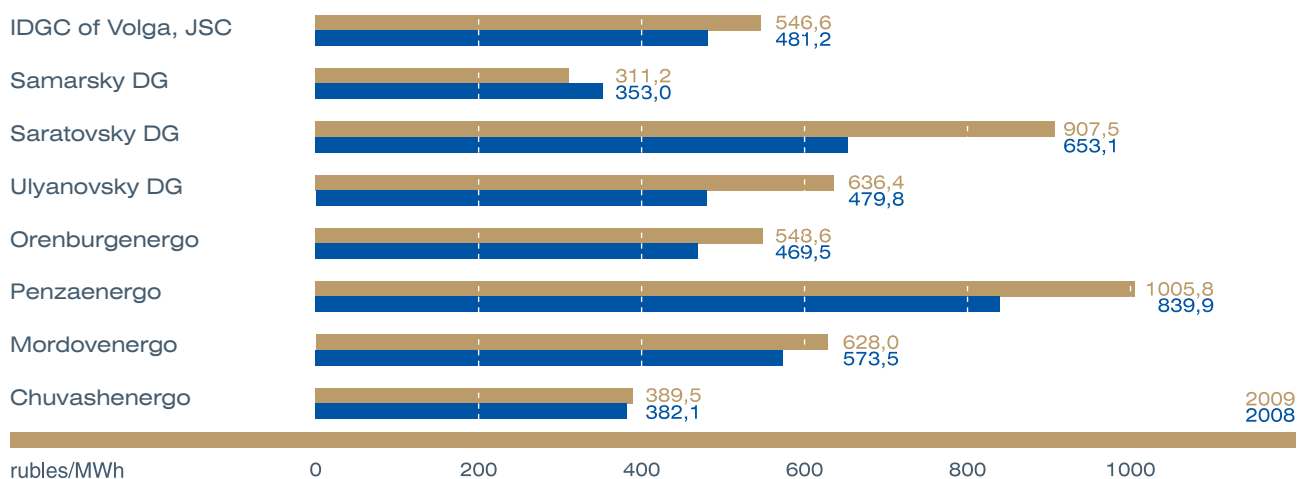
On the basis of the tariff fixing schemes the regulatory authorities determine unified boiler tariffs for the services of transmitting electricity for those who use the services and individual offsetting tariffs between those involved in supplying electricity to consumers.

The unified boiler tariffs for the services of transmitting electricity for those who use the services in their turn are differentiated both in terms of tension range and by consumer group (IDGC of Volga, JSC subsidiary – Penzaenergo) and may be established in the form of a tariff «menu»:

- single rate and dual rate (IDGC of Volga, JSC subsidiaries: Saratov Distribution Networks, Ulyanovsk Distribution Networks, Orenburgenergo, Chuvashenergo);
- only dual rate (IDGC of Volga, JSC subsidiaries: Samaraenergo, Penzaenergo);
- only single rate (IDGC of Volga, JSC subsidiary – Mordovenergo).

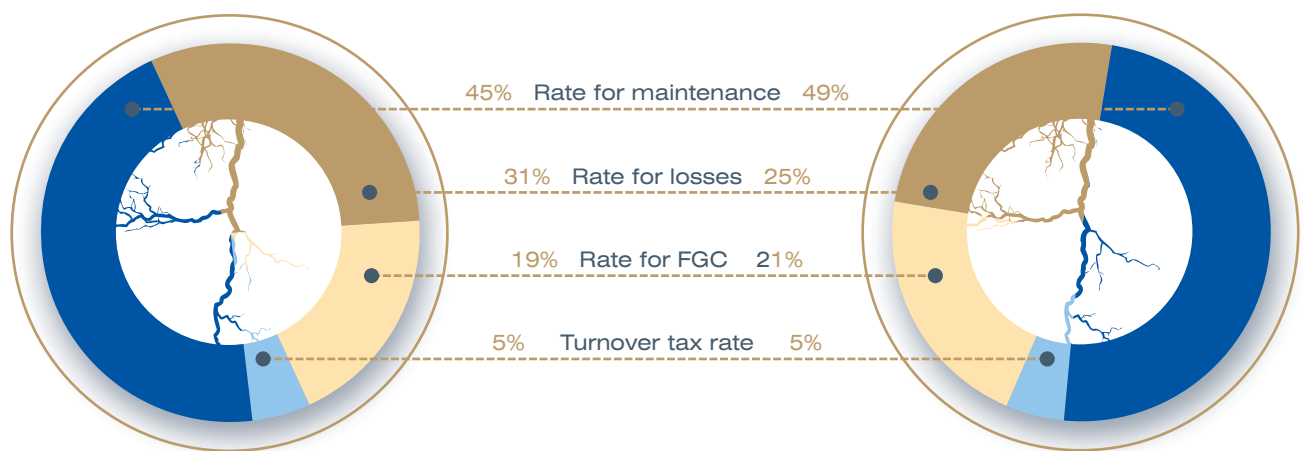
Movement in the established average tariffs for electricity transmission by subsidiary over the period 2008-2009 are given in the diagram below

Average tariffs for electricity transmission



Breakdown of the average tariff for electricity transmission on IDGC of Volga, JSC networks in 2008

Breakdown of the average tariff for electricity transmission on IDGC of Volga, JSC networks in 2009



Likewise one of the main regulated types of business is the provision of service for mains connection to the grid/electricity network.

At present the methodological basis for determining price for mains connection has enabled making this type of business one of the main investment sources for development of the electricity network and the power engineering sector.

Connection services are one-off. The need for connection only arises when a consumer requires an initial connection or increases the capacity of their electrical machines. A change in the form of ownership or owner does not entail any repeat payment for mains connection.

The law sets out no precise validity periods for the approved payment rates for mains connection, and so they may be fixed for a year, or even longer. The party responsible for initiating a review of these payment rates is generally the network organisation, but the rates may also be reviewed at the initiative of the relevant regulation authority.

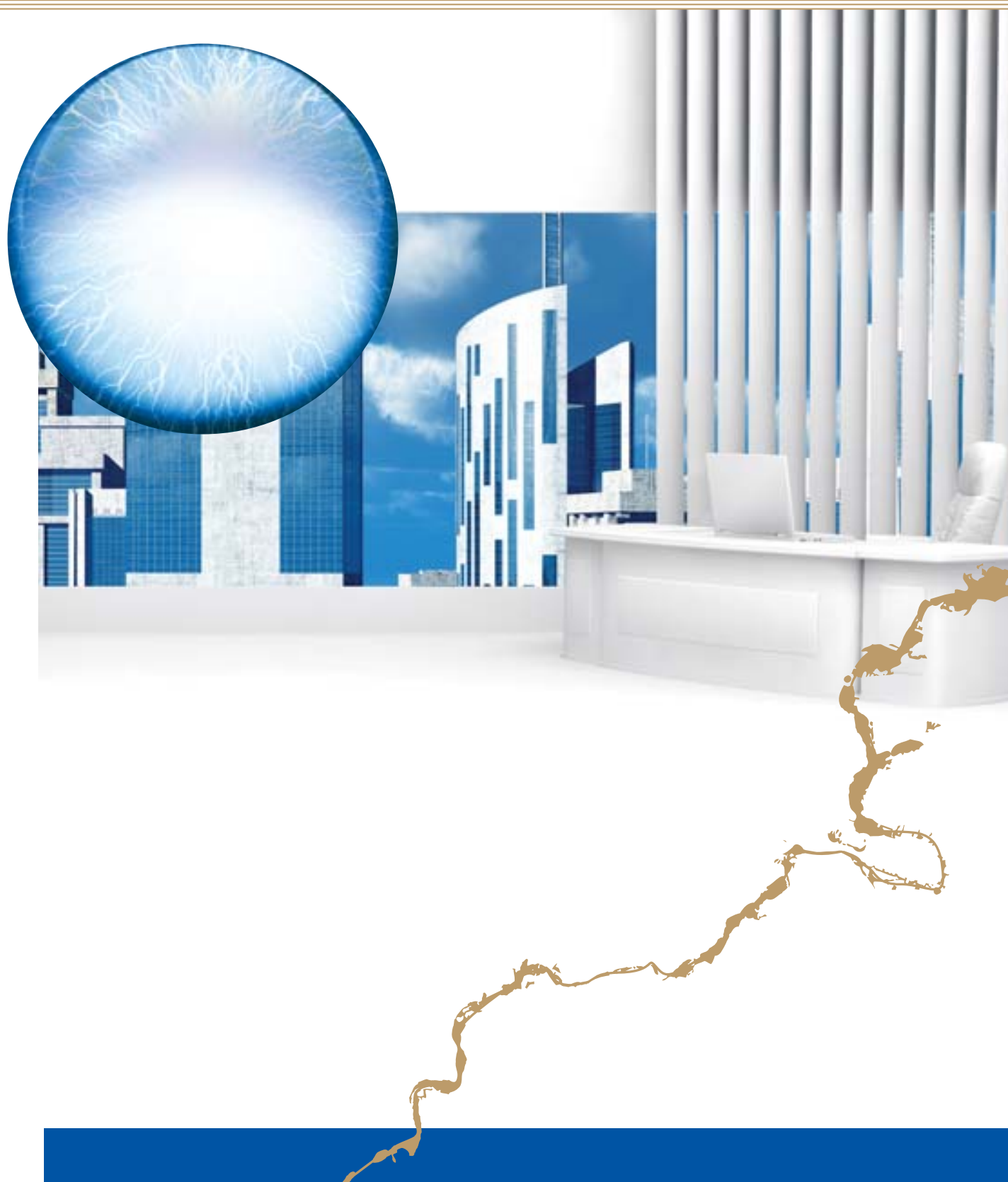
The size of payment for mains connection may be fixed with or without a difference for each tension level and the capacity required by consumers. In each region the rates for mains connection are approved having regard to the various features of tariff fixing.

Investment

Parameters of investment 62

Areas and breakdown of capital investments 66

Sources of investment finance 68



Investment

Parameters of investment

The stable and effective development of the electricity industry is impossible without stimulating investment activity.

Investment in fixed assets of IDGC of Volga, JSC is made by capital injections which include expenditure on new building, and expansion, reconstruction and retooling of existing facilities, purchase of machinery, and other types of capital expenditure.

The investment programme for IDGC of Volga, JSC during the calendar year 2008 amounted to 6 769 mn. rubles, including 4 433,7 mn. rubles, or 65,5 %, on reconstruction and retooling, of which 323,8 mn. rubles went on machinery not requiring installation (4,8 %), 1 758,3 mn. rubles, or 26 %, on new building, 576,6 mn. rubles, or 8,5 %, on purchasing fixed assets, and 0,4 mn. rubles on purchase of intangible assets.

Main investment parameters during the calendar year

2008

Name IDGC/NDC/ branch	Spent	Fixed assets commissioned	Finance	Capacity commissioned		Increase in capacity	
	mn. rubles	mn. rubles	mn. rubles	MBA	Km	MBA	Km
IDGC of Volga, JSC	6653,9	5726,4	7085,1	1087,6	2727,1	834,2	1977,5
Including:							
Mordovenergo	321,4	223,6	241,2	89,0	160,5	46,1	133,5
Orenburgenergo	1490,1	1169,9	1894,3	179,6	1944,4	161,9	1775,2
Penzaenergo	534,9	596,2	420,5	83,6	94,0	82,0	13,5
Samarsky DG	1018,9	865,9	1210,0	202,8	196,7	184,0	1,0
Saratovsky DG	2389,2	2290,6	2461,1	335,6	232,6	249,1	13,1
Ulyanovsky DG	298,5	184,5	289,4	74,1	19,5	27,4	0,0
Chuvashenergo	574,8	372,6	546,0	122,9	79,3	83,8	41,1
EO IDGC of Volga, JSC	26,3	23,2	22,6				

IDGC of Volga, JSC commenced operations from 01 April 2008, and because of this the plan for the investment programme for IDGC of Volga operations in 2008 for capital expenditures amounted to 6 082,6mn. rubles, of which the sum spent over 2008 came to 5 967,6 mn. rubles, or 98,1 % of the target.

During the calendar year 2008, 6653,9 mn. rubles were spent on the investment programme, which amounted to 98,3 % of the annual plan.

Main investment parameters during the operating year

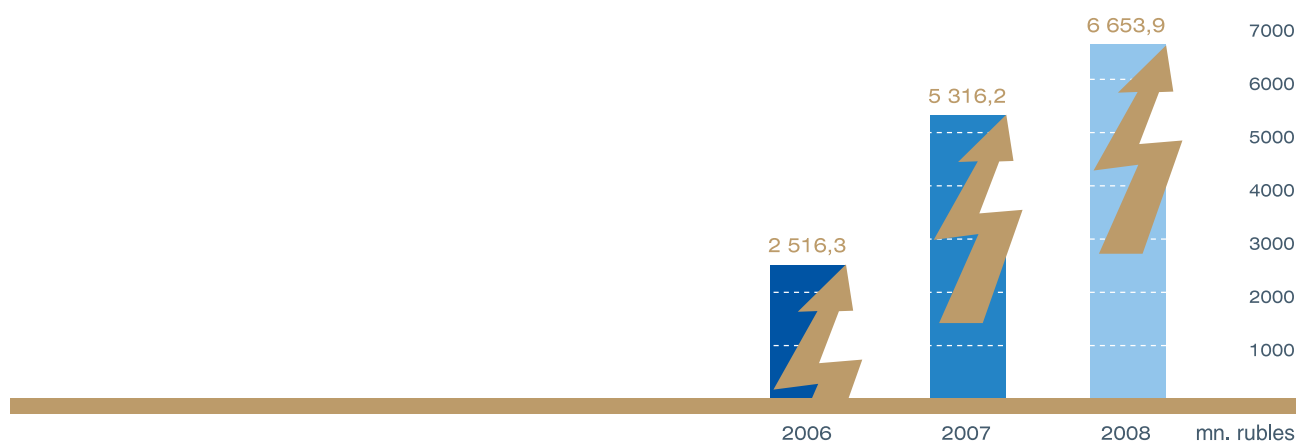
2008

Name IDGC/NDC/ branch	Spending	Fixed assets commissioned	Finance	Capacity commissioned		Increase in capacity	
	mn. rubles	mn. rubles	mn. rubles	MBA	Km	MBA	Km
IDGC of Volga, JSC	5 967,6	5 085,7	5961,6	948,4	2532,9	695,0	1814,2
Including:							
Mordovenergo	178,2	173,5	199,3	70,4	36,4	27,5	9,3
Orenburgenergo	1 446,8	1 098,1	1623,3	171,0	1906,2	153,3	1737,0
Penzaenergo	266,9	337,0	301,4	51,6	63,1	50,0	13,5
Samarsky DG	955,6	658,7	856,8	122,8	195,7	104,0	
Saratovsky DG	2 256,6	2 253,6	2242,7	335,6	232,6	249,1	13,1
Ulyanovsky DG	285,9	177,9	251,4	74,1	19,5	27,4	
Chuvashenergo	551,3	363,5	464,0	122,9	79,3	83,8	41,1
EO IDGC of Volga, JSC	26,3	23,2	22,6				

The calendar plan for IDGC of Volga, JSC's investment programme for 2008 amounted to 6 769 mn. rubles, while the sum of capital expenditures over 2008 came to **6 653,9** mn. rubles, or 98,3 % of the plan, including the following:

- 4 433,7 mn. rubles were allocated for retooling and reconstruction in 2008, while the actual sums spent amounted to 4 354,1 mn. rubles, or 98,2 % of the plan;
- 576,6 mn. rubles were allocated for purchase of fixed assets, while the actual sums spent amounted to 594 mn. rubles, or 103% of the plan;
- 1758,3 mn. rubles were allocated for new building and expansion of existing facilities, while the actual sums spent on new building amounted to 1 705,3 mn. rubles, which is 97% of the plan;
- 0,4 mn. Rubles were allocated for purchase of intangible assets, while the actual sums spent amounted to 0,43 mn. rubles, or 108% of the plan.

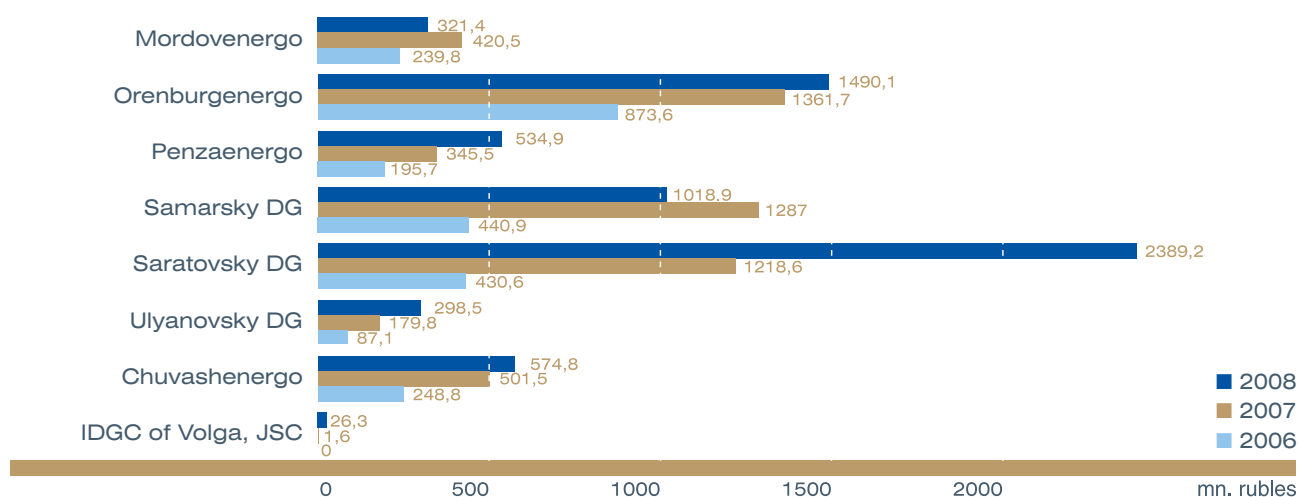
Volume of capital investments by IDGC of Volga, JSC from 2006 to 2008



In 2008 the plan for the investment programme at IDGC of Volga, JSC included the introduction of 2 575,6 km of electricity transmission lines and 1 094 mWA (the plan set out an increase in capacity of 1925,9 km and 764,7 mWA), and the actual introduction of capacity amounted to 2 727,1 km (105,9% of the plan) and 1087,6 mWA (99,4% of the plan), while the actual increase in capacity amounted to 1977,5 km and 834,2 mWA.

During 2008 substantial work was carried out on capitalising the electricity system: electricity network facilities were purchased in the sum of 594 mn. rubles, which is 9 % of the total volume of planned investments. The increase from purchase of electricity network facilities amounted to 1 852,4 km of transmission lines and 174,6 mWA of transformer capacity.

Variations in capital investments by IDGC of Volga, JSC across its branches between 2006 and 2008



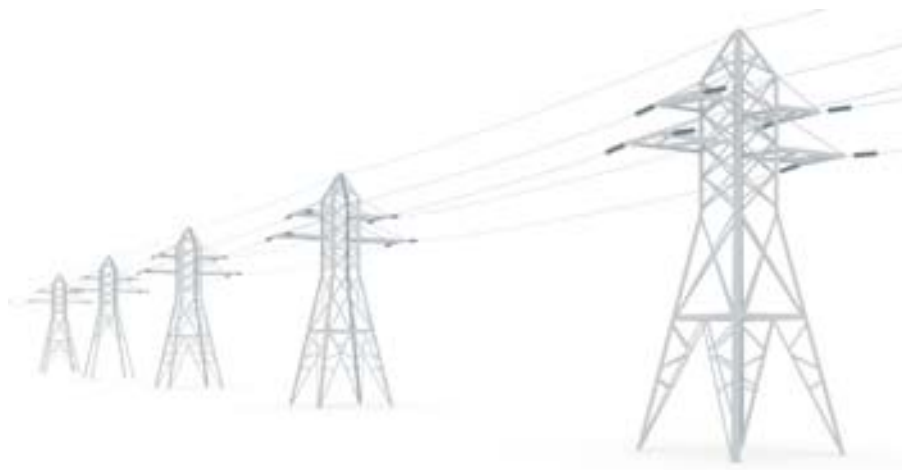
Areas and breakdown of capital investments

The breakdown of IDGC of Volga, JSC's investment programme during 2007–2008 shows a tendency to increase in the proportion of retooling and purchase of core assets in the total volume of capital expenditures, with a decrease in the proportion of new building.

Over 2008 4 354,1 mn. rubles were spent in capital investments on retooling and reconstruction, which is 65,4%, and in 2007 3 311,6 mn. rubles were spent in capital investments on retooling and reconstruction, which is 62,3%. The increase of 3,1 % in capital spending on these two items was caused by the need to arrest the process of obsolescence in grid equipment, to maintain the operating characteristics of grid equipment within the acceptable limits, to develop the business of network services, increase the volume of electricity transmitted over the grid by connecting new consumers to the network, and ensuring the reliability of the network and an uninterrupted transmission of electricity in the volumes required.

The sum of 1 705,3 mn. rubles was spent on new building in 2008, which is 25,6%, while in 2007 the sum of 1 881,7 mn. rubles was spent on new building, which is 35,4%. The decrease of 9,8 % in the proportion of capital invested in construction of new facilities was caused by the financial crisis, the inability of consumers to finance construction of new facilities, and consumers refusing substations.

In 2008 the sum of 594 mn. rubles was spent on other capital investments (purchase of fixed assets) which is 8,9%, while in 2007 the sum of 108,6 mn. rubles was spent on that item, which is 2%. This increase of 6,9% in capital expenditures for the purchase of fixed assets was caused by the economic expedience of buying grid facilities which were being leased and actually being serviced by IDGC of Volga, JSC subsidiaries, and this will ensure an expansion in the market for electricity sales.



In 2008 capital investments in the sum of 3 380,6 mn. rubles were made in reconstruction and retooling of electricity lines and substations. Work was completed on reconstruction of 764,561 km of electricity transmission lines, and 646,53 mWA of transformer capacity were introduced.

The main share of investments in new buildings was directed to the construction of substations with the sum of 937,1 mn. rubles, or 59 %, and 463,7 mn. rubles were spent on erection of electricity transmission lines, 28 %. Overall 110,2 km of electricity transmission lines were completed and 266,9 mWA of

transformer capacity were introduced. This increase in the volume of new building overall at IDGC of Volga, JSC was caused by the general expansion in the regions, implementation of the national projects 'Affordable Housing,' and also by the need to perform contracts concluded earlier for mains connection.

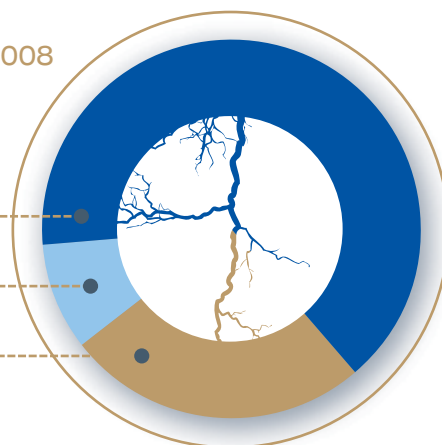
In 2008 the sum of 594 mn. rubles was spent to complete work on the capitalisation of the electricity system and the purchase of grid facilities. The increase of grid facilities amounted to 1852,4 km of electricity transmission lines and 174,6 mWA of transformer capacity.

Breakdown of capital investments by IDGC of Volga, JSC in 2008

65% Retooling and modernisation

9% Other

26% New building



As can be seen from the diagram, the bulk (65 %) of the total capital investments was spent on reconstruction and retooling, with 26% going on new building, and 9% on other expenditures – purchase of grid facilities and abandoned networks.

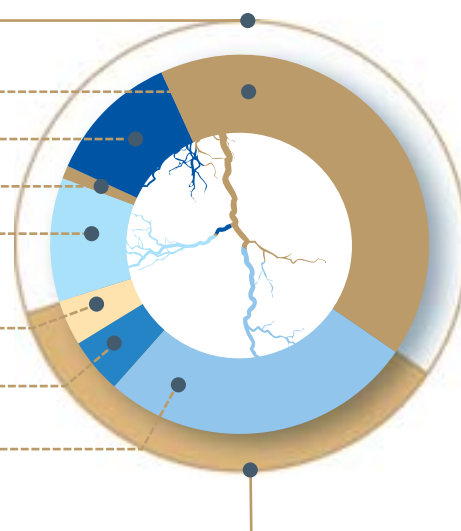
Sources of investment finance

In 2008 owned capital in the sum of **4 295** mn. rubles was spent on implementing the investment programme, and borrowed funds in the sum of **2358,9** mn. rubles

A breakdown of financing for IDGC of Volga, JSC's investment programme over the reporting calendar period in terms of each source having regard to the Q1 operations of the DGCs

64,55% Own financial sources

41,41%	Depreciation for the reporting year	2 755,55 mn. rubles
11,58%	Profits from mains connection	770,5 mn. rubles
1,05%	Depreciation in previous years	69,4 mn. rubles
10,51%	Other owned sources of finance	699,6 mn. rubles
3,89%	Payments for mains connection (advances)	259,1 mn. rubles
4,82%	Other external sources of finance (leasing)	321 mn. rubles
26,74%	Bank credits	1 778,8 mn. rubles

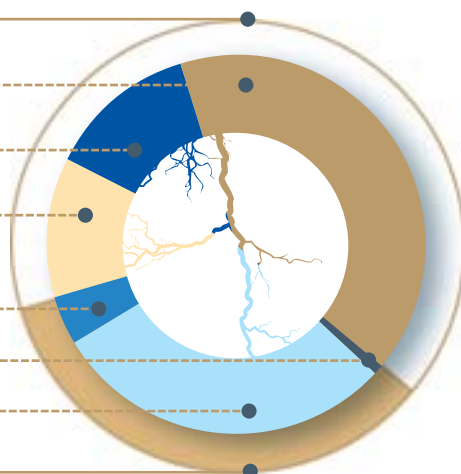


35,45% External financial sources

A breakdown of financing for IDGC of Volga, JSC's investment programme over the reporting operating period in terms of each source

65,25% Own financial sources

40,82%	Depreciation for the reporting year	2 436,1 mn. rubles
12,86%	Profits from mains connection	767,7 mn. rubles
11,57%	Other owned sources of finance	690,3 mn. rubles
4,23%	Payments for mains connection (advances)	252,7 mn. rubles
1,14%	Other external sources of finance (leasing)	68 mn. rubles
29,38%	Bank credits	1 852,8 mn. rubles



34,75% External financial sources

The investment programme for 2009 has been drawn up with regard to the Company's financial possibilities for its implementation, which are seriously restricted by the following factors:

- a reduction of 5,1% in productive electricity output as against that accepted when reaching tariff decisions for 2009, and a fall in demand for mains connections and other services provided by услуги the Company;
- the need to make payments to construction and installation firms and suppliers of equipment, which arose as the result of implementing the investment programme in previous periods;
- repayment of loan debts which arose when covering the shortfall in sources for the investment programme in 2007-2008 and the increase in expenditure on service charges for the loan portfolio because of the increase in interest rates from 9% to 17%;
- a trend to increase in receivables due for electricity transmission.

Prospective capital structure in 2009-2011

IDGC of Volga, JSC's Investment Programme for 2009-2011 provides for an investment volume in the sum of 9314,1 mn. rubles.

	2009 г.	2010 г.	2011 г.
IDGC of Volga, JSC	2 020,1	3 510,0	3 784,0
Retooling and modernisation	1 634,4	3 171,3	3 328,7
New building	385,7	337,6	454,2
Other	0,0	1,1	1,1

mn. rubles

Information Technology



Information Technology

Improving the quality and efficiency of electricity transmission is based not only on an increase of our industrial capacity and renewal of equipment, but also on precise calculation of the volume of services provided, and prompt awareness of capacity deficit in specific urban and rural regions in which IDGC of Volga, JSC does business. To keep precise records of electricity transmission the Company is introducing automated systems which not only allow the forecasting of demand, but also accurate substantiation of expenditures when fixing tariffs for electricity transmission, and this will reduce administrative risks.

One of the main areas for automation in IDGC of Volga, JSC's business is the monitoring of the technical status of equipment. Prompt discovery of potential faults in electricity supply facilities will make it easier to reduce costs on repairs, and at the same time raise the quality of electricity transmission and ensure an uninterrupted supply.

Likewise the Company has a need of automating the administrative aspects of its business, identifying and structuring business processes. Of particular importance is the ability to have centralised management of business processes and control over the Company, and this is one of the fundamental conditions for improving corporate governance.

Measures to develop IT systems in the Company

In 2008 the development of information and telecommunications infrastructure at IDGC of Volga, JSC proceeded by The fundamental components of IT services in the Company's subsidiaries for merging into a unified information space and bringing them into line with the Main Provisions of the Company's Technical Policy for IT.

- A data processing centre (DPC) has started operating for the executive department, and the subsidiaries' DPCs have been enlarged (including with the use of HP and IBM Blade-systems, and virtualisation systems running on VMWare, Microsoft Hyper-V, and Citrix platforms, and other advanced hardware and software solutions).
- In order to be fully license-compliant with regard to software used in the Company, and to reduce the associated risks, IDGC of Volga, JSC has carried out a large-scale licensing of Microsoft, Oracle, and SAP AG products.
- From November to December the connection of the Company's subsidiaries to the executive department's Corporate Data Transmission Network was completed using protected communication channels based on VPN technology. The catalogue services of the executive department, and Saratov RS, Samara RS have been

fully combined, and the same process is partially complete for Ulyanovsk RS and Orenburgenergo. Preparations were made to integrate the catalogues of Penzaenergo with the overall service, and its introduction at Chuvashenergo and Mordovenergo.

At present the Company's subsidiaries use varying, long-standing services for information transfer. It is intended in the future to transfer these services in all of the subsidiaries to the Microsoft Exchange platform, which will facilitate unified systems of subscriber reference lists and calendars, ensure unified remote access to this data, reduce the costs of system maintenance and data transfer within the Company, and improve the reliability and confidentiality of data collection and processing.

- In August 2008 a Microsoft Exchange 2007 server group was commissioned in the Company's executive department, and at present it is being introduced at Samara RS. Its introduction is being planned for the production departments at Saratov RS, and it will be integrated with the current Microsoft Exchange 2003 system at Penzaenergo. The schedule for further introduction will be co-ordinated with the process of unifying the subsidiaries' Catalogue services.

Degree of automation in the Company's business processes

In general, automation of the Company's business processes can be described as follows: automation has been completed for accounting and tax records, materials and technical supply, personnel management and salary calculation, and also contract management, but with the use of diverse software (IKAR, 1C, SAP).

In the future it is intended to automate technical service procedures and equipment repair, relations with consumers and billing for electricity supplied, management records and investment management. To create an ERP class information system in which the question of automating all the business processes described will be resolved, in August 2008 the Company started a project to introduce a corporate information system of enterprise management on the basis of SAP software. The main parameters of this project are as follows: in 2008 analysis of business processes subject to automation was completed; the deadline for introduction into the executive department, Orenburgenergo and the Central Production Department of Saratov RS is January 2010, and for extending it to the Remaining subsidiaries it is January 2011. The costs of introduction are 585 mn. rubles, inclusive of VAT. Central Production Department of Saratov RS is January 2010, extending it to the remaining subsidiaries is January 2011; the costs of introduction are 585 mn. rubles inclusive of VAT.

During preparation for commencement of IDGC of Volga, JSC's operations in 2008 the following were introduced: a payment management system based on SAP software and an automated document management system (ADMS) using the EMC Documentum platform. The payment management system facilitates centralised control of cash flow in all the subsidiaries. ADMS is aimed at rapid distribution of organisational and instruction documents and on raising the level of control over their use, starting with the divisions of the executive department and ending with the production

departments and directorates at the subsidiaries. In 2008 145ADMS work stations were introduced and in 2009 it is intended to have a further 100 such work stations, which will enable the divisional heads up to the level of sections within the executive department to work in this system. The overall cost of this project, including infrastructure, is 9 565 thousand rubles.

During 2008 IDGC of Volga, JSC set up digital channels for communications and data transfer with 37 substations of 110 kV and 15 substations of 35 kV; furnished 41 substations of 110 kV and 26 substations of 35 kV with modern remote control devices; ADMS were introduced at 2 network control centres (NCC) of subsidiaries, 5 Technical Operations Department control stations and 10 District Electricity Stations (RES). The overall sum of expenditures on these measures in 2008 amounted to 292 mn. rubles.

At 1 January 2009 at IDGC of Volga, JSC there were digital channels for communications and data transfer with 86 substations of 110 kV, which is 10,8% of the total number of 110 kV substations, and with 22 substations of 35 kV (2,5%); remote control devices (with installation of modern units) were in use in 118 substations of 110 kV (14,8%) and 82 substations of 35 kV (9,4%), and 4 NMS of subsidiaries (57,1%), 18 Technical Operations Department control stations of production departments (54,5%) and 39 RES (19%) were all provided with ADMS.

In 2008 under implementation of the Programme for Organising Commercial Metering of Electricity on the Wholesale Market (the WEM Programme) a test run was made of automated metering at the boundary with Rusenergosbyt at 28 Saratov RS substations. At Samara RS work to establish commercial metering on the WEM is scheduled for completion in 2009. At the subsidiaries Orenburgenergo, Penzaenergo, Ulyanovsk RS, Chuvashenergo, and Mordovenergo work to establish commercial metering on the wholesale electricity market was completed in previous years.

In 2008 under the Programme for future development of electricity metering on the retail market in the subsidiaries' networks (the REM Programme), which defined the main principles and stages for creating/modernising the electricity metering systems, the following types of work were completed in IDGC of Volga, JSC subsidiaries:

- Checking transformer currents and voltage;
- Replacing/installing current and voltage transformers at all tension ratings;
- Replacing/installing meters at all tension ratings;
- Installing high voltage stations for commercial metering of electricity at a rating of 6-10kV;
- Replacing links in secondary switchgear;
- Pre-project analysis and drafting of a technical specification for creation of an automated information system for electricity monitoring and metering (ACMSCME);
- Drafting project documentation for creation of ACMSCME for NDC which are consumers;
- Drafting methods for taking readings in the ACMSCME for DGCs in the REM which are consumers;
- Supply of equipment and software for ACMSCME;
- Installation of secondary metering links and equipment for the ACMSCME Start-up and adjustment works for the ACMSCME systems, and also staff training;
- Developing methods for taking readings (MTR);
- Metrological attestation;
- Work for an entry in the State Register and carrying out tests to approve a type;
- Making a test run of the ACMSCME;
- introducing ACMSCME on a commercial basis.

In 2008 the volume of capital investments spent on the above measures amounted to **109 658** thousand rubles, inclusive of VAT.

In 2009 measures are planned for automation of enterprise management systems, modernisation of data exchange systems, ADMS and ACMSCME. Sources of finance for these measures are as follows: "Depreciation" – 324 047 thousand rubles, "prime cost" – 246 073 thousand rubles. The total sums allocated for implementation of these measures amounts to **570 120** thousand rubles.

Social Responsibility

Personnel policy 76

Social policy 80

Environmental protection 81



Social Responsibility

Personnel policy

The Company's personnel policy is an integrated system of working with staff which combines various elements and forms of personnel work: planning, attracting, selecting and retaining staff, improving qualifications and training staff, introducing an incentive scheme, and development of social partnership.

Main objectives of the Company's personnel policy:

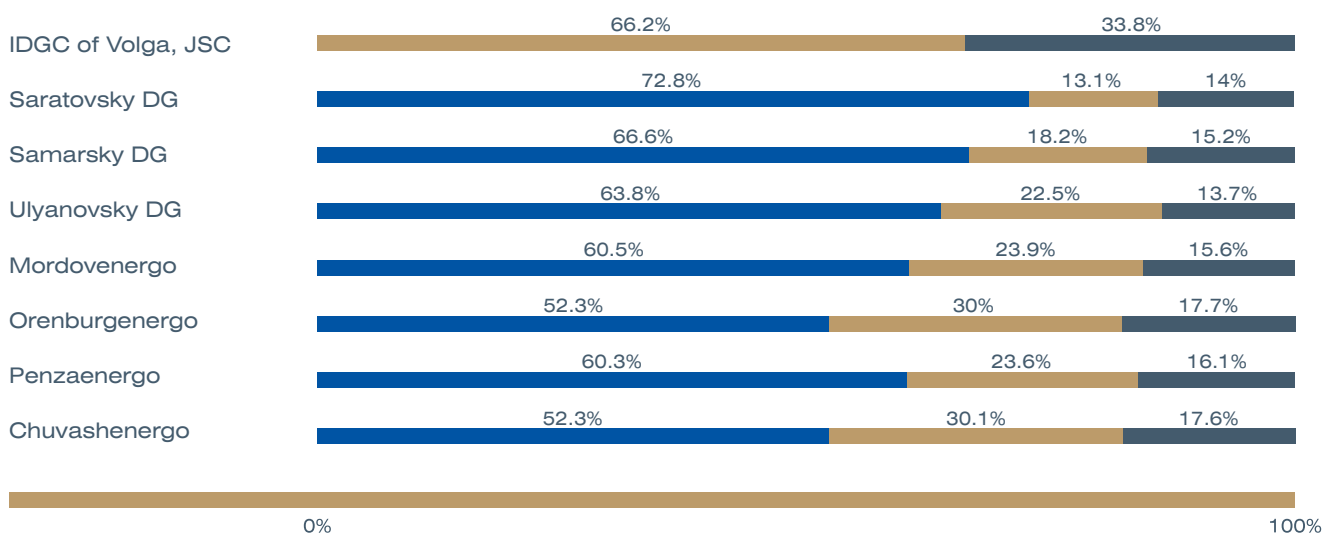
- Attraction and retention of highly qualified staff within the Company.
- Improving staff quality and increasing employees' professional training.
- Attracting a personnel reserve for implementation of new management solutions.
- Strengthening corporate culture and maintaining an atmosphere which is conducive to high staff morale.

Personnel numbers and profile

There were 17 906 established personnel in IDGC of Volga, JSC at 31 December 2008, of whom:

- Managers – **2885**,
- Specialists or administrative staff – **4168**,
- Manual workers – **10853**.

Staff breakdown by category at IDGC of Volga, JSC in 2008

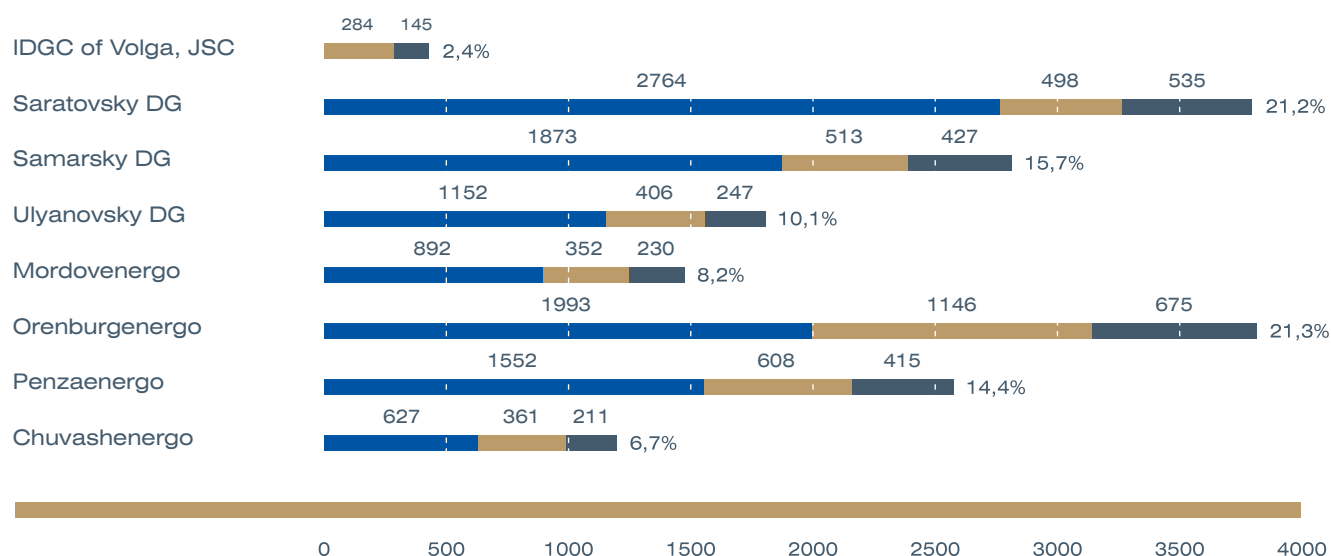


Main principles of the Company's personnel policy:

- Complying with statutory requirements.
- Planning personnel needs and managing them having regard to the influence of external and internal factors.
- Choosing the optimum methods of personnel work based on the current stage in the Company's development on the basis of forecasts and taking account of socio-demographic, political, economic, legal and other changes in the external environment, and their effects on the Company's staff.
- Establishing and maintaining the operation of a personnel management system to ensure the efficient and flexible management of the Company's human resources.
- Ensuring that expenditures on and results of training, retraining and improving qualifications are commensurate.

Managers,
 Specialists or administrative staff,
 Manual workers.

Staff breakdown in percentage terms at IDGC of Volga, JSC in 2008



IDGC of Volga, JSC has employees in all age groups. However, it should be noted that the majority of the Company's staff is in the age range of up to 45 – 72,7%, of whom 27% are young people under 30. That is almost 3/4 of the total staff are people in the most productive age-group, and the Company's management places reliance on this fact in planning the Company's strategic development in the mid and long-term.

The older age group (from 45 up to pensionable age) comprises 22,8%, and employed pensioners are 4,4% of employees.

Thus the staff profile of IDGC of Volga, JSC is characterised by an optimum balance between young and innovative staff and experienced and highly

qualified employees who actively pass on their knowledge and skills to the younger generation.

IDGC of Volga, JSC personnel typically have quite a high level of education. At 31 December 2008 more than 61% the Company's employees were graduates or had completed vocational education. The overwhelming majority of young people starting to work for the Company, allying their futures with the electricity industry, are already graduates or are completing their degree courses. They are prepared become acquainted with everything that is new, and assimilate the experience of the older generation. The education profile of IDGC of Volga, JSC staff is given in the following diagram.

Staff training and development

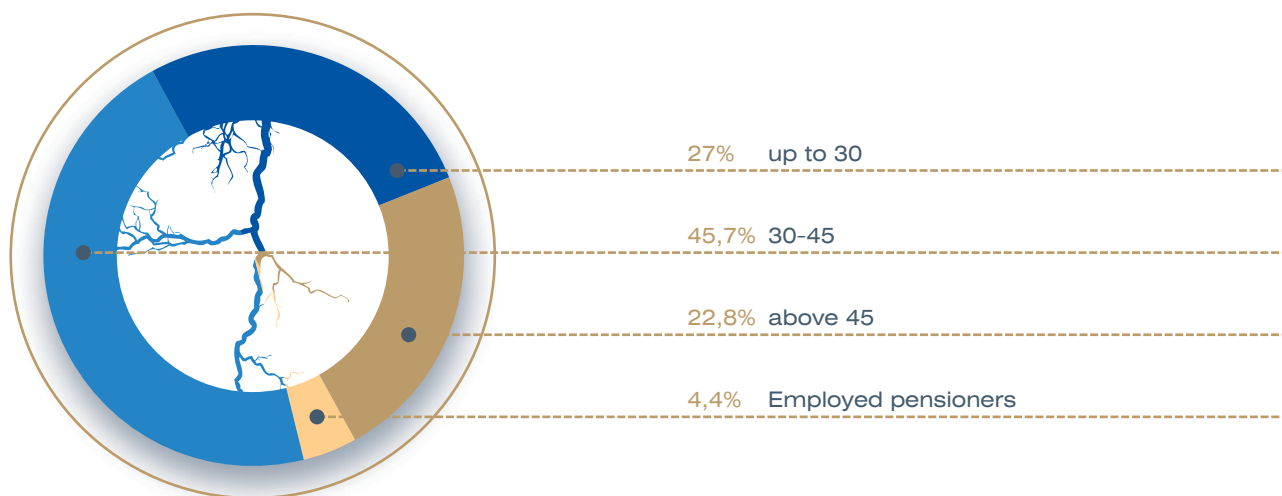
Each of the Company's employees is involved in a system of continuous training to develop competences in accordance with the requirements of their post. Training and raising the qualifications of staff at IDGC of Volga, JSC proceeds in accordance with the current Standards for organising professional training, retraining, and improving the qualifications of staff in the electricity industry, the Rules for work with personnel in the RF electricity industry, and other standards and documents in personnel training in enterprises in the electricity industry.

Off-the-job training for staff during the reporting year was held at Training Centres, and on-the-job training was carried out in the Company's subsidiaries.

In 2008 the number of managers who underwent training comprised 54% of the total number, for specialists and administrative staff the figure was 34%, and for manual workers – 66%.

The numbers of employees who received training during 2008 amounted to 56% of the total personnel at the Company, while the standard figure is 30%.

Age profile of staff at IDGC of Volga, JSC in the reporting period

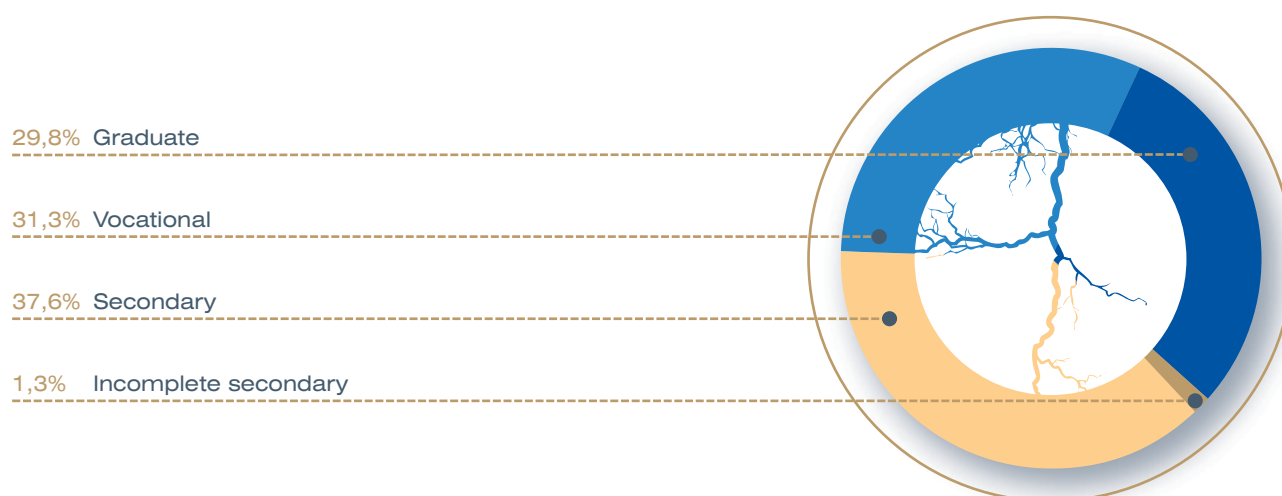


There is a programme of development for staff included in the reserve at IDGC of Volga, JSC. The Company is interested in having highly qualified specialists with the appropriate education, substantial work experience, and who are ready for continuous professional growth and work in an environment of constant innovation. Much attention is paid to working with talented and creative specialists who are capable of joining the personnel reserve. The main objective in preparing this personnel reserve is the development of professional skills and knowledge in the 'reservists' which are essential for successful work in a reserved post. The achievement of this objective has the following components:

- Independent training of staff under the guidance of their immediate supervisor;
- Assessment of the level of professional accomplishment of each employee who is included in the reserve. This is done by the managers of the corresponding divisions;
- Training in outside organisations which provide the relevant courses.

The reserve is established for management positions, starting with section heads and above. For each post there are at least 2–3 candidates allocated to the reserve, and they are reviewed annually by assessment of their professional achievements. In 2008 in conjunction with the Directorate of Organisational Development at IDGC Holding Company an assessment was made of 63 managers at IDGC of Volga, JSC at the level of Deputy Chief Executive Officer, subsidiary's deputy director, and head of department.

Education of staff at IDGC of Volga, JSC



Social policy

The basis of the Company's social policy is the Sector Tariff Agreement in the Electricity Industry and collective agreements with staff collectives. The objective of social policy is the maintenance of social stability, providing incentives to the workforce to high productivity, and keeping staff morale at a high level.

The following are the main areas of the Company's social policy:

- voluntary medical insurance;
- insuring employees against accidents at work and industrial diseases;
- private pension provision;
- providing staff with concessional rates for holiday vouchers and vouchers for treatment at sanatoria and spas;
- organising cultural and sporting events;
- arranging social events for employees' children;

During 2008, staff of IDGC of Volga, JSC were provided with voluntary medical insurance (VMI) and insurance against accidents and diseases in accordance with the Company's Programme for Insurance Protection.

Under agreements for voluntary medical Insurance staff were given the possibility the possibility of availing themselves of medical assistance, treatment at sanatoria and spas, and having scheduled medical examinations and vaccinations.

One of the most important areas of the Company's social policy is private pension provision (PPP) for its staff and non-working pensioners. The purpose of this provision is to provide a decent standard of living for members of staff once they have retired.

Under the PPP programme an additional (private) pension accrues for the Company's employees. Apart from that employees are given the option of financing their pension savings jointly with the Company in a certain proportion, depending on the desires of each employee, which clearly promotes financial stability for employees once they reach pensionable age.

Under the PPP programmes operating at the Company in 2008 1803 contracts were concluded on an equal basis, and 1149 contracts for transfer of the cumulative part of the employees' work pension to the Electricity Industry Private Pension Fund.

In order to maintain and strengthen the physical and mental health of each employee the Company worked to have regular and periodical medical examinations of its staff. In 2008 3428 employees, or 19% of the total workforce, underwent a medical examination.

In its desire to promote the development and maintenance of a healthy life style, the Company:

- carries out physical training work and develops sport-for-all sessions among its employees, providing them with access to sports facilities, and organises training sessions and competitions;
- helps with the arrangements for summer holidays for employees' children, and repays part of the cost for the relevant vouchers;
- provides access to treatment at sanatoria and spas for employees and members of their families, giving them the possibility of getting discounts on treatment at the country's leading centres for rehabilitation.

Organising health and safety at work

The main measures to increase the level of health and safety of the Company's staff in 2008 were as follows:

- practical training for staff;
- Organising complete operational management;
- continuous monitoring of the safety of equipment and arranging safe working practices by eliminating breaches of technical regulations;
- complying with operating discipline when using equipment;
- arranging for safe use of vehicles, special machinery and mechanisms.

Environmental protection



Environmental protection

One of IDGC of Volga, JSC's priorities is complying with the requirements for protection of the natural environment when supplying consumers with electricity. This work is carried out in accordance with Russian legislation, Government Decrees, and Orders issued by the Federal Service for Environmental, Technological and Nuclear Supervision concerning environmental protection.

The main business of IDGC of Volga, JSC – the transmission and distribution of electricity – has almost no harmful effects on the natural environment. Nevertheless, in 2008 the Company drafted an Environment Policy which was approved by the Board of Directors and sets out the main aims and objectives when working to protect the natural environment.

In 2008 the supervisory authorities found no breaches of the requirements imposed by regulatory acts. Payments for adverse environmental effects were calculated and made promptly. The supervisory authorities imposed no penalties or sums in compensation for environmental damage caused by breaches of environmental legislation.

The subsidiaries of IDGC of Volga, JSC are governed by certain licensing documents imposed by Russian legislation: by draft standards for waste generation and the limits on their disposal, draft standards for limits of emissions, limits for waste disposal, permits for emission of contaminants into the atmosphere, licences for the right to subsurface use (artesian wells). On expiry of these documents they are promptly renewed or are applied for de novo.

In 2008 materials were prepared, and a report by an expert commission of the State Environmental Assessment Authority obtained on them, on work to collect, use, render harmless, Transport, and of harmful wastes at IDGC of Volga, JSC. This report was approved by Order № 992 issued on 19.12.2008 by the Federal Service for Environmental, Technological and Nuclear Supervision at the RF Ministry of Natural Resources and the Environment, on the basis of which an application was submitted for a licence to collect, use, render harmless, transport, and dispose of harmful wastes.

The Company's divisions continually monitor the state of the environment in those places where wastes are temporarily stored: record logs are kept, internal environmental audits are undertaken by specially trained staff, and where necessary measures are taken to eliminate any problems.

When making internal environmental audits the expert staff are governed by the Rules for Conducting Internal Environmental Audits at IDGC of Volga, JSC , as approved by the Chief Executive Officer. The internal environmental audit conducted at IDGC of Volga, JSC in 2008 disclosed no significant compliance failures in the environmental protection work of the subordinate divisions. Recommendations were issued to improve the efficiency of the systems for managing the environment, and also recommendations to improve the procedure for keeping mandatory environmental records. In the course of the environmental audit a visual examination of 70 facilities with the divisions included in them was made, and 43 comments were made and acted upon.. After completion of the audits a number of documents are drawn up which describe breaches discovered and give recommendations for their elimination. For 2008 all such recommendations have been complied with.

In accordance with the approved Programmes for Implementation of Environmental Policy measures are being undertaken to reduce harmful effects on the environment and avoid emergencies in the use of natural resources. During reconstruction, retooling and new building IDGC of Volga, JSC replaces oil lubricated machinery with environmentally-clean ones using vacuums or gas thereby reducing the risk of contaminating the land surface with transformer oil.



Contacts

Company information

**Interregional Distribution Grid Company of Volga,
Joint-Stock Company (IDGC of Volga, JSC)**
Address: 410031, 42/4, Pervomayskaya street, Saratov,
Russian Federation.
Postal address: 410031, 42/4, Pervomayskaya street, Saratov.
Website: www.mrsk-volgi.ru
E-mail: office@mrsk-volgi.ru
Tel. (8452) 30-26-59, **Fax** (8452) 28-53-70, 28-54-10

Contacts for the shareholder and investor relations section

**Shareholder and investor relations section in the
Corporate Governance Department:**
Yulia Gennadyevna Burtseva – Section Head
Tel. (8452) 30-24-89, **Fax** (8452) 28-54-83
E-mail address: yg.burceva@mrsk-volgi.ru

Contact details for the Media

Public Relations Department:
Yulia Valentinova Usova – Head of Department
Tel. (8452) 30-26-78
E-mail address: yv.usova@mrsk-volgi.ru

External Auditor

Fineart Audit Limited Liability Company
Address: 60, Udaltsova street, Moscow, Russian Federation.
Postal address: 119607, 60, Udaltsova street, Moscow.
Tel. (499) 726-91-12/13, **Fax** (495) 431-99-70
Website: www.fineart-audit.ru
E-mail: office@fineart-audit.ru
Licence: № E 006407 dated 07 September 2004,
issued by the RF Ministry of Finances for a term of 5 years

Details of registrar

**Tsentralniy Moskovsky Depozitarny
Open Joint Stock Company
(Tsentralniy Moskovsky Depozitarny JSC or TsMD JSC)**
Address: Block B, 3, Orlikov Pereulok, Moscow, 107078
Postal address: Bldg. 8, 34, Bolshaya Pochtovaya street,
Moscow, 105082
Tel. (495) 221-13-33, **Fax** (495) 221-13-83
Website: www.mcd.ru
E-mail address: info@mcd.ru
Licence to conduct business as a registrar № 10-000-1-00255
dated 13 September 2002, issued by the Federal Commission
for the Securities Market without terms of validity

Annexes

- 1 Report by IDGC of Volga, JSC on Compliance with the Code of Corporate Governance in 2008 96
- 2 Review of Interested-Party Transactions approved by the Board of Directors of IDGC of Volga, JSC in 2008 98
- 3 Details of Subsidiary and affiliated Companies of IDGC of Volga, JSC 104
- 4 Financial accounts of IDGC of Volga, JSC for the reporting period 106
- 5 Auditor's Report 110
- 6 Report of the IDGC of Volga, JSC Audit Committee for 2008 112



Report by IDGC of Volga, JSC on Compliance with the Code of Corporate Governance in 2008

Rules in the Code of Corporate Governance	Compliant or non-compliant	Measures taken to comply with the Rules	Comments on failure to comply
---	----------------------------	---	-------------------------------

Principles of corporate governance in the Company

Subordination.

The Code provides that the Board of Directors of any company is subordinate to all the shareholders pursuant to current law, and constitutes a touchstone for the Board of Directors when developing strategy and exercising management and control over the Company's executive bodies.

Compliant

The Company's Board of Directors submits an annual report for approval by the Company's Annual General Meeting of Shareholders. In accordance with a resolution of the Company's Board of Directors passed on 18.04.2008 (Minutes № 12), the Company's annual report for 2007 was submitted and approved at the Annual General Meeting of Shareholders on 30.05.2008.

Fairness.

The Company undertakes to protect the rights of shareholders and ensure equal relations with all shareholders. The Board of Directors grants all shareholders the possibility of effective protection where their rights are breached.

Compliant

The Company ensures protection of the rights and lawful interests of its shareholders by doing the following:

- Providing a reliable means of recording title to shares, and also the ability freely and rapidly to dispose of the shares they own.
- Providing shareholders with the possibility of exercising their rights to take part in the shareholders' management of Company by taking decisions at the general meeting of shareholders on those matters which are most critical for the Company's business.
- Providing the opportunity to participate in the distribution of the Company's profits.

Transparency.

The Company ensures prompt disclosure of accurate information on all material facts concerning its business, including those about its financial status, social and environmental indicators, results of its business, the ownership structure and management of the Company, and likewise free access to such information for all interested persons.

Compliant

In addition to information which the Company is to disclose pursuant to statute, the Company additionally discloses information on its corporate web site and on the Internet in accordance with the Company's Regulations on Information Policy, as approved by the Company's Board of Directors on 29.08.2007 (Minutes № 2). Over the reporting period the following information was disclosed:

- Material facts – 33 reports
- Information which might have a substantial effect on the value of securities, – 18 reports
- At the various stages in the process of issuing securities – 14 reports
- Lists of affiliated companies at 31.01.2008, 30.06.2008, 30.09.2008, and 31.12.2008.
- Changes in the lists of affiliated companies at 01.04.2008, 17.04.2008, 18.04.2008, 30.04.2008, 23.05.2008, 30.05.2008, 27.06.2008, 08.07.2008, 20.08.2008, and 12.12.2008.
- Quarterly reports for I, II, III, IV Quarters of 2008, the annual report for 2007.
- Accounts for 2007, for 1 Quarter 2008, for 1 half year of 2008, and for 9 months of 2008.

In preparing for the Annual General Meeting of Shareholders on 30.05.2008 shareholders were given access to that information stipulated in the Federal Law: Joint Stock Companies. All information subject to disclosure by the Company was posted on the Company's website (<http://www.mrsk-volgi.ru/>), and thus free access to such information was ensured for all interested persons.

Responsibility.

The Company ensures prompt disclosure of accurate information on all material facts concerning its business, including those about its financial status, social and environmental indicators, results of its business, the ownership structure and management of the Company, and likewise free access to such information for all interested persons.

Compliant

The Company ensures prompt disclosure of accurate information on all material facts concerning its business, including those about its financial status, social and environmental indicators, results of its business, the ownership structure and management of the Company, and likewise free access to such information for all interested persons.

Internal documents

The Code constitutes a set of principles. The specific structures, procedures and practices of corporate governance are regulated by the Company Charter and other internal documents, including:

- Standing Orders on preparing for and conducting a General Meeting of Shareholders at IDGC of Volga, JSC (approved by the Company's General Meeting of Shareholders, Minutes № 1829np/6 dated 28 February 2008);
- Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC (approved by the Company's General Meeting of Shareholders, Minutes № 1751 np/6 dated 05 October 2007);
- The Standing Orders on the Management Board of IDGC of Volga, JSC (approved by the Company's General Meeting of Shareholders, Minutes of 28.февраля2008г. № 1829np/6);
- Standing Orders on the Audit Commission at IDGC of Volga, JSC (approved by the Company's General Meeting of Shareholders Minutes of 05.10.2007г. № 1751np/3);
- Standing Orders on payment of remuneration and compensation to the members of the Board of Directors at IDGC of Volga, JSC (approved by the Company's General Meeting of Shareholders, Minutes № 1/2008 dated 07.06.2008);
- Standing Orders on payment of remuneration and compensation to the members of the Audit Committee at IDGC of Volga, JSC (approved by the Company's General Meeting of Shareholders, Minutes № 1751np/3 dated 05.10.2007г.).

Compliant

The Company Charter and internal documents have been drafted in accordance with current Russian Federation law, and also having regard to the main provisions of the Code of Corporate Conduct which is recommended by the Federal Commission for the Securities Market (FCSM Instruction № 421/p dated 04.04.02). All these documents can be read on the Company's web site: <http://www.mrsk-volgi.ru/>

The Company's practice of corporate governance

The Company considers the presence of a professional the Board of Directors to be an important element in its effective corporate governance. The Board of Directors affects the results of the Company's business in exercising overall strategic management and control over the work of the executive bodies in the interests of the Company and its shareholders. The Company's executive bodies, being answerable for the day-to-day management of the Company's business, also play an important role in the process of governance. Effective interaction between these two bodies, with a clear delimitation of their powers, is one of the key factors in securing appropriate practice in corporate governance.

Compliant

The practice of corporate governance being implemented by the Company entails the existence of an effective liaison between such management bodies as the Board of Directors and the Company's executive bodies responsible for managing the Company's day-to-day business.

Effective corporate governance demands an open dialogue between the Board of Directors and the Company's executive bodies. To this end the Company's Management Board provides the Board of Directors with quarterly reports on its activities pursuant to the Standing Orders on the Management Board.

Board of Directors

Election, term of office and dismissal of members of the Board of Directors.

Members of the Board of Directors are elected for the period up to the next Annual Meeting of Shareholders. The Company's Board of Directors is elected by cumulative voting.

The Company does not consider that imposing a restriction on the number of times a member of the Board may be re-elected is in the interests of either the Company's or its shareholders. Members of the Board who are well acquainted with the Company's business, play a crucial role in securing proper governance.

The powers of the Board of Directors are regulated by the Company Charter in accordance with current law and the recommendation in the Code of the Federal Commission for the Securities Market.

The number of members of the Board of Directors is defined in the Company Charter. The General Meeting of Shareholders may only dismiss the Board of Directors in its entirety.

Compliant

By a decision of the Annual General Meeting of Shareholders on 30.05.2008 (Minutes № 1/2008) a new Board of Directors was elected with 11 members in accordance with article 16.16.1 of the Company Charter.

Independence.

Statute prohibits combining the post of the sole executive body with that of Chairman of the Board of Directors. The Company considers that the Board of Directors should be led by a director who is not simultaneously the sole executive body and/or a member of the Company's collective executive body, since this bar will enable the Board of Directors to discharge its functions more effectively.

Compliant

The Company complies with the requirements of Federal Law № 208-FZ dated 26.12.1995: Joint Stock Companies.

The Chairman of the Company's Board of Directors is not the Company's sole executive body.

The members of the Board of Directors ensure the due performance of the duties to exercise control over the Company and determine the strategy and main directions for its development.

Compliant

The duties of exercising control, determining strategy and the main areas for the Company's development fall within the competence of the Company's Board of Directors pursuant to article 15.15.1 of the Company Charter. The working procedure for the Board of Directors provides for consideration of strategic matters on the main areas for the Company's development.

The membership of the Board of Directors includes no more than 25 % of executive directors who are simultaneously the Company's employees.	Compliant	The Company complies with the requirements of Russian legislation. Pursuant to article 66.2 of Federal Law № 208-FZ dated 26.12.1995: Joint Stock Companies, the members of the Company's collective executive body may comprise more than one quarter of the Company's Board of Directors/supervisory board.
--	-----------	---

<p>In order to ensure objectivity in the taking of decisions and maintain a balance between the interests of different groups of shareholders the Company endeavours to have at least three (3) independent directors on the Board. For the purposes of this Code the Company defines independent directors as those who meet the following requirements for independence:</p> <ul style="list-style-type: none"> ■ at the date of their election and for the three years preceding such election they were not an officer or other employee of the Company; ■ they are not an officer in another legal entity in which any of the Company's officers is a member of the Personnel and Remuneration Subcommittee of the Board of Directors; ■ is not a spouse, parent, child, brother or sister of any of the Company's officers; ■ is not an affiliate of the Company's, save for members of the Company's Board of Directors; ■ is not a party to obligations with an issuer of securities, in accordance with the conditions of which they might obtain assets or cash whose value amounts to 10 or more percent of the aggregate annual income of such persons, apart from the receipt of remuneration for working as a member of the Company's Board; ■ is not a representative of the state and/or a local authority, that is, persons who are bound to vote on the basis of written directives (instructions, etc.) or of authorised Federal executive bodies, of state executive bodies of Russian Federation constituents or of local authorities. 	Compliant	<p>There are no executive directors on the Board of Directors who are simultaneously Company employees and members of the Company's Management Board.</p> <p>Three (3) independent directors have been elected to the Company's Board of Directors.</p>
---	-----------	---

<p>Structure of the Company's Board of Directors and its subcommittees.</p> <p>The work of the subcommittees is governed by the Company's local regulatory documents which contain provisions on the composition, competence and working procedure of the subcommittees, and also the rights and duties of their members. The subcommittees of the Board of Directors are established to give preliminary consideration of the most important matters which fall within the competence of the Board of Directors.</p>	Compliant	<p>An audit subcommittee of the Board of Directors at IDGC of Volga, JSC has been set up (approved by the Board of Directors, Minutes № 6, dated 13.11. 2008).</p> <p>The agenda for the meeting of the Board of Directors at IDGC of Volga, JSC held on 20.02.2009 included items on the establishment of a subcommittee on personnel and remuneration, and a subcommittee on main connection, reporting to the Board of Directors.</p>
--	-----------	--

Working procedure.

The Board of Directors holds meetings in accordance with the Schedule drawn up at the start of the term when it is elected, which ensures the due performance of its duties. The Board of Directors holds a meeting at least once a quarter. Where necessary extraordinary meetings of the Board may be held.

The Board's working procedure is governed by the Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC. The Company Secretary of the Board of Directors ensures the prompt receipt by all directors of succinct yet exhaustive information simultaneously with a notice convening the Board meeting, which is at least 11 business days prior to the date of such meetings.

The Board of Directors keeps Minutes of its meetings. The Minutes are signed by the Chairman of Board and the Company Secretary.

Compliant

The working procedure is governed by the Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC.

The Company's Company Secretary ensures prompt receipt by all directors of succinct yet exhaustive information simultaneously with a notice convening the Board meeting.

The Company complies with all the requirements and deadlines established in the Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC. Minutes of the Board of Directors meetings are signed by the Chairman of the Board and the Company Secretary. During the reporting period 19 meetings of the Board were held.

Remuneration.

Remuneration for members of the Board of Directors corresponds to market conditions and is fixed at a level that will enable the most highly qualified specialists to be attracted to work for the Company, and motivate them to work honestly and effectively.

The Company publicly discloses details of remuneration to the members of the Board of Directors. The Company does not grant loans to members of the Board of Directors (with the exception of cases where a member of the Board of Directors is also the sole executive body or is a member of the collective executive body).

Compliant

Remuneration to members of the Board of Directors is paid pursuant to the Standing Orders on payment of remuneration and compensation to the members of the Board of Directors. Details of remuneration to members of the Board of Directors is published in the Company's quarterly reports and on the Company's web site in the form of a separate posting

Duties of members of the Board of Directors.

The members of the Board of Directors act in good faith and with due care in the interests of the Company's and all its shareholders. Each director endeavours to attend all meetings of the Board of Directors.

Members of the Board of Directors acknowledge their responsibility to the shareholders, and consider their main task is the conscientious and competent performance of their duties in governing the Company, thus ensuring the maintenance of and growth in the value of its shares, and likewise protecting the ability of the shareholders to exercise their rights.

Members of the Board of Directors endeavour to have a continuous dialogue with the shareholders.

Members of the Board of Directors ensure the elaboration and implementation of the Company's development strategy.

Members of the Board of Directors neither disclose nor use for their personal gain any confidential information about the Company.

Members of the Board of Directors undertake to refrain from acts which may lead to a conflict between their interests and those of the Company. Where any such conflict arises the member of the Board involved undertakes to notify the other members of the Board about it, and also to refrain on voting on the matters concerned.

Compliant

The rights, duties and responsibility of members of the Board of Directors are set out in the Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC.

The working procedure for the Company's Board of Directors is approved annually, and it includes matters relating to forming and implementing the Company's development strategy.

In accordance with the Standing Orders on Insider Information, approved by the Board of Directors, the members of the members of the Board of Directors neither disclose nor use for personal gain any confidential information about the Company.

During 2008 there were no conflicts between the interests of members of the Board of Directors and those of the Company.

Chief Executive Officer

Powers.

Management of the Company's day-to-day business is carried out by the sole executive body – the Chief Executive Officer.

Compliant

Pursuant to article 23 of the Company Charter the Chief Executive Officer manages the Company's day-to-day business in accordance with decisions taken by the Company's General Meeting of Shareholders, the Board of Directors and by the Management Board within their competence.

Election, term of office and dismissal of the Chief Executive Officer.

The Chief Executive Officer is elected by the Company's Board of Directors by majority vote of those members attending the relevant Board meeting.

A candidate may be put forward for election as Chief Executive Officer under the procedure set out in the Standing Orders on the procedure for convening and conducting meetings of the Company's Board of Directors.

The terms and conditions of the relevant Contract of Employment, including the term of office, are determined by the Company's Board of Directors or a person authorised by the Board in accordance with the Company Charter to sign the Contract of Employment.

The Board of Directors is entitled at any time to dismiss the Chief Executive Officer and to establish new executive bodies.

Compliant

Pursuant to article 15.15.112 of the Company Charter the question of choosing the Company's Chief Executive Officer and dismissing him, including by termination of the Contract of Employment, falls within the competence of the Company's Board of Directors.

By decision of the Board of Directors at IDGC of Volga, JSC on 14.04.2008, Minutes № 11 A. V. Tchannikov was appointed as the Company's acting Chief Executive Officer from 15.04.2008, and D. V. Ryabov was dismissed from his post as Chief Executive Officer.

By decision of the Board of Directors at IDGC of Volga, JSC on 16.05.2008, Minutes № 13, S. V. Pakhomov was appointed as the Company's acting Chief Executive Officer from 20.05.2008.

By decision of the Board of Directors at IDGC of Volga, JSC on 04.07.2008, Minutes № 2, S. V. Pakhomov was appointed as the Company's Chief Executive Officer from 04.07.2008.

By decision of the Board of Directors at IDGC of Volga, JSC on 10.12.2008, Minutes № 8, V. A. Ryabikin was appointed as the Company's Chief Executive Officer from 12.12.2008.

Remuneration and assessment of performance.

The system of remuneration for the Chief Executive Officer is determined by the Board of Directors. The remuneration consists of fixed and variable parts, with the latter depending upon attaining a certain set of job indices by the executive bodies and is linked to their personal contribution in securing the Company's long-term development in the interests of its shareholders.

'Indices' means a system of financial and other indices which affect the quantitative or qualitative change in results in relation to one of the Company's strategic objectives.

In determining the Indices for the executive bodies, the Company's Board of Directors concentrates exclusively on the most significant of them, putting aside secondary matters to limit their numbers to the key ones. The number of Indices is restricted (for their performance to be possible and to improve the quality of their monitoring).

The task of the system of Indices consists in transferring the Company's strategy into a complex set of indicators of its business which determine the main parameters of the system of measurement and management. The set of indicators provides the basis for forming the Company's strategy and includes quantitative characteristics to inform the executive bodies about the basic factors of success in the present and future. In forming its strategy the Company sets a target and creates the conditions for reaching it.

Compliant

On 17.07.2007 the Board of Directors approved the Standing Orders on material incentives for the Chief Executive Officer (Minutes № 1).

Relations between the Board of Directors and the executive bodies.

Effective corporate governance demands an open dialogue between the Board of Directors and the Company's executive bodies. To this end the Chief Executive Officer provides the Board of Directors with reports on his activities under a procedure and at times determined by the Company's internal documents and by decisions of the Board.

Compliant

The Chief Executive Officer provides the Board of Directors with reports in accordance with article 23.23.3 of the Company Charter.

Rights of shareholders and protection of those rights.

Shareholders in the Company have a number of rights in relation to the Company, and the Board of Directors has the duty of observing and protecting such rights.

The Company's register of shareholders is kept by an independent registrar. The choice and appointment of an independent registrar, who possesses all the necessary resources so to act, and who enjoys an impeccable reputation, enables the Company to secure reliable and efficient registration of title to its shares and other securities.

Compliant

The Company has concluded a contract with the registrar Central Moscow Depositaries JSC to keep its register of shareholders. The Company is responsible for keeping the register of shareholders.

Information about the Company's registrar is published on the Company's official site.

Shareholders have the right to receive regularly and promptly information about the Company's business to the extent and under a procedure which meets the statutory requirements.

For the purposes of duly observing and protecting these rights the Company guarantees to discharge its statutory duties in respect of information disclosure. Every quarter the Company discloses its accounts in compliance with the statutory requirements, and also in compliance with International Accounting Standards (IAS).

Compliant

The accounts, including Form № 1 Balance sheet, Form 2 Profit and Loss Account, for the first quarter, first half year, and nine months of 2008 are published on the Company's official web site.

IDGC of Volga, JSC is at the final stage of preparing its accounts for 2007 in accordance with IAS, giving comparative data for 2006. It has also started work on preparing the accounts for 2008 in accordance with IAS.

All information which there is a duty to disclose, in whatever manner, is always posted on the Company's web site.

Compliant

<http://www.mrsk-volgi.ru/>

Shareholders who own voting shares have the right to attend the General Meetings of Shareholders with the right to vote on all matters within its competence. In order to duly observe and protect the said right the Company undertakes to organise the conduct of General Meetings of Shareholders such that shareholders' participation is not associated with great expense either of resources or time, thus securing equal relation with all shareholders.

Compliant

Over the period under review the Company held one (1) Annual General Meeting of Shareholders on 30.05.2008 (Minutes № 1/2008).

On 18.04.2008 the Board of Directors (Minutes № 12) considered matters to be raised at the meeting and submitted recommendations to shareholders.

The Company undertakes to provide shareholders with information about the agenda items for General Meetings of Shareholders to the extent and by deadlines allowing the shareholders to take reasoned decisions.

Compliant

The information necessary for the meeting was provided to shareholders, including by being published on the company's web site.

In those cases set out by law and the Company Charter, the Board of Directors prepare for shareholders objective and reasoned recommendations.

All the information regarding a General Meeting of Shareholders is always posted on the Company's web site.

Shareholders are entitled to obtain part of the Company's nett profits in the form of dividends.

In order duly to observe and protect the said right the Company undertakes to pay declared dividends by the deadlines established by the General Meeting of Shareholders. The rights of shareholders are governed by the provisions of the Charter and the Company's internal documents.

Compliant

The Company pays declared dividends in accordance with article 7 of the Company Charter and by the deadlines determined by the General Meeting of Shareholders.

By decision of the Company's Annual General Meeting of Shareholders held on 30.05.2008 a decision was taken not to pay any dividends on the results for 2007.

The General Meeting of Shareholders. Preparing for meetings.

Each shareholder is entitled to attend the General Meetings of Shareholders, to vote on the agenda items, and receive in advance a notice of such meeting and its agenda, and also receive complete, objective and timely information sufficient for taking decisions on the agenda items. The company's executive bodies are responsible for ensuring this process.

Compliant

In accordance with article 11.11.5 of the Company Charter a Notice convening a General Meeting of Shareholders is to be published in the newspaper Rossiiskaya Gazeta no later than thirty (30) days prior to the date of such meeting.

In accordance with article 11.11.6 of the Company Charter ballot papers are to be sent out no later than twenty (20) days prior to the date of holding the AGM.

Conduct of meetings.

The Company takes all necessary measures to ensure the shareholders' participation in the General Meeting and their voting on the agenda items.

The venue for General Meetings is accessible for shareholders.

Where possible the Company ensures the attendance at General Meetings of Shareholders of the members of the Board of Directors, the executive bodies, the audit committee and the Company's external auditor, and authorises them to answer shareholders' questions. Shareholders have the right to speak on agenda items, to make appropriate suggestions and ask questions. The Chairman of the General Meetings ensures that it operates effectively.

Votes are taken by ballot papers.

The procedure for counting the votes at a General Meeting excludes the possibility of manipulating the voting results. The scrutineers' function is discharged by the Company's independent registrar.

Compliant

Article 10.10.9 of the Company Charter provides that a General Meeting of Shareholders may be held at the Company's address or in Moscow, or at another venue pursuant to a decision of the Company's Board of Directors.

Results of meetings.

The voting results and other necessary materials are provided to the shareholders on the day when such meeting is held or after it has been held, and they are also promptly posted on the Company's web site and published in the media.

Compliant

In accordance with article 11.11.13 of the Charter and paragraph 5.5.5.5.2 of the Standing Orders on preparing for and conducting a General Meeting of Shareholders the voting results and decisions taken at a General Meeting of Shareholders may be publicised at such General Meeting of Shareholders.

Disclosure of information, and transparency

Policy and practice in disclosure of information.

In implementing the Company's policy on disclosure of information about the Company its main objective is to secure the highest possible degree of trust from its shareholders, potential investors, business partners and other person interested in the Company by means of presenting such persons with information about itself, its business and securities to an extent sufficient for such persons to take reasoned and serious decisions in relation to the Company and its securities.

In disclosing information about itself the Company does not limit itself to information stipulated in the relevant RF regulatory acts, but further discloses additional information which provides a high degree of transparency in the Company, and helps to attain the objectives of the Company's policy of information disclosure.

A list of information to be disclosed by the Company and the procedure and deadlines for doing so are determined in the Standing Orders on Information Policy at IDGC of Volga, JSC, as approved by the Company's Board of Directors.

When disclosing information the Company is governed by the following principles:

Compliant

The Company has set up a group of analysts to report on the Company's business. Information about the Company's business and its securities is provided quarterly and also on submission of requests from shareholders, investors, business partners and other interested persons.

Principle of completeness and accuracy in information subject to disclosure,

in accordance with which the Company provides all interested parties with true information, and not evading disclosure of adverse information about itself, to an extent which allows the reader to form a complete impression of the Company and about the results of the Company's business.

Compliant

Information to be disclosed by the Company is published on the Company's web site in accordance with the requirements of the Standing Orders on the Company's information policy. The information is complete and accurate, and allows the reader to form a complete impression of the Company and about the results of the Company's business.

Principle of accessibility of information, in accordance with which the Company, when disclosing information, uses those channels for dissemination of information about its business which provide free and unhindered access for shareholders, creditors, potential investors and other parties interested in the information being disclosed.

Compliant

All information to be disclosed by the Company is published on its web site (<http://www.mrsk-volgi.ru/>), thus providing free access to such information for all interested persons.

Principle of balance in information, which means that the Company's information policy is based on a reasonable balance in the Company's transparency for all interested persons on the one hand, and confidentiality on the other hand, in order to maximise implementation of the shareholders' right to receive information about the Company's business, always provided that confidential information, or insider information, is protected.

Compliant

The Company's information policy is based on a reasonable balance in the Company's transparency for all interested persons on the one hand, and confidentiality on the other hand, in order to maximise implementation of the shareholders' right to receive information about the Company's business, always provided that confidential information, or insider information, is protected.

Principle of regularity and promptness in disclosure of information, which determines that the Company provides to shareholders, creditors, potential investors and other interested persons information about its business by deadlines set out in Russian Federation regulatory acts and in the Company's internal documents.

Information to be disclosed by the Company is published on the Company's web site. An English version is available.

Disclosure of information is the responsibility of the Company's executive bodies. Members of the Board of Directors disclose to the Company information about themselves which is necessary for the Company to comply with information disclosure stipulated by Russian Federation regulatory acts and the Company's Regulations on Information Policy.

Compliant

The Company updates its corporate site on a daily basis, including disclosure of information pursuant to the Standing Orders on information policy. The Company has issued an order on Measures to implement the Standing Orders on the Company's information policy, the purpose of which is to secure prompt and regular updating of the site's information.

Accounts

The Company keeps records and prepares accounts in accordance with Russian accounting standards. The Company prepares consolidated accounts to international accounting standards (IAS) and publishes these accounts on its web site.

The accounts are accompanied by detailed notes which enable the reader correctly to interpret their data about the financial results of the Company's business. The financial information is supplemented by comments and analytical assessments by the Company's management, and also the reports of the Company's external auditor and Audit Committee.

Compliant

IDGC of Volga, JSC is at the final stage of preparing its accounts for 2007 in accordance with IAS, giving comparative data for 2006. It has also started work on preparing the accounts for 2008 in accordance with IAS. Pursuant to a contract concluded between IDGC of Volga, JSC and KPMG ZAO an audit of the accounts for 2007 and 2008 in accordance with IAS is being conducted.

Control over financial and operating activities

n recognising the need to reduce the likelihood of events which adversely affect achievement of the Company's objectives and lead to losses, including those caused by taking decisions based on incorrect opinions, human error, or deliberate avoidance of control, and also recognising that shareholders need their capital investments to be protected, and the Company's assets to be secure, the Company has set up a system of control over its financial and operating activities.

Internal control over financial and operating activities is focused on achieving the following objectives:

- Ensuring the completeness and accuracy of the financial, statistical, management and other reports;
- Ensuring compliance with Russian Federation regulatory acts, decisions of the Company's management bodies and the Company's internal documents;
- Securing the integrity of the Company's assets;
- Ensuring attainment of the objectives set by the Company by the most efficient methods;
- Ensuring the effective and economical use of the Company's resources;
- Ensuring the prompt identification and analysis of financial and operating risks which may have a substantial adverse effect on achieving the Company's objectives related to financial and operating activities.

The system of control over the Company's financial and operating activities includes control procedures which are defined by Russian Federation regulatory acts, decisions of the General Meeting of Shareholders and of the Company's Board of Directors, and also the entirety of the Company's bodies, divisions and individuals who exercise internal control – the Audit Committee and the Board of Directors, and also the specific unit or units authorised to exercise such control.

The functions, rights and duties, and responsibility of the Company's divisions are set out in the Company's instruction documents.

In order to ensure the systemic nature of control over the Company's financial and operating activities internal control procedures are conducted by the Company's division authorised and responsible for doing so, in conjunction with the Company's other bodies and divisions.

Specific procedures, and also the bodies and people responsible for implementing the procedures of internal control are stipulated in the Standing Orders on the Company's internal control procedures, as approved by the Company's Board of Directors.

Compliant

Control over the financial and operating activities is conducted in accordance with the Company Charter, the Standing Orders on the Audit Committee, and the Standing Orders on internal control procedures.

The Company's Audit Committee was elected by the General Meeting of Shareholders on 30.05.2008 (Minutes № 1/2008).

The internal audit service was established in accordance with the Chief Executive Officer's Order dated 24.01.2008.

Ownership structure

The Company ensures disclosure of information about the true owners of five or more percent of the Company's voting shares. Such information disclosed by the Company also describes the corporate relations in a group of companies. The Company endeavours to ensure transparency in the Company's ownership structure.

Compliant

The Company's ownership structure is published on the Company's official web site.

Review of Interested-Party Transactions approved by the Board of Directors of IDGC of Volga, JSC in 2008

Date of the meeting and number of the Minutes	Parties	Subject-matter	Value	Term
19.05.2008. Minutes № 14	Customer – IDGC of Volga, JSC Contractor – Subsidiary of the Federal Grid Company of the Unified Energy System for Maintenance and Repair of Volgi Main Electrical Networks	Capital repairs of equipment at Substations of 35-110kВ, in accordance with a work schedule and a list of facilities	17 411 507,82 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
19.05.2008. Minutes № 14	Customer – TGK-6 JSC Contractor – IDGC of Volga, JSC	Diagnosis of incipient defects in transformer machinery of the Penza subsidiary TGK-6 JSC on the basis of results of chromatographic analysis of gases dissolved in transformer oil in heavy-duty transformers	64 905, 68 rubles including VAT	From the date of its signing up to 31.12.2008., and with regard to mutual settlements, until they are fully performed
19.05.2008. Minutes № 14	Customer – IDGC of Volga, JSC Contractor – TGK-6 JSC	Services to draft a technical specification for connection to a system of centralised heat supply from Penza Steam Power Plant-1 of the Penza subsidiary of TGK-6 JSC of the following facilities: – the laboratory block at № 168, Austrina street, (Oktyabrskiy District), Penza.	At the date of its conclusion it amounts to 88 549,56 rubles, including VAT pursuant to Decree № 326 dated 28.03.2007, While pursuant to Decree № 477 dated 27.04.2007 it is 25 038,42 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
29.05.2008. Minutes № 15	Principal – IDGC of Volga, JSC Agent – UES Energostroisnabkomplekt JSC	Legal and other acts relating to the conduct of auctions and other regulated non-competitive procedures for selecting suppliers of materials and technical resources, equipment and services	Calculation of the scale of the fee (Table 1)	From the date of its signing

Date of the meeting and number of the Minutes	Parties	Subject-matter	Value	Term
29.05.2008. Minutes № 15	Customer – IDGC of Volga, JSC Contractor – ENIN JSC	Work to calculate the norm for staff numbers at the Management section of IDGC of Volga, JSC (having regard to the centralisation of the functions of the subsidiary Saratov Electrical Networks in IDGC of Volga, JSC) and calculation of the norm for industrial and production staff at the seven production divisions of the subsidiary Saratov Distribution Networks (Central PO, Privolzhsky PO, Pravoberezhnoye PO, PrikhopeDGCoye PO, Severnoye PO, Severo-Vostok PO, Zavolzhskoye PO)	767 000 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
29.05.2008. Minutes № 15	Customer – IDGC of Volga, JSC Contractor – ENIN JSC	Work to calculate the norm for staff numbers of the IDGC of Volga, JSC subsidiary Samara Distribution Networks (Management section of the subsidiary Samara Distribution Networks, SamaDGCoye PO, Volzhskoye PO, Chapayevskoye PO, Zhigulevskoye PO)	424 800 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
29.05.2008. Minutes № 15	Customer – IDGC of Volga, JSC Contractor – ENIN JSC	Work to calculate the norm for staff numbers of the IDGC of Volga, JSC subsidiary Ulyanovskiy Distribution Networks (Management section of the subsidiary Ulyanovskiy Distribution Networks, Ulyanovskoye PO, Yuzhnoye PO, Baryshskoye PO, Dimitrovgradskoye PO)	424 800 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties

Date of the meeting and number of the Minutes	Parties	Subject-matter	Value	Term
29.05.2008. Minutes № 15	Customer – IDGC of Volga, JSC Contractor – ENIN JSC	Work to calculate the norm for staff numbers of the IDGC of Volga, JSC subsidiary – Mordovenergo	448 400 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
29.05.2008. Minutes № 15	Customer – IDGC of Volga, JSC Contractor – ENIN JSC	Work to calculate the norm for staff numbers of the IDGC of Volga, JSC subsidiary – Penzaenergo (Management section of the subsidiary Penzaenergo, Penzenskoye PO, Kuznetskoye PO, Kamenskoye PO, Serdobskoye PO, Nizhnelomovskoye PO)	460 200 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
29.05.2008. Minutes № 15	Customer - IDGC of Volga, JSC Contractor - ENIN JSC	Work to calculate the norm for staff numbers of the IDGC of Volga, JSC subsidiary – Orenburgenergo (Management section of the subsidiary Orenburgenergo, Tsentralnoye PO, Vostochnoye PO, Zapadnoye PO, Severnoye PO, Orenburgskoye Gorodskoye PO, ODGCoye PO)	637 200 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
29.05.2008. Minutes № 15	Customer - IDGC of Volga, JSC Contractor - ENIN JSC	Work to calculate the norm for staff numbers of the IDGC of Volga, JSC subsidiary – Chuvashenergo (Management section of the subsidiary Chuvashenergo, AlatyDGCoye PO, Severnoye PO, Yuznoye PO)	354 000 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties

Date of the meeting and number of the Minutes	Parties	Subject-matter	Value	Term
26.06.2008. Minutes № 1	Customer – IDGC of Volga, JSC Contractor – Penzaenergo JSC	Carrying out capital repairs to the heavy-duty transformers: TM-63kWa – 3., TM-100 kWa – 6., TM-160 kBa – 7., TM-250 kBa – 3., TM-400 kBa – 2. At Privolzhskoye Proizvodstvennyy Otdelenie of the IDGC of Volga, JSC subsidiary Saratov Distribution Networks	1 339 752,85 rubles including VAT	From the date of its signing until complete performance of their obligations by the parties
04.07.2008. Minutes № 2	Customer – Federal Grid Company of the Unified Energy System Contractor – IDGC of Volga, JSC (its subsidiary – Orenburgenergo)	Operational maintenance of equipment, in accordance with a schedule of work and a list of facilities handed over to the Contractor for servicing, and with a list of inventory, devices, vehicles and other technical items	97 127 610 rubles including VAT	From the date of its signing and operates until the date when the parties have performed all their obligations
04.07.2008. Minutes № 2	Principal – IDGC of Volga, JSC (its subsidiary - Orenburgenergo) Agent – UES Energostroisnabkomplekt JSC	Legal and other acts relating to the conduct of auctions and other regulated non-competitive procedures for selecting suppliers of materials and technical resources, equipment and services	Fee calculation (Table 1)	From the date of its signing
04.07.2008. Minutes № 2	Principal – IDGC of Volga, JSC (its subsidiary – Mordovenergo) Agent – UES Energostroisnabkomplekt JSC	Legal and other acts relating to the conduct of auctions and other regulated non-competitive procedures for selecting suppliers of materials and technical resources, equipment and services	Fee calculation (Table 1)	From the date of its signing

Date of the meeting and number of the Minutes	Parties	Subject-matter	Value	Term
04.07.2008. Minutes № 2	Principal – IDGC of Volga, JSC (its subsidiary – Penzaenergo) Agent – UES Energostroisnab-komplekt JSC	Legal and other acts relating to the conduct of auctions and other regulated non-competitive procedures for selecting suppliers of materials and technical resources, equipment and services	Fee calculation (Table 1)	From the date of its signing
04.07.2008. Minutes № 2	Principal – IDGC of Volga, JSC (its subsidiary – Chuvashenergo) Agent – UES Energostroisnab-komplekt JSC	Legal and other acts relating to the conduct of auctions and other regulated non-competitive procedures for selecting suppliers of materials and technical resources, equipment and services	Fee calculation (Table 1)	From the date of its signing
25.09.2008. Minutes № 4	Customer – IDGC of Volga, JSC Contractor – Federal Grid Company of the Unified Energy System JSC	Amending the terms and conditions of a contract for purchase of the rights to use SAP® software, including supply of mySAP Business Suite software, and terminating the advice and support services for mySAP Business Suite	16 667 332,69 including VAT	From the date of its signing until complete performance of their obligations by the parties
25.09.2008. Minutes № 4	Customer – IDGC of Volga, JSC (its subsidiary – Penzaenergo) Contractor – Federal Grid Company of the Unified Energy System EM JSC	Amending the terms and conditions of a contract for purchase of the rights to use SAP® software, including supply of mySAP Business Suite software, and terminating the advice and support services for mySAP Business Suite	13 746 580,30 including VAT	From the date of its signing until complete performance of their obligations by the parties
25.09.2008. Minutes № 4	Customer – IDGC of Volga, JSC (its subsidiary – Chuvashenergo) Contractor – Federal Grid Company of the Unified Energy System JSC	Amending the terms and conditions of a contract for purchase of the rights to use SAP® software, including supply of mySAP Business Suite software, and terminating the advice and support services for mySAP Business Suite	6 666 932, 59 including VAT	From the date of its signing until complete performance of their obligations by the parties

Date of the meeting and number of the Minutes	Parties	Subject-matter	Value	Term
13.11.2008. Minutes № 6	Operator – Federal Grid Company of the Unified Energy System (subsidiary Sredne Volzhsk PMES) Subscriber – IDGC of Volga, JSC (its subsidiary – Mordovenergo)	Providing access to the telephone network, operator services, automatic connection of long distance and international calls, and telephone equipment, and telephone numbers.	119 170 rubles/month including VAT	From the date of its signing by the parties for a term of one year, with automatic extension for the following year unless one of the parties announces its intention to terminate the contract
13.11.2008. Minutes № 6	Partnership member – IDGC of Volga, JSC Partnership – NP “NTS UES”	Determining the procedure for becoming a member of the Partnership	Initial contribution: 1 573 000 rubles Membership fee for 2009: 1 500 000 rubles	From the date of its signing

Table 1

Sum of tender application by the winner (inclusive of VAT)	Scale of fee in open/closed request for prices (ORP/CRP)	Scale of fee in open/closed request for offers (ORO/CRO)	Scale of fee in open/closed tender (OT/CT)
Up to 50 mn. rubles	1,00%	1,00%	1,00%
from 50 to 100 mn. rubles	0,55%, but not less than 500 000 rubles	0,6%, but not less than 500 000 rubles	0,75%, but not less than 500 000 rubles
from 100 mn. rubles to 500 mn. rubles (inclusive)	0,3%, but not less than 550 000 rubles	0,35%, but not less than 600 000 rubles	0,4%, but not less than 750 000 rubles
from 500 mn. rubles to 1 bn. rubles (inclusive)	0,15%	0,18%	0,20%
above 1 bn. rubles	2 000 000, 00 (inclusive of VAT)	2 000 000, 00 (inclusive of VAT)	2 500 000, 00 (inclusive of VAT)

Details of Subsidiary and affiliated Companies of IDGC of Volga, JSC

No	Name	Date of Company registration	Main type of business	Share owned by JSC «IDGC of Volga»	JSC «IDGC of Volga»'s share of the votes
1.	Sotsialnaya Sfera M Open joint stock company	27.08.2002	<ul style="list-style-type: none"> ■ Provision of services for hotel accommodation; ■ provision of services at sanatoria and spas; ■ manufacture and sale of foodstuffs; ■ organising public catering; ■ holding auction and intermediary operations, supply and sales operations; ■ medical, therapeutic and prophylactic services. 	100%	100%
2.	Chuvashskaya avtotransportnaya kompania Open joint stock company	22.04.2004	<ul style="list-style-type: none"> ■ Carriage of passengers by vehicles fitted out for carriage of more than eight persons (save for cases where such activity is carried out for the legal entity's own needs or those of an individual entrepreneur); ■ carriage of passengers on a commercial basis in saloon cars; ■ carriage of freight by vehicles with a capacity above 3,5 tonnes (save for those cases where such activity is carried out for the legal entity's own needs or those of an individual entrepreneur); ■ provision of services to individuals and/or legal entities of vehicular transport (saloon cars, vans, freight lorries, passenger vehicles), agricultural and construction machinery, equipment, and also other vehicles, machines and equipment for temporary use (leasing); ■ maintenance and repair of vehicles; ■ storage of oil, gas and their products; ■ sales of oil, gas and their products; ■ wholesale and retail trade in motor fuel; ■ operation of manufacturing facilities where there is a fire hazard; ■ dealing with dangerous waste products; ■ wholesale and retail trading, and trading via agents in vehicles; ■ wholesale and retail trading, and trading via agents in car parts, components and accessories; ■ provision of services to individuals and/or legal entities in offering immovable property for temporary use (leasing); ■ effecting transactions with immovable property; ■ organising and operating car showrooms, service stations, repair centres, and garages; ■ appraisal business; ■ foreign trade activity. 	99,99%	99,99%

No	Name	Date of Company registration	Main type of business	Share owned by JSC «IDGC of Volga»	JSC «IDGC of Volga»'s share of the votes
3.	Solnechniy Sanatoriy Profilaktoriy Open joint stock company	26.08.2004	<ul style="list-style-type: none"> ■ Medical, consulting, expert, tour operating, information, organisational and management services. In this connection for recuperation of patients with the following illnesses: cardiovascular, broncho-pulmonary (excluding tubercular patients), and gastro-intestinal, musculo-skeletal and central nervous system disorders, the following are employed: ■ physiotherapy; ■ functional diagnostics; ■ psycho-physiological support; ■ remedial exercises; ■ massage; ■ social psychology; ■ obstetrics and gynaecology, ■ dietetics ■ allergy studies; ■ dermatology; ■ paediatrics; ■ rehabilitation of post trauma complications; ■ rehabilitation of invalids; ■ intermediary activity in the sale of pharmaceuticals and medical specialities. 	99,99%	99,99%
4	Plemkhoz Magistralniy Open joint stock company	19.06.1996	<ul style="list-style-type: none"> ■ Manufacture of agricultural products; ■ processing of agricultural products; ■ purchase and processing of agricultural and other products; ■ sales of agricultural products. 	52,91%	52,91%

Financial accounts of IDGC of Volga, JSC for the reporting period

BALANCE SHEET at 31 December 2008

Organisation: IDGC of Volga, JSC

INN: 6450925977/645001001

Type of business: transmission of electricity

Form of incorporation/form of ownership: Open joint stock company Joint Federal and foreign ownership

Unit of account: thousand rubles

Address: 42/44, Pervomayskaya street, Saratov, 410031, Tel. (845-2)30-26-32, Fax:(845-2)73-69-09

ASSETS	Item code	Start of the reporting year	End of the reporting year
I. Non-circulating assets			
Intangible assets	110	—	144010
Fixed assets	120	1410	41804489
Unfinished buildings	130	185	3339680
Enclosing in material assets	135	—	0
Long-term financial investments	140	—	109786
Deferred tax assets	145	—	30443
Expenditures for future periods	146	—	78135
Other non-circulating assets	150	—	1697
Total for Section I.	190	1595	45508240
II. Circulating assets			
Stocks	210	28398	1110841
Including:			
Raw materials, other materials and other similar items	211	29	862296
Stock being raised and fattened	212	—	—
Expenditures on unfinished buildings	213	—	—
Finished products and goods for resale	214	—	9687
Despatched goods	215	—	—
Expenditures for future periods	216	28 369	238858
Other stocks and expenditures	217	—	—
Value added tax on purchases	220	8	104199
Receivables (payment of which is expected in more than 12 months)	230	—	241893
Of which:			
Buyers and clients	231	—	13968
Receivables (payment of which is expected in less than 12 months)	240	18003	3031204
Including:			
Buyers and clients	241	5 666	1449074
Short-term investments	250	—	8207
Cash in hand	260	454	470961
Other circulating assets	270	—	140054
Total for Section II.	290	46863	5107359
BALANCE	300	48 458	50 615 599

LIABILITIES

Item code Start of the reporting year End of the reporting year

III. Capital and Reserves

Charter capital	410	10 000	17 875 780
Own shares redeemed from shareholders	411	—	—
Additional capital	420	—	18 732 054
Reserve capital	430	—	178 517
Including:			
Reserve funds formed pursuant to statute	431	—	178 517
Reserves formed in accordance with the foundation documents	432	—	—
Undistributed profits or uncovered losses	470	301	3 992 510
Total for Section III.	490	10 301	40 760 861

IV. Long term liabilities

Loans and credits	510		4 553 713
Deferred tax obligations	515	30	165 008
Income from future periods	516		55 553
Other long-term obligations	520		510 382
Total for Section IV.	590	30	5 284 656

V. Short term liabilities

Loans and credits	610	—	1 240 300
Payables	620	38 127	3 324 296
Including:			
Suppliers and contractors	621	7 356	1 417 003
Debts to subsidiary and affiliated companies	623	—	68
Debts to employees	624	12 228	201 220
Debts to state extra-budgetary funds	625	4 194	70 781
Arrears of taxes and duties	626	13 823	343 967
Other creditors	628	526	1 291 257
Debts to participants/founders on payments of income	630	—	192
Income from future periods	640	—	5 294
Reserves for forthcoming expenditures and payments	650	—	—
Other short-term obligations	660	—	—
Total for Section V	690	38 127	4 570 082

BALANCE	700	48 458	50 615 599
----------------	------------	---------------	-------------------

Statement on valuable items recorded on the balance sheet accounts

Rented fixed assets	910	—	3 863 147
Including on lease	911	—	253 541
inventory holdings accepted under bailment	920	—	38 836
Goods accepted on commission	930	—	—
Writing down to loss receivables from insolvent debtors	940	—	219 540
Security for obligations and payments received	950	—	—
Security for obligations and payments made	960	—	128 111
Wear and tear of residential buildings	991	—	188
Wear and tear of on items of internal fitting-out, and other similar items	922	—	

PROFIT AND LOSS ACCOUNT

at 31 December 2008

Item	Item code	For the reporting period	For the same period in the previous year
Incomes and expenditures in the ordinary course of business			
Net earnings from the sale of goods and services (less VAT, excises and similar mandatory payments)	10	22 614 254	155 387
Including from sales:			
Services for transmission of electricity and heat energy	11	19 791 516	—
Mains connections	12	1 508 656	—
Renting out property	15	130 105	—
Other goods, products, and services of an industrial nature	16	1 180 732	155 387
Other goods, products and services of a non-industrial nature	17	3 515	—
Cost price of goods, products and services sold	20	(19 901 923)	(106 759)
including from sold:			
Services for transmission of electricity and heat energy	21	(19 496 752)	—
Mains connections	22	(33 435)	—
Renting out property	25	(67 127)	—
Other goods, products and services of an industrial nature	26	(299 011)	(106 759)
Other goods, products and services of a non-industrial nature	27	(5 598)	—
Gross profits	29	2 712 601	48 628
Profits or losses on sales	50	2 712 601	48 629
Other incomes and expenditures			
Interest due	60	2 825	—
Interest to be paid	70	(345 903)	—
Incomes from participation in other organizations	80	—	—
Other incomes	90	1 427 241	—
Other expenditures	100	(2 235 213)	(34 753)
Pre-tax profits or losses	140	1 561 551	13 875
Deferred tax assets under profits tax	143	18 594	—
Deferred tax obligations under profits tax	144	(164 045)	(30)
Current profits tax	145	(662 116)	(13 544)
Adjusted profits tax for previous periods	146	50 593	—
Other similar mandatory payments	147	3 506	—
Profits tax and other similar mandatory payments	150	(753 468)	(13 574)
Net profits (undistributed profits or losses from the reporting period)	190	808 083	301
NOTES			
Permanent tax obligation for profits tax	200	432 196	10 244
Basic profit or loss per share	201	0,000005	—
Halved profit or loss per share	202	0,000005	—

Organisation: IDGC of Volga, JSC

INN: 6450925977/645001001

Type of business: transmission of electricity

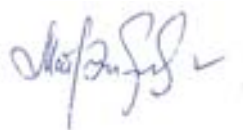
Form of incorporation/form of ownership: Open joint stock company Joint Federal and foreign ownership

Unit of account: thousand rubles

Address: 42/44, Pervomayskaya street, Saratov, 410031, Tel. (845-2)30-26-32, Fax:(845-2)73-69-09

Item	Item code	For the reporting period		For the same period in the previous year	
		Profits	Losses	Profits	Losses
Fines, penalties and sanctions. Acknowledged or in respect of which a Court Order has been issued for recovery	210	24076	(945)	–	–
Profits/losses for previous years	220	18882	(48941)	–	–
Reimbursement of losses caused by failure to perform or improper performance of obligations	230	19578	(5371)	–	–
Exchange rate fluctuations on foreign currency operations	240	502	(291)	–	–
Payments to the valuation reserves	250	x	(1360830)	x	(28583)
Written-off receivables and payables in respect of which the period limited by statute has expired	260	4009	(11477)	–	–
TOTAL	270	67047	(1427855)	–	–

Chief accountant Ye. Ye. Mitrofanova



Chief executive V. A. Ryabikin



Auditor's Report

On the accounts of Interregional Distribution Grid Company of Volga,
Joint-Stock Company (IDGC of Volga, JSC)

Moscow 2009

For the shareholders in IDGC of Volga, JSC

Auditor:

Full name: Fineart Audit Limited Liability Company.

Short name: Fine art Audit OOO

Address: 60, Udaltsova street, Moscow, 119607, RF

State Registration:

State Registration Certificate for Fine art Audit OOO № 128 was issued on 24.01.1995

Certificate of registration on 09 February 2002 in the Unified State Register of Legal Entities of that legal entity registered up to 01 July 2002, under main state registration number (OGRN) 1024001183898.

Licence: № E 006407 for conducting the business of audits, issued by the RF Ministry of Finances on 07.09.2004 for a term of five years.

Membership of an accredited professional auditors' association:

Is a member of the Moscow Auditors' Chamber. Certificate № 1531, issued pursuant to Decision № 99 of the Council of Moscow Auditors' Chamber dated 01 November 2006.

Firm being audited:

Full name: Interregional Distribution Grid Company of Volga, Joint-Stock Company.

Short name: IDGC of Volga, JSC

Address: 42/44, Pervomayskaya street, Saratov, 410031, Russian Federation.

Postal address: 42/44, Pervomayskaya street, Saratov, 410031.

State registration: State Registration Certificate series 64 № 002263079 for a legal entity issued by Federal Tax Service Inter-regional Inspectorate № 8 for Saratov Region, under Main State Registration Number (OGRN) 1076450006280.

1. We have conducted an audit of the attached accounts of Interregional Distribution Grid Company of Volga (IDGC of Volga, JSC) for the period from 01 January to 31 December 2008 inclusive.

The accounts consist of the following documents:

Accounting balance sheet (Form № 1);

Profit and loss account (Form № 2);

Capital variation account (Form № 3);

Cash flow account (Form № 4);

Annexes to the balance sheet (Form №5);

Report on the use of attracted funds for the proper purpose (Form № 6);

Explanatory notes.

These accounts were drawn up by the managers of IDGC of Volga, JSC in accordance with the rules set out in Federal Law № 129-FZ: Accounting, dated 21.11.1996, the Accounting Regulations, Order № 67H: Accounting Forms for Organisations, issued by the RF Ministry of Finances on 22.07.2003, and with other Russian Federation regulatory acts which govern the procedure for bookkeeping and drawing up accounts.

2. Responsibility for the preparation and submission of the said accounts devolves upon the executive body of IDGC of Volga, JSC. Our duty consists in the giving of an opinion, on the basis of our audit, as to the accuracy of the said accounts in all material respects and the compliance of the procedure under which they were drawn up with Russian Federation law.
3. We conducted the audit in accordance with Federal Law № 307-FZ: The Auditing Business, dated 30.12.2008; with the Federal Rules and Standards for Auditing, approved by Government Decree № 696 dated 23.09.2002 (as amended from time to time); with the internal rules and standards of the accredited professional auditors' association the Moscow Audit Chamber; and with the internal standards of our audit company. The audit was planned and conducted such that we could be reasonably certain that the accounts contain no substantial distortions. The audit was conducted by sampling and included a study based on testing the evidence confirming the numerical indices and information disclosed in the said accounts on financial and operating activities; an appraisal of compliance with the principles and rules of accounting applicable when preparing accounts, reviewing the main assessment indicators obtained by the managers of the firm undergoing the audit, and also an assessment of the presentation of the said accounts. We consider that the audit gives sufficient reason to express our opinion on the accuracy of these accounts
4. In our opinion the accounts of Interregional Distribution Grid Company of Volga, Joint-Stock Company (IDGC of Volga, JSC) are a true reflection in all significant respects of the financial position at 31 December 2008 and of the results of its financial and operating activity over the period from 01 January to 31 December 2008 inclusive pursuant to the requirements of Russian Federation law with regard to the drawing up of accounts.

«10» March 2009

President of Fine art Audit OOO

Project leader:
(General audit qualification certificate
№ 040653, with no expiry date)



N. V. Bondarenko

Ye. M. Kotova

60, Udaltsova street, Moscow, Russian Federation, 119607

Tel/fax: (495) 969-24-90, (495) 969-24-88

E-mail: fineart-audit@bk.ru, office@fineart-audit.ru

www. fineart-audit. ru

Fine Art Audit Limited Liability Company

INN 4027022866, KPP 772901001, OGRN 1024001183898 Auditors' license № 5 006407

Report of the IDGC of Volga, JSC Audit Committee for 2008

Saratov

03 April 2009

In accordance with a decision of the Audit Committee (Minutes № 4 of a meeting of the Audit Committee held on 29.01.2009), the Committee, with those present being:

Chairman

Sergei Borisovich Sidorov

– Head of the Department of Internal Audit at IDGC Holding Company,

Members:

Denis Stanislavovich Kolyago

– Deputy Head of the Department of Finance, and section head at IDGC Holding Company;

Vitaly Aleksandrovich Nikitin;

Irina Yurevna Puchkova

– Head of the Economics Department at IDGC of Volga, JSC.

Co-opted specialists:

Lyudmila Dmitriyevna Kormushkina

– Head of the audit section in the Internal Audit Department of IDGC Holding Company;

Olga Vladimirovna Rokhlina

– chief expert in the audit section in the Internal Audit Department of IDGC Holding Company;

Natalia Pavlovna Krivobokova

– chief expert in the investment monitoring section
in the Internal Audit Department of IDGC Holding Company.

An audit was conducted of the financial and operating activities of IDGC of Volga, JSC over 2008.

The Company's external auditor is Fine art Audit (State Registration Certificate O5 № 128 issued on 24.01.1995, Licence: № E 006407 was issued by the RF Ministry of Finances on 07.09.2004) which was elected by the General Meeting of Shareholders (Minutes № 1/208 dated 30.05.2008) conducted an audit of the Company's accounts for the period from 1 January 2008 to 31 December 2008 (auditors' Report, dated 10.03.2009, on the Accounts of IDGC of Volga, JSC for 2008). In the external auditors' opinion the accounts of IDGC of Volga, JSC reflect accurately in all substantial respects the financial position at 31 December 2008 and the results of the financial and operating activities for the period from 1 January 2008 to 31 December 2008 inclusive in accordance with the requirements of Russian Federation law in regard to drawing up accounts.

The audit was conducted from 23 March to 03 April 2009.

The original documents submitted were audited by sampling.

Over 2008 the Company obtained earnings from the sale of goods and services in the sum of 22 614,5 mn. rubles, including from transmission of electricity – 19 791,5 mn. rubles. The cost price of selling these goods and services amounted to 19 901,9 mn. rubles, and profits on sales over the reporting period amounted to 2 712,6 mn. rubles.

Other expenditures exceeded other incomes and interest due by 1 151,1 mn. rubles and came to 2 581,1 mn. rubles.

Other expenditures in 2009 are planned in the sum of 1 573,1 mn. rubles and the excess of other expenditures over incomes has been planned in the sum of 792,7 mn. rubles.

The actual balance of other incomes and expenditures was less than the planned figure by 358,3 mn. rubles.

Over 2008 the Company obtained nett profits in the sum of 808,1 mn. rubles, or 123,2% of the planned figure.

The Company's book asset value at 31 December 2008 amounted to 50 615,6 mn. rubles.

The nett asset value at 31 December 2008 amounted to 40 766,16 mn. rubles.

The Company's solvency and liquidity at 01.01.09 were characterised by the following data:

- The equity ratio was 0,81, which is higher than the recommended figure (0,5);
- The absolute liquidity ratio was 0,10, which is less than the recommended figure (0,2);
- the quick ratio was 0,8, which is consistent with the recommended figure (0,5-1,0);
- the current ratio was 1,12, which is less than the recommended figure (2,0).
- The ratio of receivables to payables at year end 2008 was 0,98.

In accordance with the Methods for Assessing the Financial Status of Subsidiary and Affiliated Companies for the Purposes of Determining Creditworthiness and Calculating Dividends, the Company's final rating for 2008 came to 11,5 points. According to the rating criteria, IDGC of Volga, JSC falls within the group of enterprises with a satisfactory financial status (Group B2).

At 01.01.09 the total sum of receivables in comparison with the start of 2008 had increased by 3 255,1 mn. rubles and amounted to 3 273,1 mn. rubles, including:

Buyers and clients for the sale of electricity transmission – 1 198,1 mn. rubles,

Other receivables – 2057,0 mn. rubles, of which advances received were 31 mn. rubles.

At 01.01.09 payables in comparison with the start of 2008 had increased by 3 796,5 mn. rubles and amounted to 3 834,7 mn. rubles, including suppliers of electricity for covering of losses – 343,6 mn. rubles, building organisations – 604,3 mn. rubles, repair organisations – 15,8 mn. rubles, to other suppliers and contractors – 453,2 mn. rubles, staff salaries – 201,2 mn. rubles.

On the basis of the audit conducted and having regard to the opinion of the Company's external auditor the audit committee has sufficient grounds for confirming the accuracy of the information set out in the Company's Annual Report and Accounts.

Chairman of the Audit Committee
At IDGC of Volga, JSC



S. B. Sidorov

Glossary

ACMSCME – automated computerised measuring system for Commercial Metering of Electricity

ADMS – automated document management system

AR – accountancy regulations

DataPC – data processing centre

DN – distribution networks

DGC – distribution network company

EBITDA – earnings before interest, taxes, depreciation and amortization

ETL – electricity transmission lines

FA – fixed assets

FCSM – Federal Commission for the Securities Market

FGC – Federal Grid Company

FL – Federal law

FSFM – Federal Service for the Financial Markets

GTI – gas turbine installation

GS – guaranteed supplier

HT – high tension

IA – intangible assets

IP – investment programme

ISIN – International Securities Identification Number

IT – information technology

LT – low tension

MC – mains connection

MICEX – Moscow Interbank Currency Exchange

MICEX SC – MICEX Start Cap Index

MICEX PWR – MICEX Power Index

MM – method of measurement

MT – medium tension

NB – new building

NCC – network control centre

RAB – Regulatory asset base

PPP – private pension provision

R and R – retooling and reconstruction

REC – regional electricity company

REM – retail electricity market

ROA – return on assets

ROE – return on equity

RTS – Russian Trading System

SPP – steam power plant

STI – steam turbine installation

Subs – substation

TODCS – Technical Operations Department control station

UES – unified energy system

UNES – unified national electricity system

RC – research centre

VMI – voluntary medical insurance

WEM – wholesale electricity market

Units of measurement

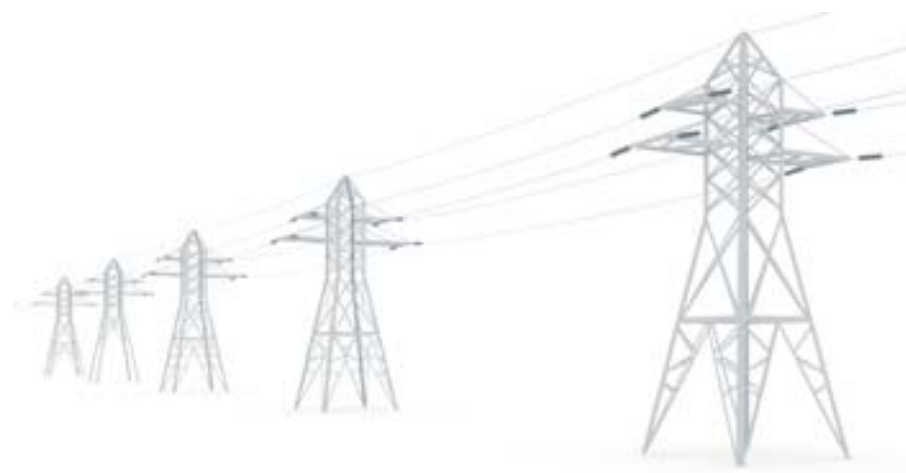
kW (kiloWatt) unit of measurement for power

kWh (kiloWatt hour) unit of measurement for power consumed in one hour

MW (mega Watt), unit of measurement for power

kV (kiloVolt) unit of measurement for electromotive force

MVA (megavolt ampere) – unit of measurement for power of electric current transformers



**Interregional Distribution Grid Company of Volga,
Joint-Stock Company (IDGC of Volga, JSC)**

Address: 410031, 42/4, Pervomayskaya street, Saratov, Russian Federation.

Postal address: 410031, 42/4, Pervomayskaya street, Saratov.

Website: www.mrsk-volgi.ru

E-mail: office@mrsk-volgi.ru

Tel. (8452) 30-26-59, **Fax** (8452) 28-53-70, 28-54-10

