

'09 POWER OF CREATION





Approved by the provisional decision
of the Board of Directors of IDGC of Volga, JSC
May 6, 2010 (Minutes No.18 of May 11, 2010)

Annual report «Interregional Distribution Grid Company of Volga», Joint-Stock Company

for 2009 fiscal year

General Director

V. A. Ryabikin

Chief Accountant

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Chairman's letter



In 2009, the team of IDGC of Volga, JSC has successfully achieved all the goals set before the Company. We have now no doubts to say that effective management structure has been created to run IDGC of Volga, JSC.

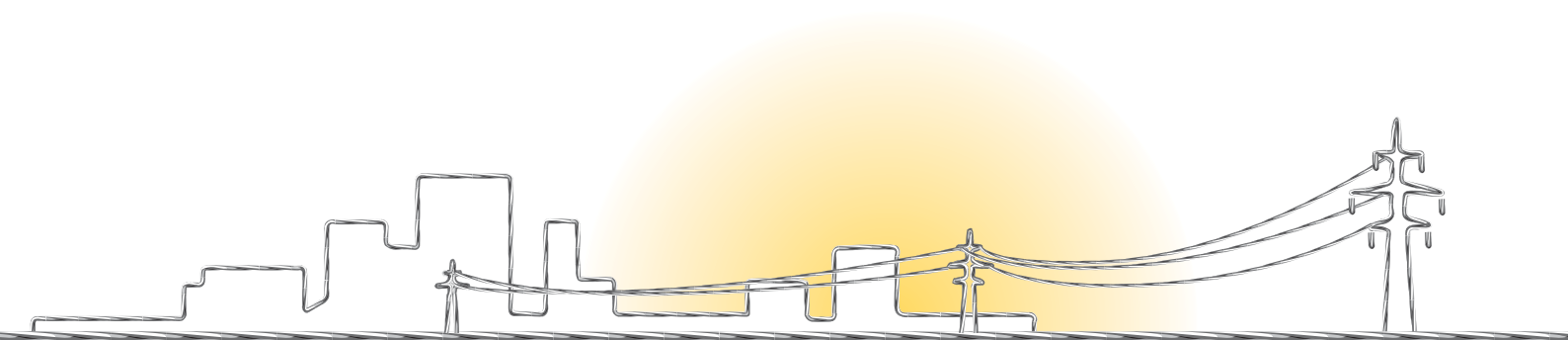
IDGC Holding, JSC, the Company's majority shareholder with 67.626% ownership interest in IDGC of Volga, JSC greatly contributes to our competitiveness enhancement and growth. IDGC Holding, JSC is a managing company operating on the Russian power market and leader in the Russian distribution grid complex that ensures joint vision and technical, environmental, information and social policies for all interregional distribution grid companies.

In 2009, the Board of Directors of IDGC of Volga, JSC continued its efforts on corporate governance improvement. The Company's Board of Directors includes members from different groups of shareholders, which ensures the balance of interests when making decisions. During the past year the Board of Directors conducted 22 meetings to discuss the Company's crucial finance and economic issues and

set primary development areas. In order to increase efficiency and to deliver draft reports on key matters that need in-depth research, the Board of Directors uses its advisory bodies (committees on audit, reliability, technological connection to electric power, strategy and development, personnel and award). IDGC of Volga, JSC leads the market of power supply services and power grid connection and represents an economically strategic enterprise, the largest taxpayer and employer as well as socially responsible company throughout its service area. In 2009, our focus was on the optimization of operating costs, business processes improvement, consistent technical policy implementation, financial strengthening and the introduction of quality management system.

During the reporting period the Company implemented a series of major investment projects on commissioning new facilities and the reconstruction of existing facilities.

IDGC of Volga, JSC took all necessary measures to get ready for the autumn/winter maximum demand



and received autumn/winter operational readiness certificates for each region of its operation.

We need to highly praise the performance of the Company's management bodies and personnel. With high responsibility and expertise of our managers and each and all employees of the Company, we succeeded in building creative working environment that helped us to improve our target figures, stimulate the activity across all departments, enhance brand recognition and foster further growth of IDGC of Volga, JSC in 2010.

General Director's letter



Dear stockholders and investors!

IDGC of Volga, JSC is now one of the largest and fastest growing companies in the Volga federal district of Russia with the service area spanning seven constituent entities of the Russian Federation.

In 2009, IDGC of Volga, JSC has put great efforts to strengthen its position on the power market and build an environment to support further growth and development.

During the past year, Russian economy and the rest of the world were still struggling with the impact of the global financial crisis. Our performance in 2009, however, shows that the Company succeeded in remaining financially stable and capable of ensuring the steady power supply for its customers.

For the reporting period, we posted the total revenue of 29,318.2 million roubles, including 28,491.8 million roubles from power supply services and 393.5 million roubles from technological connection services.

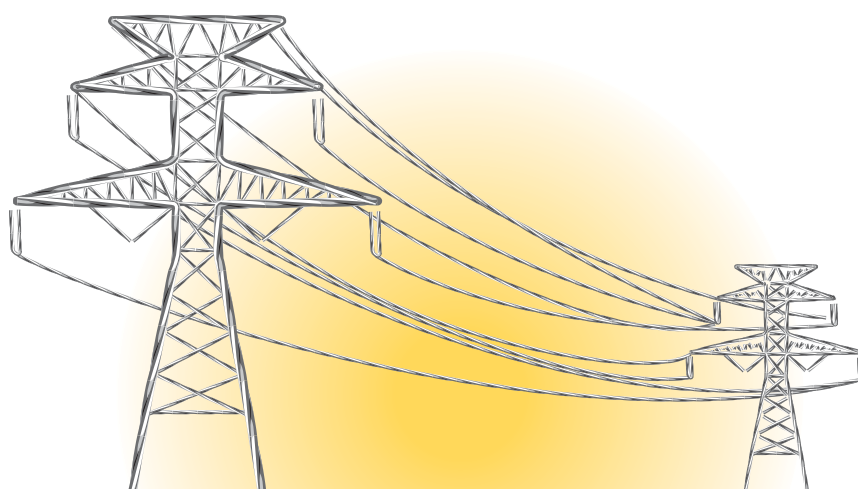
For 2009 IDGC of Volga, JSC reported positive net income of 141.6 million roubles.

The company fully achieved its quarterly and annual key performance indicators (KPI). Our major indicator, return on equity (ROE), was at 0.24%, which matches the value set by the Order of IDGC Holding, JSC.

During 2009, the Company reduced its debt by 410.1 million roubles and cut down on short-term loans. Total debt by the end of the year was at 5,383.9 million roubles, including short-term loans at just 4.8 million roubles.

During 2009, we fully completed power supply equipment repair schedules. The value of repair works was 878.7 million roubles, with 73% of it being own-account repair. The scope of repair works in the reporting period included 14,365.9 km of power lines, 415 substations 35-110 kV and 4,248 transformer substations of all types including 1,991 power transformers, and 1,010 ha of forest clearance.

Actual amount of capital investment absorption for 2009 was 2,221.8 million roubles.



Such results were achieved by consistent management and well coordinated efforts of our purpose-driven and success-oriented personnel.

Despite objective challenges, IDGC of Volga, JSC persists in implementing an active investment policy aimed at power supply reliability improvement and the development of distribution grid complexes in the seven regions where the Company operates.

Sizable production and human resources potential combined with brilliant management and personnel expertise give us confidence to say that IDGC of Volga, JSC will surely retain and further strengthen its leading position in the industry throughout its service area and will be able to fulfill the Company's obligations before its shareholders.

Ryabikin Vladimir Anatolyevich

General Director

Chairman of the Management Board of IDGC
of Volga, JSC

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COMPANY INFORMATION

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General information. Industry position

“Interregional Distribution Grid Company of Volga”, Joint-Stock Company (hereinafter referred to as IDGC of Volga, JSC or the Company) was established in 2007 as wholly owned subsidiary of RAO UES of Russia. At the formation of the Company, the Authorized capital was 10,000,000 roubles divided by 100,000,000 registered ordinary shares with the same par value of 10 kopecks each.

On April 1, 2008, the reorganization of the Company by affiliating with five distribution grid companies (Volzhskaya IDC, JSC, Mordovenergo, JSC,

Orenburgenergo, JSC, Penzaenergo, JSC and Chuvashenergo, JSC) has been completed. Companies affiliated to IDGC of Volga, JSC, ceased to exist as legal entities and have been operating as the Company's branches since April 1, 2008 under the following names: Mordovenergo, Orenburgenergo, Penzaenergo, Samara Distribution Grids, Saratov Distribution Grids, Ulyanovsk Distribution Grids and Chuvashenergo:

| | |
|---|--|
| Full business name | «Interregional Distribution Grid Company of Volga», Joint-Stock Company Открытое акционерное общество «Межрегиональная распределительная сетевая компания Волги» |
| Abbreviated business name | IDGC of Volga, JSC ОАО «МРСК Волги» |
| Certificate of State Registration (Certificate of Record on the Uniform State Register of Legal Entities) | State Registration of Legal Entity issued by Interdistrict Inspectorate of the Federal Tax Services No. 8 for the Saratov Region under primary state registration number 1076450006280 on June 29, 2007 |
| Location | 42/44, Pervomayskaya st., Saratov, 410031, Russian Federation |
| Mail address | 42/44, Pervomayskaya st., Saratov, 410031 |
| Authorized capital | 17,857,780,114.6 roubles (178,577,801,146 of uncertificated registered ordinary shares with the same par value of 10 kopecks each) |
| Information on state registration of Company's securities placement | 1-01-04247-E, registered on October 10, 2007 by the local unit of the Russian Federal Securities Commission for South East Region (LU of RFSC for SER) |
| Service area of the Company | 7 regions of the Volga Federal District of the Russian Federation: Republic of Mordovia, Chuvash Republic, Samara, Saratov, Orenburg, Penza and Ulyanovsk regions with the area of 403 thousand square kilometers and the population of more than 13 million people |
| Core business activities | <ul style="list-style-type: none"> › power supply services using 0.4-220 kV grids; › dispatch and operation control; › technological connection of power receivers (power systems) of legal entities and natural persons to power grids |
| Internet page | www.mrsk-volgi.ru |

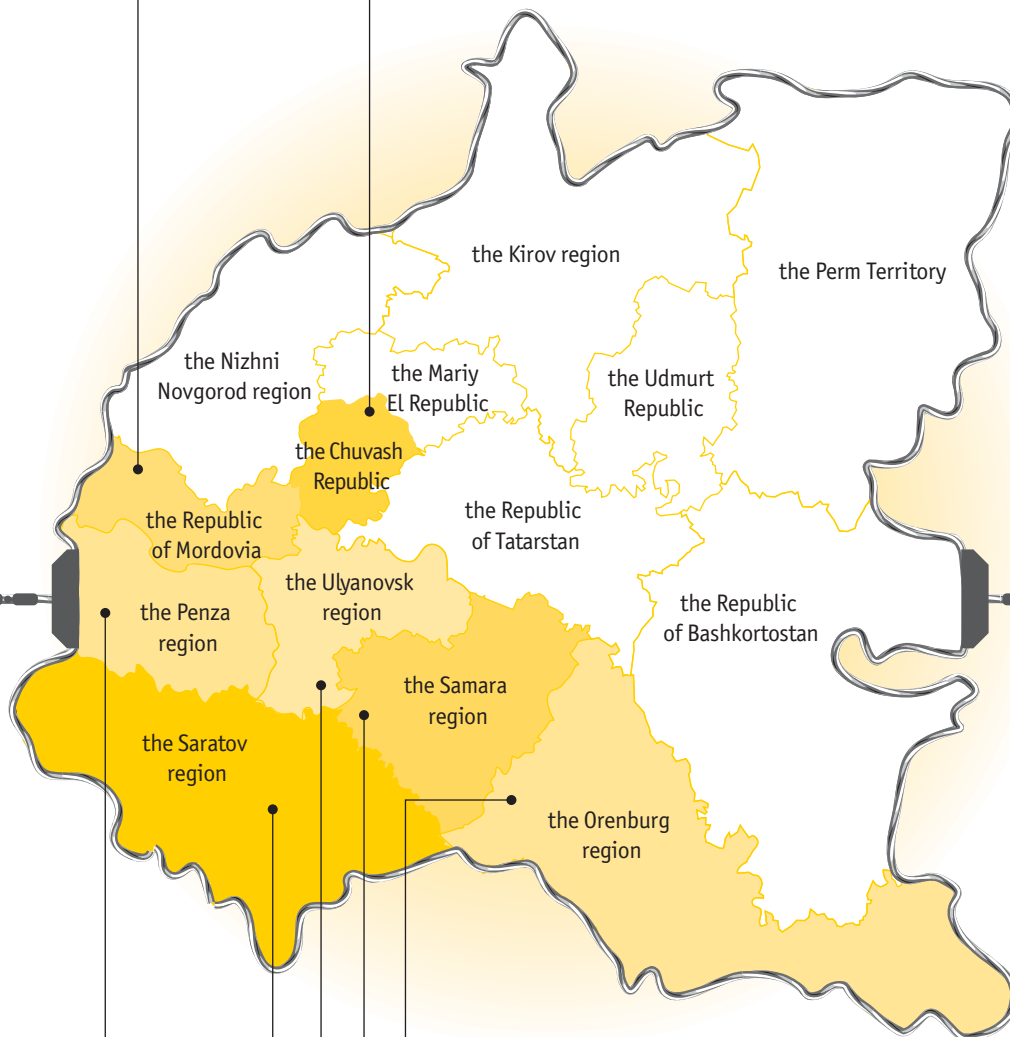
Company Information

Branch of IDGC of Volga, JSC – Mordovenergo

Area – 26.1 thousand km², population – 833.0 thousand people

Branch of IDGC of Volga, JSC – Chuvashenergo

Area – 18.3 thousand km², population – 1,279.4 thousand people



Branch of IDGC of Volga, JSC – Orenburgenergo

Area – 123.7 thousand km², population – 2,133.3 thousand people

Branch of IDGC of Volga, JSC – Samara Distribution Grids

Area – 53.6 thousand km², population – 3,170.2 thousand people

Branch of IDGC of Volga, JSC – Ulyanovsk Distribution Grids

Area – 37.2 thousand km², population – 1,321 thousand people

Branch of IDGC of Volga, JSC – Saratov Distribution Grids

Area – 100.2 thousand km², population – 2,572.9 thousand people

Branch of IDGC of Volga, JSC – Penzaenergo

Area – 44.5 thousand km², population – 1,388 thousand people

IDGC of Volga, JSC is now a successful and fast growing consolidated operating company that dominates on the power supply market within its service area. Headquarters of IDGC of Volga, JSC are located in Saratov.

The Company's activity is aimed at providing efficient, steady and reliable power supply to customers, eliminating power shortfall within its service area, increasing power grids capacity as well as modernization and renewal of fixed assets.

The production facilities of the Company consist of 1,688 35-220 kV substations with 26,572.2 MVA capacity, 44,017 6-10/0.4 kV transformer substations with 7,200.85 MVA capacity and 0.4-220 kV powerlines with the overall mileage of 222,952.40 km, including:

- › 529 35-220 kV substation with 7,631.8 MVA ca-

- › 196 35-110 kV substation with 3,003.1 MVA capacity, 6,469 6-10/0.4 kV transformer substations with 917.23 MVA capacity and 0.4-110 kV powerlines with the overall mileage of 32,688.3 km operated by the branch of IDGC of Volga, JSC, Penzaenergo;
- › 124 35-110 kV substation with 1,293.3 MVA capacity, 3,667 6-10/0.4 kV transformer substations with 628.85 MVA capacity and 0.4-110 kV powerlines with the overall mileage of 18,875.1 km operated by the branch of IDGC of Volga, JSC, Mordovenergo;
- › 101 35-110 kV substation with 2,221.4 MVA capacity, 4,631 6-10/0.4 kV transformer substations with 840.85 MVA capacity and 0.4-110 kV powerlines with the overall mileage of 20,954.4 km operated by the branch of IDGC of Volga, JSC, Chuvashenergo.

capacity, 8,885 6-10/0.4 kV transformer substations with 1,278.79 MVA capacity and 0.4-220 kV powerlines with the overall mileage of 53,405.8 km operated by the branch of IDGC of Volga, JSC, Saratov distribution grids;

- › 264 35-110 kV substation with 6,223 MVA capacity, 5,225 6-10/0.4 kV transformer substations with 940.65 MVA capacity and 0.4-110 kV power lines with the overall mileage of 31,612.5 km operated by the branch of IDGC of Volga, JSC, Samara distribution grids;
- › 171 35-110 kV substation with 2,431 MVA capacity, 5,254 6-10/0.4 kV transformer substations with 920.38 MVA capacity and 0.4-110 kV power lines with the overall mileage of 22,455.6 km operated by the branch of IDGC of Volga, JSC, Ulyanovsk Distribution Grids;
- › 303 35-110 kV substation with 3,768.6 MVA capacity, 9,886 6-10/0.4 kV transformer substations with 1,674.1 MVA capacity and 0.4-110 kV powerlines 0.4-220 kV with the overall mileage of 42,960.7 km operated by the branch of IDGC of Volga, JSC, Orenburgenergo;

Industry position

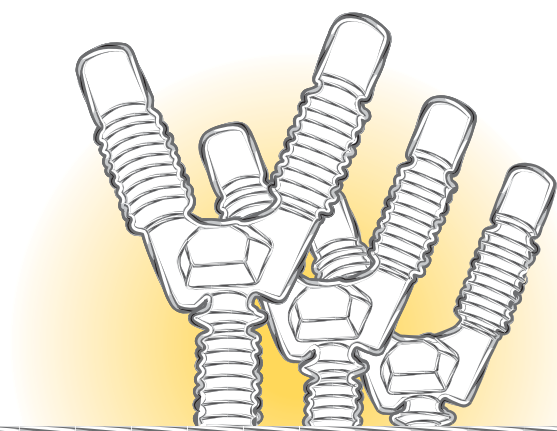
In accordance with the Order of the Federal Tariff Service of June 27, 2008 No. 273-e, IDGC of Volga, JSC was entered into the register of natural monopolies in the energy sector.

IDGC of Volga, JSC is currently classified as a second level distribution grid company, i.e. the group of interregional distribution grid companies formed on the technological and administrative-territorial basis, and dominates the power supply market in the Volga Federal District.

IDGC of Volga, JSC, does not have any competitors in a very real sense of this term because the Company's business activity as a natural monopoly on the power supply market is subject to regulation under item 1 of the Article 4 of the Federal Law on Natural Monopolies of August 17, 1995 No. 147-FZ.

Competition among local distribution grid companies operating within the service area of IDGC of Volga, JSC almost does not exist in the current environment. Competition among distribution grid companies can be possible only if several companies operate the grids of the same voltage level within

their service area. Regional and local distribution grid companies are currently operating 0.4-10 kV grids but the competition in this sector of power supply is not observed because this voltage level can only be used to supply power to the general public and government-owned organizations where operating costs exceed the revenue from servicing these customers.



High lights 2009

January

- › Commissioning of a modular mobile substation on the operating area of the branch of IDGC of Volga, JSC – Samara distribution grids.
- › Completion of power line construction project “Pleshanovo-Kalikino”, mileage 47.3 km, covering Krasnogvardeisky and Aleksandrovsky districts of the Orenburg region and connecting the western part of the Orenburg region with its central and northern parts.

February

- › Meeting between the General Director of IDGC of Volga, JSC, Vladimir Ryabikin and the Chairman Deputy of Cabinet of Ministers of the Chuvash Republic – Minister of Industry of the Chuvash Republic, Yuri Voloshin, to discuss the distribution grid complex outlook in the Republic.

- › Meeting between Senior Managers of the branch of IDGC of Volga, JSC – Mordovenergo and the Leader of the Republic of Mordovia, Nikolay Merkushkin, on the ways to increase the efficiency of the Republic’s power system.
- › Consortium “RID-Expert RA” assigned to the Company a corporate governance score of 6 (Developed Corporate Governance Practice) under the scale of the National Rating of Corporate Governance.
- › The Board of Directors of IDGC of Volga, JSC made decisions on establishing the Committee for Technological Connection to Electric Power at the Board of Directors of the Company and the Personnel and Award Committee at the Board of Directors of the Company.

- › Government of the Saratov Region and the Company signed the Cooperation Agreement for 2009.

March

- › The Board of Directors of IDGC of Volga, JSC, discussed the suggestions from the Company's shareholders on the nomination of candidates for management and supervisory bodies of the Company.
- › Branch of IDGC of Volga, JSC – Orenburgenergo received international certificates: OHSAS 18001 (Occupational Health & Safety Management System), ISO 14001 (Environmental Management System) and ISO 9001 (Quality Management System).

April

- › The Board of Directors of IDGC of Volga, JSC, issued a decision on making changes to the membership of the Management Board of the Company.
- › Completion of the reconstruction of 110/35/10 kV substation “Kalikinskaya” and the construction of 110 kV powerline “Pleshanovo-Kalikino” on the operating area of the branch of IDGC of Volga, JSC – Orenburgenergo.

May

- › The Board of Directors of IDGC of Volga, JSC approved the agenda for the Annual General Meeting of Shareholders of the Company.
- › Branch of IDGC of Volga, JSC – Chuvashenergo participated in the meeting with the leaders of the federal and regional executive agencies and the leaders of municipalities in the Chuvash Republic dedicated to the development of distribution grid complex in the Republic.

June

- › Annual General Meeting of Shareholders of IDGC of Volga, JSC was held.
- › Government of the Ulyanovsk Region and the Company signed the Cooperation Agreement on the implementation of development program and increasing the reliability of distribution grid complex on the territory of a constituent entity of the Volga Federal District.
- › Listing procedure and inclusion of ordinary shares of IDGC of Volga, JSC into the Quotation List B at the CJSC MICEX Stock Exchange.

July

- › First meeting of newly elected Board of Directors of IDGC of Volga, JSC. Okley, Pavel Ivanovich was elected the Chairman of the Board of Directors.

- › Completion of the substation “Rabochaya” construction and the substation “Vostochnaya” reconstruction on the operating area of the branch of IDGC of Volga, JSC – Mordovenergo.
- › Power engineers of the Company launched the campaign to prevent electricity-related injuries among children.

August

- › Volga production department of the branch of IDGC of Volga, JSC – Saratov Distribution Grids was entered on the Board of Honour of the Engels municipal area.
- › Completion of “Pleshanovskaya” substation reconstruction on the operating area of the branch of IDGC of Volga, JSC – Orenburgenergo.
- › Participation in the relief program for the victims of the accident at the Sayano-Shushenskaya HPP.

September

- › Branch of IDGC of Volga, JSC – Penzaenergo joined the III Investment Forum “Finding new

sources for economic growth of the region” dedicated to new projects in the industrial and agricultural sectors, innovative and computer technologies and the development of urban and rural environment.

- › Branch of IDGC of Volga, JSC – Chuvashenergo joined the representatives of governmental agencies, bankers, leaders of construction businesses, senior managers of distribution grid companies and utility enterprises in the panel discussion dedicated to finding approaches to the integrated development of land located in the Chuvash Republic for housing construction.
- › The team of IDGC of Volga, JSC, won the Russian National Prowess Contest among field service teams of IDGC Holding, JSC.
- › Branch of IDGC of Volga, JSC – Saratov Distri-

our of the Emergency Ministry of the Russian Federation.

- › Completion of the construction of a start-up facility at “Noviy Gorod” substation on the operating area of the branch of IDGC of Volga, JSC – Chuvashenergo.
- › The Board of Directors of IDGC of Volga, JSC issued the decision on the establishment of the Committee for Strategy and Development at the Board of Directors of the Company.

December

- › IDGC of Volga, JSC disclosed audited financial statements of the Company for 2007-2008 prepared in accordance with International Financial Reporting Standards (IFRS).
- › Based on the monitoring results, Consortium

bution Grids launched a second modular mobile substation.

October

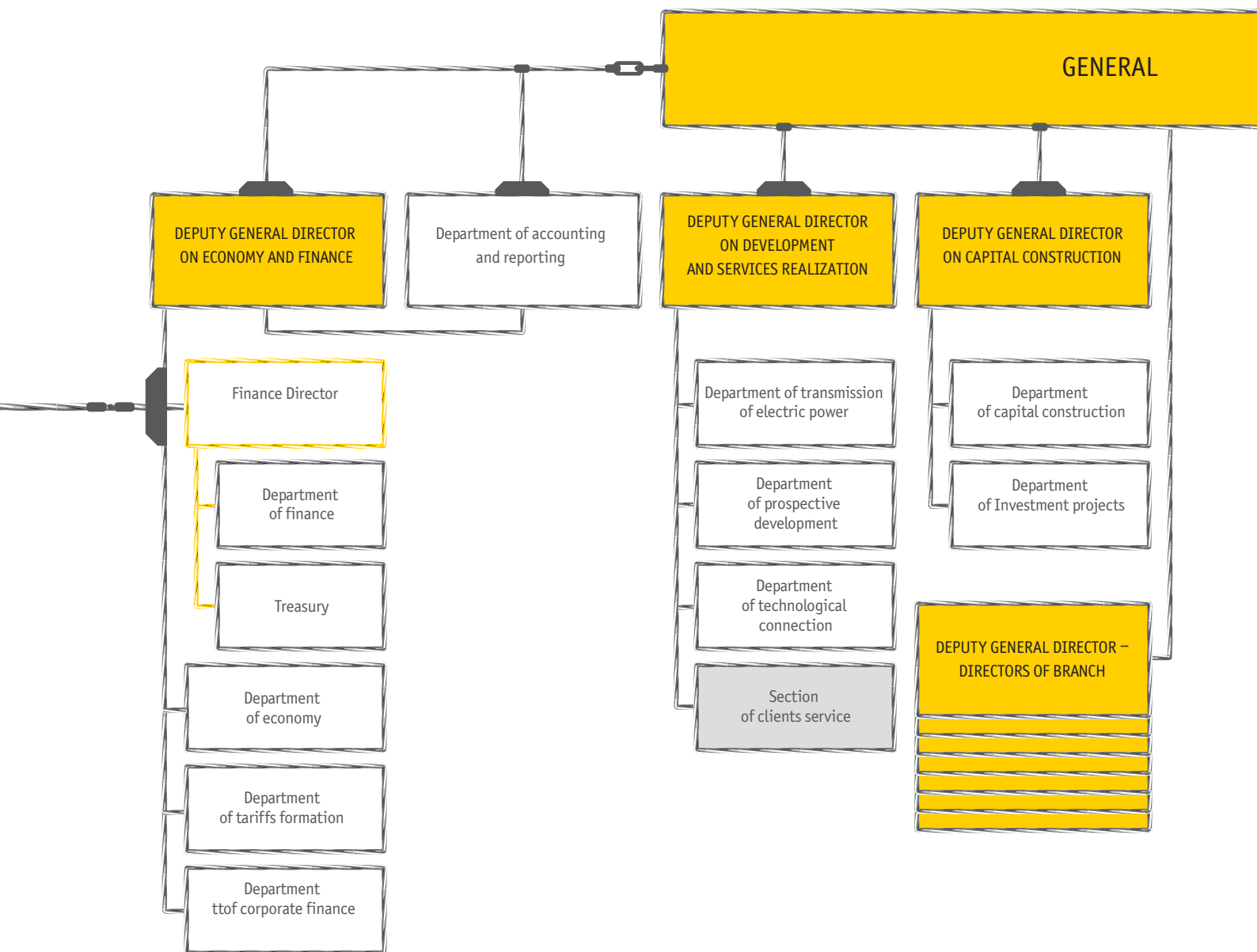
- › Based on the assessment by independent experts (stock market professionals) IDGC of Volga, JSC received a corporate award of IDGC Holding, JSC for the Most Liquid and Fastest Growing Security in 2009 among Companies of IDGC.
- › Commissioning of “Noviy Buyan” substation on the operating area of the branch of IDGC of Volga, JSC – Samaraenergo.
- › IDGC of Volga, JSC received autumn/winter operational readiness certificate for 2009-2010.
- › The Board of Directors of IDGC of Volga, JSC issued the decision on the establishment of the Committee on Operation Reliability at the Board of Directors of the Company.

November

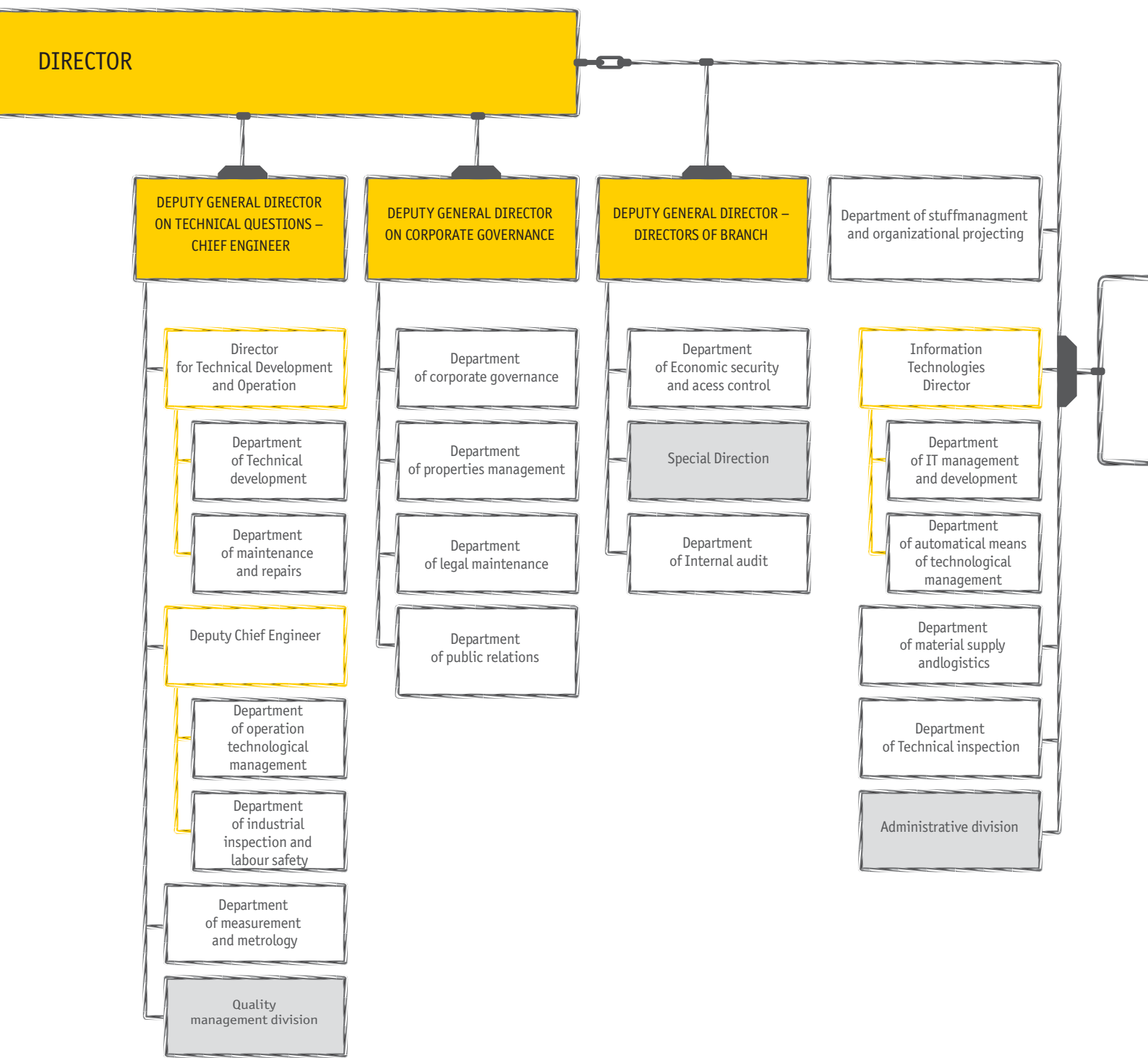
- › Chief Engineer of IDGC of Volga, JSC, Vladimir Kucherenko was awarded the Badge of Hon-

“RID-Expert RA” raised the Company’s corporate governance score to 6+ (Advanced Corporate Governance Practice) under the scale of the National Rating of Corporate Governance.

Organizational structure



Company Information

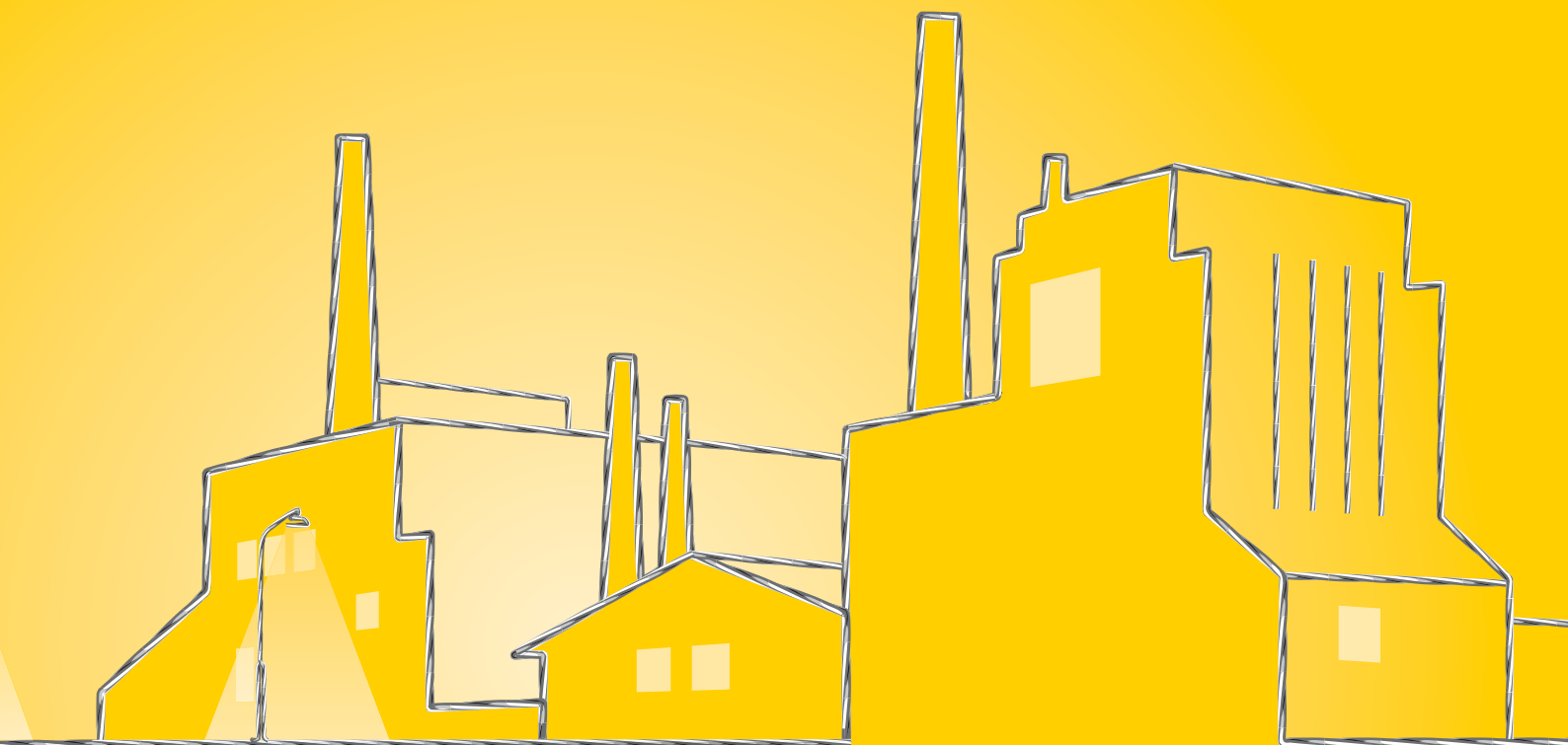


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DEVELOPMENT STRATEGY



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Mission and strategy

Mission of IDGC of Volga, JSC is to effectively use the distribution grid assets of the Company, maintain their reliability and raise investment resources for the benefit of each shareholder and the Company.

Major strategic goal of IDGC of Volga, JSC is to provide reliable and steady power supply to power consumers while cutting down on the cost of power transmission and ensuring equal access to power grids that generate profit to the Company.

Strategic development of the Company is aimed at building innovative and efficient distribution grid complex that is able to meet the demands of economic growth and social modernization in the



regions where the Company operates.

Major strategic goal of the Company can be achieved provided that the following strategic objectives are completed:

- › increasing the effectiveness of distribution grid complex;
- › modernization and building new infrastructure for distribution grid complex based on a large-scale innovative reconstruction;
- › improving the investment attractiveness of the Company.

To achieve these objectives, IDGC of Volga, JSC need to focus on the following targets:

- › to reduce the physical deterioration of distribution grid assets by 50% by 2020;
- › to increase the operating effectiveness to the level of effectiveness of distribution grid companies in advanced economies by 2020;
- › to create the reserve of power grids capacity that would outrun the demands of economic growth for three years by 2020;
- › to ensure the profitability of investments in the distribution grid complex at the level

of profitability of companies with comparable market risks in Russia;

- › to raise funds needed to implement massive fixed assets renewal for higher reliability and quality of services and more efficient business activity of distribution grid companies;
- › to introduce state-of-the-art technologies in the area of power distribution and transmission.

Primary activities

Basic objectives to attain for efficient growth of IDGC of Volga, JSC:

1. To increase the reliability and quality of services and provide system safety by implementing repair and investment programs.
2. To improve economic effectiveness by implementing cost-cutting schemes. The major focus is on cutting operating costs (cost of core service) by reducing technological and commercial losses in power grids.
3. To ensure business integration, power grids consolidation and bigger market presence.
4. To increase the investment attractiveness of the company through planned transition to RAB-regulation in accordance with applicable laws.
5. To enhance the quality of corporate governance.

The Company's risk management policies

Business activity of IDGC of Volga, JSC is associated with a range of risks that can have a significant impact on the production and financial performance under certain circumstances. These risks stem from the nature of power industry and business activity of IDGC of Volga, JSC as well as political and economic situation in the country and the region.

The Company's risk management policies focus on timely identification and prevention of possible risks to minimize their negative impact on financial and business activities of the Company.

Risk management process includes the following phases:

- › risk factors identification;
- › risk assessment;
- › selection of a risk management method.

Risk factors identification phase includes the analysis of data on the number of risks, their relationship and manageability as well as the possibility of losses associated with identified risk factors and measures that can help reduce possible losses or shortfall in income.

Risk assessment is based on the comprehensive research of the financial and business activities and external environment, the analysis of internal and external risk factors, building and analysis of outcomes for each risk factor as well as building mechanisms and models on the relationship of risk indicators and risk factors.

Risk assessment is performed after all risk indicators and sources have been identified and put into one of the following categories – existing risk, predictable risk and unpredictable risk.

The use of assessment methods depends on the category to which identified risks are assigned. For example, in case of existing risks, when all relevant information is available, expected losses calculation and the estimation of maximum reduction level of controlled indicators (at fixed confidence coefficient) are used as forecast estimates.

When assessing predictable risks, the focus is on building scenarios under which targeted indicators can decline down to threshold levels.

When the Company does not have enough statistical data, expert scenario modeling is applied.

The Company uses different methods to achieve an optimal (acceptable) level of risk for each particular business situation. The diversity of risk management methods applied can be divided into four types:

- › risk aversion (avoiding unreliable partners and risky projects, business risks insurance, seeking for guarantors);
- › risk localization (building working teams to complete risky projects);
- › risk diversification (credit and investment portfolio diversification);
- › risk compensation (strategic planning, monitoring of social and economic situation and regulatory environment, creating the system of reserves).

The following major risks can affect the business activity of IDGC of Volga, JSC.

Industry risks

Projected development trend of the industry depends on the overall trend of social and economic development of the region and other industries of the Russian economy.

The demand for services the industry is offering is steady and not influenced by seasonal fluctuations. However, due to the crisis in the global and Russian economy and, thus, stagnation of real sector,

there are risks of considerable decrease in the power consumption by industrial sector, which can lead to lower revenue from distribution grid services and, accordingly, poorer financial performance.

The Company generated the major portion of its income from power transmission services on the territory of seven regions: Samara, Saratov, Ulyanovsk, Penza and Orenburg Regions, the Republic of Mordovia, and the Chuvash Republic.

Besides IDGC of Volga, JSC, other large distribution grid companies operate on the territory of the regions and each company is confined to the particular area:

- › in the Samara Region: "Samara Municipal Electric Power Grids", JSC and "Samara Distribution Grids", JSC;
- › in the Saratov Region: "Oblkommunenergo", JSC, "Saratov City Power Grids Enterprise", JSC, "Gazpromenergo", LLC, Russian Railways branch "Privolzhye Railway", JSC, "Energosbyt";
- › in the Ulyanovsk Region: "Ulyanovsk Municipal Electric Power Grids", MUE;
- › in the Orenburg Region: South Ural Branch of "Gazpromenergo", JSC and "Orenburg Utility Power Grids", SUE;
- › in the Penza Region: "Penzenskaya Gorelektroset", JSC, "Gorelektroset", ME (Zarechny), "Gorelektroset", MUE (Kuznetck);
- › in the Republic of Mordovia "WATT Technical Firm", JSC, "Utility Systems", LLC, "Elektroteploset", LLC;
- › in the Chuvash Republic: "Utility Technologies", LLC, "Kanash City Power Grids", JSC and "Shumerlya City Power Grids", MUE.

Risks of changes in prices for materials, equipment and services used by the Company in its business activity are compensated by initiating tenders in compliance with the Procedure for Carrying Out Standardized Procurement of Goods, Works and Services for the needs of IDGC of Volga, JSC.

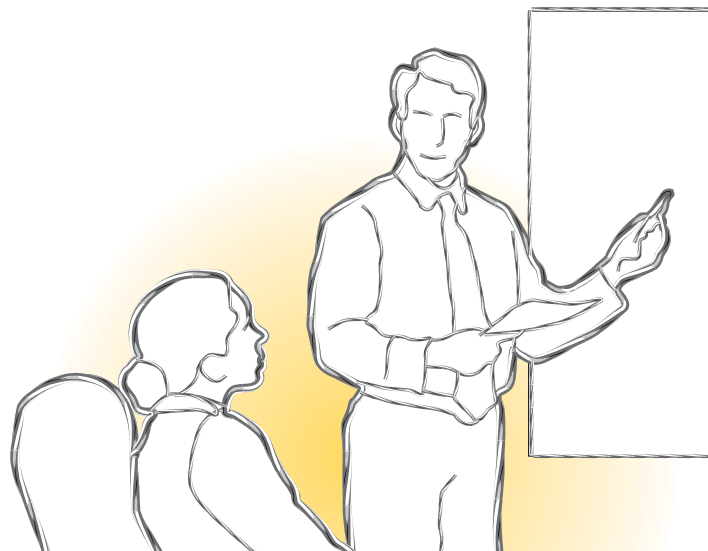
According to applicable laws, an entity that provides power transmission services operates on the natural monopoly market where the business competition does not exist. The activity of such company is subject to government regulation.

In addition, there are risks associated with the ongoing process of reforms in power industry, including the absence of target model for retail markets.

Risks associated with changes in prices on outside markets do not exist because the Company does not export its services.

Country and regional risks

Industrial output is currently declining due to the impact of the global economic crisis. With rising oil prices, shrinking of the US economy, unstable growth in emerging economies and volatility across



global stock markets, the risk of deeper recession in the global economy still persists.

The Company looks to minimize the risk of considerable decline in power consumption in the mid term.

In case of military conflicts, announcement of the state of emergency or strikes, the Company will suffer risks of suspension of or decline in its financial and business activity and can lose a portion of income from its core business activity.

Risks associated with geographic conditions of the regions including increased risk of natural calamities, possible disruption of transportation networks due to remoteness and/or inaccessibility does not exert significant effect on the business activity of the Company because the regions where the Company operates are characterized by minor exposure to these risks.

Therefore, the Company does not expect country and regional risks to significantly affect its financial and business performance.

Financial risks

Risks associated with changes in interest rate.

With current global financial crisis there is a high possibility that the interest rate will rise in the Russian Federation. Interest rate fluctuations, however, are not expected to seriously affect the financial and business activities of the Company since the debt portion in financing sources structure and the portion of outlays for debt servicing in the total amount of the Company's expenses are minor. Based on the tenders in 2009, debt interest rate showed a downward trend.

Inflationary risk. Russian economy is characterized by high inflation rate. The inflation rate was at 8.8% in 2009. Recent years saw a gradual decline in inflation rate.

Basically, inflationary factors are not expected to seriously affect financial stability of IDGC of Volga, JSC. If the inflation rate rises, the Company plans to adjust its receivables management and spending, increase its current assets turnover while retaining advantageous terms of payment with its suppliers.

With regards to the length of operating cycle, the upper inflation rate for the Company is at more than 20%. The Company predicts low possibility that inflation rate in Russia will reach the upper limit in the mid term as the Government and the Central Bank are set to implement anti-inflationary monetary policy. Under these circumstances, there is a low risk that the Company will be unable to meet its monetary obligations to shareholders.

Risks associated with changes in foreign exchange rates. IDGC of Volga, JSC, is performing its financial and business activities within the territory of the Russian Federation and does not plan to operate in external markets. With all liabilities denominated in the Russian currency, the risks associated with changes in foreign exchange rates are considered as being low. On the other hand, the Company

With this in mind, IDGC of Volga, JSC intends to plan its financial and business activities according to the tax laws, factoring in changes that can be made to existing tax procedures and rates.

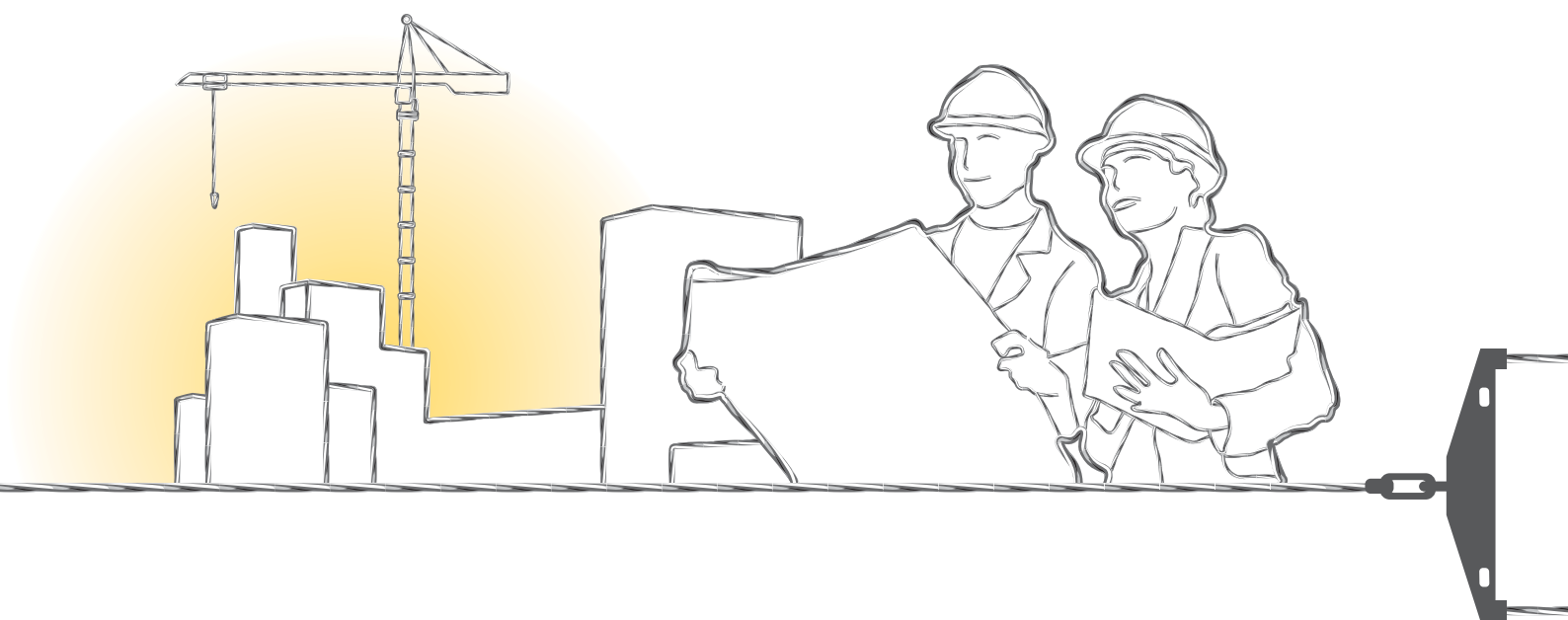
Risks associated with the involvement of IDGC of Volga, JSC in court proceedings. IDGC of Volga, JSC is currently not involved in any court proceedings that can entail risks associated with business activity of the Company

purchases foreign equipment the cost of which will increase in case of rising foreign exchange rate. In case of the increase in the cost of foreign equipment, the Company plans to reduce foreign purchases in favor of domestic equipment. In doing so the Company will lower its exposure of its financial condition, liquidity and business performance to the risk of changes in exchange rate.

Legal risks

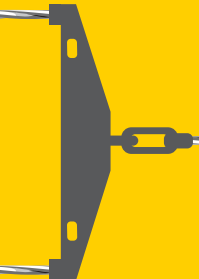
Operating within constantly changing regulatory framework and emerging of a new structure of the power market lead to more complicated contractual connections and relationships, which involves the possibility of legal risks. Basically, legal risks associated with the business activity of IDGC of Volga, JSC are identical for the majority of business entities.

Risks associated with changes to tax law. As a business entity, IDGC of Volga, JSC is involved in tax relationships that tend to change due to constant development of tax laws in the Russian Federation, essential changes to which may cause more tax payments and, accordingly, lower net income.



3

CORPORATE GOVERNANCE



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Structure and principles of corporate governance



IDGC of Volga, JSC puts great emphasis on the corporate governance, believing that high quality of corporate governance system is the crucial factor that ensures successful business and determines the reputation and investment attractiveness of the Company. Improvement of corporate governance promotes the enhancement of business processes in the Company and takes them to a new level.

In order to ensure high level of corporate governance and reaching the cooperation between the Company and its shareholders, IDGC of Volga, JSC adopted the following basic principles of corporate governance:

- › fairness (ensuring the same attitude to all shareholders and providing shareholders with an opportunity to get adequate remedies in case of violation of their rights);
- › management accountability to shareholders (responsibility to shareholders for efficient management and proper supervision over the Company's activities and taking actions in compliance to approved decision making procedures);

- › transparency and timely disclosure (disclosure of accurate information on substantial facts related to the Company's business activities including financial condition, social and environmental indicators, business performance, ownership and management structure of the Company as well as providing free access to information required by interested parties).

The Company adheres to the requirements of the Russian laws on corporate governance. IDGC of Volga, JSC is seeking to comply to the guidelines of the Russian Code on Corporate Governance (recommended by the Order of the Russian Federal Securities Commission of April 4, 2002

No. 421/r) and the corporate governance principles, adopted internationally. Corporate governance statement of compliance by IDGC of Volga, JSC can be found in the Annex 1 to the Annual Report.

On February 25, 2009, the Consortium of the Russian Institute of Directors and the rating agency "Expert RA" – "READ-Expert RA" assigned to the Company corporate governance score of 6 "Developed

Corporate Governance Practice” under the scale of the National Rating of Corporate Governance. Experts from the Consortium highlighted a broad range of positive aspects in the corporate governance of IDGC of Volga, JSC. According to the assessment of experts, the Company has low corporate governance risks, adheres to the Russian laws on corporate governance, and follows most of the guidelines from the Russian Code on Corporate Governance and some international guidelines for corporate governance practice.

In the period between February 25, 2009 and December 28, 2009 the Consortium of the Russian Institute of Directors and the rating agency “Expert RA” – “READ-Expert RA” conducted the monitoring of corporate governance practice at IDGC of Volga, JSC and found a range of essential improvements, which allowed to reconsider the Company’s score and raise it to 6+.

Management and supervisory bodies

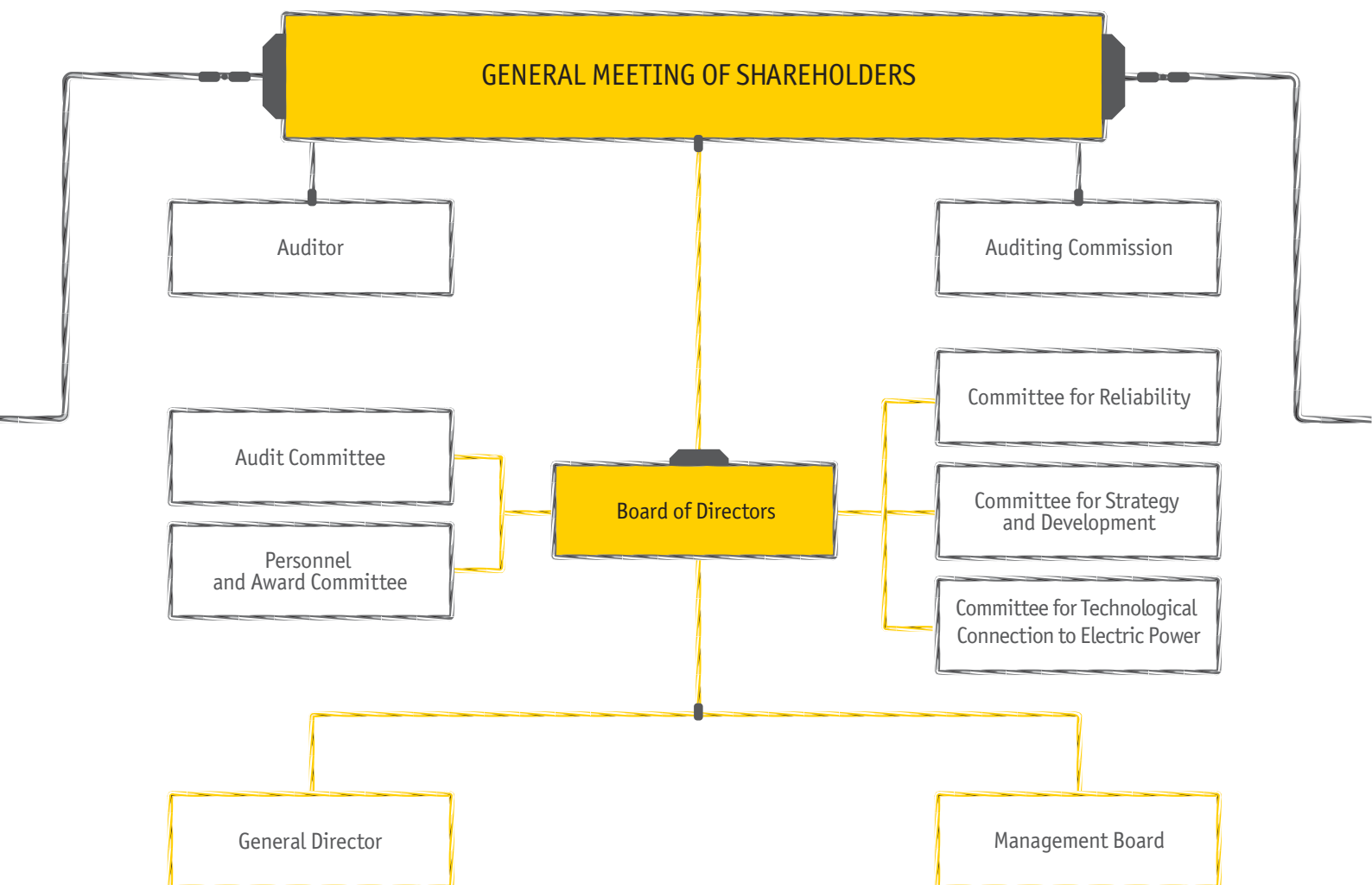
According to the Charter of IDGC of Volga, JSC, management bodies of the Company include:

- › General Meeting of Shareholders
- › Board of Directors
- › Management Board
- › General Director

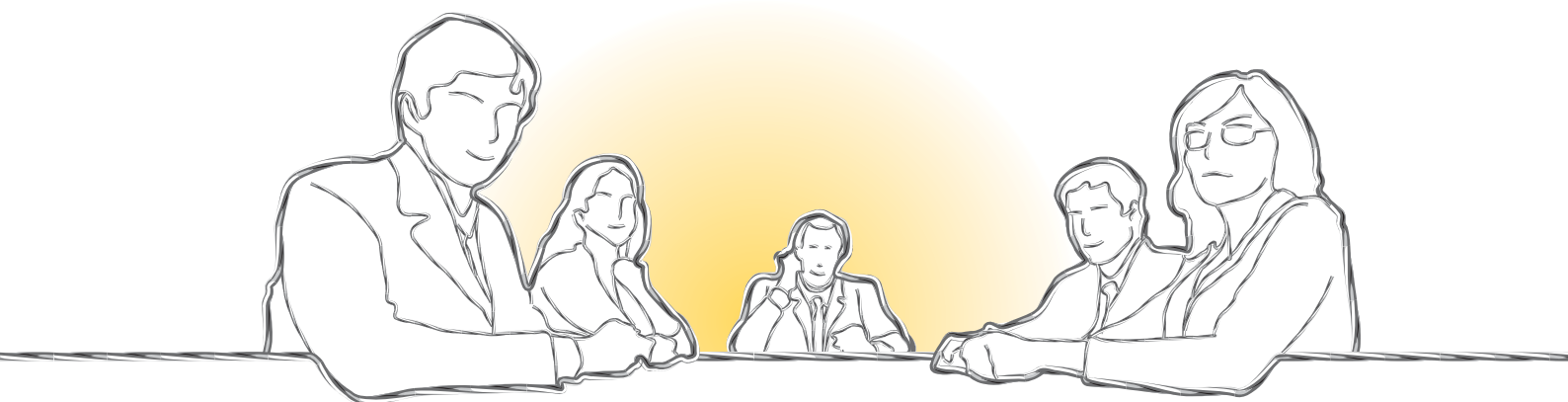
Auditing Commission performs the functions of the Company’s Business and Financial Supervisory Body.

3 POWER OF CREATION

Structure of corporate governance as of december 31, 2009



General Meeting of Shareholders



General Meeting of Shareholders is the superior management body of the Company that makes decisions on the crucial business matters. Procedure for convening and holding the General Meetings of Shareholders of IDGC of Volga, JSC is set forth in the Charter and the Procedure for Convening and Holding the General Meeting of Shareholders of the Company.

General Meeting of Shareholders of IDGC of Volga, JSC for 2008 was held on June 5, 2009. The Meeting approved: the Company's annual report for 2008, annual accounting reports including profit and loss statement and the report on allocation of profit and losses for 2008 fiscal year, the Company's Auditor and the membership of the Board of Directors and Auditing Commission of the Company.

Complete report on the decision of the General Meeting of Shareholders is available at the corporate web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sobraniya_aktsionerov/.

Board of Directors

The Board of Directors of IDGC of Volga, JSC is responsible for overall management of the Company and acts within the authority provided by the Charter and the Procedure for Convening and Holding the Meetings of the Board of Directors of IDGC of Volga, JSC.

The Board of Directors is charged with strategic management, elaboration of plans for strategic and financial development, determination of investment policies, assessment of the performance of executive bodies of the Company and management, adoption of corporate governance procedures, approval of transactions and supervision over overall business activity of the Company.

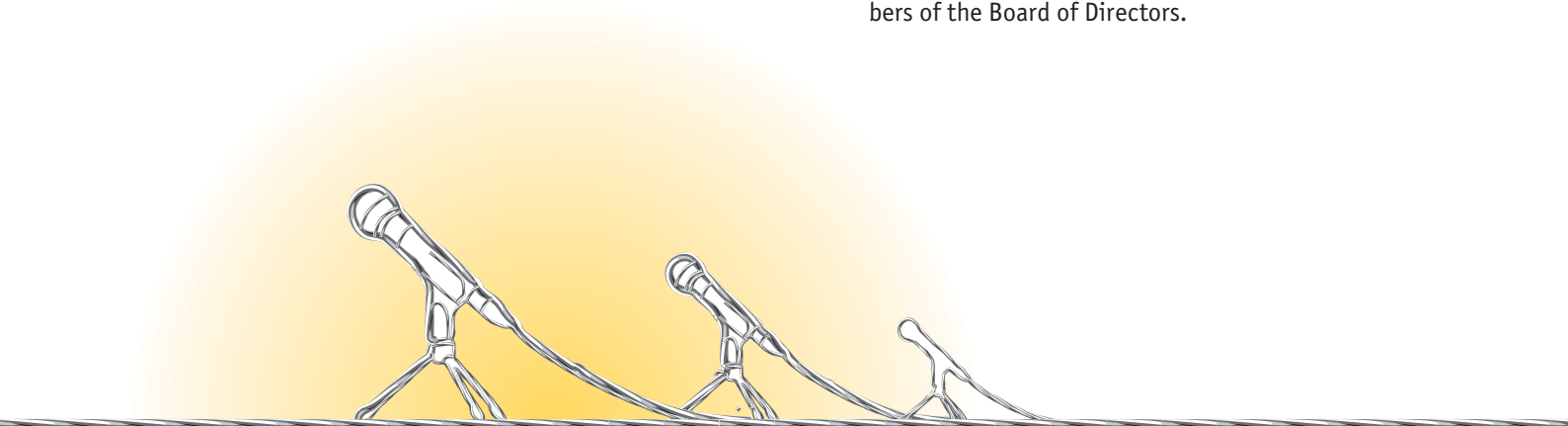
The Board of Directors includes 11 members. The members of the Board of Directors are elected by the General Meeting of Shareholders for the period ending with the convention of the next General Meeting of Shareholders.

The members of the Board of Directors that acted during the period from May 30, 2008 to June 5, 2009*

| | |
|------------------------------------|---|
| Chistyakov Aleksandr Nikolayevich | First Deputy Chairman of Management Board of FGC UES, JSC |
| Ametov Iskander Dzhangirovich | General Director of the Branch of UES SO-CDU, JSC - Srednyaya Volga ODU. |
| Dolgikh Vyacheslav Mikhailovich | Deputy of the Head of the Department for Regulatory Advice of the Reforms Management Center of RAO UES of Russia |
| Zenyukov Igor Alikovich | Deputy of the Head of the Corporate Governance and Cooperation with Shareholders Department of the Corporate Center of RAO UES of Russia |
| Kravchenko Vyacheslav Mikhailovich | Director of the Department for Structural and Charging Policy for Natural Monopolies of the Ministry of Industry and Energy of the Russian Federation |
| Kurochkin Aleksey Valeryevich | Deputy Director of the Management Centre for Interregional Distribution Grid Companies of FGC UES, JSC |
| Remes Seppo Ukha | Director of FIM Financial Services |
| Ryabov Dmitry Vladislavovich | General Director of Lenenergo, JSC |
| Streltsov Sergey Viktorovich | General Director of the branch of FGC UES, JSC – BPS of Volga |
| Fedorov Denis Vladimirovich | Advisor of the General Director of Mezhtregiongaz, LLC |
| Erpsheer Natalia Ilinichna | Head of the Department for human resources and organizational planning at the Management Centre for Interregional Distribution Grid Companies of FGC UES, JSC |

* Titles at the moment of election

In order to ensure unbiased decision making and maintain the balance of interests, the Company keeps, at least, three independent Directors as members of the Board of Directors.



Board of Directors elected on June 5, 2009*

| | |
|-------------------------------------|--|
| Okley Pavel Ivanovich | Deputy Director General – Technical Director of IDGC Holding, JSC |
| Ametov Iskander Dzhangirovich | General Director of the Branch of UES SO-CDU, JSC - Srednyaya Volga ODU. |
| Vinogradova Tatyana Viktorovna | Deputy of the Head of the Property Management Department of IDGC Holding, JSC |
| Gromov Maksim Evgenyevich | General Director of «Energia razvitiya, audit», LLC |
| Ivanov Sergey Nikolayevich | First Deputy Chairman of Management Board of FGC UES, JSC |
| Inozemtsev Vladimir Vyacheslavovich | Head of the Department for Power Dispatch and Cooperation with Customers of IDGC Holding, JSC |
| Katina Anna Yuryevna | Head of analysis and supervision unit of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC |
| Popovsky Sergey Nikolayevich | Member of the Management Board – Deputy Chairman of the Management Board of the Nonprofit Partnership Council for Organizing Efficient System of Trading at Wholesale and Retail Electricity and Capacity Market |
| Ryabikin Vladimir Anatolyevich | General Director of IDGC of Volga, JSC |
| Saukh Maksim Mikhailovich | First Deputy of the Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC |
| Tihonova Marya Gennadyevna | Deputy Director of the Department for Economic Regulation and Property Relations in the Energy Sector at the Ministry of Energy of the Russian Federation |

* Titles at the moment of election

Current membership of the Board of Directors

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

Okley, Pavel Ivanovich, was born in 1970. He graduated from the Omsk Institute of Railway Transport Engineers, majoring in “Automatics, telemechanics and communications for railway transport” and the Academy of National Economy of the Russian Federation Government (ANE), majoring in “Business development management”. Since 2008, the Deputy Director General – Technical Director of IDGC Holding, JSC. Currently the member of the Management Board of IDGC Holding, JSC.

Ametov, Iskander Dzhangirovich

Ametov, Iskander Dzhangirovich, was born in 1950. He graduated from the energy department at the Tashkent Polytechnic Institute. Since May 16, 2006, the General Director of the Branch of UES SO-CDU, JSC - Srednyaya Volga ODU.

Vinogradova, Tatyana Viktorovna

Vinogradova, Tatyana Viktorovna, was born in 1973. She graduated from the Moscow Engineering and Physics Institute (Technical University), majoring in engineering mathematics and the Finance Academy at the Government of the Russian Federation, majoring in economics. Since 2008, Deputy of the Head of the Property Management Department of IDGC Holding, JSC. Member of the Audit Committee at the Board of Directors of the Company.

Gromov, Maksim Evgenyevich

Gromov, Maksim Evgenyevich, was born in 1975. He graduated from the Ivanovo State Energy University, mechanic engineer. From 2007 to February 2009, First Deputy Director General of Middle Volga Managing Energy Company, JSC. From 2008 to December 2009, General Director of “Energia razvitiya, audit”, LLC. Since December 2009, the First Deputy Head of the Regional Tariff Agency for Ivanovo Region.

Saukh, Maksim Mikhailovich –
Deputy
Chairman
of the Board
of Directors

Saukh, Maksim Mikhailovich, was born in 1979. He graduated from the St. Petersburg Humanitarian University of the Trade Unions, majoring in law. Since 2008, the First Deputy Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC. Since July 2009, the Deputy Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC. Chairman of the Audit Committee and the member of the Committee for Strategy and Development at the Board of Directors of the Company.

Ivanov, Sergey Nikolayevich

Ivanov, Sergey Nikolayevich, was born in 1961. He graduated from the Moscow Engineering and Physics Institute, majoring in theoretical nuclear physics, Doctor of Economics. Since 2008, First Deputy Chairman of Management Board of FGC UES, JSC. Since January 2010, Member of the Management Board of FGC UES, JSC. Member of the Committee for Strategy and Development at the Board of Directors.

Inozemtsev, Vladimir Vyacheslavovich

Inozemtsev, Vladimir Vyacheslavovich, was born in 1977. He graduated from the Omsk State Technical University, majoring in electric power supply for industrial enterprises. Since 2008, the Head of the Department for Power Dispatch and Cooperation with Customers of IDGC Holding, JSC.

Katina, Anna Yuryevna

Katina, Anna Yuryevna, was born in 1982. She graduated from the Moscow Humanitarian University, majoring in law. Since 2008, Head of analysis and supervision unit of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC. Member of the Audit Committee at the Board of Directors.

3 POWER OF CREATION

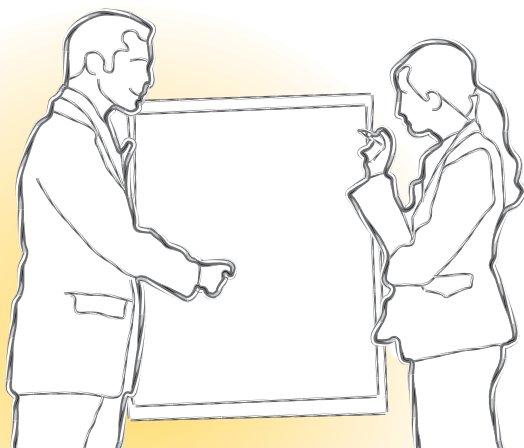
Popovsky, Sergey Nikolayevich Popovsky, Sergey Nikolayevich, was born in 1971. He graduated from the Krasnoyarsk Institute of Nonferrous Metals, majoring in research and project design work. CAD systems. Since 2008, Member of the Management Board – Deputy Chairman of the Management Board of the Nonprofit Partnership Council for Organizing Efficient System of Trading at Wholesale and Retail Electricity and Capacity Market.

Ryabikin, Vladimir Anatolyevich Ryabikin, Vladimir Anatolyevich, was born in 1965. He graduated from the Russian State Open Technical University of Railway Transport, majoring in “Automatics, telemechanics and communications for railway transport”. Since December 12, 2008 – General Director of IDGC of Volga, JSC.

Tihonova, Marya Gennadyevna Tihonova, Marya Gennadyevna, was born in 1980. She graduated from the Volga-Vyatka Academy of Public Administration, majoring in “State and municipal management” and the Higher School of Economics (MBA), majoring in finance. From 2008 to April 2009, Head of Department for Economic Regulation and Property Relations in the Energy Sector at the Ministry of Energy of the Russian Federation. From May 2009 to January 2010, Deputy Director of Department for Economic Regulation and Property Relations in the Energy Sector at the Ministry of Energy of the Russian Federation. From January to March 2010, Acting Director of the Department for Economic Regulation and Property Relations in the Energy Sector at the Ministry of Energy of the Russian Federation. From March 12, 2010, Director of the Department for Economic Regulation and Property Relations in the Energy Sector at the Ministry of Energy of the Russian Federation.

The members of the Board of Directors did not hold shares of IDGC of Volga, JSC, as of December 31, 2009. The members of the Board of Directors did not sell or buy shares of IDGC of Volga, JSC during 2009.

The Company has no information about bringing any action against the members of the Board of Directors.



Members of the Board of Directors did not participate in any training programs sponsored by the Company in 2009.

Meeting of the Board of Directors are held on the regular basis but no less than once a month. In 2009, the Board of Directors held 22 meetings, including 1 mixed meeting. It is worth to mention the following major decisions adopted by the Board of Directors in 2009:

- › approval of targeted key performance indicators for 2009;
- › approval of the business plan of the Company for 2009;
- › approval of the Annual Intergrated Procurement Plan for 2009;
- › approval of the System Automation Project of IDGC of Volga, JSC for 2009-2012;

The Company has adopted the Regulation on awarding rewards and compensations to the members of the Board of Directors of IDGC of Volga, JSC. According to the Regulation, the amount of awards to the members of the Board of Directors of the Company depends on the Company's performance and the performance of each particular member of the Board of Directors. Net income as reported by annual accounting reports and the increase in the market value of the Company (capitalization) are chosen as the Company's performance indicators used to determine the amount of awards, while attendance of the meetings of the Board of Directors of the Company is used as a performance indicator for each member of the Board of Directors. This creates incentives for the members to be responsible and to perform the functions of the Board of Directors effectively and to align their actions with the interests of shareholders. The total amount of awards paid to the members of the Board of Directors of IDGC of Volga, JSC in 2009 was 15,105,411 roubles.

- › approval of the Company's participation in the nonprofit partnership "ENERGOPROEKT" and the nonprofit partnership "ENERGOSTROY";
- › establishment of the Committees of the Board of Directors and the approval of the documents regulating their activity;
- › election of the members of the Management Board;
- › approval of the Procedure for the cooperation between the Company and business organizations which shares (stocks) are owned by IDGC of Volga, JSC;
- › approval of the Regulation on managing the housing and utility facilities owned by the Company;
- › approval of the revised Regulation on providing insurance coverage for IDGC of Volga, JSC;
- › approval of the Insurance Coverage Program of the Company for 2009;
- › approval of the Non-government Pension Plan for the employees of the IDGC of Volga, JSC for 2009;

- › approval of the organizational structure of management bodies of the Company.

The Board of Directors regularly discussed the reports by the General Director of IDGC of Volga, JSC on different areas of the Company's activity and on the execution of the decisions of the Board of Directors of the Company.

The Board of Directors approved 16 interested party transactions in 2009. Refer to the

Annex No. 2 to this Annual Report for detailed information on these transactions.

In 2009, IDGC of Volga, JSC did not enter into transactions defined as "large-scale transactions" by the Federal Law "On Joint-Stock Companies" or other transactions subject to the Procedure on ap-

proval of large-scale transactions in accordance with the Charter of the Company.

Decisions made by the Board of Directors of IDGC of Volga, JSC are available on the corporate web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sovet_direktorov/resheniya_soveta_direktorov/.



Committees of the Board of Directors

The Charter of the Company allows the Board of Directors to establish committees that are charged with delivering draft reports and preparing recommendations for the Board of Directors on the matters of importance. The Audit Committee of the Board of Directors of IDGC of Volga, JSC was working in 2008. In 2009, the Board of Directors decided on the establishment of the Committee for Strategy and Development, the Committee for Reliability, Personnel and Award Committee and Committee for Technological Connection to Electric Power.

The Committees of the Board of Directors represent advisory bodies that should ensure that the Board of Directors efficiently performs its functions for the overall management of the Company. The Committees are not the management bodies of the Company and have no right to act on behalf

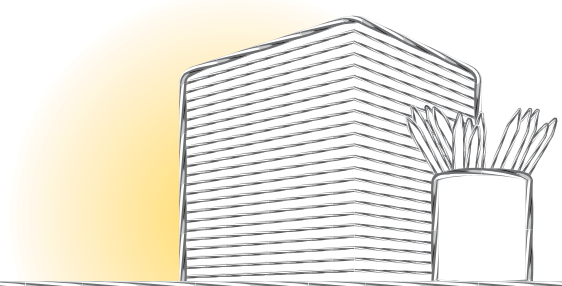
of the Company. The Committees function in compliance with the Regulations which cover the legal status, goals and objectives, rights and responsibilities, structure and membership of each Committee. When performing its functions, the Committees shall comply with the Federal Laws and other regulations of the Russian Federation, the Charter of IDGC of Volga, JSC, the Regulation on the Procedure for Convening and Holding the Meetings of the Board of Directors of the Company and the Decisions of the Board of Directors of the Company.

Audit Committee

The Audit Committee of the Board of Directors of IDGC of Volga, JSC was established by virtue of the decision of the Board of Directors of the Company on November 13, 2008. The Audit Committee of the Board of Directors is responsible for making recommendations and suggestions regarding the arrangement and carrying out of the audit, identification and prevention of situations that can trigger financial and transaction risks. The Committee verifies the compliance of financial statements of the Company and external audit report with applicable laws of the Russian Federation as well as Russian and international accounting standards. By virtue of the decision of the Board of Directors, the Committee includes 3 members. The Audit Committee held 6 meetings in 2009.

Decisions made by the Board of Directors of IDGC of Volga, JSC are available on the corporate web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sovet_direktorov/komiteti_pri_sovete_direktorov/komitet_po_auditu/.



Current membership of the Audit Committee

| | |
|--|--|
| Saukh Maksim Mikhailovich (Chairman of the Committee) | Deputy Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC |
| Vinogradova Tatyana Viktorovna | Deputy of the Head of the Property Management Department of IDGC Holding, JSC |
| Katina Anna Yurievna | Head of analysis and supervision unit of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC |

3 POWER OF CREATION

Committee for Strategy and Development

The Committee for Strategy and Development of the Board of Directors of IDGC of Volga, JSC was established by virtue of the decision of the Board of Directors of the Company on November 30, 2009.

The Committee is responsible for the determination of strategic goals of the Company, setting priorities for the Company's business activity, assessment of long-term business performance and making recommendations to the Board of Directors on adjusting the existing development strategy of the Company. By virtue of the decision of the Board of Directors, the Committee includes

7 members. The Committee held 1 meeting in 2009.

Decisions made by the Committee for Strategy and Development of the Board of Directors of IDGC of Volga, JSC are available at the corporate web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sovet_direktorov/komiteti_pri_sovete_direktorov/komitet_po_strategii_i_razvitiu/.



Current membership of the Committee for Strategy and Development

| | |
|---|--|
| Kuznetsov Vladimir Vasilyevich (Chairman of the Committee) | Head of the Center for Strategy and Development of IDGC Holding, JSC |
| Ivanov Sergey Nikolayevich | Member of the Management Board of FGC UES, JSC |
| Kirillov Yuri Aleksandrovich | Director for Economy and Finance of «Distribution Grid Company of Middle Volga», JSC; Advisor at «Energia razvitiya, audit», LLC |
| Pankstyanov Yuri Nikolayevich | Head of the Charging Policy Department of IDGC Holding, JSC |
| Podlutsky Sergey Vasilyevich | Head of the unit for consolidated research on external production resources of the Investment Department of IDGC Holding, JSC |
| Saukh Maksim Mikhailovich | Deputy Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC |
| Tihonova Marya Gennadyevna | Director of the Department for Economic Regulation and Property Relations in the Energy Sector at the Ministry of Energy of the Russian Federation |

Committee for Reliability

The Committee for Reliability of the Board of Directors of IDGC of Volga, JSC was established by virtue of the decision of the Board of Directors of the Company on October 30, 2009.

The Committee is responsible for making recommendations (opinions) to the Board of Directors and the Executive Body regarding the assessment of the Company's technical agencies performance, completeness and adequacy of measures taken following accidents or serious technological breakdowns as well as their performance supervision. By virtue of the decision of the Board of Directors, the Committee includes 7 members. The Committee for Reliability held 1 meeting in 2009.

Decisions made by the Committee for Reliability of the Board of Directors of IDGC of Volga, JSC are available on the corporate web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sovet_direktorov/komiteti_pri_sovete_direktorov/komitet_po_nadezhnosti/.



Current membership of the Committee for Reliability

| | |
|--|---|
| Golubev Pavel Vladilenovich (Chairman of the Committee) | Head of the Department for Operation of M&R of IDGC Holding, JSC |
| Berezovsky Aleksey Alekseevich | Deputy Director General for Finance and Economy of IDGC of Volga, JSC |
| Kucherenko Vladimir Ivanovich | Deputy Director General for Technical Issues – Chief Engineer of IDGC of Volga, JSC |
| Solostovsky Viktor Nikolayevich | Deputy Director General for Capital Projects of IDGC of Volga, JSC |
| Kritsky Viktor Anatolyevich | Deputy Director General of the Branch of «SO of UES», JSC – UDM for Middle Volga |
| Astafyev Sergey Olegovich | Director for Technological Development and Operation of IDGC of Volga, JSC |
| Podlutsky Sergey Vasilyevich | Head of the unit for consolidated research on external production resources of the Investment Department of IDGC Holding, JSC |

3 POWER OF CREATION

Personnel and Award Committee

The Personnel and Award Committee of the Board of Directors of IDGC of Volga, JSC was established by virtue of the decision of the Board of Directors of the Company on February 20, 2009.

The Personnel and Award Committee assists the Board of Directors in addressing the issues related to human resources management, social responsibility and corporate governance. The Committee's major responsibility is to hire duly qualified managers and create incentives to ensure the efficiency of their work. By virtue of the decision of the Board of Directors, the Committee includes 3 members. The Personnel and Award Committee held 5 meeting in 2009.



Current membership of the Personnel and Award Committee:

| | |
|---|---|
| Chigrin Andrey Valeryevich (Chairman of the Committee) | Head of the Personnel Department of IDGC Holding, JSC |
| Lutskovich Viktor Evgenyevich | Deputy Head of the Personnel Department of IDGC Holding, JSC |
| Katelin Sergey Gennadyevich | Director for Personnel and Organizational Planning – Head of the Personnel and Organizational Planning Department of IDGC of Volga, JSC |

Decisions made by the Personnel and Award Committee of the Board of Directors of IDGC of Volga, JSC are available at the corporate web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sovet_direktorov/komiteti_pri_sovete_direktorov/komitet_po_kadram_i_voznagrazhdeniyam/.

Committee for Technological Connection to Electric Power

The Committee for Technological Connection to Electric Power of the Board of Directors of IDGC of Volga, JSC was established by virtue of the decision of the Board of Directors of the Company on February 20, 2009.

The Committee's major responsibility is to assess the effectiveness of technological connection services provided by the Company, make recommendations on in-house procedures and standards for technological connection, provide customers with equal access to technological connection services, analyze current environment and prepare suggestions to the Board of Directors regarding technological connection of customers to power grids. By virtue of the

decision of the Board of Directors, the Committee includes 5 members. The Committee for Technological Connection to Electric Power held 3 meetings in 2009.

Current membership of the Committee for Technological Connection to Electric Power:

| | |
|---|---|
| Gorshenin Kirill Vladimirovich – (Chairman of the Committee) | Deputy Minister of the Industry and Power of Saratov Region |
| Petukhov Konstantin Yurievich | Director for Development and Sales of Services of IDGC Holding, JSC |
| Pyatigor Viktor Ivanovich | Deputy Director General for Development and Sales of Services of IDGC of Volga, JSC |
| Rebrova Natalia Leonidovna | Deputy Director General for Corporate Governance of IDGC of Volga, JSC |
| Ageev Dmitry Yurievich | Head of the Technological Connection Department of IDGC of Volga, JSC |

Decisions made by the Committee for Technological Connection to Electric Power of the Board of Directors of IDGC of Volga, JSC are available on the corporative web site of the Company at:

www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sovet_direktorov/komiteti_pri_sovete_direktorov/komitet_po_tehnologicheskomu_prisoedineniu_k_elektricheskim_setyam/.

Management Board



The Management Board of IDGC of Volga, JSC was established to address crucial issues that relate to the current business activity of the Company and need group discussion or decision making, as well as to ensure bona fide, timely and proper execution of the decisions of the Board of Directors and the General Meeting of Shareholders. Activities of the Management Board are subject to the Charter and the Regulation on Management Board of the Company.

The Management Board includes the most qualified and experienced specialists in major functional areas of management who have contributed their knowledge and expertise in finance, production and strategy for better effectiveness of the Management Board to implement its functions. The General Director of the Company acts as the Chairman of the Management Board. The Management Board held 20 meeting to discuss a full range of issues related to the current activities of the Company in 2009.

The following changes in the membership of the Management Board were made in 2009: By virtue of the decision of the Board of Directors of April 7,

2009, the powers of the following members of the Management Board were terminated: Laryushkin, Nikolay Ivanovich; Popkova, Yuliya Viktorovna; Ryabinin, Vladimir Viktorovich; Ryabov, Sergey Ivanovich; and Kazhaev, Viktor Fedorovich. On the same date, the following members were elected into the Management Board: Kucherenko, Vladimir Ivanovich; Ponomarev, Vladimir Borisovich; Pyatigor, Viktor Ivanovich; Solostovsky, Viktor Nikolayevich; Tamlenova, Irina Alekseevna; and Florov, Sergey Petrovich.

On September 15, 2009, Tchannikov, Aleksey Vladimirovich was released from the office.

On October 6, 2009, Rebrova, Natalia Leonidovna and Berezovsky, Aleksey Alekseevich were elected the members of the Management Board.

Current membership of the Management Board



**Ryabikin,
Vladimir
Anatolyevich**
Chairman of the
Management
Board

Ryabikin, Vladimir Anatolyevich, was born in 1965. He graduated from Russian State Open Technical University of Railway Transport, majoring in “Automatics, telemechanics and communications for railway transport”. Since December 12, 2008 – General Director of IDGC of Volga, JSC. Since June 5, 2009 – member of the Board of Directors of the Company. The member does not hold any shares of the Company.



**Kucherenko,
Vladimir
Ivanovich**

Kucherenko, Vladimir Ivanovich, was born in 1957. He graduated from the Saratov Polytechnic Institute, majoring in electrical engineering. In 2009, Acting Deputy Director General for Technical Issues – Deputy Chief Engineer of IDGC of Volga, JSC. Since April 2009, Deputy Director General for Technical Issues – Chief Engineer of IDGC of Volga, JSC. Since December 25, 2009, Deputy Chairman of the Management Board of the Company. Member of the Committee for Reliability of the Board of Directors. The member does not hold any shares of the Company.

3 POWER OF CREATION



**Solostovsky,
Viktor
Nikolayevich**

Solostovsky, Viktor Nikolayevich, was born in 1951. He graduated from the Saratov Polytechnic Institute, majoring in electrical and heat engineering. In 2009, Advisor of the General Director of IDGC of Volga, JSC. Since February 2009, Deputy Director General for Capital Projects. Member of the Committee for Reliability of the Board of Directors. As of December 31, 2009, the member holds shares of IDGC of Volga, JSC (share in the charter capital – 0.00004%, portion of ordinary shares – 0.00004%).



**Berezovsky,
Aleksey
Alekseevich**

Berezovsky, Aleksey Alekseevich, was born in 1960. He graduated from the Saratov N.G. Chernyshevsky State University. From 2006 to September 2009, the President of "Group of Companies "Arkada", LLC. Since September 2009, Deputy Director General for Economics and Finance of IDGC of Volga, JSC. Member of the Committee for Reliability of the Board of Directors. The member does not hold any shares of the Company.



Pyatigor, Viktor Ivanovich

Pyatigor, Viktor Ivanovich, was born in 1951. He graduated from the Tselinograd Agriculture Institute, majoring in electrical engineering. Until 2009, Deputy Director General of IDGC of Center, JSC – Director of the Branch – “Voronezhenergo”, JSC. 2009 – present, Deputy Director General for Development and Sales of Services of IDGC of Volga, JSC. Member of the Committee for Technological Connection to Electric Power of the Board of Directors of the Company. The member does not hold any shares of the Company.



Rebrova, Natalia Leonidovna

Rebrova, Natalia Leonidovna, was born in 1960. She graduated from the Saratov Polytechnic Institute, majoring in electrical engineering. From 2008 to March 2009, Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC of Volga. From March to September 2009, Acting Deputy Director General for Corporate Governance of IDGC of Volga, JSC. Since September 17, 2009, Deputy Director General for Corporate Governance of IDGC of Volga, JSC. Member of the Committee for Technological Connection to Electric Power of the Board of Directors of the Company. As of December 31, 2009, the member holds shares of IDGC of Volga, JSC (share in the charter capital – 0.000035%, portion of ordinary shares – 0.000035%).

3 POWER OF CREATION



**Ponomarev,
Vladimir
Borisovich**

Ponomarev, Vladimir Borisovich, was born in 1950. He graduated from the Saratov N.G. Chernyshevsky State University majoring in geological engineering. In 2009, Deputy Director General for Security and Internal Control of IDGC of Volga, JSC. Since April 2009, Deputy Director General for Security of IDGC of Volga, JSC. The member does not hold any shares of the Company.



**Tamlenova,
Irina
Alekseevna**

Tamlenova, Irina Alekseevna, was born in 1965. She graduated from the Saratov Polytechnic Institute, planning engineer. From 2008 to 2009, Chief Accountant of Volga PD of the Branch of IDGC of Volga, JSC – “Saratov DG”. Since March 2009, Chief Accountant – Head of Accounting and Reporting Department of IDGC of Volga, JSC. The member does not hold any shares of the Company.



Florov, Sergey Petrovich

Florov, Sergey Petrovich, was born in 1960. He graduated from the Ulyanovsk Polytechnic Institute, majoring in electrical engineering. Since 2008, Deputy Director General – Director of the Branch of IDGC of Volga, JSC – “Ulyanovsk DG”. The member does not hold any shares of the Company.

The members of the Management Board did not sell or buy shares of the Company during the reporting period.

The Company has no information about bringing any action against the members of the Management Board.

Awards and compensations are paid to the members of the Management Board in accordance with the employment agreements. The total amount of awards and compensations paid to the members of the Management Board was 33,216,930 roubles in 2009.

General Director



The Sole Executive Body – General Director is responsible for overseeing the day to day running of the IDGC of Volga, JSC.

Responsibilities of the General Director of the Company include all matters concerning management of current operations of the Company, excluding matters assigned to the responsibility of the General Meeting of Shareholders and the Board of Directors and the Management Board of the Company.

General Director of IDGC of Volga, JSC, – Ryabikin, Vladimir Anatolyevich

Ryabikin, Vladimir Anatolyevich, was born January 24, 1965. He graduated from the Russian State Open Technical University of Railway Transport in 1996.

He started his professional career in 1987 as a rank-and-file electrician at the Volga Power Grids of “Saratovenergo”, JSC, and by 2008 achieved the position of the General Director of IDGC of Volga, JSC.

Ryabikin, Vladimir Anatolyevich, received Certificate of Merits and Acknowledgments from The Ministry of Industry and Energy of the Russian Federation, The Ministry of Power of the Russian Federation, the

Governor of the Saratov Region and other industry awards for his contributions to the development of the power industry. He has been the member of the Board of Directors of the Company since 2009. The General Director does not hold any shares of the Company.

The General Director is paid in accordance with the Regulation on the financial incentive program for the General Director of IDGC of Volga, JSC. The Regulation provides the procedure for the determination, approval and modification of the official salary, principles and types of financial incentives as well as the procedure for their calculation and payment.

There were no transactions between the Company and the General Director in 2009.

Auditing Commission

The Auditing Commission of the Company is a permanently acting body for internal control that is responsible for regular overseeing the business and financial activities of the Company, its officials and management bodies to ensure compliance with the laws of the Russian Federation, the Charter of the Company and other Regulations and Policies of the Company.

The Auditing Commission functions independently of the officials of the management bodies of the Company. The Auditing Commission acts within the authority provided by the Charter and

the Regulation on the Auditing Commission of IDGC of Volga, JSC.

The Auditing Commission of IDGC of Volga, JSC includes 5 members. The members of the Auditing Commission are elected by the General Meeting of Shareholders for the period ending with the convention of the next General Meeting of Shareholders.

The members of the Auditing Commission that acted during the period from May 30, 2008 to June 5, 2009*

| | |
|-------------------------------|---|
| Sidorov Sergey Borisovich | Head of the Internal Audit Department of IDGC Holding, JSC |
| Baitov Anatoly Valeryevich | Head of the Directorate of Financial Control and Internal Audit of FGC UES, JSC |
| Kolyago Denis Stanislavovich | Head of the Financial Directorate of the Management Centre for Interregional Distribution Grid Companies of FGC UES, JSC |
| Nikitin Vitaly Aleksandrovich | Senior specialist of the Corporate Governance and Cooperation with Shareholders Department of the Corporate Center of RAO UES of Russia |
| Puchkova Irina Yuryevna | Head of the Economy Department of IDGC of Volga, JSC |

* Titles at the moment of election

Auditing Commission elected on June 5, 2009*

| | |
|-----------------------------|--|
| Sidorov Sergey Borisovich | Head of the Internal Audit Department of IDGC Holding, JSC |
| Rokhlina Olga Vladimirovna | Chief Expert of the Internal Audit Department of IDGC Holding, JSC |
| Bedridinova Elena Sergeevna | Chief Expert of the Internal Audit Department of IDGC Holding, JSC |
| Ivanova Ksenia Valeryevna | Head of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC |
| Puchkova Irina Yuryevna | Head of the Economy Department of IDGC of Volga, JSC |

* Titles at the moment of election

Current membership of the Auditing Commission:

| | |
|---|---|
| Rokhlina, Olga Vladimirovna Chairman of the Auditing Commission | Rokhlina, Olga Vladimirovna, was born in 1974. She graduated from the S.P. Korolev Samara State Aerospace University, engineer-production planner and the International Market Institute, manager-economist. Since November 6, 2009 – Chairman of the Auditing Commission of the Company. |
| Sidorov, Sergey Borisovich | Sidorov, Sergey Borisovich, was born in 1952. He graduated from the All-Soviet Union Extra-Mural Institute of Finance and Economics, majoring in accounting and audit. From 2008 to July 2009, Head of the Internal Audit Department and Advisor of Deputy Director General for Security of IDGC Holding, JSC. Until November 6, 2009 – Chairman of the Auditing Commission of the Company. |
| Bedridinova, Elena Sergeevna | Bedridinova, Elena Sergeevna, was born in 1959. She graduated from the Moscow Institute of International Economic Relations, majoring in accounting, analysis and audit. From 2008 to September 2009, Senior Expert of the Internal Audit Department of IDGC of Volga, JSC. |
| Ivanova, Ksenia Valeryevna | Ivanova, Ksenia Valeryevna, was born in 1970. She graduated from the Sergo Ordzhonikidze Academy of Management, majoring in management of the energy sector, industry economy and management. Since 2008, Head of the Information Disclosure Unit of the Corporate Governance and Cooperation with Shareholders Department of IDGC Holding, JSC. |
| Puchkova, Irina Yuryevna | Puchkova, Irina Yuryevna, was born in 1963. She graduated from the Saratov Institute of Economics, majoring in industry planning and the Volga Academy of Public Administration, majoring in state and municipal management. Since 2007, Head of the Economy Department of IDGC of Volga, JSC. |

The members of the Auditing Commission do not hold any ownership interests in the Company.

The members of the Auditing Commission did not sell or buy the shares of the Company during the reporting period.

The Company has no information about bringing any action against the members of the Auditing Commission.

Information on the System of Internal Audit

Business and financial supervision in the Company is ensured by the arrangement and carrying out of all types of audits, examinations and investigations to assess the legal validity, accuracy and economic viability of business operations, the compliance of accounting records with applicable laws and regulations of the Russian Federation, as well as the accuracy of accounting and reporting information.

The System of Internal Audit of the Company involves the following members:

- › Board of Directors of the Company.

- › supervision over the elimination of irregularities identified during audit;
- › assessment of the performance of internal audit tasks assigned to the branches and business units of the Company;
- › assessment of business processes for the compliance with applicable laws of the Russian Federation and Regulations and Policies of the Company.

In order to ensure the effectiveness of risk management, the Internal Audit Department devel-

- › Audit Committee of the Board of Directors of the Company.
- › General Director of the Company.
- › Internal Audit department.
- › Departments and employees of the Company performing functions of internal audit.

Each member of the System of Internal Audit of the Company bears responsibility within its area and in compliance with assigned audit tasks and duties. The System of Internal Audit of the Company is subject to the Regulation on the procedures for internal audit of IDGC of Volga, JSC, the Regulation on Audit Committee and the Regulation on the Internal Audit Department of the Company.

In 2009, the Internal Audit Department of IDGC of Volga, JSC, carried out:

- › audit of the branches and business units of the Company for financial, business and production activities;
- › monitoring and review of audit results;
- › proactive measures to prevent irregularities identified during audit;

oped and implemented audit and monitoring techniques to oversee the elimination of irregularities and weaknesses identified during the audit of the branches and business units of IDGC of Volga, JSC.

The Internal Audit Department aims at lowering tax, legal, management and business risks associated with the Company's financial, business and production activities and improving the System of Internal Audit by ensuring that the branches and business units of the Company implement their internal audit tasks.

Subsidiaries and dependent companies

As a shareholder of its subsidiaries and dependent companies (SDCs), IDGC of Volga, JSC builds its relationship with them in compliance with the laws of the Russian Federation, the Charter, Regulations and Policies of the Company, the Charter and Regulations of SDCs that regulate the procedure the activity of management and supervision bodies (Regulations on the Board of Directors, Auditing Commissions, etc.).

Corporate governance in SDCs of IDGC of Volga, JSC, is performed based on the decisions of the management and supervisory bodies of SDCs made to reflect the position of the Company, which is possible

“Solnechniy” Sanatorium-Preventorium”, Joint-Stock Company (“Solnechniy” Sanatorium-Preventorium”, JSC)

The Company’s ownership interest – 99%

Core business activities of “Solnechniy” Sanatorium-Preventorium”, JSC:

- › medical treatment services;
- › provision of outdoors and cultural activities, recreational activities using the healthy effect of climate, physical activity programs, sport and tourism events to vacationers;
- › provision of recreational children’s holiday

by the participation of the Company’s representatives in the relevant management and supervisory bodies of SDCs.

The basic principles and procedures of the corporate governance in SDCs of the Company are subject to the Procedure on cooperation between IDGC of Volga, JSC and business entities which shares (stocks) are owned by IDGC of Volga, JSC approved by the Board of Directors of the Company.

IDGC of Volga, JSC currently owns three SDCs.

“Social Sphere-M”, Joint-Stock Company (Social Sphere-M, JSC)

The Company’s ownership interest – 100%

Core business activities of Social Sphere-M, JSC: resort and recreational services (recreation center “Energetic”);

- › preventive and medical treatment;
- › lodging services.

In 2009, the company posted the revenue from the sales of services of 8,341 thousand roubles and the net profit of 187 thousand roubles.

camp.

In 2009, the company posted the revenue from the sales of services of 57,231 thousand roubles and the net profit of 512 thousand roubles.

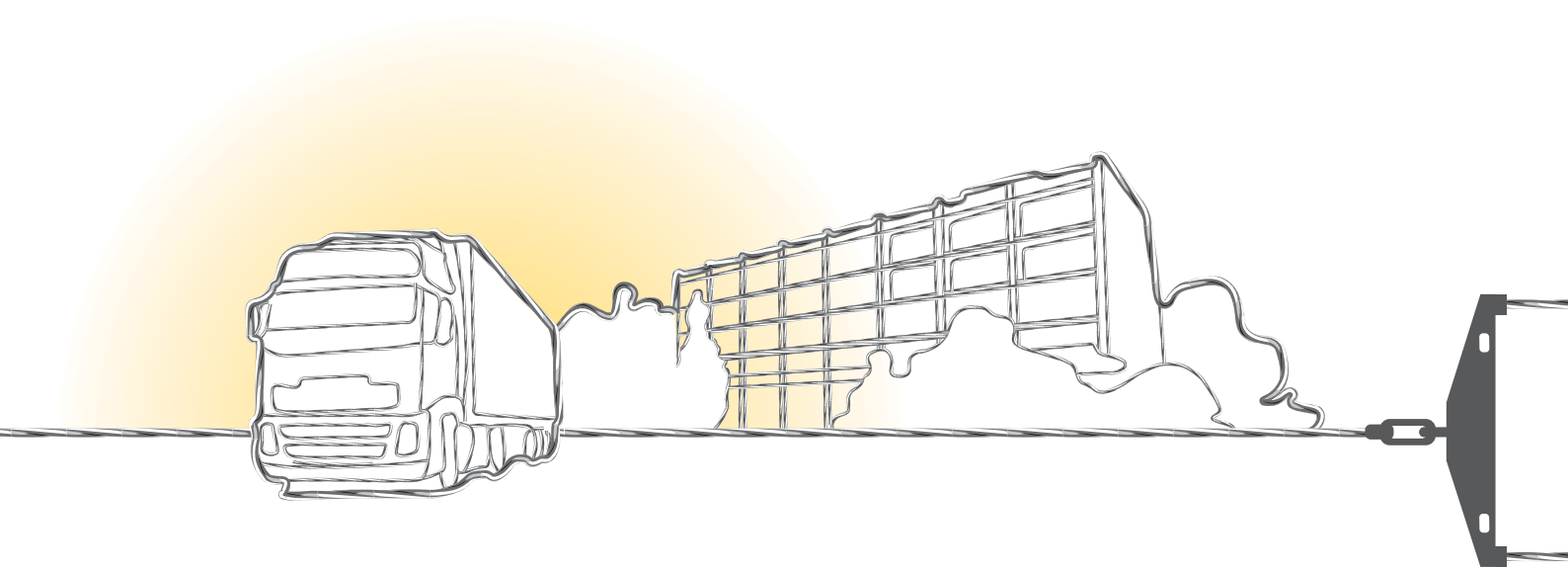
“Chuvash Motor Transport Company”, Joint-Stock Company (ChAK, JSC)

The Company’s ownership interest – 99%

The core business activities of ChAK, JSC:

- › passenger transportation;
- › road haulage;
- › rental services for motor vehicles (cars, trucks, vans/busses), farm vehicles, construction vehicles and/or equipment and machinery provided to individuals and/or businesses.
- › rental services for immovable property provided to individuals and/or businesses;
- › maintenance and repair of motor vehicles.

In 2009, the company posted the revenue from the sales of services of 169,677 thousand roubles and the net profit of 4,980 thousand roubles.



POWER
OF CREATION

4

FINANCIAL AND ECONOMIC PERFORMANCE INDICATORS





The increase of net worth of the Company by 140,723 thousand roubles positively characterizes the financial condition of IDGC of Volga, JSC and demonstrates its actual economic condition and financial stability.

Debt to equity and reserves ratio indicates a measure of a company's financial leverage. Compared to the same period last year, the Company reduced its debt from 23.97% to 21.83%.

Compared to 2008, the Company's debt service coverage ratio increased from 47.17% to 65.15% in the reporting period. The improvement in this indicator stems from the decrease in total debt by 410,148 thousand roubles (as of December 31, 2009).

Receivables turnover ratio in 2009 increased slightly, which indicates to faster receivables turno-

ver. This ratio stands at 2.09. The value of this ratio implies a sizeable surplus of liquid assets over outstanding short term liabilities, which stems from the Company's smart financial management.

More rigid measures of liquidity such as quick liquidity ratio and operating cash flow ratio that show the portion of current liabilities which can be paid off with cash after subtracting inventories from current assets stand at the acceptable levels.

Debt/equity ratio shows the portion of equity per 1 rouble spent to finance the company's assets. During the period concerned, the ratio increased and, as of December 31, 2009, stood at 4.58, which implies sound financial stability of the Company and the decrease in debt financing.

From December 31, 2008 and December 31, 2009, DEBT/EBITDA ratio changed by 0.35, from 1.49

to 1.14, which demonstrates the financial stability of the Company and its ability to pay off debt obligations.

ver. As of December 31, 2009, the Company does not have default receivables.

Due to the decline in power output and net income in 2009 compared to the same period last year, return ratios demonstrated a negative trend compared to 2008. On the other hand, net income in 2009 was 44% higher than that set in the business plan.

All financial stability indicators of IDGC of Volga, JSC are in compliance with the guidelines, which demonstrates the Company's ability to properly and timely meet its obligations.

Estimated indicator of financial stability of IDGC of Volga, JSC is asset/equity ratio, which stood at 0.82 by the end of the reporting year.

Liquidity ratios of the Company showed tremendously positive trend. As one of the major measures of cash availability, the current liquidity ratio describes the overall availability of current assets in the Company to perform its business activities and pay off its short-term debt obligations in a timely

Financial and Economic Performance Indicators

| Indicators | 2008, actual | 2008, actual (based on data reported by RGC for 1Q) | 2009, actual |
|----------------------------------|--------------|--|--------------|
| Revenue (K, RUR) | 22,614,524 | 30,640,061 | 29,318,215 |
| power transmission | 19,791,516 | 27,257,423 | 28,491,849 |
| technological connection | 1,508,656 | 1,606,702 | 393,466 |
| Gross income from Sales (K, RUR) | 2,712,601 | 3,288,271 | 2,190,732 |
| Net Income (K, RUR), including | 808,083 | 1,157,526 | 141,607 |
| reserve fund | 40,404 | – | 7,080 |
| production development | 767,679 | – | 134,527 |
| dividends | 0 | – | 0 |
| Net asset value per share (RUR) | 0.2283 | 0.2283 | 0.2294 |
| Net income per share (RUR) | 0.00453 | 0.00648 | 0.00079 |
| Dividends per share (RUR) | 0 | 0 | 0 |

For all reporting periods concerned, the calculation of “Net asset value per share”, “Net income per share” and “Dividends per share” uses the conventional number of shares in the amount of 178,577,801,146 pieces to ensure comparability (as of December 31, 2009).

| Indicators | 2008 | 2009 |
|---|------------|------------|
| Net worth (K, RUR) | 40,838,701 | 40,979,424 |
| Debt to equity and reserves ratio, % | 23.97 | 21.83 |
| Debt service coverage ratio, % | 47.17 | 65.15 |
| Receivables turnover ratio, the number of times | 7 | 8 |
| Default rate, % | 0.00 | 0.00 |
| Return on assets (%) | 1.60 | 0.28 |
| Return on equity (%) | 1.98 | 0.35 |
| Currentliquidity ratio | 1.12 | 2.09 |
| Quickliquidity ratio | 0.80 | 1.59 |
| Asset/equity ratio | 0.81 | 0.82 |
| Debt/equity ratio | 4.14 | 4.58 |

5

PRODUCTION PERFORMANCE

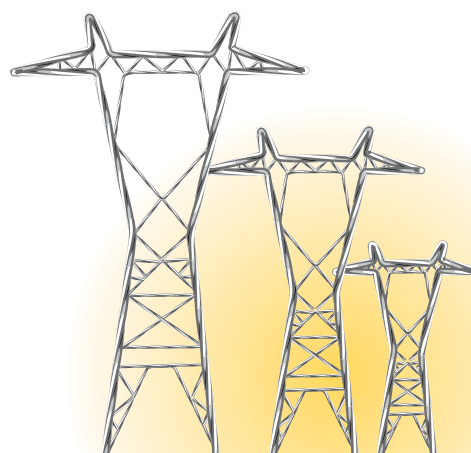


| | |
|----------------------------------|----|
| Power output indicators | 62 |
| Technological connection process | 65 |
| Development outlook | 68 |
| Production facilities expansion | 70 |



Power output indicators

Due to the decline in the power consumption by larger customers from the metallurgical, mining, automobile, railroad industries (RZD, JSC; "Gazprom", RAO; "AvtoVAZ", JSC; "UAZ", JSC, "Promtractor" Holding and others), the total sales of power transmission services declined by 8.76% compared to the same period last year.



Production Performance in 2009

| Branch name | Grid output, kWh, Mio. | Net output, kWh, Mio. | Losses | |
|------------------------------|---------------------------|--------------------------|-----------|-------|
| | | | kWh, Mio. | % |
| Saratov Distribution Grids | 9,688.29 | 8,799.45 | 888.83 | 9.17 |
| Samara Distribution Grids | 19,495.64 | 18,538.18 | 957.46 | 4.91 |
| Ulyanovsk Distribution Grids | 4,653.96 | 4,092.31 | 561.65 | 12.07 |
| Orenburgenergo | 12,598.88 | 11,706.98 | 891.89 | 7.08 |
| Penzaenergo | 4,010.65 | 3,620.11 | 390.54 | 9.74 |
| Mordovenergo | 2,769.87 | 2,491.57 | 278.30 | 10.05 |
| Chuvashenergo | 4,389.82 | 4,107.04 | 282.78 | 6.44 |
| IDGC of Volga, JSC, total | 57,607.11 | 53,355.64 | 4,251.46 | 7.38 |

Production Performance

Total sales of power transmission service trend for 2008 and 2009

| Branch name | Total sales of power transmission service, kWh, Mio. | | | |
|------------------------------|--|-----------|-----------|--------|
| | 2008 | 2009 | Variation | |
| | | | kWh, Mio. | % |
| Saratov Distribution Grids | 9,688.07 | 8,799.45 | -888.61 | -9.17 |
| Samara Distribution Grids | 20,569.07 | 18,538.18 | -2,030.89 | -9.87 |
| Ulyanovsk Distribution Grids | 4,498.51 | 4,092.31 | -406.20 | -9.03 |
| Orenburgenergo | 12,497.65 | 11,706.98 | -790.98 | -6.33 |
| Penzaenergo | 3,757.71 | 3,620.11 | -137.60 | -3.66 |
| Mordovenergo | 2,623.22 | 2,491.57 | -131.66 | -5.02 |
| Chuvashenergo | 4,844.57 | 4,107.04 | -737.52 | -15.22 |
| IDGC of Volga, JSC, total | 58,478.81 | 53,355.64 | -5,123.46 | -8.76 |

Actual losses of power for 2008 and 2009

| Branch name | Losses | | | | | |
|------------------------------|--------------|-------|--------------|-------|-----------|-------|
| | Actual, 2008 | | Actual, 2009 | | Variation | |
| | kWh, Mio. | % | kWh, Mio. | % | kWh, Mio. | % |
| Saratov Distribution Grids | 874.59 | 8.28 | 888.83 | 9.17 | 86.23 | 0.89 |
| Samara Distribution Grids | 995.23 | 4.62 | 957.46 | 4.91 | 56.54 | 0.29 |
| Ulyanovsk Distribution Grids | 541.32 | 10.74 | 561.65 | 12.07 | 61.90 | 1.33 |
| Orenburgenergo | 906.70 | 6.76 | 891.89 | 7.08 | 40.32 | 0.32 |
| Penzaenergo | 431.70 | 10.30 | 390.54 | 9.74 | -22.46 | -0.56 |
| Mordovenergo | 284.51 | 9.78 | 278.30 | 10.05 | 7.48 | 0.27 |
| Chuvashenergo | 288.74 | 5.62 | 282.78 | 6.44 | 36.00 | 0.82 |
| IDGC of Volga, JSC, total | 4,322.79 | 6.88 | 4,251.46 | 7.38 | 288.04 | 0.50 |

The following factors caused the increase in absolute amount of powerloss in 2009:

- › increase in maintenance time for the equipment of the Unified National Power Grid and, accordingly, the changes in a normal operation and increased transit of electricity through power grids of IDGC of Volga, JSCled to higherloadlosses of power;
- › substitution of metering devices with rated current of 5 A to 1 A devices at the SS of FGC UES, JSC for the connection points of 110 kV HV transmissionline that measure the power output to the grids of the branches of IDGC of Volga, JSC, which resulted in higher power output to the grids of IDGC of Volga, JSC due to lower fault level of metering devices and improved quality of power metering;

and the decline in the power consumption by large customers powered directly from 10 (6) kV buses of IDGC of Volga, JSCled to the reallocation of power towards higher power output to mixed load feeders, which, in its turn, causes higher transmissionloss.

Power Loss Cutting Measures

The overall effect from the implementation of powerloss cutting measures at IDGC of Volga, JSC was at 151.768 million of kWh in 2009.

The effect from implementing measures aimed at cutting down the commercialloss was

123.031 million kWh, while the cut down on technicallosses through the implementation of organizational and technical measures amounted to 28.737 million kWh.

- › decline in the power consumption by larger customers and the reduction in current below the measurement range of metering units leads to higher fault level and under metering of power by metering units installed at substations of the owner and used for estimations;
- › installation of metering units by customers in 2009 at the connection point that separates balance inventory and operational responsibility, which makes it impossible to apply balance sheet methods to estimate power delivery to these customers;
- › taking over abandoned and institutional power transmission lines with high level of deterioration and powerloss that were recognized on the balance sheet of IDGC of Volga, JSC.

The major reason for the increase in a relative amount of actual powerloss in 2009 is the following:

- › decline in the power consumption by large industrial customers that have technological connection to the buses of stations and substations of FGC UES, JSC (last mile agreements)

The overall economic benefit from implemented measures amounted to 158.37 million roubles, while the measures cost 3.43 million roubles (excluding investment cost). The payback time for the implementation of power loss cutting measures, taking into account the total cost, is more than 5 years. The performance of powerloss cutting plan for 2009 stood at 102%.

Major powerloss cutting measures in 2009

| Measure | Reduction in loss kWh, Mio. |
|--|--------------------------------|
| Power Loss Cutting Measures | 28.737 |
| Optimization of circuit breakers of 6-35 kV dual transmission lines | 10.131 |
| Replacement of transmission line wires | 1.538 |
| Replacement of overloaded/underloaded transformers | 1.247 |
| Switching off the transformers at twin transformer substations and stations with seasonal load | 8.174 |
| Phase load balancing in 0.4 kV grids | 1.275 |
| Reduction of expenses for own needs of substations | 3.175 |
| Other | 3.197 |
| Power Loss Cutting Measures | 123.031 |

Technological connection process

Looking at the total demand for technological connection services provided by IDGC of Volga, JSC and the comparison of the demand trend reveals the following:

- › the increase in the total number of applications from 11,262 in 2008 to 11,534 in 2009;
- › the increase in the total number of concluded agreements from 8,889 in 2008 to 10,021 in 2009;
- › the increase in the total number of provided connections from 5,558 in 2008 to 6,114 in 2009.

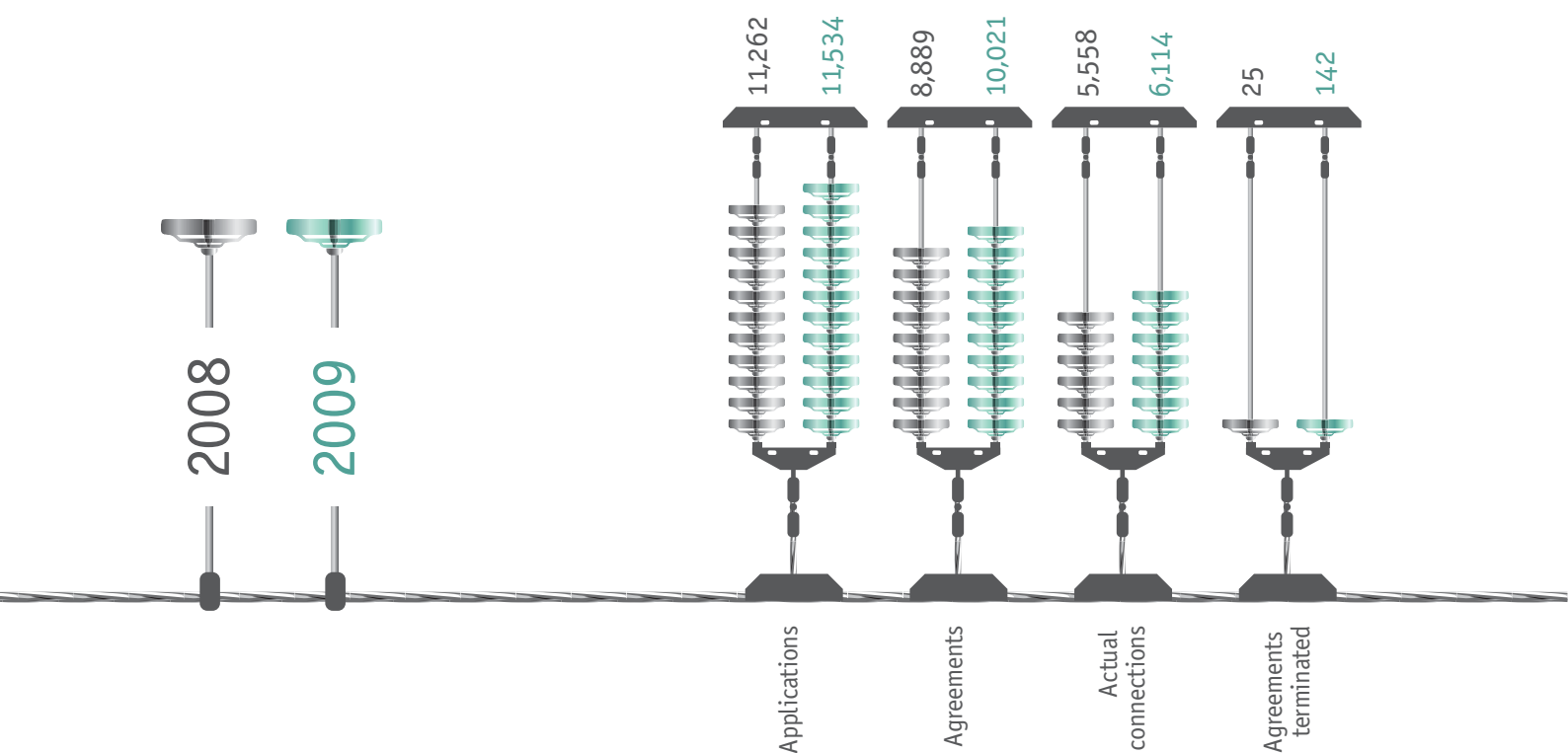
The current positive trend stems largely from increased demand for the capacity (up to 15 kW) due to recent changes in regulations that provide significant discounts for technological connection to this group of customers.

On the other hand, there was a steep decline in the total capacity under technical connection

agreements in the reporting period compared to 2008:

- › 2009 – 10,021 agreements on the total capacity of 267.6 MW;
- › 2008 – 8,889 agreements on the total capacity of 463.9 MW.

Demand for technical connection, year-on-year, units



In addition, with regards to the number of actual connections, the total capacity also decreased:

- › 2009 – 6,114 connections for the total capacity of 178.8 MW;
- › 2008 – 5,558 connections for the total capacity of 402.2 MW;

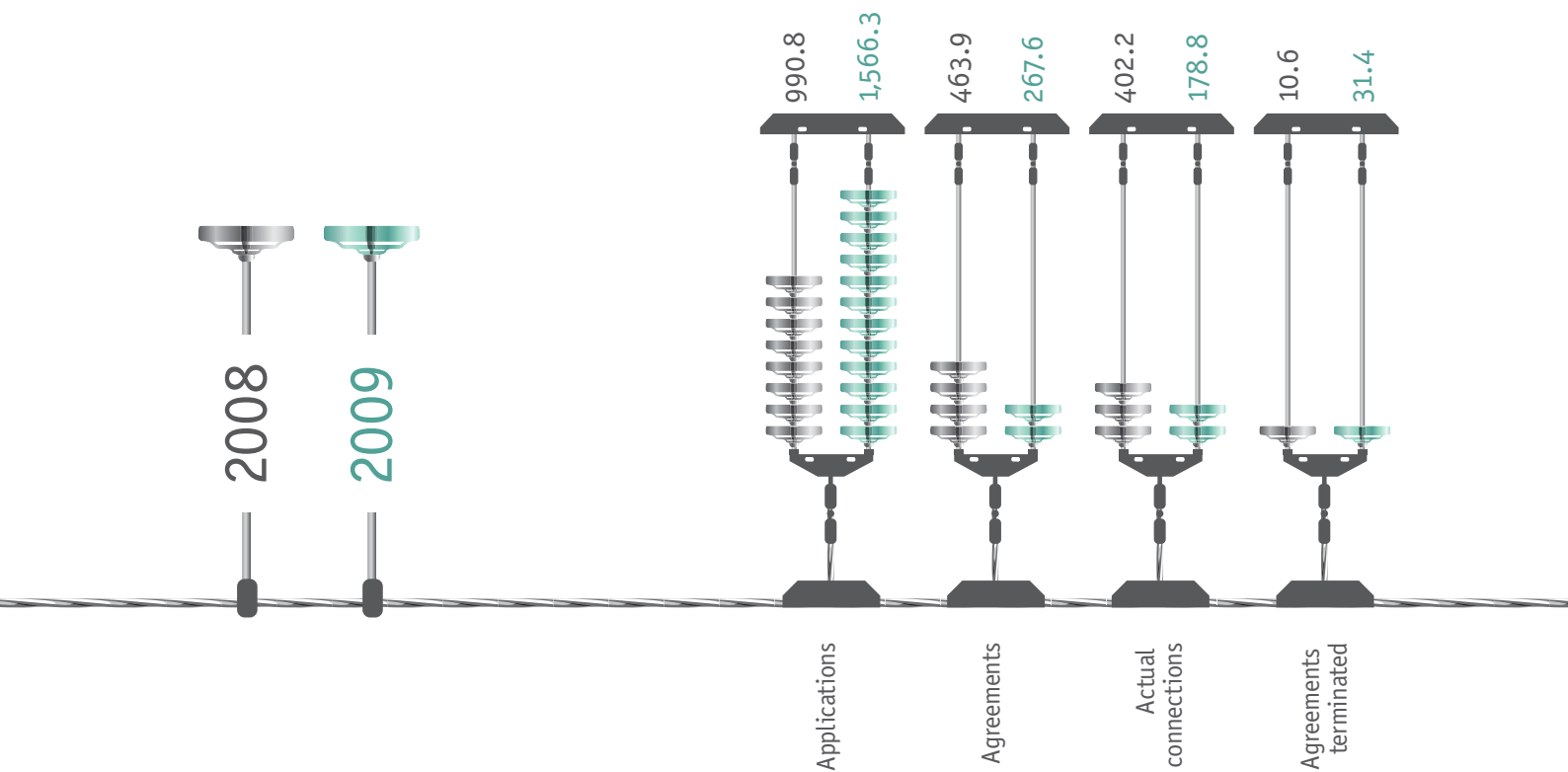
Customer service centers

IDGC of Volga, JSC cooperates with its customers using the “single point of contact” principle. All the branches operate the Customer Service Centers (CSC) that fully comply with the Customer service requirements approved by the Board of Directors of each AO-energo before the reorganization by affiliating to IDGC of Volga, JSC, on April 1, 2008.

Customer Service Centers are responsible for:

- › registering and reviewing customer’s applications and complaints;
- › maintaining technical documents of the customer service department;
- › keeping the local data base of customer’s applications and complaints;

Demand for technical connection, year-on-year, MW



- › generating digital data base of branches and departments of IDGC of Volga, JSC, and specialists who applied to CSC and might be potentially involved in solving customer's problems (address, telephone number, expertise, name) and upgrading the data base;
- › localizing the nature of customer's problems, arranging the cooperation across the departments of IDGC of Volga, JSC or outside contractors to solve the customer's problems;
- › providing the feedback to customers;
- › assisting customers in collecting the information and documents required for applications and technological connection agreements.

Development outlook

Pursuant to the Ordinance of the Government of the Russian Federation of October 17, 2009 No. 823 “On Schemes and Programs for Power Industry Development” and the approved guidelines for the determination and approval of schemes and programs for power industry development, the branches of IDGC of Volga, JSC initiated consultations with governmental agencies of the constituent entities of the Russian Federation.

Schemes and programs for regional power industry development are currently not in place within the service area of IDGC of Volga, JSC.

Before the adoption of the mentioned Ordinance,

| Branch Name | Financing (Mio., RUR) |
|------------------------------|--------------------------|
| Saratov Distribution Grids | 25.0 |
| Ulyanovsk Distribution Grids | 2.8 |
| Samara Distribution Grids | 50.0 |
| Penzaenergo | 6.8 |
| Orenburgenergo | – |
| Mordovenergo | 10.0 |
| Chuvashenergo | 8.0 |

the branch of IDGC of Volga, JSC – Orenburgenergo took efforts to adjust the scheme for the development of Orenburg power industry for the period ending 2015. The task was commissioned to the Research Center for Ural Power Industry “Uralenergo-setproekt” under the Contractor Agreement of June 4, 2008 No. 61.475.08 for the amount of 10,239.0 thousand roubles.

The investment program of IDGC of Volga, JSC for 2010-2015 includes the following amounts to finance the schemes for the development of power grids of the Company (*see table*).

Connection of power generation facilities

Pursuant to the investment program of IDGC of Volga, JSC for 2009, the Company fully implemented the measures to meet its obligations under agreements on technological connection of power generation facilities included into the consolidated five year investment program of companies that were formed as a result of the reorganization of RAO UES of Russia.

In the course of the implementation of the agreements on technological connection of power generating facilities concluded on March 14, 2008 with “Volzhskaya TGC”, JSC – Novokuybyshev and Syzran TPP based on technological connection applications filed to IDGC of Volga, JSC, in October 2007, the Company collaborated with the customer and power market members to discuss and approve the statements of work for schemes of power delivery. According to the technological connection

applications, the total capacity of these facilities is 456 MW.

The branch of Research Center for Volga Power Industry, JSC – “Nizhegorodskenergosetproekt” won the open tender for design and survey work on the following projects: “Technical upgrading of Novokuybyshev TPP-1 with 220 MW GTP” and “Construction of GTP-HPP-200 for Syzran TPP”. By the end of 2009, pursuant to the design and survey work agreements, the contractor developed different versions of power delivery schemes that involve the reconstruction of the existing power grids and the construction of new facilities.

Submitted versions include two power delivery schemes from Syzran TPP. Estimated amount of capital investment in the scheme 1 is 1,088.33 million roubles, and 1,048.9 million roubles for the scheme 2.

measures to expand the power grids of IDGC of Volga, JSC are not required.

Information on Federal Special Purpose Programs

Special economic zones or “pilot” development projects for construction companies and companies specializing in construction products and designs are not in place within the service area of IDGC of Volga, JSC.

Residential buildings commissioned within the service area of IDGC of Volga, JSC cannot be exactly referred to a particular project (individual apartment house may include both commercial property and apartments provided under the FSPP “Affordable and Comfortable Housing”).

The Company did not receive any applications

Submitted versions include three power delivery schemes from Novokuybyshev TPP-1. Estimated amount of capital investment in the scheme 1 is 1,249.8 million roubles, 1,356.1 million roubles for the scheme 2, and 1,316.9 million roubles for the scheme 3.

The cost of technological connection of power generation facilities at Volzhskaya TGC, JSC to power grids of IDGC of Volga, JSC will be estimated as the customer chooses the power delivery scheme.

Within the service area of IDGC of Volga, JSC, Orenburgenergo is implementing the projects of Orenburgskaya, TGC, JSC on technological connection of upgraded power units at the Sakmarsk TPP. According to the applications filed in November 2007, the Company concluded the agreements on technological connection of power units with the total capacity increase by 10 MW. According to developed and approved statements of work, the

on technological connection of facilities with a reference to the Federal Special Purpose Programs.

Production facilities expansion

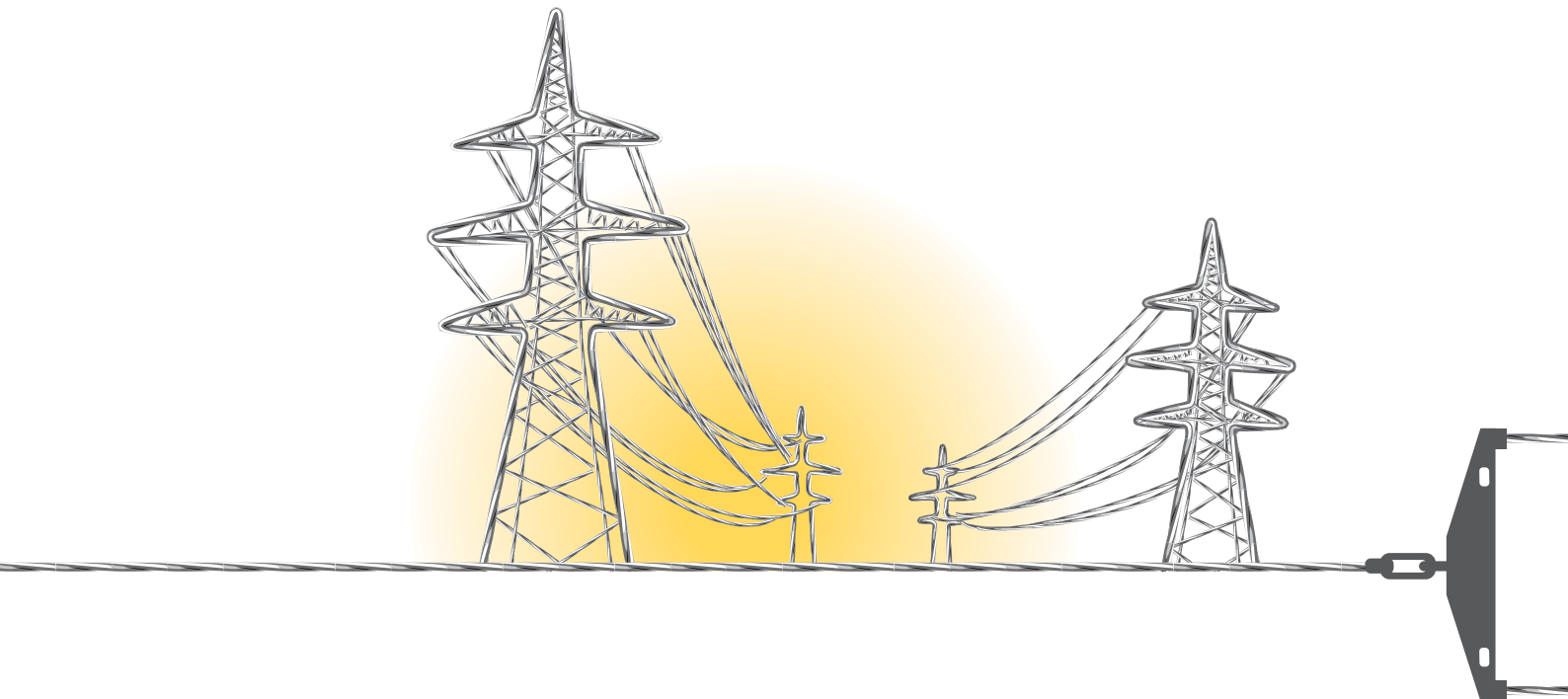
Compared to the same period last year, as of December 31, 2009, the following changes in production facilities occurred at the branches of IDGC of Volga, JSC

1. . Extension of 220 kV HV transmission lines due to taking over 220 kV HV transmission line "Kargalinskaya-Kumertau".
2. Increase in the number of 35-110 kV substations (SS) due to new construction:
 - › 110 kV SS "Severnaya"; 35 kV SS "Shirokiy Buerak"; 110 kV SS "Baltay" in the branch of IDGC of Volga – Saratov Distribution Grids;
 - › 110 kV SS "Noviy Gorod" in the branch of IDGC of Volga, JSC – Chuvashenergo.
 - › Уменьшение количества ТП-6–10/0,4 кВ и ЛЭП 0,4–10 кВ, связанное с исключением данных по арендованным сетям по филиалу ОАО «МРСК Волги» — «Оренбургэнерго».

Production facilities structure (as of December 31, 2009)

| Branch | 35-220 kV Substations | | 6-10/0.4 kV transformer substations | |
|------------------------------|-----------------------|--------------|-------------------------------------|--------------|
| | Units | MVA capacity | Units | MVA capacity |
| Saratov Distribution Grids | 529 | 7,631.8 | 8,885 | 1,278.79 |
| Samara Distribution Grids | 264 | 6,223 | 5,225 | 940.65 |
| Ulyanovsk Distribution Grids | 171 | 2,431 | 5,254 | 920.38 |
| Orenburgenergo | 303 | 3,768.6 | 9,886 | 1,674.1 |
| Penzaenergo | 196 | 3,003.1 | 6,469 | 917.23 |
| Mordovenergo | 124 | 1,293.3 | 3,667 | 628.85 |
| Chuvashenergo | 101 | 2,221.4 | 4,631 | 840.85 |
| Total, IDGC of Volga, JSC | 1688 | 26,572.2 | 44,017 | 7,200.85 |

Production Performance

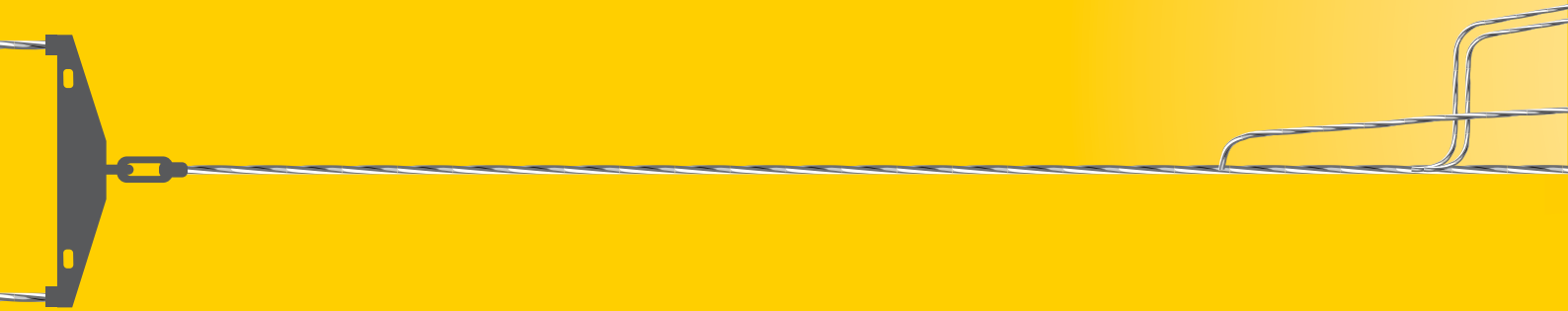


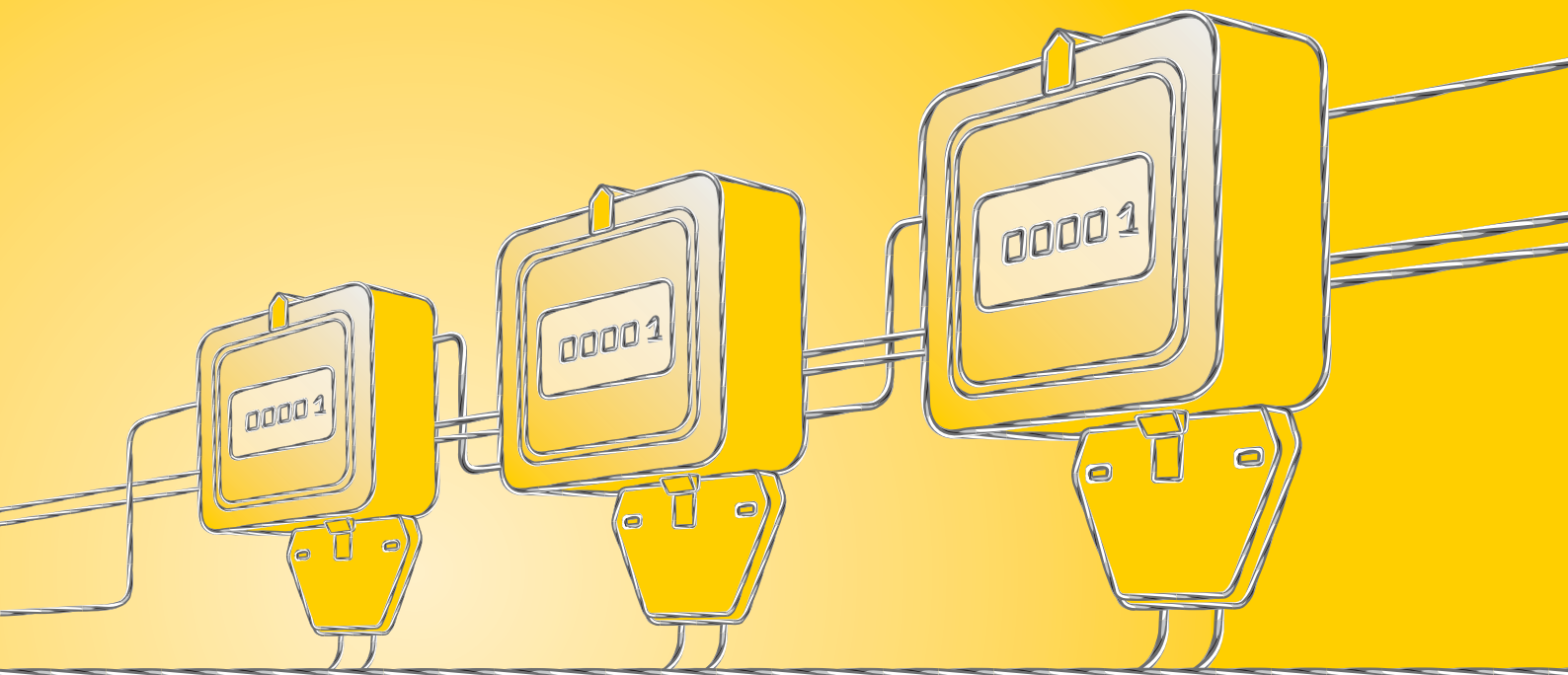
| Power transmissionlines (incl. cablelines) | | | | | | | HVlines km |
|--|--------|-----------------|--------------------|---------------------|------------------|---------------------|------------|
| Total | 220 kV | 110 kV | 35 kV | 10 kV | 6 kV | 500 V andless | Total |
| 53,405.8 (167.4) | 11.4 | 8,405 (1.4) | 5,046.1 (39.1) | 22,314.2 (58.9) | 1,389.2 (7.9) | 16,239.9 (60.1) | 53,238.4 |
| 31,612.5 (223.5) | 0 | 6,054 (1) | 3,246 (43) | 10,880 (46) | 1,823 (111) | 9,609.5 (22.5) | 31,389 |
| 22,455.6 (30.6) | 0 | 2,488 | 1,748.7 (8.7) | 9,528.9 (21.9) | 41 | 8,649 | 22,425 |
| 42,960.7 (460.4) | 11.7 | 5,681.6 | 5,518.2 | 19,691 (224.2) | 433.6 (36.2) | 11,624.6 (200) | 42,500.3 |
| 32,688.3 (113) | 0 | 3,207 | 2,445.8 (4.0) | 13,077.3 (45.1) | 602.7 (23.4) | 13,355.5 (40.5) | 32,575.3 |
| 18,875.1 (129.6) | 0 | 2,020.6 | 1,044.3 | 8,216.9 (53.6) | 14.1 (13.1) | 7,579.2 (62.9) | 18,745.5 |
| 20,954.4 (50.3) | 0 | 1,959.8 | 666.7 | 9,167 (21) | 93 (16.4) | 9,067.9 (12.9) | 20,904.1 |
| 222,952.4 (1,174.8) | 23.1 | 29,816 (2.4) | 19,715.8 (94.8) | 92,875.3 (470.7) | 4,396.6 (208) | 76,125.6 (398.9) | 221,777.6 |

POWER
OF CREATION

6

CHARGING POLICY





Power transmission charges

The basic objective of governmental regulation of prices (charges) in the power industry is to strike a balance between economic interests of sellers and buyers of electricity that can ensure the affordability of power and the generation of commercially reasonable gross income by regulated companies.

For 2009-2010, all the branches of IDGC of Volga, JSC adopted the charging policy for power transmission services based on the cost-plus method or the cost-effective method. Over the last several periods of regulation, the focus was on the transition to a new method of calculating the power transmission charges, RAB-regulation, which allows the companies to generate commercially reasonable income and attract new investment.

It hasn't been until recently that power trans-

mission industry was attractive to investors because distribution grid companies were not able to generate large profit and provide adequate ROI due to traditional charging policy. The need to address charging policy reforms was recognized long ago, although the actual reforms were initiated only in 2008 as regulatory framework for new charging policy was in place.

ROI based method is a fundamentally new framework for price regulation in the industries with non-market pricing. This novel and innovative approach emphasizes long-term development of the infrastructure (regulated by the charging policy) of both customers and investors.

Therefore, the new method was designed to address major disadvantages associated with the traditional charging policy, including:

- › inevitable focus of distribution grid companies to boost costs when using cost-based approach to the charging policy;
- › negative impact of non-commercial nature of investment on the quality of investment process (instead of cost-cutting, the use of restricted

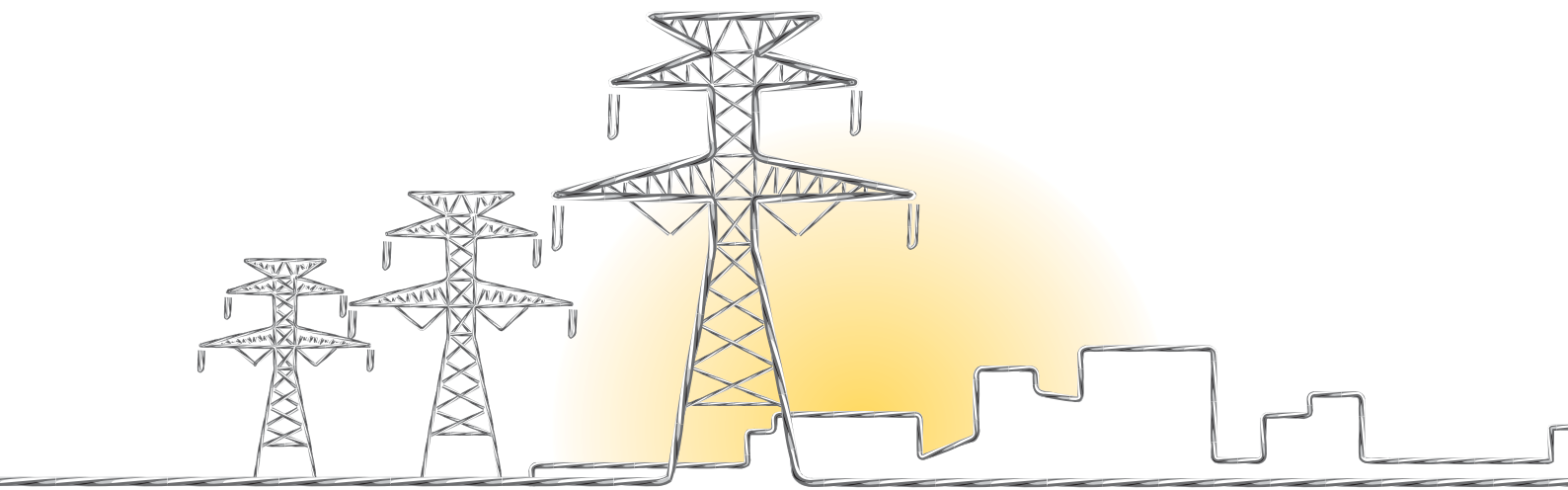
investment resources typically leads to even larger current expenses incurred by power industry and the need to further increase the charges).

Pursuant to the Decision of the Board of Directors (Minutes No. 4 of September 15, 2009), the Company has taken all necessary measures to ensure the transition of all the branches of IDGC of Volga, JSC on January 1, 2010 to a new regulation method – return on investment based method or RAB-regulation, including:

- › the Company signed agreements on the involvement of branches of IDGC of Volga, JSC in the program on the introduction of ROI based charging policy in the power transmission industry with the governmental agencies of seven constituent entities of the Russian Federation: Saratov Region, Samara Region, Ulyanovsk Region, Penza Region, Orenburg Region, the Chuvash Republic and the Republic of Mordovia;
- › the Company arranged and held a series of meetings with interested parties, leaders of constituent entities of the Russian Federation, regulatory authorities of constituent entities of the Russian Federation and regional ministries;
- › price regulation authorities of constituent entities of the Russian Federation timely finished the review of ROI based charging policy programs submitted by the branches of IDGC of Volga, JSC to be introduced on January 1, 2010, and all necessary documents were submitted to the FTS of Russia.

According to applicable laws of the Russian Federation, the final decision on approval or non-approval of the transition to long-term regulation method is made by FTS of Russia.

In accordance with the Order of December 22, 2009 No. 466-e/5, FTS of Russia decided to decline the suggestions by the governmental price regulation



agencies of the relevant constituent entities of the Russian Federation on the transition on January 1, 2010 to ROI based charging policy for power transmission services provided by the distribution grids of the branches of IDGC of Volga, JSC. The FTS's decision was due to the fact that consumer price indexes for 2010-2014 that are estimated by the Government of the Russian Federation were not available at the time, which made it impossible to calculate reasonable gross income for the companies that were expected to apply RAB-method during the period specified.

In accordance to the Ordinance of the Government of the Russian Federation of January 19, 2010 No. 30-r that approved the scheme and transition period for ROI based charging policy, given that relevant regulatory changes are in place, the transition of the branches of IDGC of Volga, JSC to RAB-regulation shall be completed by July 1, 2010. In case of the lack of regulatory framework makes the transition impossible, new charging policy is expected to be introduced on January 1, 2011.

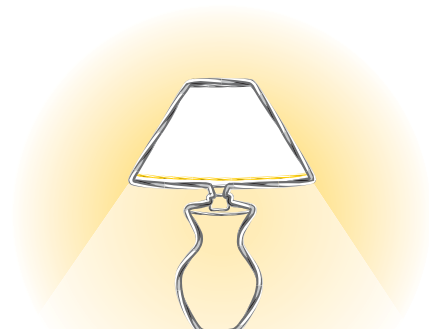
Since 2008 throughout the service area of IDGC of Volga, JSC power transmission charges have been set in a manner that ensures the equal charge for all customers regardless to what distribution grid they are connected.

In each region, power transmission charges are calculated based on the specifics of charging policy for the end customers by applying one of the following boiler charging methods: "boiler-above", "boiler-below" and "boiler-wholesale market".

Boiler charging method is designed to set uniform regional charges for power transmission to be applied by all distribution grid companies in order to eliminate the difference in the ultimate charge paid by the customers of different distribution grid companies.

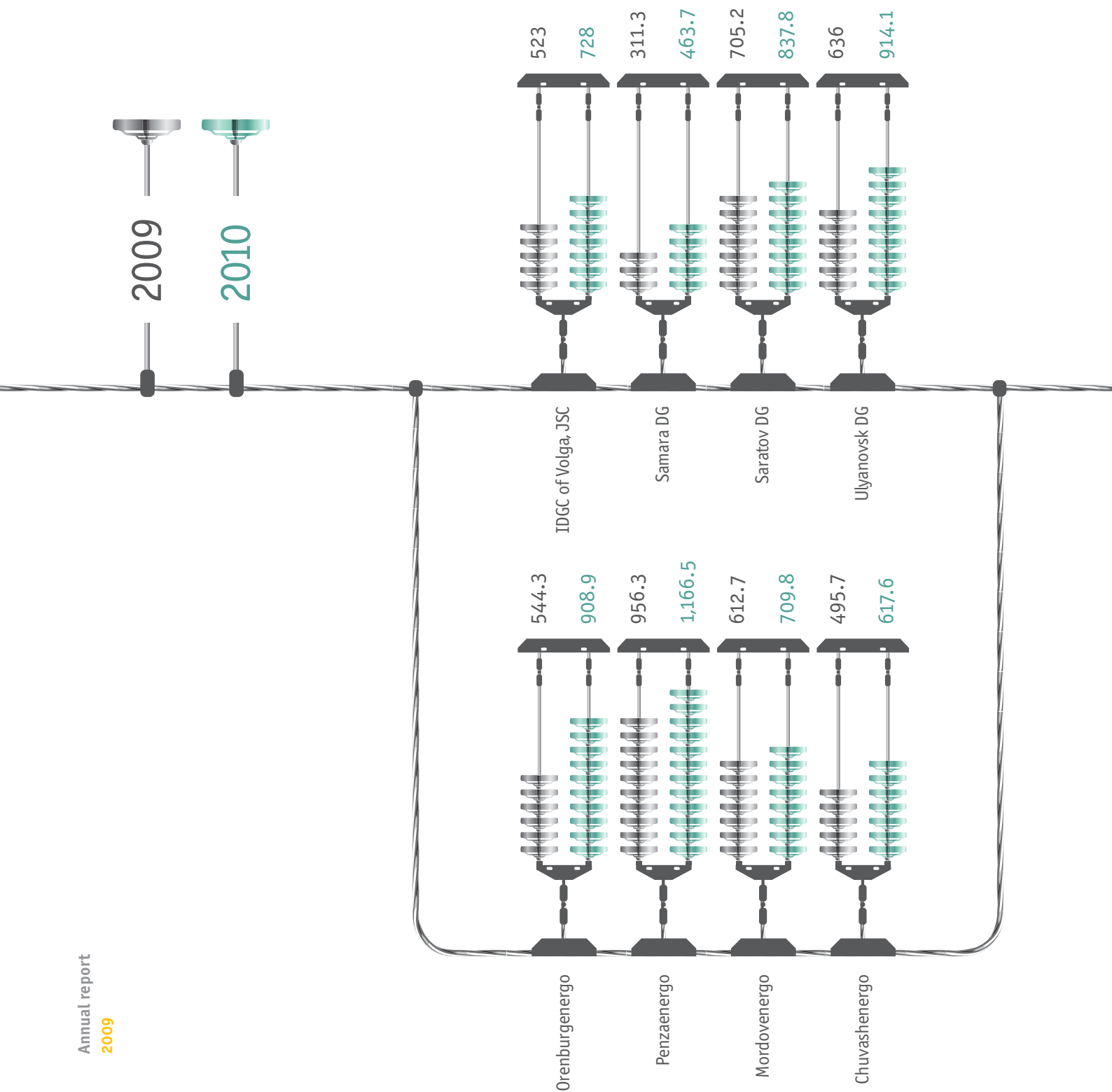
6 POWER OF CREATION

Within the service area of IDGC of Volga, JSC, the regional regulatory authorities are currently providing different “boiler schemes”, but not all of the branches of the Company are “boiler owners” for power transmission services, including (*see table*).

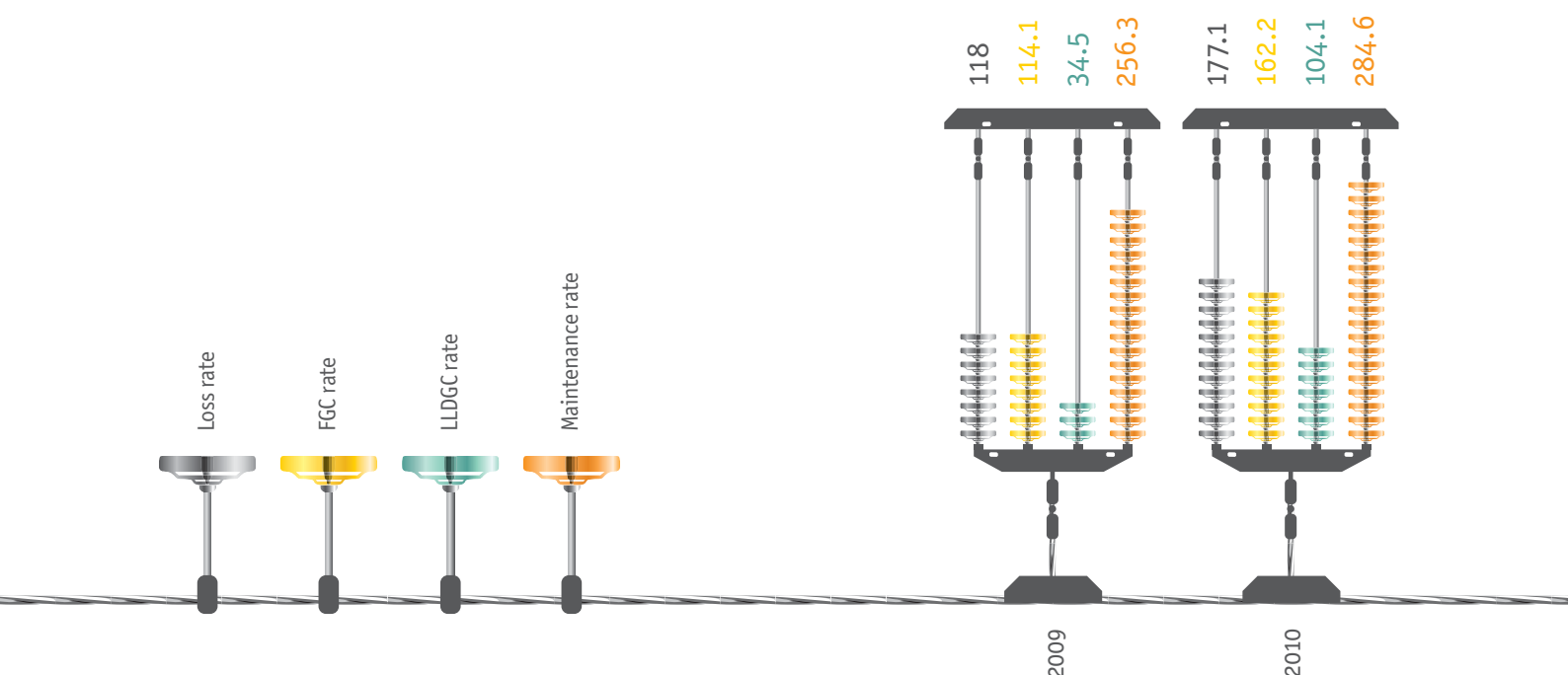


| Branch of IDGC of Volga, JSC | |
|------------------------------|--|
| Samara DG | mixed-type boiler including boiler-above, reciprocal payments with 16 lower level local distribution grid companies (LLDGC), boiler-below – 68 LLDGC |
| Saratov DG | mixed-type boiler including boiler-above, reciprocal payments with 51 LLDGC, boiler-below – 2 LLDGC |
| Ulyanovsk DG | mixed-type boiler including boiler-above, reciprocal payments with 18 LLDGC, boiler-below – 10 LLDGC |
| Mordovenergo | mixed-type boiler including boiler-above, reciprocal payments with 5 LLDGC, boiler-below – 12 LLDGC |
| Orenburgenergo | mixed-type boiler including boiler-above, reciprocal payments with 14 LLDGC, boiler-below – 30 LLDGC |
| Penzaenergo | boiler owner – boiler-above, reciprocal payments with 33 LLDGC |
| Chuvashenergo | boiler owner – boiler-above, reciprocal payments with 28 lower level distribution grid companies |

Variation trend in average charges for power transmission per branches of IDGC of Volga, JSC, RUR/MWh



Structure and trend of average distribution charge of IDGC of Volga, JSC



In 2010 by virtue of the decision of regulatory authorities to release the wholesale companies from payment obligations for the services of the power network organizations and transfer these obligations to distribution grid companies (including IDGC of Volga, JSC), significant changes in the charging schemes for 2009 were introduced. Adjustment of charging schemes concerned took place at such branches as Samara DG, Ulyanovsk DG and Orenburgenergo. In other words, the scheme “boiler-wholesale market” that was in place in these regions in 2009 was replaced with reciprocal payment based scheme, “boiler-grids”, adopted by price regulation authorities in 2010.

Based on the adopted charging schemes, price regulation authorities set the uniform boiler charges for power transmission services to be paid by the power consumers and individual charges for reciprocal payments between the companies involved in the process of delivering the power to the consumers.

Uniform boiler charges for power transmission services to be paid by power consumers, in its turn, are differentiated by a capacity range and consumer group in the form of a charging “menu” (branch of IDGC of Volga, JSC – Penzaenergo and the branch of IDGC of Volga, JSC – Samara DG).

The branches of Company use the charging menu for 2010 that includes both single rate and dual rate uniform (boiler) charges for power transmission.

Charges for technological connection to power grids of IDGC of Volga, JSC

In addition to power transmission, the services related to technological connection to power grids are also subject to regulation.

Current methodological foundations of the charging policy for technological connection services made it possible to turn this activity into one of the largest investment sources for the development of distribution grid and power industry.

Technological connection is a one-time service that is required only when a consumer connects to a power grid for the first time or expands the capacity of its power receiving units. Change of ownership or an owner does not entail repeated payment for technological connection.

According to applicable laws of the Russian Federation, regulated rates for technological connection are not subject to the specified period of validity. Therefore, the rates can be set for a year or longer periods. Adjustment of technological connection rates is typically initiated by a distribution grid company, but the charges can be adjusted on the initiative of a regulatory authority.

The amount of technological connection charges can be either calculated based on the differentiation for each voltage level and the capacity needed

by the customer or without such differentiation as well as for each particular project.

In each region, technological connection rates are calculated taking into account the differences in charging policies.

In 2010, technological connection rates were changed in two regions of the Company's presence: in the branch of IDGC of Volga, JSC – Mordovenergo and in the branch of IDGC of Volga, JSC – Ulyanovsk DG. Other branches kept their rates at 2009 levels.

It is also necessary to point out that the number of applicants who wanted to pay for technological connection at tailored rates soared in 2010.

7

STOCKHOLDER'S EQUITY AND SECURITIES



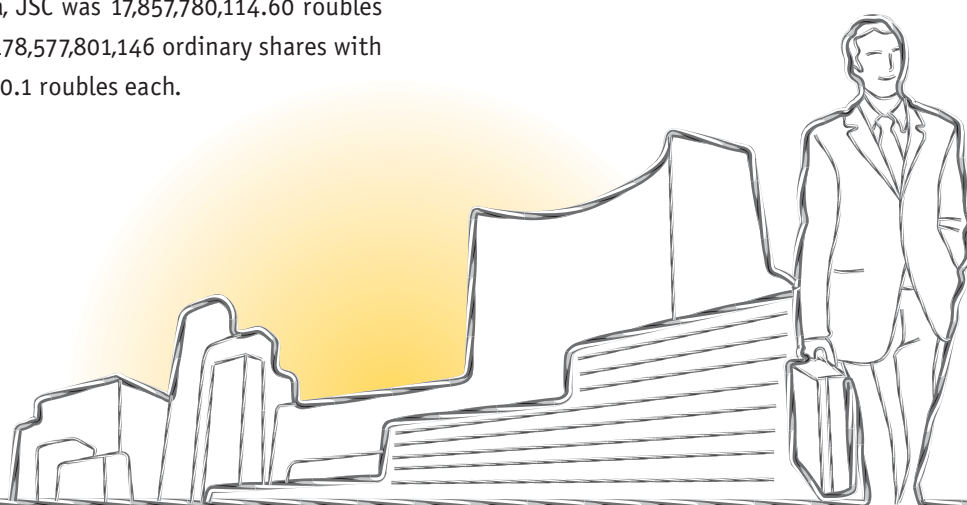
| | |
|----------------------|----|
| Stockholder's equity | 82 |
| Dividend policy | 84 |
| Stock market | 84 |



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Stockholder's equity

As of December 31, 2009, the Charter capital of IDGC of Volga, JSC was 17,857,780,114.60 roubles and divided by 178,577,801,146 ordinary shares with the par value of 0.1 roubles each.



Information on changes in the Company's charter capital

| Date of state registration | State registration number | Number of shares, shares | Placement method | Amount of charter capital, RUR |
|----------------------------|--|--------------------------|--|--|
| October 10, 2007 | 1-01-04247-E | 100,000,000 | Purchase of shares by the sole founder of the Company – RAO UES of Russia | 10,000,000.00 |
| March 20, 2008 | 1-01-04247-E-001D | 51,756,840,992 | Conversion of shares of DGC into additional registered shares of IDGC of Volga, JSC as a result of affiliation | 17,857,780,114.60 |
| | 1-01-04247-E-002D | 11,558,321,461 | | (based on Additional Securities Placement Report for the Company's securities registered by the Russian Federal Securities Commission on April 24, 2008) |
| | 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 | | |
| August 12, 2008 | Cancellation of individual numbers for additional securities placements (due to the expiration of 3 months from the date of state registration of the reports on additional placement of uncertificated registered ordinary shares of the Company) | | | |

Stockholder's Equity and Securities

Information on the number of persons on the Company's the register of securities (excluding data on the clients of nominee shareholders) and the number of shares as of December 31, 2009

| Type of shareholder | Number of shareholders | % of the total number of shares |
|--|------------------------|---------------------------------|
| Shareholders – individuals , including | 19,008 | 3.287 |
| residents | 18,990 | 3.278 |
| non-residents | 18 | 0.008 |
| Shareholders –legal entities , including | 150 | 4.138 |
| residents | 132 | 4.085 |
| non-residents | 18 | 0.052 |
| Nominee shareholders | 20 | 92.562 |
| Trustees | 3 | 0.001 |
| Pledge holders | 0 | 0 |
| Shares held by other persons | 1 | 0.009 |
| Total | 19,182 | 100 |

Information on registered entities that hold more than 5% of ordinary shares of the charter capital of the Company, as of December 31, 2009

| Name | % of the charter capital of the Company |
|---|---|
| «Depository and Corporate Technologies» Limited Liability Company (nominee shareholder) | 67.626 |
| «National Depository Center» Closed Joint-Stock Company (nominee shareholder) | 11.8993 |
| «National Depository and Clearing Company» Closed Joint-Stock Company (nominee shareholder) | 8.6895 |

As of December 31, 2009, IDGC Holding, Joint-Stock Company holds 120,765,085,671 ordinary shares of the Company, which makes up 67.626% of the Charter capital of IDGC of Volga, JSC. The Company, in its turn, holds 9,400 of ordinary shares of IDGC Holding, Joint-Stock Company, which makes up 0.00002% of the charter capital of IDGC of Volga, JSC.

In accordance to the notification from non-profit partnership “National Depository Center” of March 25, 2008 No. AE-11/2108, the shares IDGC of Volga, JSC received ISIN (International Securities Identification Number) – RU000A0JPPN4.

Dividend policy

Dividend policy is a policy of a joint-stock company that determines how the company uses its net income.

The Board of Directors is responsible for recommending the amount of dividends per ordinary shares based on the results of a fiscal year and bringing the matter to discussion by the General Meeting of Shareholders to make a final decision on the payment (non-payment) of dividends.

In accordance to the decisions made at the General Meeting of Shareholders of IDGC of Volga, JSC (Minutes No. 1/2008 of June 7, 2008 and Minutes No. 2/2009 of June 10, 2009), dividends per shares

of IDGC of Volga, JSC were not accrued and paid based on the results of the Company's financial and business performance in 2007-2008.

Stock market

In May 2008, shares of IDGC of Volga, JSC entered trading floors as over-the-counter margin stock. Consequently, on May 19, 2008 the shares of the Company started to be traded on the Classic and Stock Market at RTS, JSC, at the opening price of 0.18 roubles per share and on May 23, 2008 at CJSC MICEX Stock Exchange at the opening price of 0.195 roubles per share.

Based on the results of trading with the shares of IDGC of Volga, JSC at the trading floors of stock market institutions, the Company's shares first demonstrated a steady positive growth in December 2008 (+43% a month). In 2009, the shares of the Company rebounded after the crash in the 3Q and 4Q of 2008 and returned to steady growth during the reporting year. Consequently, the capitalization of IDGC of Volga, JSC, as of December 31, 2009,

soared by 93% compared to 2008 and reached 23.18 million roubles.

Last year, the MICEX posted 22,345 transactions with the shares of IDGC of Volga, JSC for 9,614,591,400 shares (5.4% of the charter capital of the Company) with the total amount of 1.005 billion roubles. In 2009, the average daily number of transitions tripled, the average daily trading volume nearly doubled and reached 38.6 million of shares, and the average daily trading volume in roubles increased by 3.6 times and reached 4.03 million roubles.

In its turn, considerable decline in the volatility of the shares of IDGC of Volga, JSC which was – 67% based on the data from FINAM, JSC supported the liquidity of the Company's shares as one of the essential requirements to ensure success on the stock market.

The following factors provided higher demand from large domestic and international institutional investors, and, accordingly, supported the growth of the Company's shares in 2009:

- › rebound of the Russian stock market after the financial crisis in 2008;
- › ongoing reforms in power industry, particularly the transition to a new regulation method – ROI based charging policy (or RAB-regulation);
- › improvement in the Company's image, publicity and transparency due to consistent and comprehensive management and the enhancement of corporate governance and corporate culture;
- › cooperation with a stock market institution that performs the functions of a broker on behalf of the Company at the trading floor of the MICEX Stock Exchange, Closed Joint-Stock Company.

into the Quotation list A of the second level of the CJSC MICEX Stock Exchange.

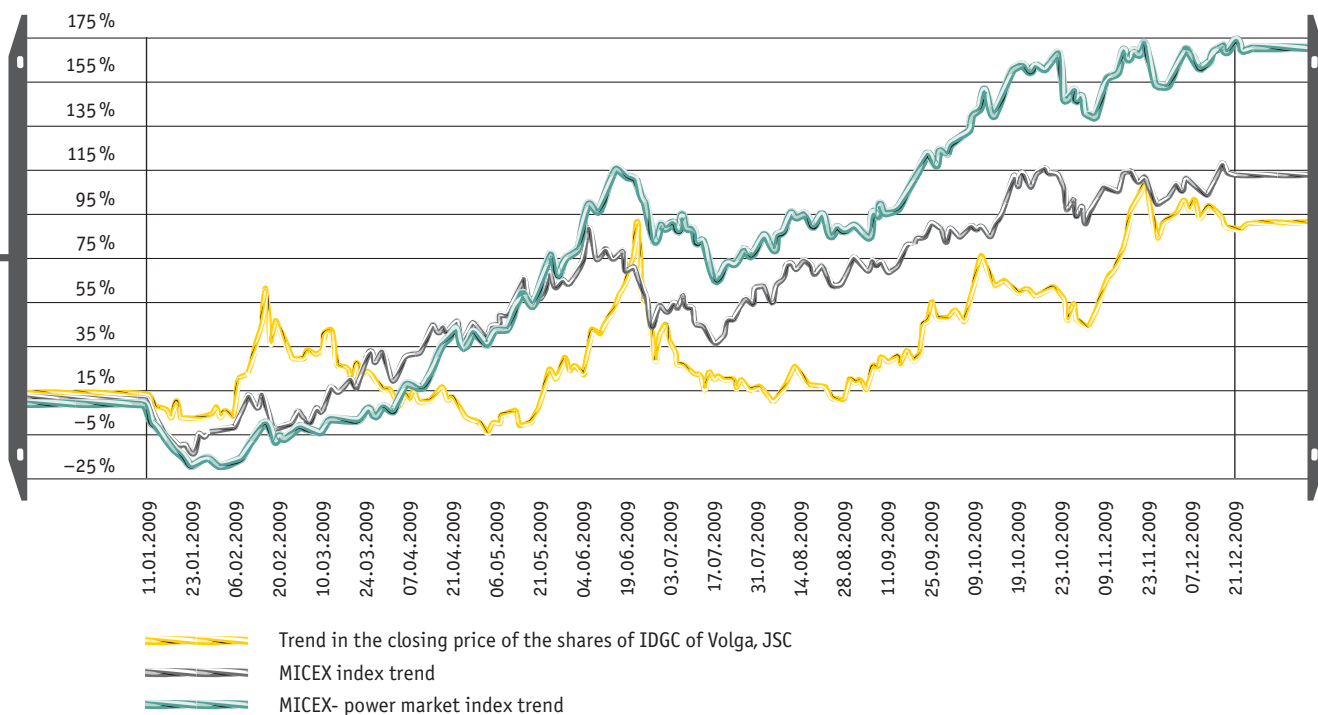
One of the highlights in 2009 was granting an award to IR-service of the Company at the panel "Cooperation with shareholders and investors policy" arranged by IDGC Holding, JSC. Based on the poll among analytics and investors, IDGC of Volga, JSC won "the Most Liquid and Fastest Growing Security in 2009" award.

Based on the decision of the Directorate of CJSC MICEX Stock Exchange the shares of IDGC of Volga, JSC were listed in the Quotation List B of CJSC MICEX Stock Exchange in June, 2009. According to the data quarterly disclosed by the exchange on the Internet, the Company complies with the requirements of the laws of the Russian Federation on keeping the shares in the Quotation List. In order to increase the investment attractiveness of the shares of IDGC of Volga, JSC, it is planned to apply for the listing procedure for the shares of the Company to be included

Results of the trading with the Company's shares in 2009

| Stock market institution | Volumes, shares | Volumes, RUR | Number of trans- actions | Transaction prices | |
|--------------------------|--------------------|------------------|--------------------------------|-----------------------|-----------------------|
| | | | | Minimal price, RUR | Maximal price, RUR |
| RTS (stock market) | 274,843,100 | 25,639,933.99 | 29 | 0.0651 | 0.10 |
| RTS (classic market) | 255,892,371 | 25,431,183.41 | 49 | 0.0843 | 0.1345 |
| MICEX | 9 614 591,400 | 1,004,528,701.28 | 22,345 | 0.06 | 0.142 |
| Total: | 10,145,326 871 | 1,055,599,818.68 | 22,423 | | |

Trend in the market value of the shares of IDGC of Volga, JSC compared to MICEX index and MICEX-power market index (based on trading results on MICEX in 2009), per cent



Stockholder's Equity and Securities

Trend in the market capitalization of IDGC of Volga, JSC (based on trading results on MICEX in 2009)



8

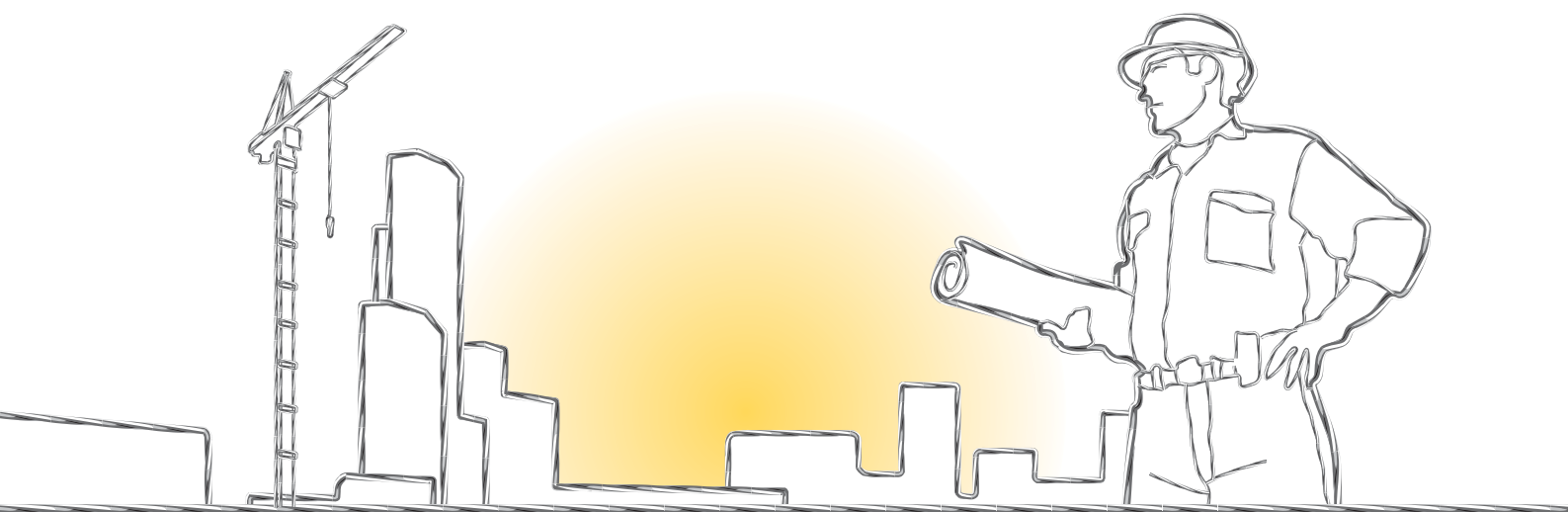
INVESTMENTS



| | |
|--|----|
| Investment program for 2009 | 90 |
| Areas and structure of capital investments | 95 |
| Investment program financing sources | 97 |



Investment program for 2009



Total capital investment in 2009

Total capital investment in the construction, technical upgrading and reconstruction of facilities of IDGC of Volga, JSC for 2009 was planned at the amount of 2,207.722 million roubles, including:

- › technical upgrading and reconstruction – 1,686.429 million roubles or 76.4% (including equipment not requiring assembly, 280.209 million roubles);
- › new construction – 452.071 million roubles or 20.5%;
- › purchase of property, plant and equipment – 67.509 million roubles or 3.1%;
- › purchase of intangible assets (R&D) – 1.714 million of roubles or 0.1%.

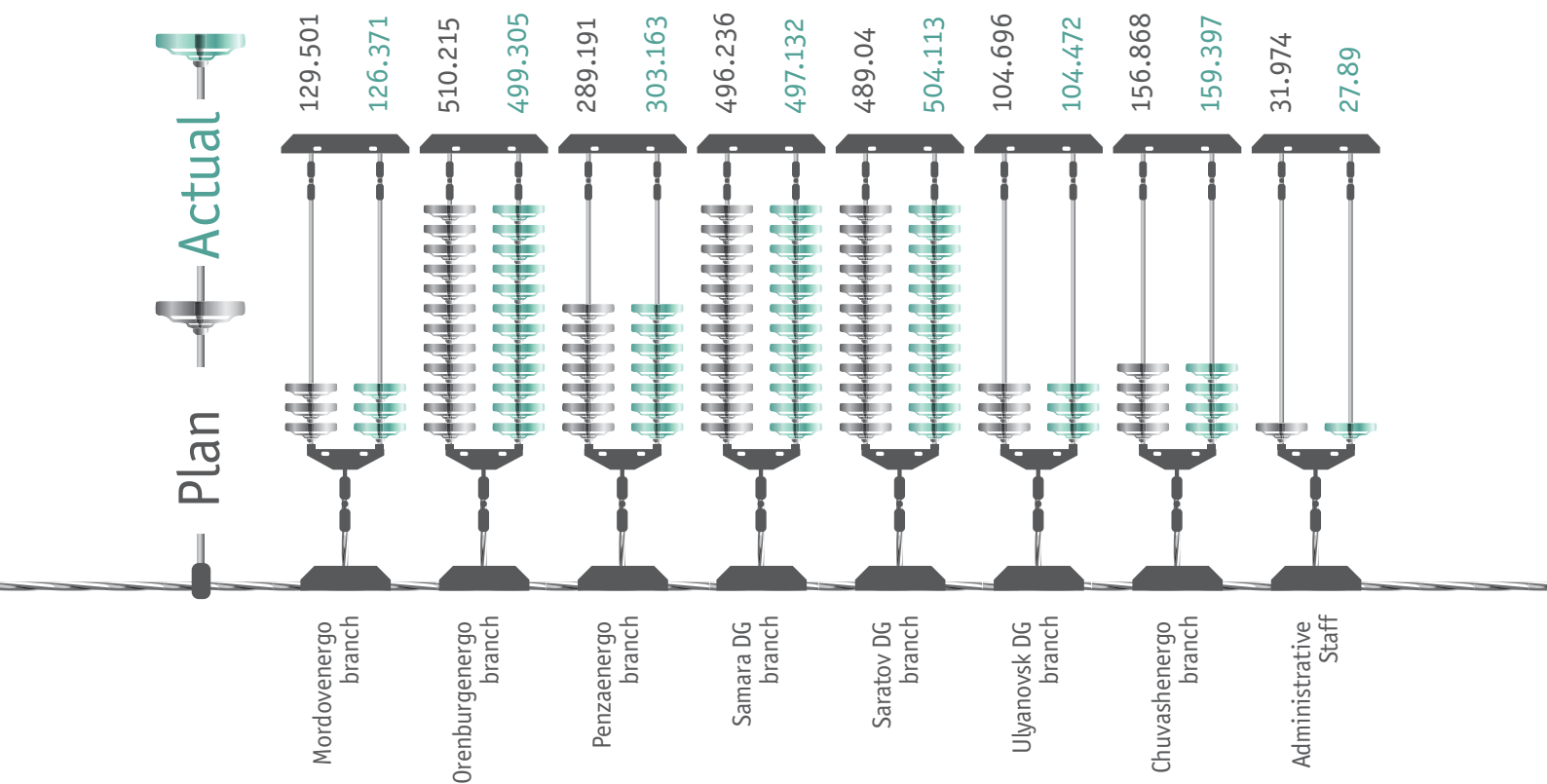
Actual absorption of capital investment of IDGC of Volga, JSC for 2009 was 2,221.844 million roubles (100.6% against the plan), including:

- › technical upgrading and reconstruction – 1,699.487 million roubles or 76.5% (including equipment not requiring assembly, 288.850 million roubles);

- › new construction – 452.870 million roubles or 20.4%;
- › purchase of property, plant and equipment – 67.757 million roubles or 3.0%;
- › purchase of intangible assets (R&D) – 1.729 million of roubles or 0.1%.

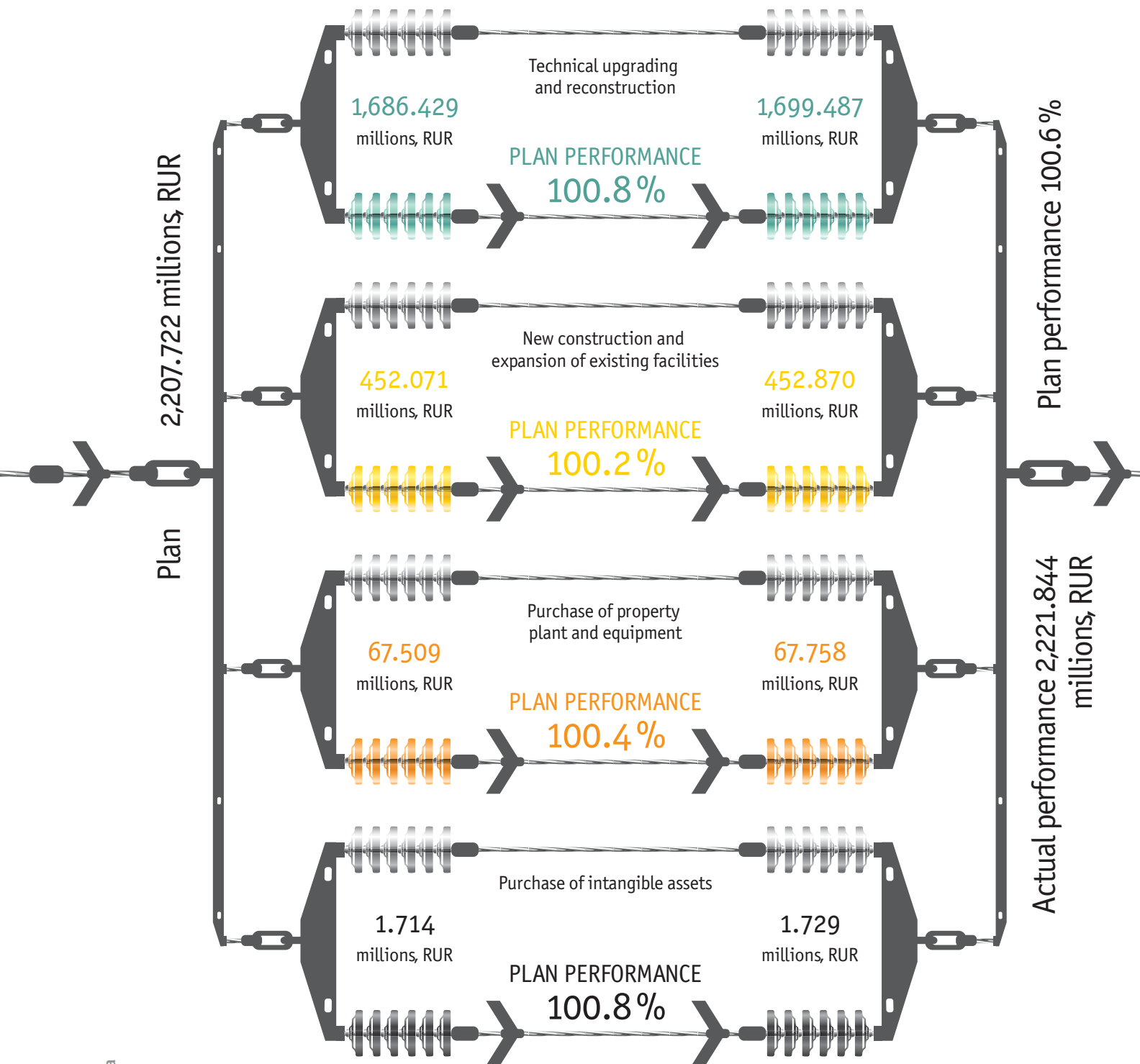
Investments

Analysis of capital investments for 2009 in IDGC of Volga, JSC,
billions, RUR



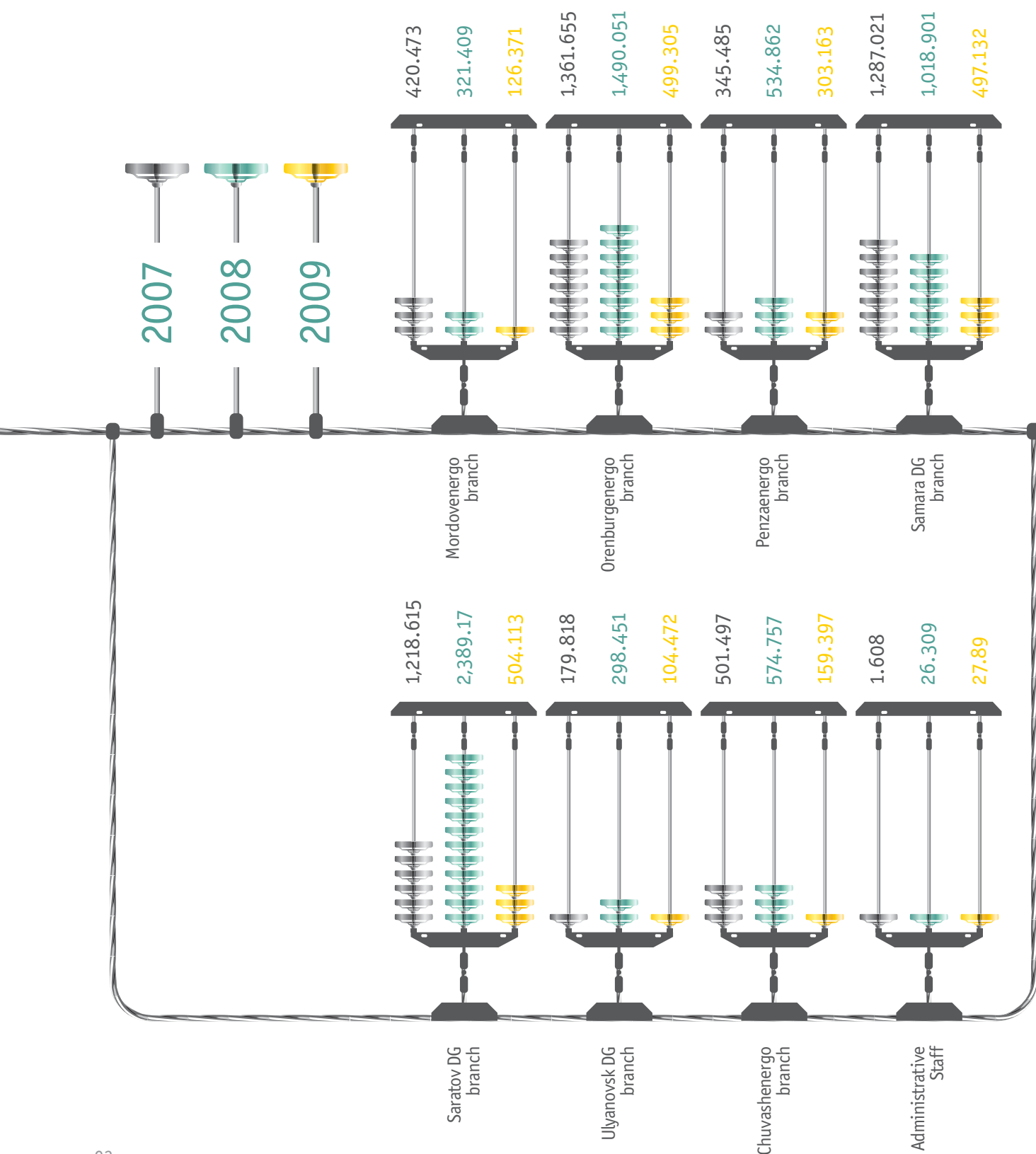
Investment activity indicators for IDGC of Volga, JSC in 2009

| Branch name | millions, RUR | | | | | | |
|--------------------------|----------------------------|---------------|-------------------------------|--------------|-------|-------------------|-------|
| | | | | | | | 2009 |
| | millions, RUR (w/o VAT) | millions, RUR | VAT included millions, RUR | New capacity | | Capacity increase | |
| | | | | MVA | km | MVA | km |
| Mordovenergo | 126.371 | 203.203 | 126.789 | 63.6 | 31.4 | 34.5 | 7.5 |
| Orenburgenergo | 499.305 | 932.081 | 512.566 | 31.3 | 129.9 | 24.8 | 107.0 |
| Penzaenergo | 303.163 | 243.261 | 311.844 | 3.3 | 61.4 | 3.3 | 43.9 |
| Samara DG | 497.132 | 835.363 | 674.198 | 132.8 | 41.3 | 101.0 | 3.8 |
| Saratov DG | 504.113 | 963.706 | 689.164 | 107.2 | 154.2 | 74.3 | 54.9 |
| Ulyanovsk DG | 104.472 | 201.007 | 182.961 | 16.2 | 10.1 | 16.0 | |
| Chuvashenergo | 159.397 | 322.729 | 214.319 | 41.9 | 19.5 | 41.9 | 19.2 |
| Administrative Staff | 27.890 | 28.847 | 32.233 | | | | |
| Total IDGC of Volga, JSC | 2,221.844 | 3,730.197 | 2,744.073 | 396.2 | 447.9 | 295.7 | 236.2 |



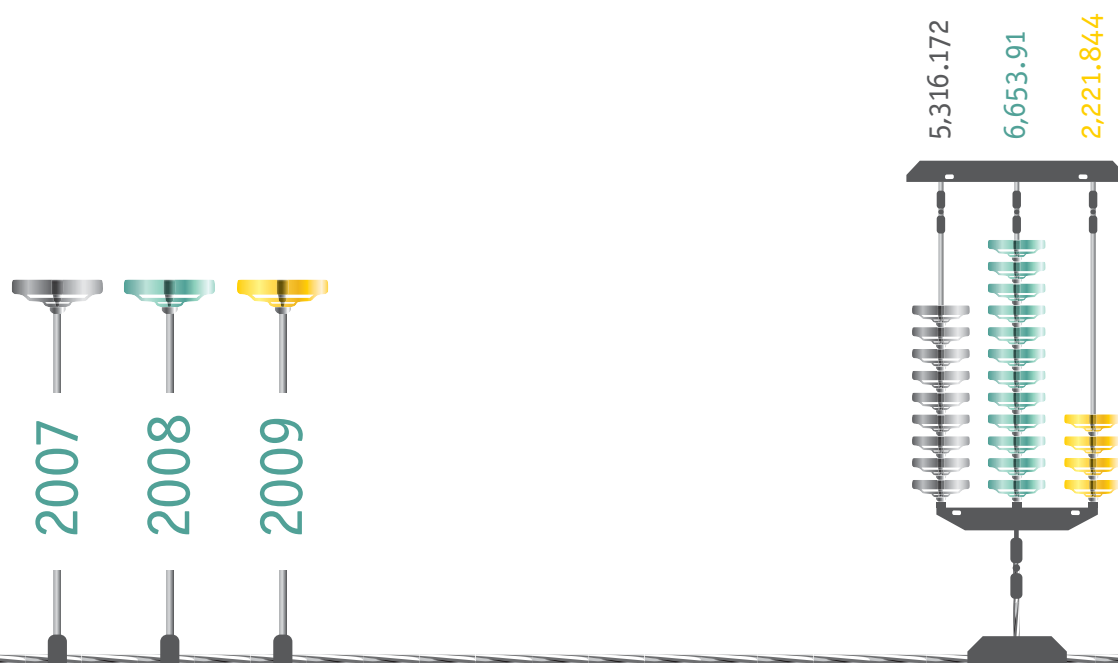
Investments

Trend in total capital investment absorption by the branches of IDGC of Volga, JSC for 2007–2009, millions RUR.





IDGC of Volga, JSC, total, millions RUR



Decline in the capital investments in 2009 compares to 2007 and 2008 stems from the fact that the investment program for the reporting period was based in available financial resources of the Company which werelimited by the following factors:

1. decline in net power output relative to adopted charges for 2009 by 8.7% and by 8.8% compared to 2008 as well aslower demand for technological connection which was due to negative impact of the global financial crisis on the Russian economy;
2. liabilities to meet payment obligations to construction companies and suppliers accrued from the implementation of investment programs during previous periods;
3. paying off debt used to finance the deficit of financing for investments in 2007 and 2008 and the increase in debt servicing by 1.6 times against 2008;
4. increase in the amount of receivables for power transmission services during 2009 by 77%.

Compared to 2007 and 2008, the structure of capital investment in 2009 for different voltage levels remained unchanged. The major portion of capital investment is used for the technical upgrading, reconstruction and ensuring higher reliability of distribution grid complex, which is explained by the need to prevent physical deterioration of equipment, maintain the operational performance of equipment within acceptablelimits, develop power transmission market, increase the total power transmitted trough power grids by connecting new customers, provide system reliability and steady power transmission to fully meet the demand. Investment program for 2009 was completed by all branches of IDGC of Volga, JSC.

Areas and structure of capital investments

Major facilities included into the investment program for 2009

Branch of IDGC of Volga, JSC – Mordovenergo

- › 110/6 kV SS “Rabochaya” (2d start-up facility);
- › Reconstruction of 110/10 kV SS “Severo-Zapadnaya” in Northwester part of Saransk (replacement of 2 power transformers, 110 kV outdoor switchgear (OSG), including: replacement of 110 kV oil breaker (OB), 110 kV current transformer (CT), breakers; 10 kV indoor switchgear (ISG)

generation), 6 kV auxiliary service transformer (AST) two bus system (BS) and 110 kV HV transmissionline “B. Karabulak-Baltay” with 110/35/10 kV SS “Baltay” and 6 units of V-110 kV at 110/35/10 kV at SS “Bazarny Karabulak”.

Branch of IDGC of Volga, JSC – Ulyanovsk DG

- › Reconstruction of 110/35/10 kV SS “Baranovka” and NMC of Ulyanovsk, OT, TC, facility reconstruction.

including: units installment).

Branch of IDGC of Volga, JSC – Orenburgenergo:

- › Reconstruction of 110/35/10 kV SS “Plesh-anovskaya”; 110/35/10 kV SS “Kalikino”;
- › Construction of 110 kV HV transmissionline including SS reconstruction.

Branch of IDGC of Volga, JSC – Penzaenergo:

- › Reconstruction of SS “Vodozabor”, SS “Vostochnaya” with connection to 110 kV HV transmissionline;
- › Construction of 110/10 kV SS “Arbekovo-3”.
- › Branch of IDGC of Volga, JSC – Samara DG:
- › SS “Yagodnoye” (construction of 110/6 kV SS, 110 kV HV transmissionline and 10 kV HV transmissionline);
- › Construction of 110 kV SS “Tanaevskaya”, 2x40 MVA with 110 kV cableline.

Branch of IDGC of Volga, JSC – Saratov DG

- › Reconstruction of 35 kV SS “Melzavodskaya” (2x25 MVA, 6 kV OSG facility, 6 kV DG (diesel

Branch of IDGC of Volga, JSC – Chuvashenergo:

- › Reconstruction of 110/6 kV SS “Uzhnaya”;
- › Construction of 110/10 kV SS “Noviy Gorod”.

Administrative Department of IDGC of Volga, JSC: purchase of equipment not requiring assembly in 2009.



Structure of capital investment in IDGC
of Volga, JSC in 2009

Structure of commissioned PP&E in IDGC
of Volga, JSC in 2009

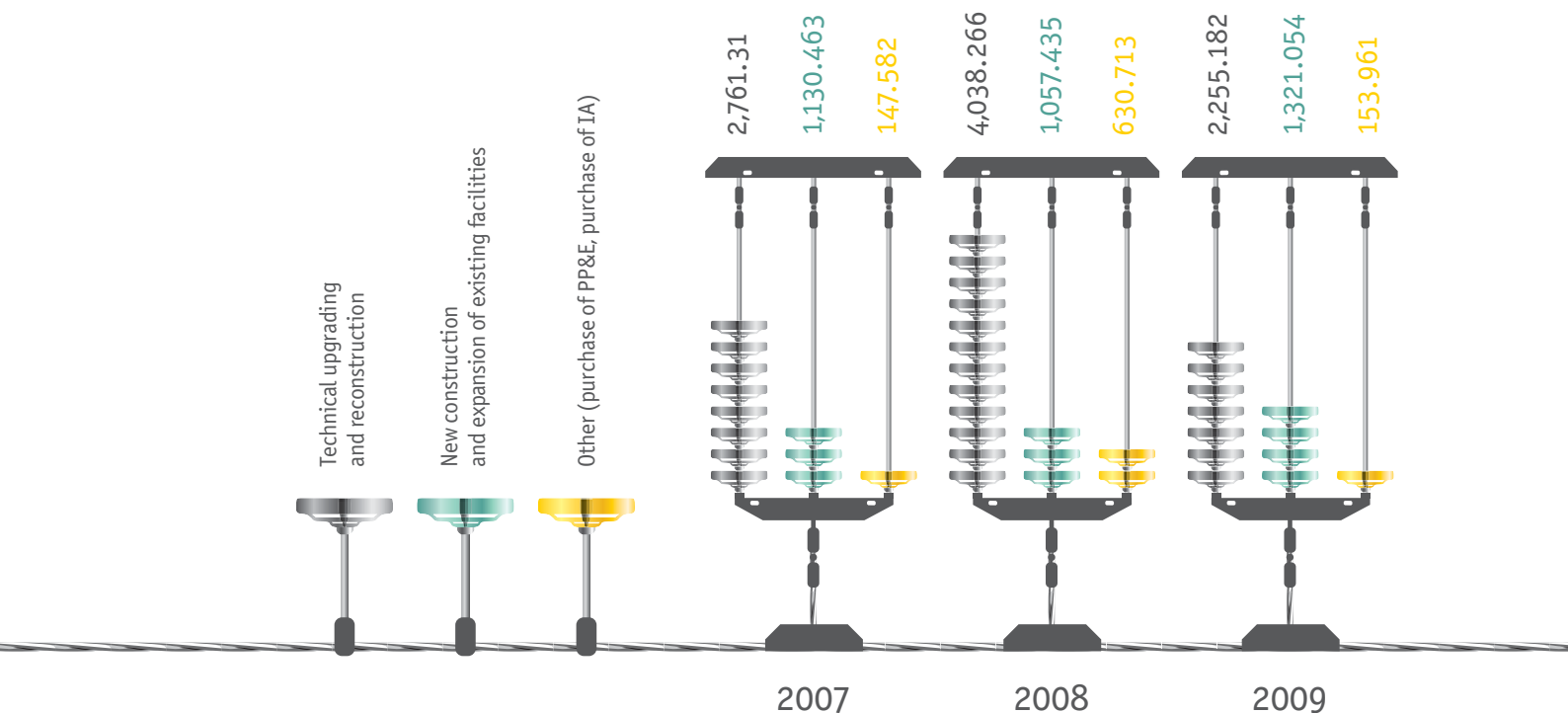


- TU&R
1,699.487 million RUR (76.49%)
- New construction
452.87 million RUR (20.38%)
- Other (purchase of PP&E, purchase of IA)
69.487 million RUR (3.13%)

- Technical upgrading and reconstruction
2,255.18 million RUR (60.46%)
- New construction
and expansion of existing facilities
1,321.05 million RUR (35.42%)
- Other (purchase of PP&E, purchase of IA)
153.961 million RUR (4.12%)

Investments

Structure of commissioned PP&E in IDGC of Volga, JSC in 2007–2009, millions, RUR

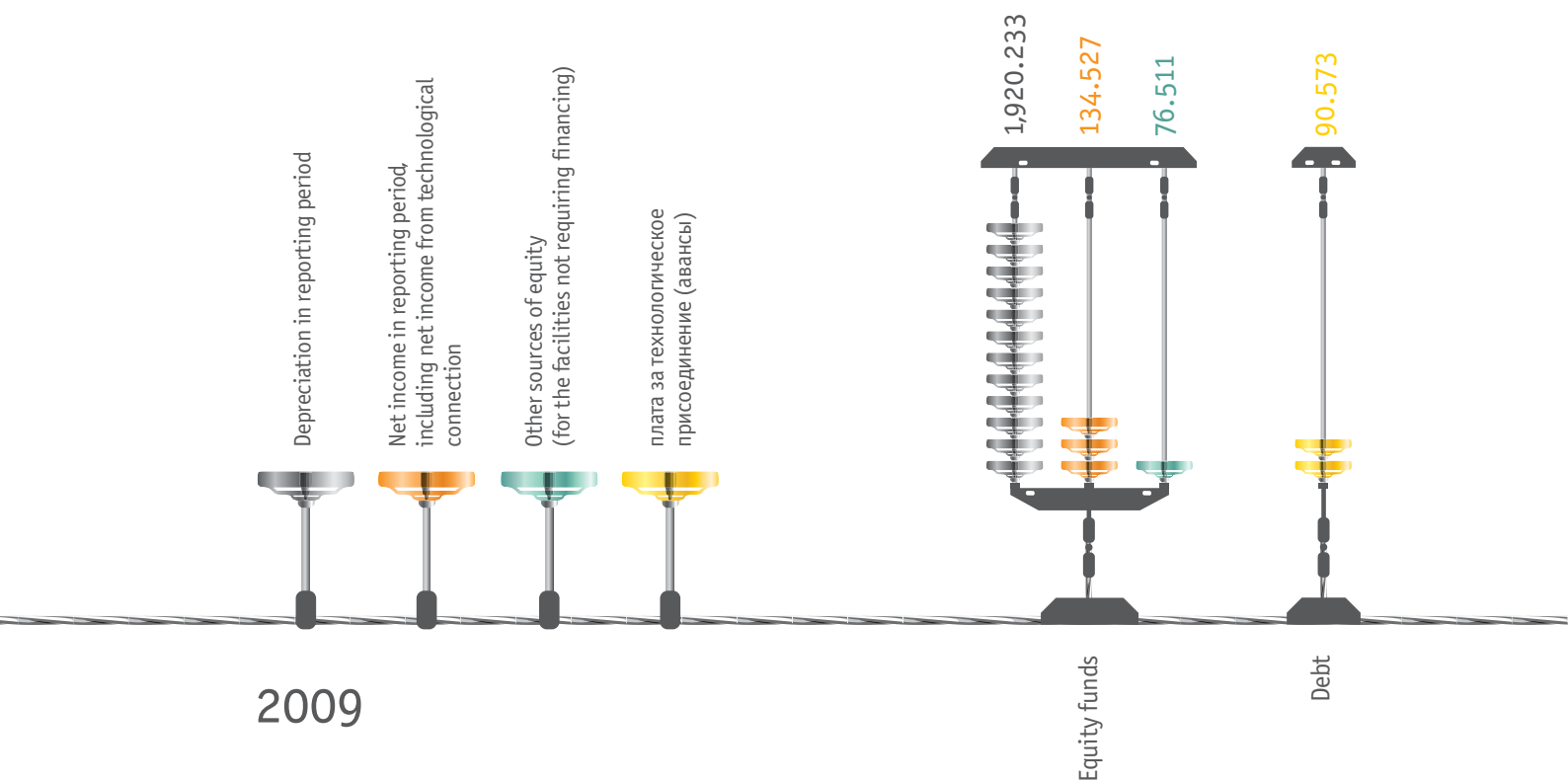


Investment program financing sources

In 2009, the investment program was financed from:

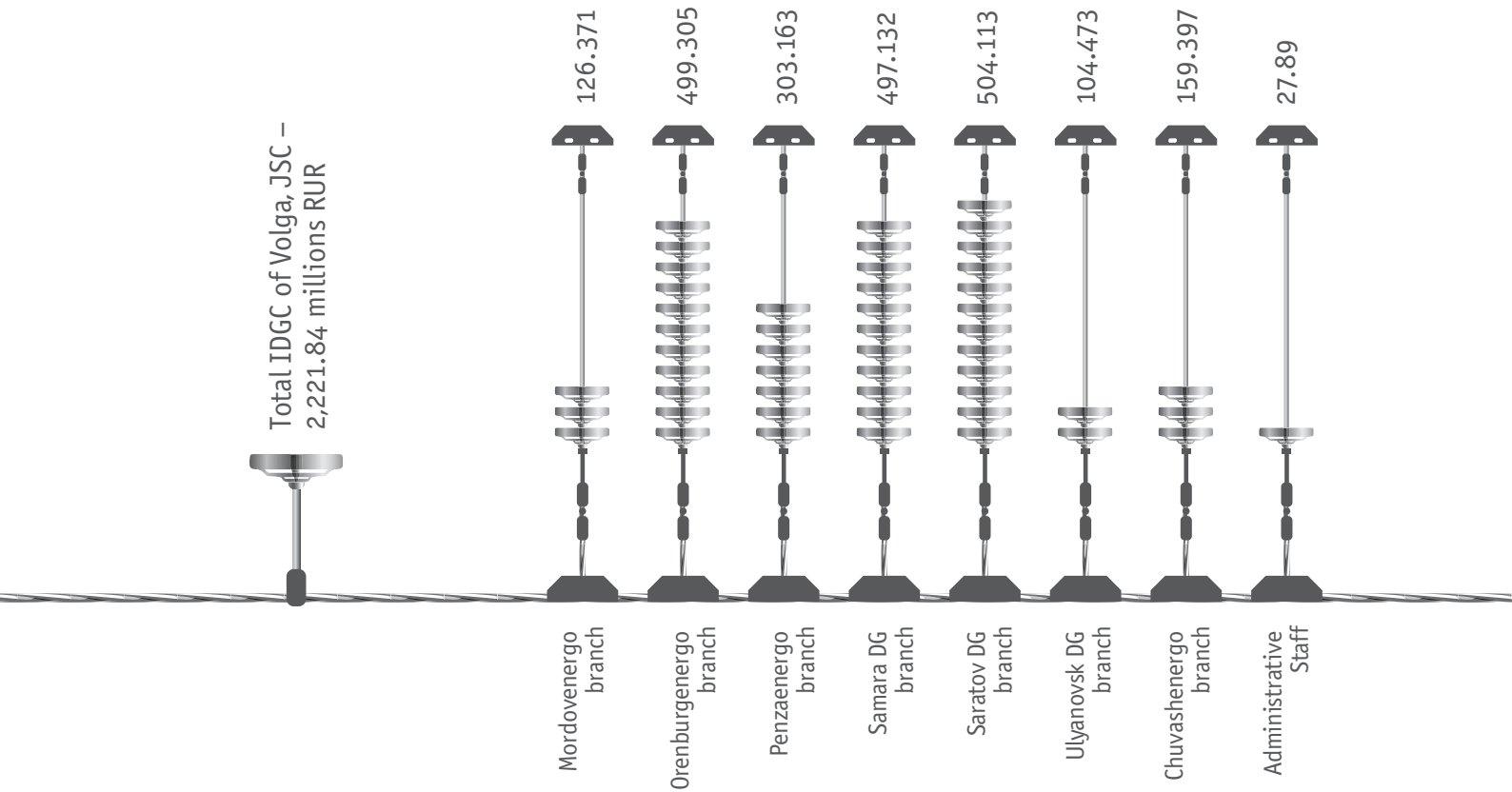
- › equity funds in the amount of 2,131.271 million roubles;
- › debt (advance payments received under technological connection agreements) in the amount of 90.573 million roubles.

Structure of investment program financing sources for 2009



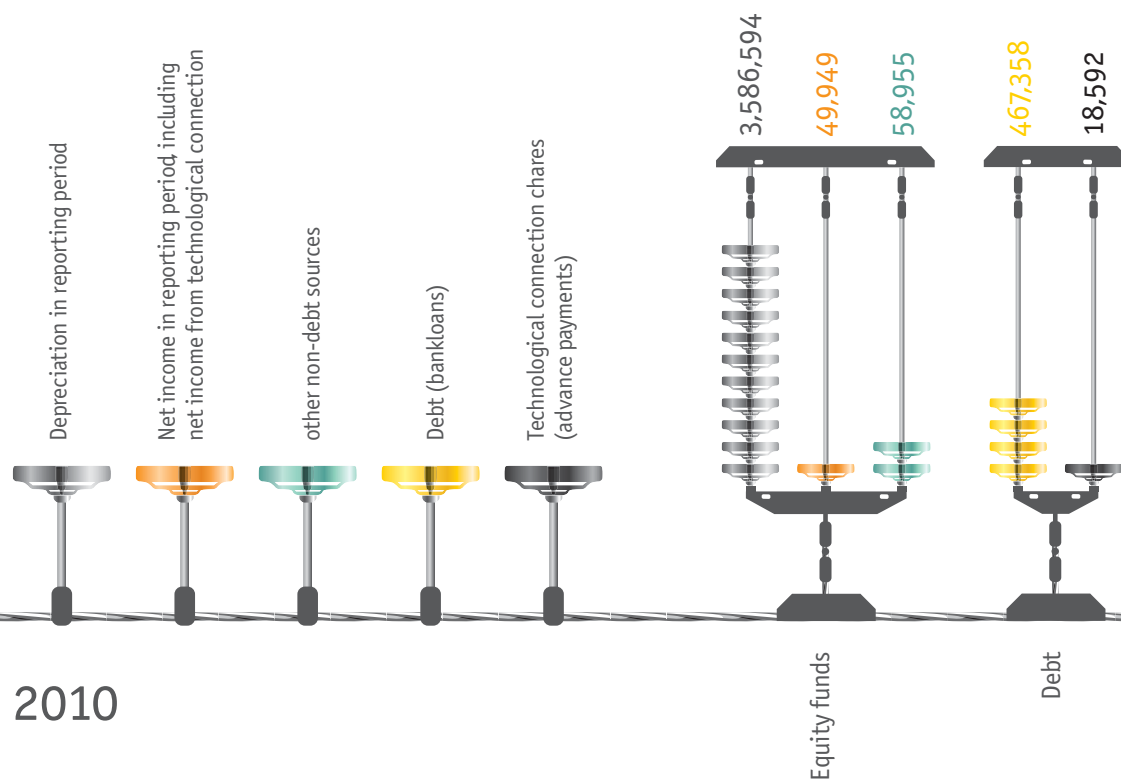
| Indicators | millions, RUR 2009, actual |
|--|-------------------------------|
| Equity funds | |
| Depreciation in reporting period | 1,920.233 |
| Net income in reporting period, including net income from technological connection | 134.527 |
| Other sources of equity (for the facilities not requiring financing) | 76.511 |
| Debt | |
| Technological connection charges (advance payments) | 90.573 |
| Investment sources, total | 2,221.844 |

Investments



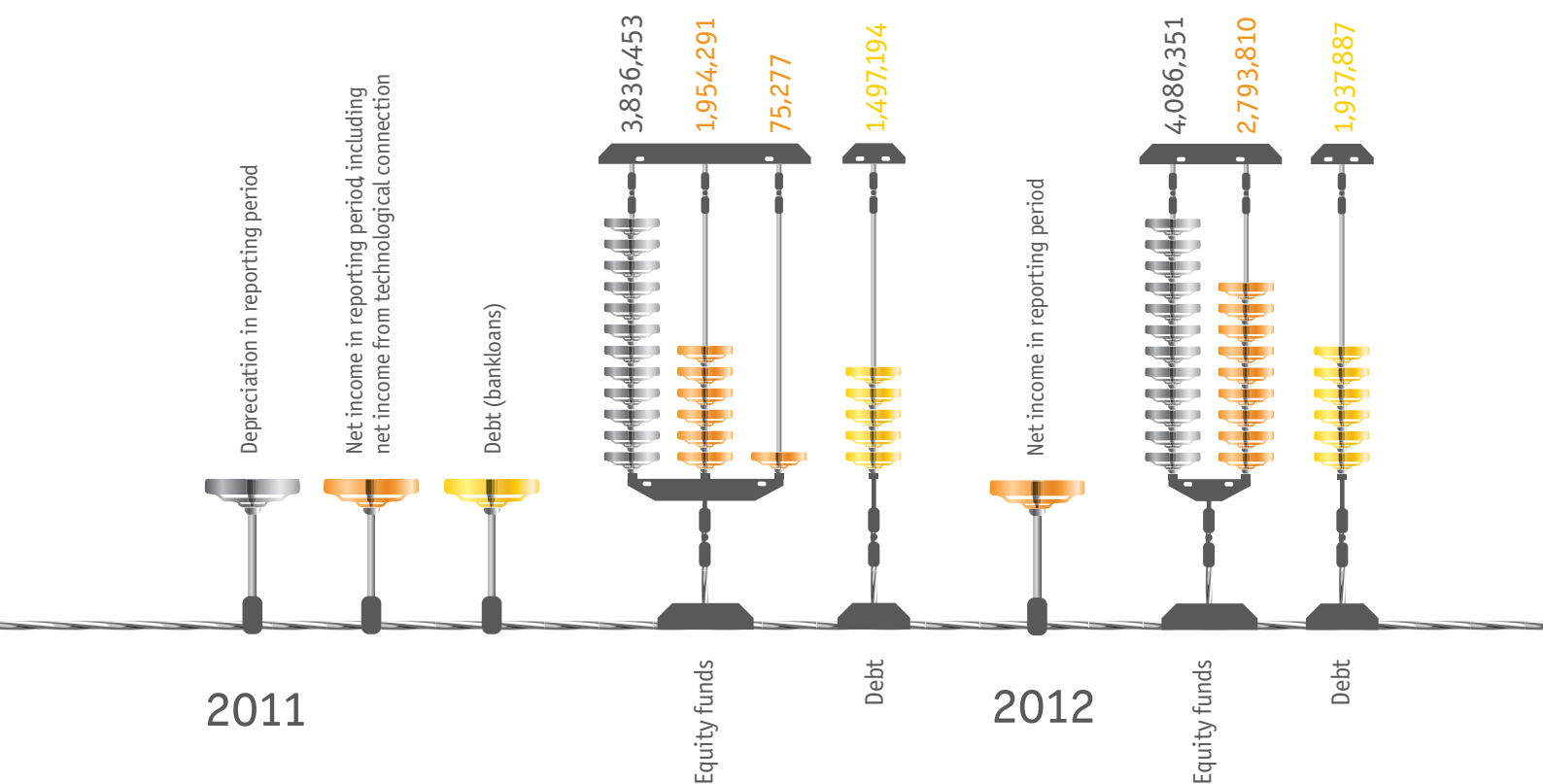


Structure of investment program financing sources (per capital investment absorption)
of IDGC of Volga, JSC for 2010–2012



| Indicators | thousands, RUR (w/o VAT) | | |
|--|--------------------------|-----------|-----------|
| | 2010 | 2011 | 2012 |
| Equity funds | | | |
| Depreciation in reporting period | 3,586.594 | 3,836.453 | 4,086.351 |
| Net income in reporting period, including | 49.949 | 1,954.291 | 2,793.810 |
| net income from technological connection | 49.949 | 75.277 | |
| other non-debt sources | 58.955 | | |
| Debt | | | |
| Debt (bankloans) | 467.358 | 1,497.194 | 1,937.887 |
| Technological connection chares (advance payments) | 18.592 | | |
| Investment sources, total | 4,181.448 | 7,287.938 | 8,818.048 |

Investments

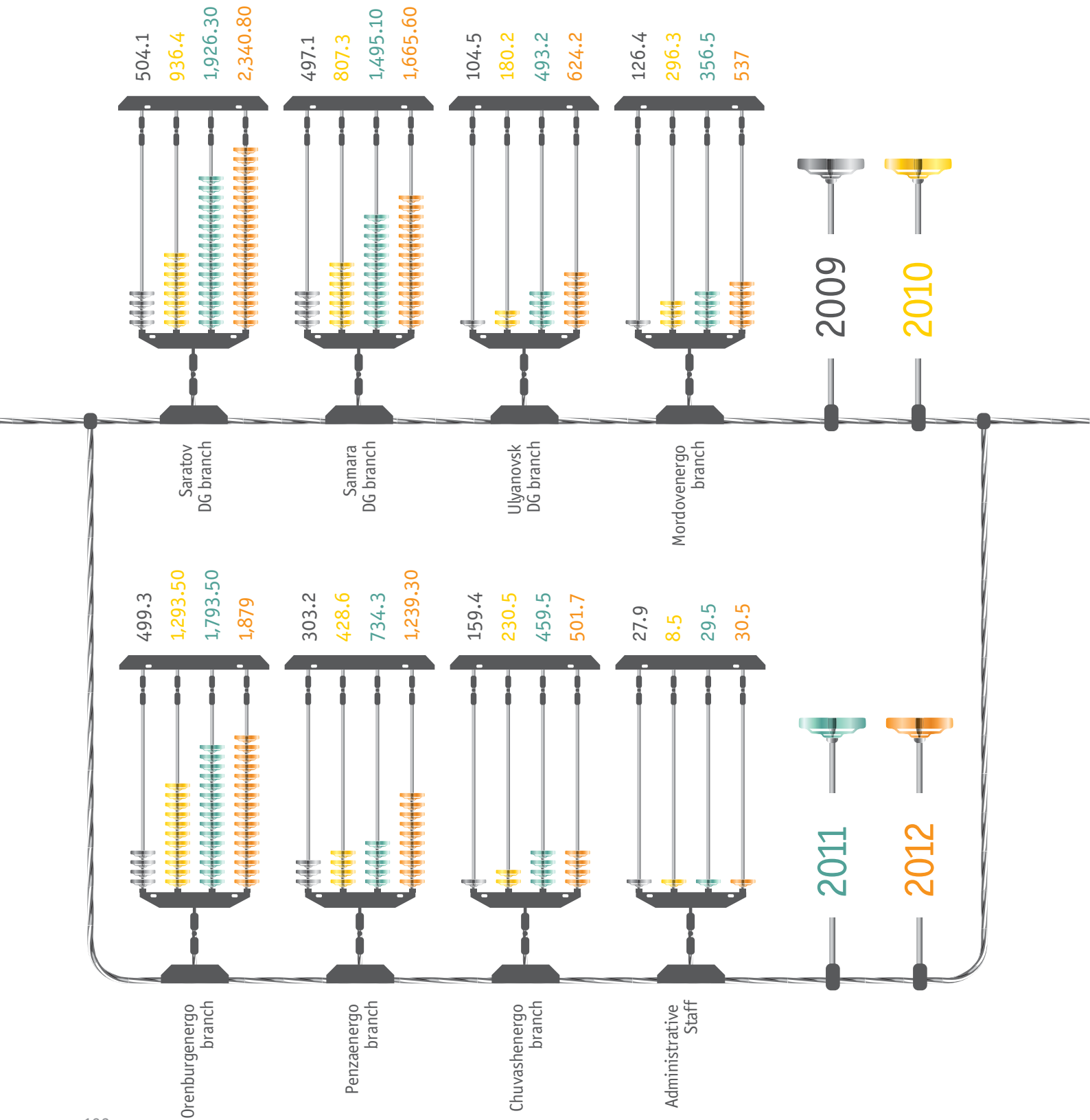


Structure of investment program for 2009-2012 per areas of capital investment for IDGC of Volga, JSC

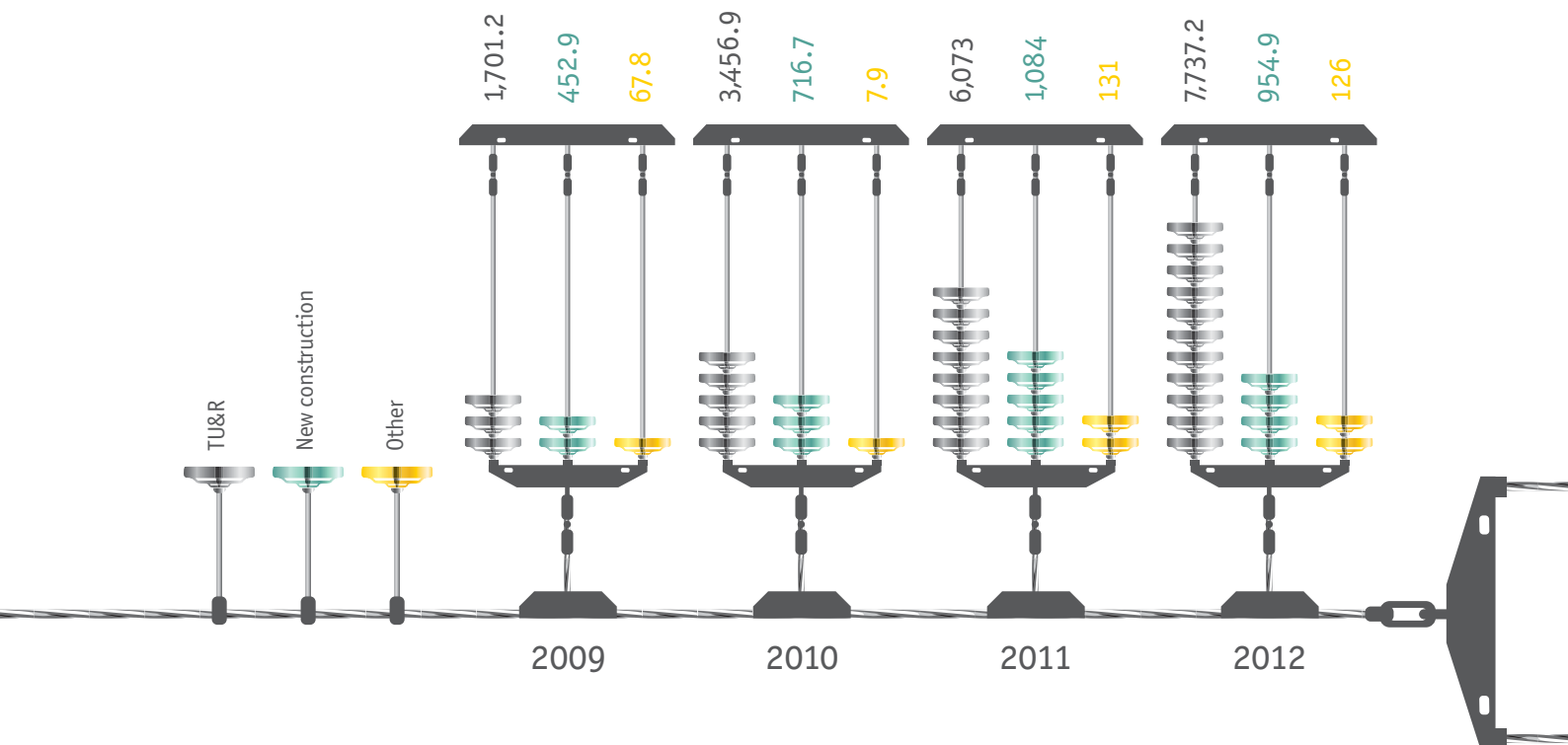
| | millions, RUR | | | |
|---------------------------|---------------|---------|---------|---------|
| | 2009 | 2010 | 2011 | 2012 |
| TU&R | 1,701.2 | 3,456.9 | 6,073.0 | 7,737.2 |
| New construction | 452.9 | 716.7 | 1,084.0 | 954.9 |
| Other | 67.8 | 7.9 | 131.0 | 126.0 |
| IDGC of Volga, JSC, total | 2,221.8 | 4,181.4 | 7,287.9 | 8,818.0 |



POWER
OF CREATION



Investments



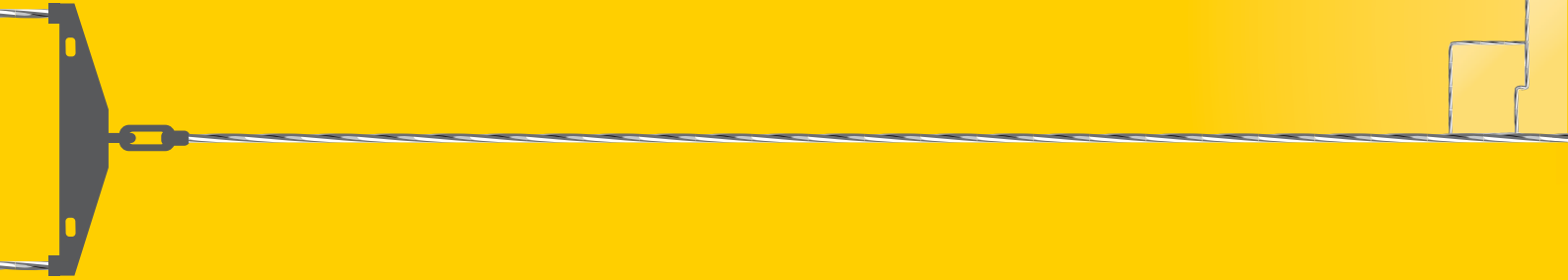
The chart shows that, compared to 2009, total investment in the reconstruction, technical upgrading and new construction for 2010-2012 is increasing, with the total amount of investment being increased by 1.88 times in 2009, 3.28 times in 2011 and 3.97 times in 2012.

Positive mid-term trend in expected investment of IDGC of Volga, JSC stems from the transition of the branches of the Company to RAB-regulation of charges in accordance to applicable laws.

POWER
OF CREATION

9

PROCUREMENT





9 POWER OF CREATION

Basics of the procurement policy of IDGC of Volga, JSC are provided in the Regulation on Procedure for Carrying Out Standardized Procurement of Goods, Works and Services for IDGC of Volga, JSC approved by the decision of the Board of Directors of the Company. The Regulation governs the procedures for the procurement of any goods, works or services (hereinafter referred to as products) that cost more than 500,000 roubles w/o VAT.

Procurement policy is applied to ensure purposeful and efficient spending and commercially reasonable costs (market prices of produces), as well as to prevent possible irregularities by the employees of the procurement department of the Company.

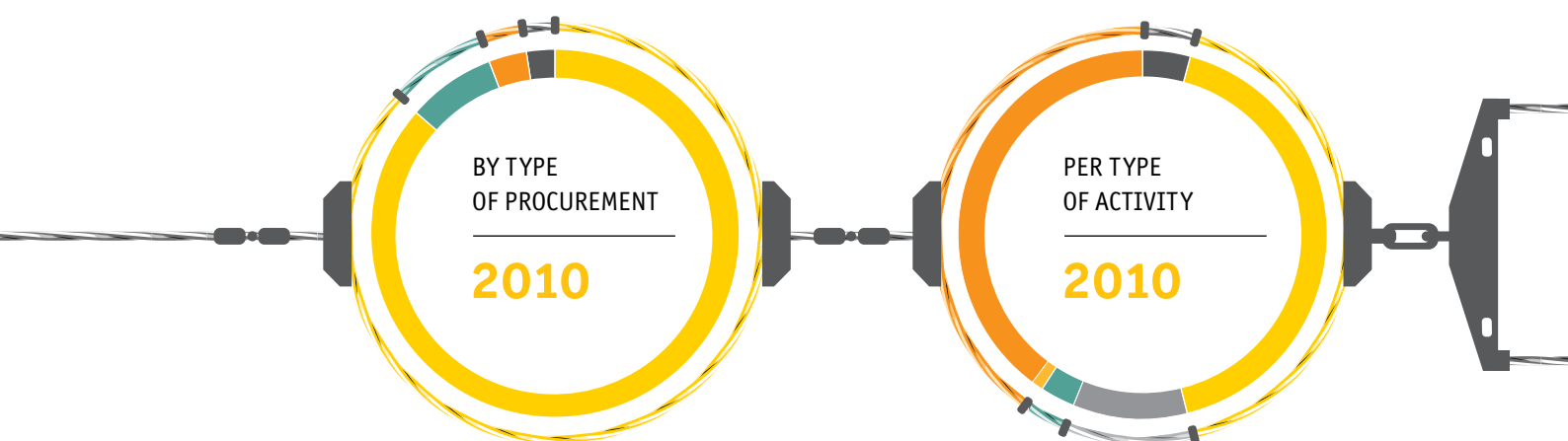
In 2009, in order to provide IDGC of Volga, JSC with goods, works and services there were 1,798 standardized purchases (including extra procurements) for the amount of 7,677,857.1 thousand roubles, VAT included (*see diagrams below*).



- Other
4,718,670.4 thousand roubles (61.46%)
- New construction
256,753.8 thousand roubles (3.34%)
- Repair and maintenance
1,337,276.9 thousand roubles (17.42%)
- TU&R
1,298,050 thousand roubles (16.91%)
- IT procurement
59,306.3 thousand roubles (0.77%)
- Consultation services
7,767.2 thousand roubles (0.1%)
- Appraisers
32.5 thousand roubles (0.00042%)

- Open competitive negotiation
23,185.2 thousand roubles (0.3%)
- Open request for quotes
186,945.3 thousand roubles (2.4%)
- Open request for proposals
316,665 thousand roubles (4.1%)
- Open tender
5,474,452.8 thousand roubles (71.3%)
- Single sourcing
1,676,608.9 thousand roubles (21.9%)

The Annual Integrated Procurement Plan of IDGC of Volga, JSC for 2010 production programs includes 1,371 purchases for the amount of 7,299,134.52 thousand roubles, VAT included (see diagrams below).



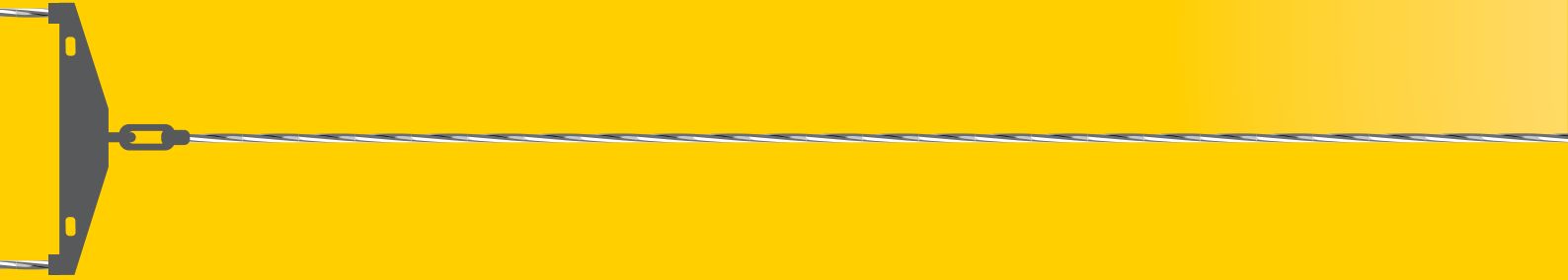
- Open tender
of 6,247,621.73 thousand roubles
- Open request for proposals
560,100.38 thousand roubles
- Open request for quotes
250,080.07 thousand roubles
- Single sourcing
171,332.34 thousand roubles

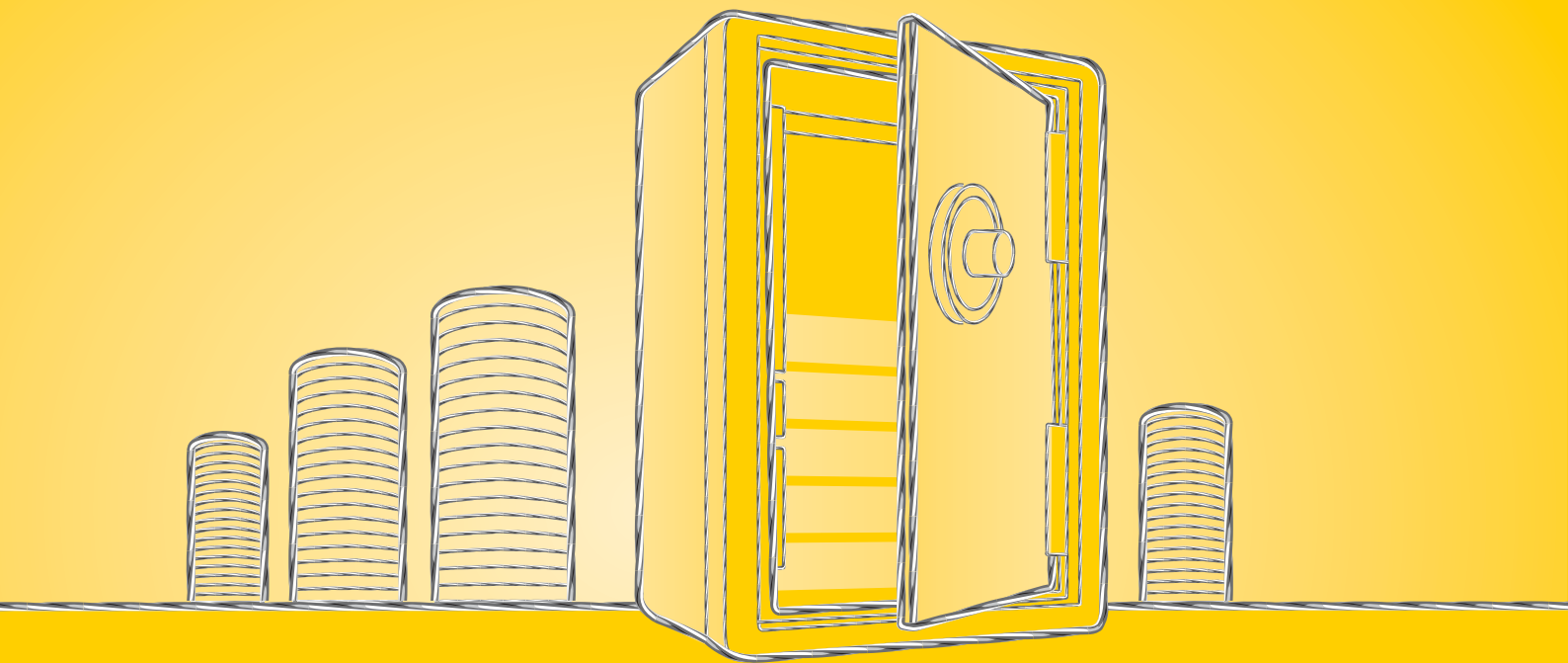
- New construction and expansion
of distribution grid facilities
318,136.62 thousand roubles
- Reconstruction and technical upgrading
of distribution grid facilities
3,017,812.41 thousand roubles
- Repair and maintenance
737,035.51 thousand roubles
- IT procurement
219,091.44 thousand roubles
- Consultation services
11,682.0 thousand roubles
- Other purchases
2,925,376.54 thousand roubles

POWER
OF CREATION

10

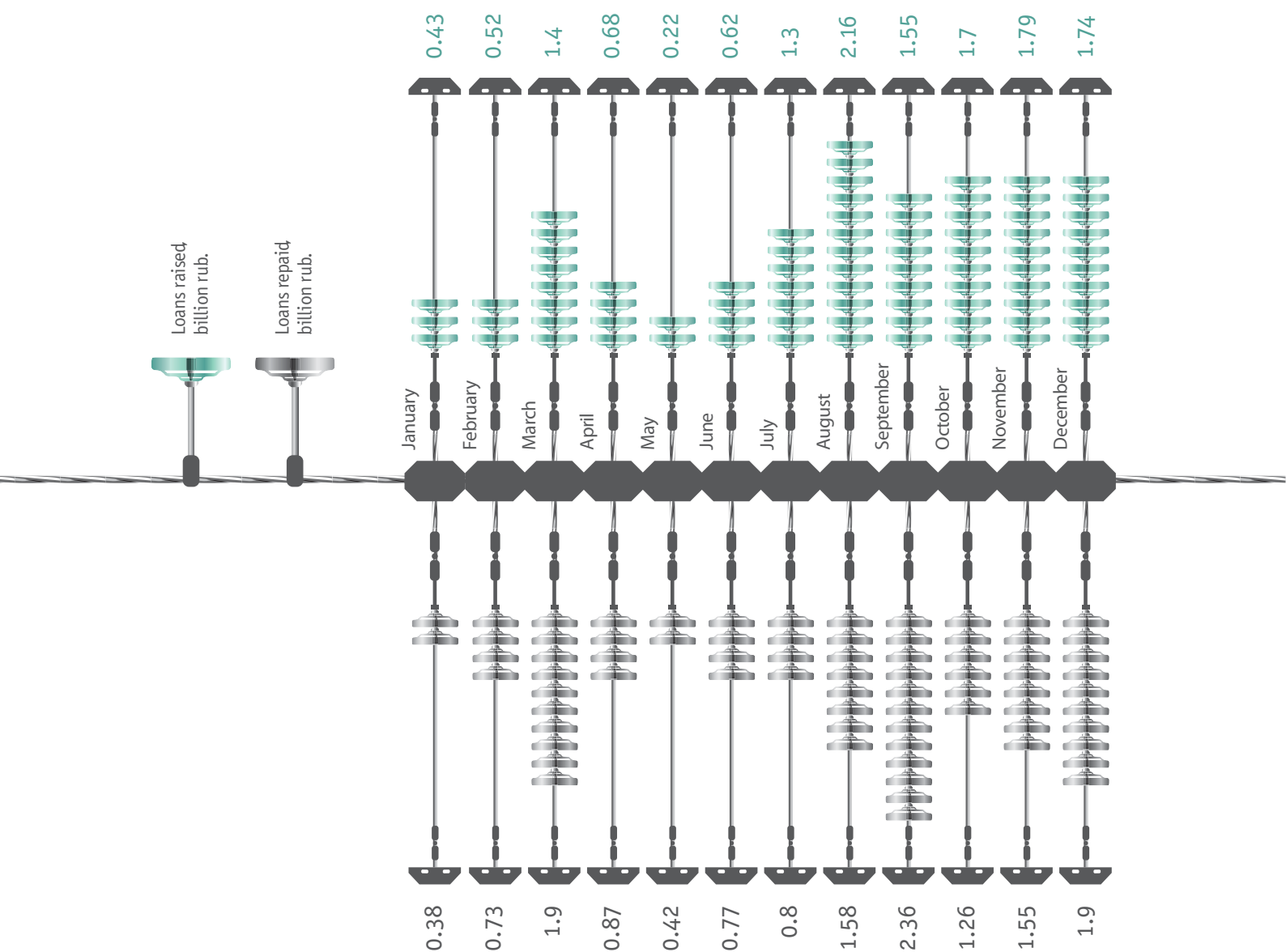
CREDIT POLICY





10 POWER OF CREATION

Gross borrowing/redemption of IDGC of Volga, JSC in 2009, billion rub.



The primary goals of IDGC of Volga, JSC in the reporting period were as follows:

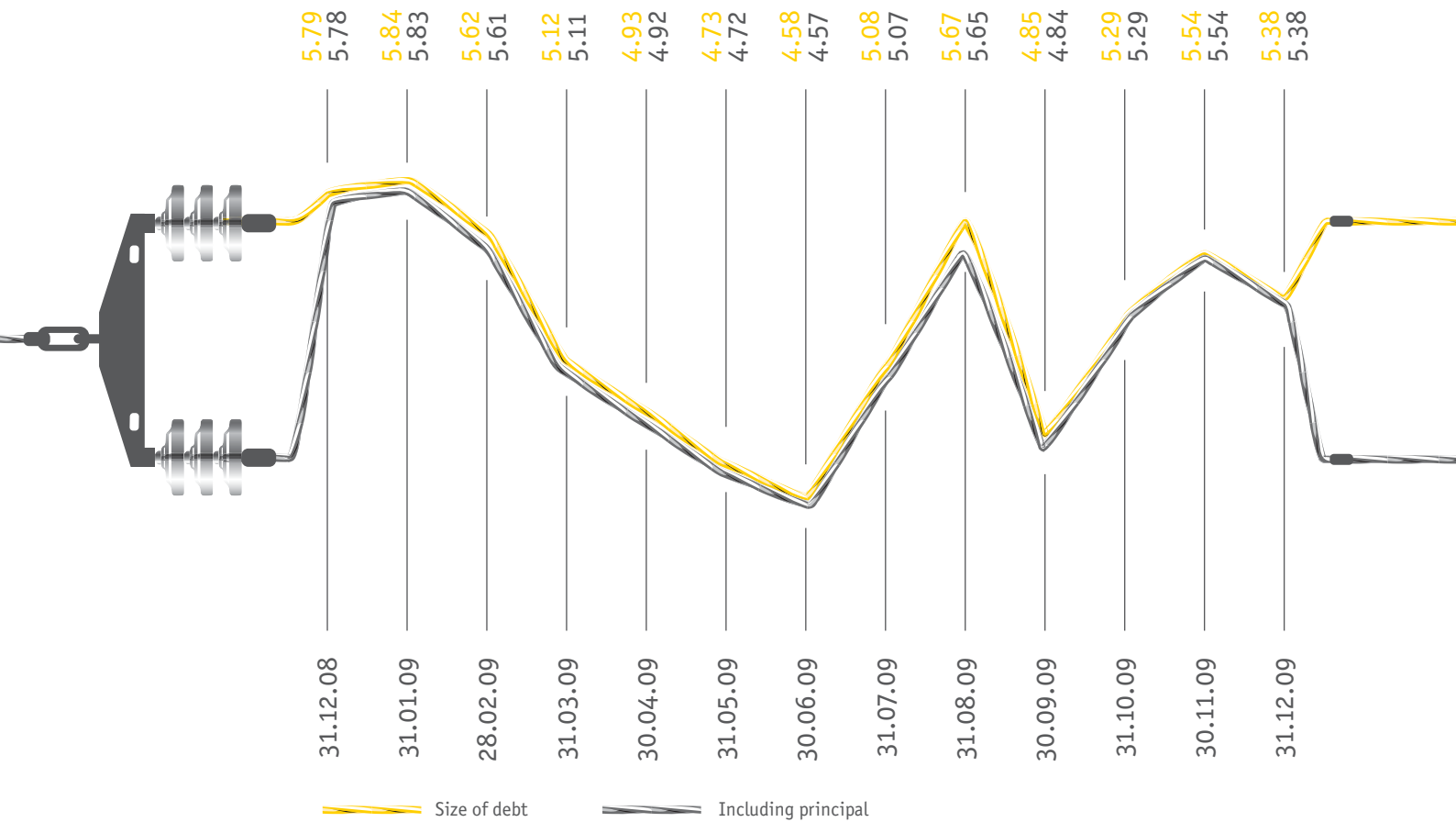
- › structure optimization of the Company's loan portfolio;
- › reducing the Company loan indebtedness;
- › reduction of debt servicing costs.

To achieve these goals IDGC of Volga, JSC continuously monitored developments in the debt capital markets and performed operational work to optimize its loan portfolio.

As a result of the lending policy applied in 2009, the Company succeeded in the following:

1. create a high-quality loan portfolio while maintaining an optimal balance between acceptable

Debt size dynamics of IDGC of Volga, JSC in 2009, billion rub.



level of interest rate risk assumed by the Company in obtaining long-term borrowings, and profits generated by operations and investment projects, which were implemented using loan proceeds;

2. reduce the size of debt by 7.08%;
3. achieve reduction of the weighted average interest rate from 13.24% to 11.95%.

At the same time, it should be noted that in spite of financial crisis and the debt market trend for interest rate growth, the Company experience no problems last year related to access to debt resources.

11

HUMAN RESOURCES POLICY AND SOCIAL RESPONSIBILITY

| | |
|---------------------------------------|-----|
| Human resources policy of the Company | 114 |
| Social responsibility | 118 |
| Occupational health and safety | 120 |
| Environmental protection | 121 |



Human resources policy of the Company

Personnel policy of the Company is an integrated system of working with staff which combines various elements and forms of personnel work:

- › planning;
- › attracting, recruitment and retention of personnel;
- › personnel development and vocational training;
- › introducing an incentive schemes;
- › developing social partnership.

Key objectives of the personnel policy at IDGC of Volga, JSC:

- › attraction and retention of highly qualified staff within the Company;
- › improving staff quality and professional development of employees;
- › building a talent pool for implementation of new managerial solutions;
- › strengthening corporate culture and maintaining an atmosphere which is conducive to high staff morale.

Fundamental principals of the Company's personnel policy:

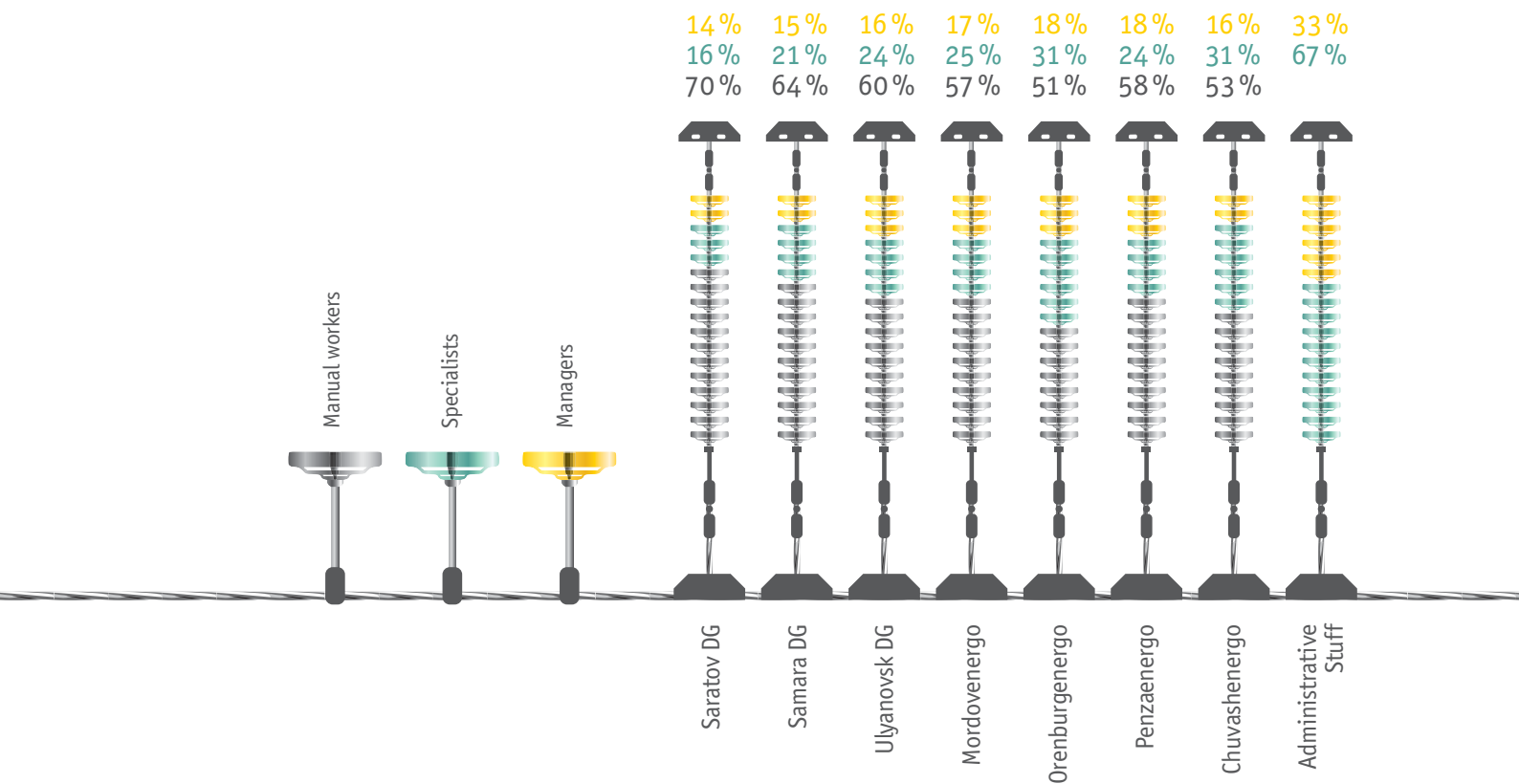
- › compliance with regulatory requirements;
- › planning workforce requirements and personnel management based on external and internal factors;
- › choosing the most efficient methods of personnel work based on the current stage in the Company's development on the basis of forecasts and taking account of socio-demographic, political, economic, legal and other changes in the external environment, and their effects on the Company's staff;

IDGC of Volga size of personnel



- Manual workers 12,420 (58.35 %)
- Managers 3,534 (16.6 %)
- Specialists and administrative staff 5,332 (25.05 %)

Staff breakdown in percentage terms in branches of IDGC of Volga, JSC in 2009



- › establishing and maintaining the operation of a personnel management system to ensure efficient and flexible management of the Company's human resources;
- › ensuring that expenditures on and results of training, retraining and improving qualifications are commensurate.

Size, structure and rotation of personnel

As of December 31, 2009 the number of staff at IDGC of Volga, JSC was 21,286 persons, among them (see diagram on the left).

Compared to the previous reporting period, the number of personnel in the Company grew in 2009 by 3,380 people due to transition to energy accounting

employing internal resources. At the same time, the reason behind the increase in the number of employees also lies in taking up functions involving technological services for support of information systems and information technology tools using internal resources.

Staffing level during the period under review had a positive trend, and exceeded 96% by the end of 2009 (see diagram above).

11 POWER OF CREATION

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

Staff education level at IDGC of Volga, JSC



- Under 25 (9.1%)
- 25 to 35 (23.5%)
- 35 to 45 (24.2%)
- From 45 to pension age (38.7%)
- Working pensioners (4.6%)



- Postsecondary (34%)
- Vocational (33.1%)
- Secondary (30.3%)
- Postprimary (2.7%)

In spite of the fact that IDGC of Volga, JSC employs people of all age groups, the majority of the Company's staff are under 45 (about 57%); of whom over 9% are young people under 25. Thus, over half of the employees are people in the most productive age-group and the Company's management emphasizes this fact in planning the Company's strategic development (*see diagram on the left*).

In its turn, with 63% of employees being graduates or having completed vocational education, the staff of IDGC of Volga, JSC typically has quite a high level of education (*see diagram on the left*).

Staff training and development

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 branches.

This objective is achieved by work in the following areas:

- › independent training of staff under the guidance of their immediate supervisor;
- › assessment of the professional qualification level of each employee who is included in the reserve. This is done by managers of the respective units;
- › training in outside agencies, which provide the relevant training, retraining and professional development;

The reserve is created for management positions, starting with section (department) heads and above. For each position there are at least 2–3 candidates allocated to the reserve, and they are reviewed annually by assessment of their professional performance.

In 2009, the number of managers who underwent training was 38% of the total number, for specialists and administrative staff the figure was 18%, and for manual workers – 51%.

The total numbers of employees at IDGC of Volga, JSC who participated in various activities (training, retraining, re-certification, skills improvement, etc.) during 2009 amounted to 88% of the average staffing number, of who 42% received off-the-job training.

There is a professional development program for staff included in the personnel reserve at IDGC of Volga, JSC. The Company is committed to employing highly qualified specialists with appropriate education, substantial work experience, who are open to continuous professional growth and work in an environment of constant innovation. Much attention is given to working with talented and creative professionals 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 position.

Social responsibility

Based on the Company's current social policy, which is part of its corporate strategy, IDGC of Volga, JSC is solely committed to principals of social responsibility in respect of its partners, consumers, employees, as well the State and society as a whole.

The following are the main goals and objectives of the Company's social policy:

- › creating conditions for professional fulfillment of the employees;
- › ensuring and maintaining social stability;
- › stimulating the employees for high performance contributing to their well-being.

During 2009, staff of IDGC of Volga, JSC were provided with voluntary health insurance and personal accident and sickness insurance under the Company's Insurance Program.

Under agreements for voluntary health insurance staff were given a possibility of availing themselves of medical assistance and rehabilitation treatment.

In order to maintain and strengthen the physical and mental health of each employee, the Company worked to have regular and periodic medical examinations of its staff. In 2009 5,108 employees, or 24% of the total workforce of IDGC of Volga, JSC, underwent a medical examination.

Collective Agreement is one of the main legal instruments regulating social and labor relations in the Company and its branches and insuring that the existing level of social benefits and protection for employees is preserved. Despite the economic crisis of 2009, all branches preserved benefits, protection and compensation provided to employees under the Collective Agreement.

During 2009, the Company strictly met all its obligations for payment of salaries. There were no arrears of wages as on December 31, 2009. Average wages in all seven branches during reporting period exceeded the average wage in the regions where the Company operated. This fact indicates that during 2009, IDGC of Volga, JSC had an advantageous position in the regional labor markets where the Company's branches were represented, which had a positive effect on staffing of its branches with highly qualified professionals.

Further development and improvement of competitive advantages in labor markets, and welfare of its employees are and will remain among the Company's principal near-term priorities.

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

Under the PPP program an additional (private) pension accrues for the Company's employees. In addition, employees are given the option of financing their pension savings jointly with the Company in a certain proportion, depending on preferences of each employee, which works as a motivational factor and facilitates financial stability for employees once they reach pensionable age.

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 organizes training sessions and competitions, as well as summer and winter games;
- › helps with arrangements for summer holidays for employees' children, and repays part of the trips' cost;

- › provides access to health resort treatment for employees and members of their families, providing them with discounts on treatment at the country's leading centers for rehabilitation.

In 2009, the Company's branches held annual sports competitions for employees. Following the competitions, IDGC of Volga, JSC formed a team, which took the third place in the First All-Russian Winter Games between power distribution network companies.

The Company also does not forget non-working pensioners – its former employees. Corporate parties are organized for employees on various holiday occasions (Defender of the Fatherland Day, Victory Day, Day for the Elderly, Day of Power Industry Worker), when they receive moral support and material assistance.

Occupational health and safety

Cost efficiency of IDGC of Volga, JSC production activities depends on reliable, trouble-free operation of equipment and professionalism of its personnel. Guaranteeing safety of employee life and health is a fundamental principle of work organization in the Company.

In 2009, there were no cases of occupational injuries in the Company. Labor safety procedures were performed in accordance with existing regulations. The Company has a Program for Mitigation of Injury Hazards at IDGC of Volga, JSC in 2009-2015 approved by the Company's Board of Directors. In accordance with the applicable regulations, personnel are pro-

- › preparation of operation (including operation and maintenance) personnel;
- › training service personnel (including operation and maintenance staff);
- › training drivers;

In 2009, the Company held 5,685 practical training sessions, including 2,409 practical competence assessment sessions for service teams. The assessment of occupational health and safety practices and personnel training initiatives which were carried out November through December in 2009 demonstrated an improvement in personnel competence.

vided with protection equipment, tools and safety devices.

In March 2009, the Company held an extended meeting on labor safety, with participation of chief health and safety engineers and specialists of all branches, managers and professionals staff the Company's administration. Following the meeting it was decided to declare 2009 the "Year of Practical Training and Enhanced Control over Compliance with Standards and Regulations of Labor Safety", the purpose of which was to develop the principal direction of practical staff training in injury prevention and improving labor safety.

A special section was developed to provide practical assistance to employees of branches and production departments in implementation of said activities under the Program for Mitigation of Injury Hazards at IDGC of Volga, JSC in 2009-2015: Practical Training (hands-on training) of Employees, consisting of five sections in the following areas:

- › training employees of all occupations;
- › training of operational managers;

Staff surveys and recordings of operation talks revealed that employees had a better idea of what constituted a dangerous condition of equipment; they displayed improved skills in operational talks and compliance with work procedures.

In addition, IDGC of Volga, JSC introduced measures to prepare work teams aimed at reducing the risks of uncontrolled employee actions in performance of work.

Since 2010, the Labor Safety Days include training of staff by the directors and chief engineers of production departments.

Thus, continuous and diversified practical training at workplaces is the way to reduce the risks of occupational injuries.

Environmental protection

One of the key aspects of the Company's social responsibility is environmental protection and conservation. In accordance with the Russian Federal Laws "On Protection of the Environment", "On Protection of Atmospheric Air" and other regulations of the Russian Federation on matters of environmental protection, in 2008 IDGC of Volga, JSC drafted an Environment Policy which was approved by the Board of Directors, and set out the main goals and objectives when working to protect the natural environment.

In 2009, the Company approved Regulations on organization internal environmental audit

- › development of a hazardous waste passport for branch of IDGC of Volga, JSC – Saratov DG;
- › monitoring the state of environment in landfill sites;
- › conducting laboratory tests of air at stationary and mobile emission sources;
- › conducting quality control of underground water and sewage;
- › analyzing drinking water samples from distribution network and confined wells;
- › procurement of protective equipment and devices for emergency response (installation of bird protection devices in the branch of IDGC of Vol-

of IDGC of Volga, JSC. Specialist received training in environmental management techniques and audit practices to ensure implementation of environmental management system and internal environmental audits under the Environmental Policies Implementation Program.

In accordance with the applicable laws, in 2009, the Company conducted a number of scheduled activities and measures in the area of environmental protection, the main of them being follows:

- › development of Company Provisions on Conservation Activities;
- › receipt of a license for hazardous waste handling (valid until 2014);
- › obtaining licenses for subsoil use for branch of IDGC of Volga, JSC – Chuvashenergo, branch of IDGC of Volga, JSC – Orenburgenergo, North-East production department of branch of IDGC of Volga, JSC – Saratov DG (valid until 2018);
- › development and obtaining project permits for waste, emissions, water use and sanitary protection zones in all branches of the Company;

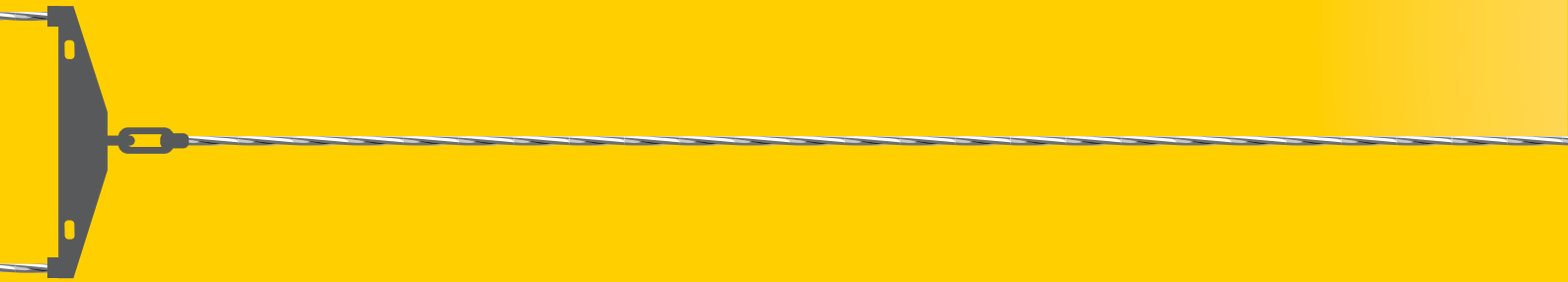
ga, JSC – Mordovenergo and the branch of IDGC of Volga, JSC – Ulyanovsk DG).

The Company has no unperformed activities required by regulatory authorities in the reporting period.

POWER
OF CREATION

12

INFORMATION TECHNOLOGIES





12 POWER OF CREATION

In 2009, development of information and telecommunications infrastructure at IDGC of Volga, JSC proceeded towards improving reliability of fundamental components of IT services in the Company's administration and branches, bringing them in line with growing needs of information systems servicing the Company's business processes.

As a result of respective measures taken during the reporting period, capacity of channels between the Company's management sections and branches doubled, a project was launched to set up redundant data channels with automatic redundancy input of these channels and load balancing (deadline – September 2010).

In 2009, the Company continued the transfer of information transfer services used in all of the branches to Microsoft Exchange platform, which al-

lowed using unified systems of subscriber reference lists and calendars, ensure unified remote access to this data, while reducing costs of system maintenance and data transfer within the Company, and improve the reliability and confidentiality of data collection and processing.

of procurement, preparing and generating operational reports on procurement of material and technical resources and services at IDGC of Volga, JSC.

To improve the timeliness and quality of reporting, branches prepared to implement a domestically produced corporate information system for collecting and consolidating data and reporting management, which represents a system of Corporate Performance Management (CPM) built on Web-based technologies.

In order to improve the quality of operational and process management of power distribution system, the Company implemented domestically produced software products for calculation of glazed frost melting parameters ("Golosed" software), calculation of short circuit currents, and protective relay and automation units ("Breeze" software), and

lowed using unified systems of subscriber reference lists and calendars, ensure unified remote access to this data, while reducing costs of system maintenance and data transfer within the Company, and improve the reliability and confidentiality of data collection and processing.

An integrated electronic QMS library is being formed as part of creation of the quality management system (QMS). The Library is an intranet portal created by the department of management and development of the Company's management section using freeware. It contains standard technical documentation, procedures, regulations, instructions, orders and by-laws effective in the Russian Federation and in IDGC of Volga, JSC in the area of power supply network operations. Access to this library is available from all units of the Company, which will allow promptly providing personnel with relevant information.

"Procurement logistics" subsystem was launched into pilot operation within the corporate information management system of the Company's management section. It is intended for management

a program for calculating parameters of overhead powerlines PL62 W+.

During 2009, IDGC of Volga, JSC organized digital communication and data transmission channels with 15 substations 110 kV and one 35 kV substation; eight substations of 110 kV and one 35 kV substation were fitted with advanced teleautomatic systems. Automatic dispatcher control systems (ADCS) were set up in the Network Control Center at the branch of IDGC of Volga, JSC – Ulyanovsk Distribution Grids, two control units of operating departments (CU OD) at production departments and three regional electrical networks.

Currently IDGC of Volga, JSC has digital communication and data transmission channels with 101 substations 110 kV (12.7% of the total number of substations 110 kV) and 23 substations 35 kV (2.6%); 80 substations 110 kV (10.0%) and 63 substations 35 kV (7.1%) were telemechanized (fitted with modern systems); 5 Network Control Center of branches (71.4%), 21 CU OD of production departments (63.6%) and 42 regional electrical networks (20.4%) were equipped with ADCS.

In 2009, an upgrade of electrical power information and measurement systems was performed under the REM Program in the branches of IDGC of Volga, JSC. The following equipment was installed: 89 high voltage fiscal metering points (FMP) on the border with problem customers, 332 interval metering devices for substations 110/35 kV commercial and technical connections, 4,167 meters with remote reading for individual consumers in areas of high losses. Automated Electric Power Fiscal Metering System (AEPFMS) was commissioned on 7 sites. 148 current and voltage transformers for voltage levels 110/35/10/6 kV were replaced.

Capital expenditure on the above activities in 2009 amounted to 89,033,25 thousand rubles (VAT included).

The following major activities are planned for

- › continued integration of branches' IT infrastructure in a single environment (full completion of the IP-space unification is planned for the end of 2010, integration of the directory structure and subsequent unification of messaging services is scheduled for 2011-2012);
- › increased use of server and work stations virtualization (VDI – Virtual Desktop Infrastructure), terminal access to applications allowing for reduction of costs (in terms of time and money) for support of information network users, and growing demand for computing resources and the scope of tasks without having to purchase additional equipment (including extra utility systems to support IT-infrastructure). It is planned to transfer up to 70% of work stations to VDI and RDS (Remote Desktop Service) plat-

automating enterprise management systems, upgrading information sharing systems, ADCS and modernization of power metering and control (including AEPFMS) in 2010.

In part of information and telecommunications infrastructure development at IDGC of Volga, JSC for the purpose of the Company's information systems customer service improvement the following main priorities will remain in 2010-2011:

- › improving reliability and security of the main network-forming IT services;
- › maintaining them at a level adequate for the needs of information systems that serve the Company's business processes;
- › cutting down on IT infrastructure maintenance costs (financial and time costs).
- › Further development of the following technologies and solutions is intended to accomplish these goals:
- › increased use of soft hardware for load balancing and efficiency backup using services of independent providers;

forms during 2010-2014 (in course of scheduled replacement of customer equipment), which should allow savings of about 30% on purchase of customer equipment (in addition to reducing maintenance costs and downtime);

- › continued implementation and expansion of Service Desk functionality through application of appropriate control software systems.

Contact Details

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E-mail: office@mrsk-volgi.ru

Telephone: (8452) 30-26-59

Fax: (8452) 28-53-70, 28-54-10

Branch information

Branch of IDGC of Volga, JSC: Samara Distribution Grids

Address: 106 B, building 133, Novo-Sadovaya,
Samara, 443068

Website: www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial__samarskie_raspreditelnie_seti_

Branch of IDGC of Volga, JSC: Ulyanovsk Distribution Grids

Address: 48, Efremova Street, Ulyanovsk, 432042

Website: www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial__ulyanovskie_raspreditelnie_seti_

Branch of IDGC of Volga, JSC: Saratov Distribution Grids

Address: 42/44, Pervomayskaya Street, Saratov,
410031

Website: www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial_oao__mrsk_volgi__saratovskie_raspreditelnie_seti_

Branch of IDGC of Volga, JSC: Mordovenergo

Address: 50, Lenina Prospekt, Saransk, 430003

Website: www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial_oao__mrsk_volgi__mordovenergo_

Contact Details

Branch of IDGC of Volga, JSC: Penzaenergo

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[www.mrsk-volgi.ru/ru/o_kompanii/filiali/
filial_oao__mrsk_volgi____penzaenergo_](http://www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial_oao__mrsk_volgi____penzaenergo_)

Branch of IDGC of Volga, JSC: Orenburgenergo

Address: 44 Im. Marshala G.K. Zhukova Street,
Orenburg, 460024

Website:

[www.mrsk-volgi.ru/ru/o_kompanii/filiali/
filial_oao__mrsk_volgi____orenburgenergo_](http://www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial_oao__mrsk_volgi____orenburgenergo_)

Branch of IDGC of Volga, JSC: Chuvashenergo

Address: 4/4, I. Yakovleva Prospekt, Cheboksary,
Chuvash Republic, 428000

Website:

[www.mrsk-volgi.ru/ru/o_kompanii/filiali/
filial_oao__mrsk_volgi____chuvashenergo_](http://www.mrsk-volgi.ru/ru/o_kompanii/filiali/filial_oao__mrsk_volgi____chuvashenergo_)

Auditor information

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E-mail: pacioli@pacioli.ru

Licence No. E 000733 of June 25, 2002 issued by
the Ministry of Finance of the Russian Federation
for 10 years.

KPMG, Closed Joint-Stock Company (KPMG, JSC)

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Moscow, 129110

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E-mail: moscow@kpmg.ru

Licence No. E003330 of January 17, 2003 issued
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Federation for 10 years.

Details of registrar and its offices

«Moscow Central Depositary», Joint Stock Company
(«Moscow Central Depositary», JSC or TsMD, JSC)

Address:

B/3, Orlikov Alley, Moscow, 107078

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105082

Telephone:: (495) 221-13-33, Fax (495) 221-13-83

Website: www.mcd.ruE-mail: info@mcd.ru.Licence to conduct business as a registrar No. 10-
000-1-00255 dated September 13, 2002, issued by
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of the Russian Federation

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Far East branch (Vladivostok)

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E-mail: vladivostok@mcd.ru

Yekaterinburg branch (Yekaterinburg)

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Karachayevo-Cherkess Republic branch (Cherkessk)

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Tver branch (Tver)

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Tumen branch (Tumen)

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E-mail: trk@cctt.ru

Udmurt Republic branch (Izhevsk)

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E-mail: udm@mcd.izhnet.ru

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Ryazan branch (Ryazan)
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E-mail: ryazan@mcd.ru

Cherepovets branch (Cherepovets)
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E-mail: sib21047@metacom.ru

South Urals branch (Chelyabinsk)
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E-mail: chelyabinsk@mcd.ru

Contacts for the shareholder and investor relations section

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Yulia Gennadievna Burtseva – Section Head
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E-mail: yg.burceva@mnsk-volgi.ru

Contact details for the Media

Public Relations Department:

Yulia Valentinovna Usova – Head of Department
Telephone: (8452) 30-26-78
E-mail: yv.usova@mnsk-volgi.ru

The official media agency for information disclosure:








“Rossijskaya Gazeta” newspaper

ANNEXES

Corporate Governance Statement of Compliance by IDGC of Volga, JSC






(Prepared in accordance with the Order of the Federal Securities Market Commission of 30.04.2003 No. 03-849/r "On Guidelines for Composition and Format of Reporting on Compliance with the Corporate Governance Statement and Annual Reports of Joint Stock Companies")








| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|--|--|------------|--|
| General Meeting of Shareholders | | | |
| 1. | Shareholders must be notified of the General Meeting at least 30 days before the scheduled date regardless of the issues included in its agenda, unless the law provides for longer period. | ● | <p>Procedure for notification of shareholders of the General Meeting is prescribed in p. 11.5 Article 11 of the Company Charter.</p> <p>According to the subparagraph 11.5 of the Charter of the Company, "Notice on holding the General Meeting of Shareholders shall be published by the Company in "Rossijskaya Gazeta" and on the Company's website in the Internet not later than 30 (thirty) days prior to date of the Meeting".</p> |
| 2. | Shareholders must be provided an opportunity to familiarize themselves with a list of persons entitled to attend the General Meeting of shareholders, beginning with the date of notification of the General Meeting of Shareholders and until the end of in presentia General meeting of shareholders, and in the case of in absentia General Meeting of Shareholders – before the deadline for accepting ballots for voting. | ● | <p>The Company adheres to the requirement in the Article 51 of the Federal Law "On Joint-Stock Companies" stating that the list of persons entitled to participate in the General Meeting of Shareholders shall be made available by the Company upon request by persons included in the list and holding no less than 1 percent of votes. The data of the documents and mailing addresses of the persons listed are provided only upon consent of such persons.</p> |
| 3. | Shareholders must be provided an opportunity to familiarize themselves with information (materials) subject to be provided during preparation of the General Meeting of Shareholders, by electronic means, including Internet. | ● | <p>In accordance with art. 52 of the Federal Law "On Joint Stock Companies and p. 11.7 of art 11 of the Charter shareholders of IDGC of Volga, JSC have an opportunity within 20 days, in the case of the General Meeting of Shareholders the agenda of which includes the matter of Company reorganization, within 30 days before the General Meeting, to familiarize themselves with the material for the General Meeting of Shareholders in premises of the executive body of the Company and other places, addresses of which are specified in the notice of the General Meeting of Shareholders.</p> <p>Familiarization procedure for persons entitled to attend the General Meeting of Shareholders with information (materials) on the agenda of the General Meeting of Shareholders and the list of such information (materials) are determined by the Board of Directors of the Company.</p> <p>In addition, under paragraph 4.1 of the Standing Orders on preparing for and conducting a General Meeting of Shareholders, information materials on the agenda of the General Meeting of Shareholders are published on the Company's website not later than the date of shareholders notification of the General Meeting, in addition to other means of the Company shareholders notification. It is recommended to publish these materials in English as well.</p> |

| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|---------------------------|---|---|--|
| 4. | Shareholders are to be provided an opportunity to include an issue in the agenda of General Meeting of Shareholders or to request convening of a General Meeting without submission of an extract from the shareholders register, if his rights to shares are recorded in the system of shareholders register, and if his rights to shares are recorded in the depot account – an extract from depot account is to be sufficient for the exercise of said rights. |  | In accordance with subparagraph 2 and the paragraph 6.2 of the Article 6 of the Company Charter, shareholders are entitled to propose items for the agenda of the General Meeting in accordance with the laws of the Russian Federation and the Company Charter. According to p. 13.1 of art. 13 of the Company Charter shareholder(s), who jointly hold at least 2 percent of the voting shares not later than 60 days after the end of the fiscal year may bring items to the agenda of the annual General Meeting of Shareholders and nominate candidates for the Board of Directors and Auditing Commission of the Company. |
| 5. | The Charter or internal documents of the Joint Stock Company are to contain a requirement for mandatory presence at the General Meeting of Shareholders of the Directors, members of Executive Board, members of the Board of Directors, members of the Auditing Commission and the Auditor of the Company. |  | <p>In accordance with p. 5.2.3 art. 52 of the Code of Corporate Governance of IDGC Volga, JSC, the Company where possible provides for attendance at the General Meeting of Shareholders of members of the Board of Directors, executive bodies, Auditing Commission and the Auditor of the Company, and authorizes them to answer the questions of shareholders.</p> <p>According to the paragraph 10.10 of the Article 10 of the Charter of the Company, the Chairman of the Board of Directors is responsible for discharging the functions of the Chairman at the General Meeting of Shareholders. In the absence of the Chairman of the Board and his deputy, any member of the Board of Directors may preside at the General Meeting of Shareholders by resolution of the Company's Board of Directors or at the discretion of Board members present at the General Meeting of Shareholders.</p> |
| 6. | Nominees must be present when the General Meeting of Shareholders considers matters of electing members of the Board of Directors, General Director, Executive Board, members of the Auditing Commission, as well as the matter of approval of the Company's Auditor. |  | A respective rule is not provided in the Charter. In practice, when General Meeting of Shareholders is considering the matter of electing members of the Board, General Director, Executive Board, members of the Auditing Commission, nominees are always sent invitations to the General Meeting of Shareholders. |
| 7. | Internal documents of the Joint Stock Company must contain procedures for registration of participants of the General Meeting of Shareholders. |  | Paragraph 5.1 of the Standing Orders on preparing for and conducting a General Meeting of Shareholders determines the procedure for registration of persons entitled to attend the General Meeting of Shareholders. |
| Board of Directors | | | |
| 8. | The Company Charter must authorize the Board of Directors to conduct annual approval of financial and business plan of the Joint Stock Company. |  | In accordance with subparagraph 19 and the paragraph 15.1 of the art. 15 of the Company Charter, the Board of Directors is authorized to approve the business plan (adjusted business plan), including investment program and report on the results of their performance, and approve (correct) benchmark values of the Company's cash flow. |
| 9. | Availability of risk management procedures in the Company approved by the Board of Directors. |  | In accordance with paragraph 3.1 of the Standing Order on internal control procedures approved by the Board of Directors of IDGC of Volga, JSC on 26.12.2008 (minutes No. 9), the main purpose of internal control is to prevent risks in the Company's business activities and timely adopt measures to address them, identify and mobilize in-house opportunities and reserves for profit making and assist the management of the Company in the effective discharge of managerial functions. Internal control procedures are set out in p. 5.1 of the said Standing Order. |
| 10. | The Company Charter grants the Board of Directors a right to suspend the powers of the General Director appointed by the General Meeting of Shareholders. |  | In accordance with subparagraph 12 and the paragraph 15.1 of the Article 15. of the the Company Charter, the Board of Directors is authorized to elect the General Director of the Company and the early terminate his powers, including the adopting a resolution on early termination of an employment contract with the Director. |

14 POWER OF CREATION

| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----|---|------------|---|
| 11. | The Charter of the Joint Stock Company authorizes the Board of Directors to set requirements to qualifications and remuneration of the General Director, Executive Board, heads of the main structural units of the Company. | ● | The Board of Directors determines the number of members of the Board, elects the members of the Board, sets the remuneration paid to members of the Board and compensation. Authority of the Board of Directors also includes early termination of powers, including early termination of employment contracts with members of the Company's Executive Board, enforcing disciplinary liability in respect of the General Director and Executive Board members, adopting resolutions on their promotion and approving the structure of the executive department and approving individual nominees for various positions in the Company's executive department (subparagraphs 13, 33, 41, 42 and p. 15.1 of art. 15 of the Charter of the Company). In addition, under p. 21.4 art. 21 of the Charter formation of the executive bodies of the Company and the termination of their powers is performed by a decision of the Board of Directors except as provided by federal law and the Company Charter. Board of Directors may decide to terminate the powers of the General Director and corporate executives and formation of new executive bodies (p. 21.10, art. 21 of the Charter). |
| 12. | The Company Charter authorizes the Board of Directors to approve the terms of contracts with General Director and Board members. | ● | According to p. 21.6 art. 21 of the Charter, employment contract is signed on behalf of the Company by the Chairman of the Board or a person authorized by the Board of Directors. Besides, according to the paragraph 21.7 of the Article 21 of the Charter, the Board of Directors or a person authorized by the Board of Directors shall determine the provisions of the Employment Agreement with the General Director and the members of the Management Board and, according to the paragraph 21.9 of the Article 21 of the Charter of the Company, shall exercise the rights and responsibilities of an employer towards the General Director and the members of the Management Board. |
| 13. | The Charter or internal documents of the Joint Stock Company contain a requirement that, in approving terms of contracts with the General Director (managing organization, CEO) and corporate executives, votes of members of the Board of Directors who are the General Director and corporate executives, are not considered in vote count. | ○ | Such requirement is not provided in the Charter and other internal documents of the Company. |
| 14. | The Company's Board of Directors includes at least 3 independent directors who meet the requirements of the Code of Corporate Governance. | ● | The Board of Directors includes at least 3 (three) independent directors. |
| 15. | The Company's Board of Directors does not include persons who were convicted for committing crimes in the area of economic activities or a crimes against the State, interests of public service and service in local government or who were subject to administrative penalties for violations in the field of business or finance, taxes and duties, and securities market. | ● | Such persons were not included in the Board of Directors elected at the Annual General Meeting of Shareholders on June 5, 2009. |
| 16. | The Company's Board of Directors does not include persons who are participants, General Directors (CEO), members of an executive body or employees of a legal entity competing with the Joint Stock Company. | ● | Such persons were not included in the Board of Directors elected at the Annual General Meeting of Shareholders on June 5, 2009. |








| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----|--|---|---|
| 17. | The Company Charter includes a requirement on election of the Board of Directors by cumulative vote. |  | <p>According to the paragraph 16.2 of the Article 16 of the Charter, the members of the members of the Board of Directors are elected at the General Meeting of Shareholders in accordance with the procedure provided in the paragraph 10.8 of the Article 10 of the Charter.</p> <p>P. 10.8 of the Article 10 of the Company Charter prescribes that the Board of Directors shall be elected by cumulative vote.</p> |
| 18. | Internal documents of the Company provide for obligation of Board members to refrain from any action that would or potentially could lead to conflict between their interests and the interests of the Company, and in case of such a conflict – obligation to disclose information about this conflict to the Board. |  | <p>According to the paragraph 4.1.6 of the Corporate Governance Code, members of the Board of Directors act in good faith and with due care in the interests of the Company and all its shareholders. Each Director makes an effort to participate in all meetings of the Board of Directors.</p> <p>Board members are aware of their responsibility to shareholders and consider their primary goal bona fide and competent discharge of responsibilities of Company management, which ensures maintenance and growth in the value of its shares, as well as protection and the opportunity for the shareholders to exercise their rights. Board members seek to engage in ongoing dialogue with shareholders.</p> <p>Members of the Board of Directors ensure creation and implementation of the Company's development strategy. The members of the Board of Directors shall not disclose or use for personal purposes the confidential information about the Company. The members of the Board of Directors shall avoid actions that can result in the conflict between their personal interest and interests of the Company. If such conflict arises, a member of the Board of Directors shall inform other members about it and withdraw from voting on the relevant matters.</p> <p>Besides, pursuant to p. 3.5. of Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC the Board members in exercising their rights and duties act in the interests of the Company, exercise their rights and perform their duties in respect of the Company in good faith and on reasonable grounds.</p> |
| 19. | Internal documents of the Joint Stock Company provide for the duty of the Board members to notify the Board of Directors in writing of their intent to perform transactions with securities of the Joint Stock Company, whose Board of Directors they are members of or its subsidiaries (dependent companies), and disclose information on their transactions with such securities. |  | <p>Requirements for the submission of information on insider transactions are provided in Section 4 of the Standing Order on insider information of IDGC of Volga, JSC.</p> <p>According to p. 4.4 of Standing Order on insider information, unit in charge of control over the use of insider information within 15 day of the month following the reporting month, reviews the possible use of insider information in the declared transactions, and identifies insider transactions that were not included in declarations, and submits information on all insider transactions with securities of the Company and its SDCs to the Audit Committee of the Company's Board. In addition, under p. 4.2 of the Standing Order, insiders are required no later than on the third day of the month following the reporting period, submit a written report on transactions performed in the reporting month with securities of the Company and (or) its SDCs to the department controlling use of insider information.</p> |
| 20. | The Company's internal documents contain a provision requiring that Board meetings are held at least once every six weeks. |  | According to Section 18.2 of the art. 18 of the Charter the Board of Directors of the Company held as necessary, but not less than once a quarter. |
| 21. | Meetings of the Company's Board during the year for which the annual report of Joint Stock Company is drawn up at intervals of at least once every six weeks. |  | During 2009, Board meetings were held at least once every six weeks. 22 meetings of the Board of IDGC of Volga, JSC were held in the reporting year. |







| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----|--|---|---|
| 22. | The Company's internal documents contain a provision on procedure of the Board meetings. |  | The Company approved the Standing Order on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC, regulating the meetings procedure of the Company's Board of Directors. |
| 23. | Internal documents of the Joint Stock Company contain a requirement of approval by the Board of the Company's transactions in amount of 10 and more percent of the Company's assets value, except for transactions occurring in the ordinary course of business. |  | Requirements on mandatory approval by the Board of IDGC of Volga, JSC for transactions performed by the Company in the amount 10 and more percent of the assets value are provided in sp. 24 and 38 of the paragraph 15.1 of the Article 15 of the Charter of the Company. |
| 24. | Internal documents of the Joint Stock Company provide for a right of the Board members for obtaining from executive bodies and heads of major structural units of the Company information necessary to perform his or her functions, as well as liability for failure to provide such information. |  | According to p. 3.1-3.3 of the Standing Orders Standing Orders on the procedure for convening and conducting meetings of the Board of Directors at IDGC of Volga, JSC and p. 3.1 of the Standing Order on insider information, the Company's Board of Directors has a right of access to any insider information. |
| 25. | Committee of the Board for strategic planning is created, or the function of the Committee are assigned to another Committees (except the Audit Committee and the Personnel and Award Committee). |  | By decision of the Board of Directors a Committee for Strategy and Development under the Board of Directors of the IDGC of Volga, JSC was set up on November 30, 2009. |
| 26. | Committee of the Board (Audit Committee) has been established, which recommends to the Board of Directors a Company Auditor and liaises with latter and the Auditing Commission of the Company. |  | The Audit Committee of the Board of IDGC of Volga, JSC was established on November 13, 2008 by decision of the Board. |
| 27. | Audit Committee includes only independent non-executive directors. |  | <p>On November 13, 2008 the Board of IDGC of Volga, JSC resolved to elect members of the Audit Committee of the Company's Board of Directors in the amount of 3 (three) persons.</p> <p>Since November 13, 2008, one independent director (Remes Seppo Juha) and 2 (two) of non-executive directors joined the Audit Committee.</p> <p>On August 26, 2009 the Board of IDGC of Volga, JSC resolved to elect new members of the Audit Committee of the Company's Board in amount of 3 (three) persons. Since August 26, 2009, three (3) non-executive directors became members of the Audit Committee.</p> |
| 28. | An independent director leads the Audit Committee. |  | <p>On November 13, 2008 the Board of IDGC of Volga, JSC resolved to elect members of the Audit Committee of the Company's Board of Directors in the amount of 3 (three) persons.</p> <p>Since November 13, 2008 the Audit Committee is led by an independent director (Remes Seppo Juha).</p> <p>On August 26, 2009 the Board of IDGC of Volga, JSC resolved to elect new members of the Audit Committee of the Company's Board in amount of 3 (three) persons.</p> <p>From August 26, 2009 till date the Committee is led by Saukh M.M., member of the Board of IDGC of Volga, JSC.</p> |

Annexes








| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----|--|------------|--|
| 29. | Internal documents of the Company provide an access rights for all members of the Audit Committee to any documents and information of the Joint Stock Company subject to nondisclosure of confidential information. | ● | <p>According to p. 11.3 of the Standing Orders on the Audit Committee, General Director and the Company's Executive Board must upon request signed by the Chairman of the Committee provide information and materials needed by the Committee to make decisions on matters within the competence of the Committee. Said information and materials must be submitted within a period not later than 3 (three) working days from receipt of the request, unless the request provides for a longer period.</p> <p>In the case of incomplete or inaccurate information (materials), the Committee may request additional information (materials).</p> <p>In accordance with p. 12.1 of the Standing Order, during discharge of duties by members of the Committee, as well as for one year upon expiry of the appointment term in the Committee, the persons who are (were) members of the Committee, Secretary of the Committee and third parties engaged in work of the Committee are bound by confidentiality requirements with respect to information obtained by them in connection with their work in the Committee, unless such information is publicly available. Definition of publicly unavailable information in the context of the Company's activities and its composition is determined by the authorized agency of the Company.</p> |
| 30. | Establishment of a Board of Directors Committee (Personnel and Award Committee), whose function is to define the criteria for selection of the Board nominees and develop policy of the Joint Stock Company in the part of remuneration. | ● | On February 20, 2009 a Personnel and Award Committee of the Board of IDGC of Volga, JSC was established pursuant to resolution of the Company's Board of Directors. |
| 31. | Personnel and Award Committee is ran by an independent director. | ○ | <p>On February 20, 2009 members of the Personnel and Award Committee in the amount of 3 (three) persons were elected by resolution of the Board of IDGC of Volga, JSC.</p> <p>Since February 20, 2009, the Committee has been directed by Galka, V.V., who held the office of the Director for Personnel and Administration Issues at the IDGC Holding, JSC.</p> <p>On August 26, 2009 the Board of IDGC of Volga, JSC elected new members of the Personnel and Award Committee in the amount of 3 (three) persons. From August 26, 2009 till date, the Personnel and Award Committee has been headed by A.V. Chigrin, who served as Head of Human Resources Management Department at IDGC Holding, JSC.</p> |
| 32. | The Personnel and Award Committee does not include officers of the Joint Stock Company. | ○ | The Personnel and Award Committee includes an officer of the Joint Stock Company. |
| 33. | Establishing a Risk Committee of the Board or delegating functions of this Committee to other committees (except the Audit Committee and the Personnel and Award Committee). | ○ | Such Committee was not created under the Board of Directors. |
| 34. | Establishing a Corporate Conflict Management Committee of the Board or the delegating functions of the said Committee to other committees (except the Audit Committee and the Committee on Personnel and Award). | ○ | Такой Комитет при Совете директоров не создан. |
| 35. | The Corporate Conflict Management Committee does not include any officers of the Joint Stock Company. | ○ | Such Committee was not created under the Board of Directors. |

14 POWER OF CREATION








| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-------------------------|--|---|---|
| 36. | The Corporate Conflict Management Committee is led by an independent director. |  | Such Committee was not created under the Board of Directors. |
| 37. | Internal documents of the Joint Stock Company approved by the Board providing for the procedures of establishing and operation of the Board Committees. |  | <p>The procedures for establishing Committees of the Board of Directors are provided in art. 19 of the Company Charter.</p> <p>The procedures for establishing and operation of the Board Committees regulates the following standing orders:</p> <ul style="list-style-type: none"> › Standing Order on the Audit Committee of the Company's Board of Directors; › Standing Order on the Personnel and Award Committee of the Company's Board of Directors; › Standing Order on the Committee for Strategy and Development of the Company's Board of Directors; › Standing Order on the Committee for Reliability of the Company's Board of Directors; › Standing Order on Committee for Technological Connection to Electric Power under the Company's Board of Directors. |
| 38. | The Charter of Joint-Stock Company must include the procedure for determining a quorum of the Board that would allow for compulsory participation of independent directors on the Board meetings. |  | According to p. 18.12 art. 18 of the Company Charter, the quorum for the Board meeting means at least half of the elected members of the Company's Board. |
| Executive bodies | | | |
| 39. | Collegial executive body (Executive Board) of the Company must be created. |  | In accordance with p. 21.1 art. 21 of the Charter the Company's current activities are governed by the sole executive body – the General Director and the collective executive body – the Executive Board of the Company. |
| 40. | The Charter or internal documents of the Company must include a provision requiring Executive Board approval for real estate transactions, obtaining loans by the Company, if such transactions cannot be regarded as large transactions and their performance does not apply to ordinary business of the Joint Stock Company. |  | In accordance with subparagraph 7 p. 22.2 art. 22 of the Charter the Executive Board is authorized to make decisions on transactions with property, work and services, priced at 1 to 25 percent of the Company's book value as evaluated on the date of the transaction decision (except as provided by subparagraph 38 and the paragraph 15.1 of the Article 15 of the Charter of the Company). |
| 41. | Internal documents of the Company must contain approval procedures for operations beyond the Company's business plan. |  | The Board of Directors and the Executive Board of IDGC of Volga, JSC consider matters related to operations outside the business plan, as they are to be included in adjustments to business plan and cash flow plan, which are reviewed by the Board of Directors and the Executive Board, respectively. Documents governing the process of business planning and management of cash flow must be in place in the Company. |
| 42. | Executive bodies do not include persons who are participants, General Director (CEO), a member of the management body or employee of a legal entity competing with the Joint Stock Company. |  | Said persons are not included in the executive bodies. |

| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----|---|---|--|
| 43. | Executive bodies of the Company do not include persons convicted for committing crimes in the area of economic activities or a crimes against the State, interests of public service and service in local government or who were subject to administrative penalties for violations in the field of business or finance, taxes and duties, and securities market. If the functions of sole executive body are performed by the management organization or managing executive, the General Director and Board members of the management organization or managing executive must comply with requirements to the Company's General Director and members of the Executive Board. |  | Said persons are not included in the executive bodies. |
| 44. | The Charter or internal documents of the Company prohibit the managing organization (managing executive) to carry out similar functions in a competitor company, and to be in any property relationship with the Company, other than to provide services of the managing organization (managing executive). |  | In accordance with p. 21.8 art. 21 of the Charter of IDGC of Volga, JSC the Director General and Board members may simultaneously hold other positions in management of other organizations, as well as other paid positions in other organizations only with consent of the Board of Directors. |
| 45. | Internal documents of the Company provide for obligation of executive bodies to refrain from any action that would or potentially could lead to conflict between their interests and the interests of the company, and in case of such a conflict – obligation to disclose information about this conflict to the Board. |  | In accordance with p. 21.14 of art. 21 of the Company's Charter stipulate that the General Director, members of the Executive Board in executing their rights and duties must act in the interests of the Company, exercise their rights and perform their duties in respect of the Company in good faith and on reasonable grounds. |
| 46. | The Charter or internal documents of the Company include selection criteria for managing organization (managing executive). |  | <p>In accordance with subparagraph 12 p. 10.2. art. 10 of the Company Charter, General Meeting of Shareholders is authorized to adopt resolutions on transfer of authority of the Company's executive body (managing executive) and early termination of its powers.</p> <p>Rights and duties of the managing organization (managing executive) in management of the Company's day-to-day operations are determined by the laws of the Russian Federation and the contract concluded between the managing organization (managing executive) and the Company.</p> |
| 47. | Submission by the Company's executive bodies of monthly work reports to the Board of Directors. |  | <p>The General Director provides to the Board of Directors reports on the Company's operations (including discharge of Director's duties), on implementation of resolutions of the General Shareholders Meeting and the Board of Directors in the manner and time set forth in internal documents of the Company.</p> <p>In addition, reports are submitted in accordance with the applicable Russian laws, the Board's work plan, as well as in the cases stipulated by individual resolutions of the Company's Board of Directors.</p> |
| 48. | Establishing liability for violation of provisions on the use of confidential and proprietary information in contracts concluded by the Company with the General Director (managing organization, managing executive) and members of the Board. |  | Contracts of members of the Board and General Director establish liability for violation of provisions on use of confidential and proprietary information. |

14 POWER OF CREATION








| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----------------------------------|---|---|---|
| Secretary of the Company | | | |
| 49. | The Joint Stock Company has a special officer (Secretary of the Company), whose task is to ensure compliance by agencies and officials of the Company with procedural requirements to ensure exercise of rights and legitimate interests of shareholders. |  | The Secretary of the Company was elected in compliance with the Article 20 of the Charter of IDGC of Volga, JSC and the Regulation on the Procedure for Convening and Holding the Meetings of the Board of Directors. |
| 50. | The Charter or internal documents of the Joint Stock Company must include the procedure for appointment (election) of the Company Secretary and duties of the Company Secretary. |  | Corporate Secretary of IDGC of Volga, JSC performs his or her functions in accordance with the Standing Order on procedures for convening and holding meetings of the Board of Directors at IDGC of Volga, JSC, which defines the procedure for appointment (election) of the Company Secretary, functions, rights and duties of the Company Secretary. |
| 51. | The Company Charter contains requirements to nominee for Secretary of the Company. |  | Such requirements are not included in the Charter. |
| Material Corporate Actions | | | |
| 52. | The Charter or internal documents of the Company include requirements for approval of a major transaction prior to its execution. |  | In accordance with subparagraph 24 p. 15.1 art. 15 of the Charter of IDGC of Volga, JSC a major transaction must be approved by the Board of Directors prior to its execution. |
| 53. | An independent appraiser must be hired to assess the market value of property subject to major transaction. |  | Subparagraph 45 p. 15.1 art. 15 of the Charter sets out the powers of the Company's Board of Directors to approve nominees for independent appraiser (appraisers) position to determine the value of shares, property and other Company assets in cases stipulated by the Federal Law "On Joint Stock Companies", the Charter, and individual resolutions of the Board of Directors. |
| 54. | The Charter of Joint-Stock Company prohibits taking any action aimed at protecting the interests of executive bodies (members of these bodies) and members of the Company's Board of Directors in acquisition of large blocks of Company's shares (acquisition), as well as actions worsening position of shareholders as compared to the existing position (in particular prohibition of adoption by the Board of Directors prior to the expected time of share acquisition of a resolution to issue additional shares, or securities granting the right to acquire shares of the Company, even if the right to make such resolution is granted to it by the Charter). |  | These requirements are not prescribed in the Charter. In accordance with p. 21.14 of art. 21 of the Company's Charter stipulate that the General Director, members of the Executive Board in executing their rights and duties must act in the interests of the Company, exercise their rights and perform their duties in respect of the Company in good faith and on reasonable grounds. |
| 55. | The Charter of Joint-Stock Company contains a requirement for mandatory hiring of an independent appraiser to assess the current market value of shares and possible changes in their market value as a result of acquisition. |  | According to the subparagraph 45 of the paragraph 15.1 of the Article 15 of the Charter of IDGC of Volga, JSC, the approval of independent appraiser (appraisers) for the evaluation of the value of shares, property and other assets of the Company in cases stipulated in the in the Federal Law "On Joint-Stock Companies", the present Charter and determined by decisions of the Board of Directors of the Company. |




Annexes

| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-------------------------------|---|---|--|
| 56. | The Company Charter provides for no release the purchaser from obligation to offer shareholders to sell their common shares in the Company (issued securities convertible into ordinary shares) in case of acquisition. |  | The Charter does not provide for such requirement. |
| 57. | The Charter or internal documents of the Joint-Stock Company contain a requirement for mandatory hiring of an independent appraiser to determine the share conversion ratio in restructuring. |  | Subparagraph 45 p. 15.1 art. 15 of the Charter of IDGC of Volga, JSC establishes powers of the Board of Directors to approve nomination of an independent appraiser (appraisers) to determine the value of shares, property and other assets of the Company in cases stipulated by the Federal Law "on Joint Stock Companies", the Charter, and individual resolutions by the Board of Directors. |
| Information Disclosure | | | |
| 58. | The Board of Directors approves an internal document defining the rules and approaches of the Joint Stock Company to information disclosure (Standing Order on Information Policy). |  | Standing Order on Information Policy of IDGC of Volga, JSC approved by the Company's Board on August 29, 2007 (Minutes No. 2). |
| 59. | The Company has internal documents with requirement to information disclosure on goals of share flotation, persons who intend to purchase the shares including large stake, as well as on whether senior officials of the Company participate in the purchase of the Company shares. |  | In accordance with the Regulations on information disclosure by issuers of securities approved by order of the Federal Financial Markets Service of October 10, 2006 No. 06-117/pz-n, the Company discloses information on all stages of securities placement. This requirement is not prescribed in the internal documents of the Company. However, the Company discloses this information when it resolves to float shares by general rule. |
| 60. | Internal documents of the Company contain a list of information, documents and materials that must be provided to shareholders to address the issues referred to the General Meeting. |  | In accordance with subparagraph "e" in p. 2.2. of the Standing Orders on preparing for and conducting a General Meeting of Shareholders of IDGC of Volga, JSC, a list of data, documents and materials that must be provided to shareholders to address the issues referred to the General Meeting of Shareholders is adopted by the Company Board in preparation for the General Meeting of Shareholders. |
| 61. | The Joint Stock Company has a website and regularly discloses its information on the this site. |  | The Company uses its web site to disclose information in "To Shareholders and Investors" section at www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/ . The company provides for timely update of corporate website, including disclosure in accordance with the Standing Orders on Information Policy of the Company. |
| 62. | Internal documents of the Company contain a requirement for disclosure of information on transactions conducted by the Company with persons who may be deemed chief executives of the Company in accordance with its Charter, and on transactions of the Company with organizations, where chief executives of the Joint Stock Company, directly or indirectly, hold 20 percent or more of the Company's authorized stock, or on which such persons may otherwise have significant influence. |  | In accordance with subparagraphs 5.2.8.2 and 5.2.8.3 of the Standing Orders on Information Policy, the Company discloses information on ownership by members of executive bodies and their affiliates of shares in the Company and its subsidiaries or dependent business entities, indicating the number and category of shares, as well as information on transactions between these entities and the Company. |

| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|--|--|------------|--|
| 63. | Internal documents of the Company contain a requirement of information disclosure in respect of all transactions, which may affect the market value of the Company's shares. | ● | In accordance with subparagraph 5.2.10 of the Standing Orders on Information Policy of IDGC of Volga, JSC, the Company discloses information on material transactions. Material Transaction means a deal that could have a significant impact on the Company's operations. |
| 64. | The Board of Directors approves an internal document on the use of material information on operations of the Joint Stock Company, shares and other securities and transactions therewith, which is not publicly available, and disclosure of which may have a significant impact on the market value of shares and other securities of the Company. | ● | Standing Orders on Insider Information of IDGC of Volga, JSC approved by the Company's Board of Directors on August 29, 2007 (Minutes No. 2). |
| Control over financial and operating activities | | | |
| 65. | The Company has procedures of internal control financial and operating activities approved by the Board of Directors. | ● | Resolution of the General Meeting of Shareholders – Executive Board of RAO UES of Russia of October 5, 2007 (Minutes No. 1751pr/3) approved the Standing Orders on Auditing Commission at IDGC of Volga, JSC. On December 26, 2008, Board of Directors approved the Standing Orders on Audit Committee at IDGC of Volga, JSC (Minutes No. 9). |
| 66. | The Joint Stock Company has a special unit responsible for ensuring compliance with internal control procedures (control and auditing service). | ● | The Board of Directors at IDGC of Volga, JSC (Minutes No. 1 of July 19, 2007) approved organizational structure of the Company's administration staff which included Internal Control and Auditing Department. Subject to organizational structure of the administrative staff as approved by the Board of Directors (Minutes No. 16 of April 9, 2009), starting April 22, 2009 the Internal Control and Audit Department was renamed Internal Audit Department. General Meeting of Shareholders elected the Company's Auditing Commission (p. 24.1 art. 24 of the Charter) to oversee financial and operating activities of the Company. 24 of the Charter of the Company. |
| 67. | Internal documents of the Company contain requirement in respect of defining the structure and composition of the Company's Control and Audit Service by the Board of Directors. | ● | P. 24.1 art. 24 of the Charter at IDGC of Volga, JSC defines the number of members of the Auditing Commission. P. 4.6 of the Standing Orders on the Audit Committee define requirements to the members of Auditing Commission. |
| 68. | Control and Audit Service does not include persons who were convicted for committing crimes in the area of economic activities or a crimes against the State, interests of public service and service in local government or who were subject to administrative penalties for violations in the field of business or finance, taxes and duties, and securities market. | ● | There are no such persons in the Control and Audit Service. |

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| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|-----|--|---|--|
| 69. | Control and Audit Service does not include persons who are members of the Company's executive bodies, as well as participants, General Directors (managing executive), members of management or employees of a legal entity competing with the Joint Stock Company. |  | There are no such persons in the Control and Audit Service. |
| 70. | Company's internal documents provide for a deadline for submission to the Control and Audit Service of documents and materials for assessment of financial and business operations, as well as the accountability of the Company officials and employees for their failure to submit them within the deadline. |  | According to p. 7.5 of the Standing Orders on the Auditing Commission, requested documents and materials must be submitted to members of the Auditing Commission 2 (two) business days after such request is received. According to p. 6.1.2 of the Standing Orders on Internal Control Procedures at IDGC of Volga, JSC submission of required documents for audits is performed by the heads of Company units, subsidiaries and representative offices within three days upon request of the Company's unit authorized to perform internal control/audit. |
| 71. | Internal documents of the Company stipulate that the Control and Audit Service must inform of any identified violations to the Audit Committee, and in its absence, to the Board of Directors. |  | Paragraph 8.6 of the Regulation on the Auditing Commission of IDGC of Volga, JSC and subparagraph 6.1.14 of the Regulation on the Procedures for Internal Audit of the Company |
| 72. | The Charter of the Company contains a requirement for preliminary assessment by Control and Audit Service of expediency of transaction that are not covered by financial and operations plan of the Joint Stock Company (non-standard operations). |  | Such procedure not provided for in the Charter. |
| 73. | Internal documents of the Company contain a procedure for non-standard operation approval by the Board of Directors. |  | According to the subparagraph 19 of the paragraph 15.1 of the Article 15 of the Charter of the Company, the Board of Directors is responsible for the approval of adjusted business plan. According to the subparagraph 2 of the paragraph 22.2 of the Article 22 of the Charter, the Management Board is responsible for the approval of adjusted cash flow plan (CFP). |
| 74. | The Company has an internal document approved by the Board, which defines the procedure for audits of financial and business activities of the Company by Auditing Commission. |  | Audits procedures shall comply to section 7 of Standing Orders of the Auditing Commission at IDGC of Volga, JSC. |
| 75. | The Audit Committee assess the Auditor's report before submitting it to shareholders at the General Meeting. |  | According to p. 3 of the Standing Order on Audit Committee, it oversees independent audits of consolidated financial statements and accounting records of the Company and selects external auditors by evaluating their qualifications, performance and compliance with requirements of independence. |

| No. | Rules in the Corporate Governance Statement of Compliance | Compliance | Note |
|------------------|--|---|--|
| Dividends | | | |
| 76. | The Company has a Board-approved internal document that serves as guidelines for the Board of Directors in adopting recommendations on the amount of dividends (Standing Orders on Dividend Policy). |  | Standing Orders on Dividend Policy have not been approved at IDGC of Volga, JSC. |
| 77. | Standing Orders on Dividend Policy contain procedures for determining the minimum share of the Company's net profit, allocated for payment of dividends, and conditions under which the dividends are not paid or paid partially on preferred shares, size of dividends on which is prescribed in the Charter. |  | Standing Orders on Dividend Policy have not been approved at IDGC of Volga, JSC. |
| 78. | Publication of information on dividend policy of the Joint Stock Company and amendments to it in a periodical, as provided in the Charter for the publication of announcements of General Shareholder Meetings, as well as placement of the said information on the website of the Company. |  | <p>Milestones of dividends calculation are reflected in the Charter of the Company.</p> <p>Information on adoption by IDGC of Volga, JSC of resolutions on dividend payments is disclosed in the manner prescribed by applicable Russian laws and the Company Charter:</p> <ul style="list-style-type: none"> › Publication in the newspaper "Rossijskaya Gazeta"; › Publication in the news feeds of information agencies, authorized federal executive body for securities market for the distribution of data disclosed in the securities market; › Posting on the Company's website http://www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/korporativnoe_upravlenie/sobraniya_akt-sionerov/ and http://www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/raskritie_informatsii_obcshestvom_i_otchetnaya_informatsiya/informatsiya_o_sucshestvennih_faktah/, and also is posted on the Company website by of reference for all interested stakeholders: www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/informatsiya_dlya_akt-sionerov/informatsiya_o_dividendah/. |

Review of interested party transactions approved by the Board of Directors of IDGC of Volga, JSC in 2009

| Meeting date and minutes number | Parties to transaction | Subject of transaction | Value |
|----------------------------------|--|--|---|
| March 26, 2009 Minutes No. 14 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) Contractor: Social Sphere-M, JSC | The Contractor acting for the benefit of the Client in order to ensure occupational safety and health for the Client's personnel undertakes to render the following medical services: <ul style="list-style-type: none">› qualified clinical outpatient services;› medical assistance for injuries, occupational poisoning or sudden illnesses;› planning and arrangement of medical support for civil defense initiatives during emergencies and in peacetime;› hygiene and epidemic prevention activities and health awareness campaigns. The Client shall bear expenses related to the provision of medical services and pay for these services to the Contractor in a timely manner. | 256,320 roubles (VAT notlevied) |
| March 26, 2009 Minutes No. 14 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) Contractor: Social Sphere-M, JSC | The Contractor acting for the benefit of the Client undertakes to provide lodging and catering services to the sports team (no fewer than 250 members) of the branch of IDGC of Volga, JSC – Mordovenergo at the recreation center "Energetic". The Client undertakes to pay for the services provided. | 742,975 roubles (VAT notlevied) |
| March 26, 2009 Minutes No. 14 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) Contractor: Social Sphere-M, JSC | The Contractor acting for the benefit of the Client undertakes to provide to the Client, on the paid basis, the recreational services for the children of the personnel of the branch of IDGC of Volga, JSC – Mordovenergo at the recreation center "Energetic". The Client shall bear the expenses related to the provision of the services concerned and pay for these services to the Contractor in a timely manner. | 295,100 roubles (VAT notlevied) |
| April 7, 2009 Minutes No. 16 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Orenburgenergo) Contractor: "Solnechniy" Sanatorium-preventorium", JSC | The Contractor undertakes to render medical (recreational and medical treatment) services to the personnel of the Client (for CPS, SPSU, PD, IEC and administrative department) as part of preventive medical treatment and the Client undertakes to pay for the services rendered. | 1,895,000 roubles (VAT notlevied) |
| April 30, 2009 Minutes No. 18 | Client: IDGC of Volga, JSC Contractor: CMD, JSC | The Contractor undertakes, against the order of IDGC of Volga, JSC, to act as a ballot committee at the Annual General Meeting of Shareholders of IDGC of Volga, JSC held with attendance by shareholders on June 5, 2009 and to arrange the Meeting under the Agreement (i. 2.1.1-2.1.6). | 1,328,853.46 roubles (VAT included, 18%) |

| Meeting date and minutes number | Parties to transaction | Subject of transaction | Value |
|-------------------------------------|--|--|---|
| July 20, 2009 Minutes No. 2 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) Contractor: Social Sphere-M, JSC | The Contractor acting for the benefit of the Client in order to ensure occupational safety and health for personnel employed at power companies undertakes to render the following services: › carrying out initial and scheduled mandatory medical examinations of employees subject to medical surveillance in accordance with laid down procedure. | 219,300 roubles (VAT notlevied) |
| July 20, 2009 Minutes No. 2 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) Contractor: Social Sphere-M, JSC | The Client instructs and the Contractor undertakes to render services of psychophysiological examination of personnel employed by the branch of IDGC of Volga, JSC – Mordovenergo. | 202,320 roubles (VAT notlevied) |
| July 20, 2009 Minutes No. 2 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) Contractor: Urals Power Engineering Center, JSC. | The Client instructs and the Contractor undertakes to render services of certification of the base organization of metrological service at the branch of IDGC of Volga, JSC – Mordovenergo with regard to the level of its technical expertise and consistency with the company profile. | 230,100 roubles (VAT included, 18%) |
| July 20, 2009 Minutes No. 2 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Orenburgenergo) Contractor: “Solnechniy” Sanatorium-preventorium”, JSC | The Contractor undertakes to perform psychophysiological examination of the Client’s personnel and the Client undertakes to pay for psychophysiological examination services and ensure personnel turnout. | 589,040 roubles (VAT included, 18%) |
| July 20, 2009 Minutes No. 2 | Client: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Orenburgenergo) Contractor: “Solnechniy” Sanatorium-preventorium”, JSC | The Contractor undertakes to provide recreation services for children of the Client’s personnel at the Children’s Recreation Center “Energetic” during summer vacation and the Client undertakes to pay for the services rendered. | 835,380 roubles (VAT notlevied) |
| September 15, 2009 Minutes No. 4 | Contractor: IDGC Holding, JSC Client: IDGC of Volga, JSC | The Contractor undertakes to render services of management and development for the Unified Energy System of Russia to the Company and the Client undertakes to accept the services rendered and pay for them in accordance with the Contract. | 25,275,600 roubles (VAT included – 18%) |
| September 15, 2009 Minutes No. 4 | Contractor: IDGC Holding, JSC Client: IDGC of Volga, JSC | The Contractor undertakes to render services of management and development for the Unified Energy Systems with regard to distribution grid network in accordance with the terms of the Contract and the Client undertakes to accept services rendered and pay for them in accordance with the terms of the Contract. | 25,275,600 roubles (VAT included – 18%) |
| October 30, 2009 Minutes No. 7 | Operator: FGC UES, JSC User: IDGC of Volga, JSC (the branch of IDGC of Volga, JSC – Mordovenergo) | The Operator provides to the User two optical fibers in its peer-to-peer fiber optic communicationline (FOCL) to ensure communication. End points of FOCL: point one “Transmission System Operator of Volga” (50, Lenin Avenue, Saransk) – point two – AN (access node) SamaraTransTelekom, JSC (7, Vokzalnaya Street, Saransk). | 7,080 roubles (VAT included) one-time fee; 2,360 roubles (VAT included) – monthly fee |

Annexes

| Meeting date and minutes number | Parties to transaction | Subject of transaction | Value |
|-------------------------------------|---|--|--|
| November 12, 2009 Minutes No. 8 | Contractor: IDGC Holding, JSC Client: IDGC of Volga, JSC | When rendering services of purchasing activity coordination (in accordance with item 2.1.9. of the Contract), the Contactor by order of the Client shall undertake to perform legal acts and other activities in its own name, related to carrying out tenders or other regulated non-tender procedures for selecting suppliers of material and technical resources, equipment, works and services. | |
| December 18, 2009 Minutes No. 11 | Lessee: IDGC of Volga, JSC Lessor: Volzhskaya TGC, JSC | The Lessor undertakes to transfer and the Lessee undertakes to accept to temporary possession and use on the paid basis the equipment specified in the Appendix 1 (Equipment List) which is an integral part of the Agreement (hereinafter referred to as Property) at the non-residential premises of the building located at w/o n, Antonova Street, Lebedeva-Kumacha Street, Saratov; Liter: AA1A2A3. The Property is transferred to the Lessee for repair and tests of high voltage equipment and insulation designs. | 938,960 roubles (VAT included) |
| December 18, 2009 Minutes No. 11 | Lessee: IDGC of Volga, JSC Lessor: Volzhskaya TGC, JSC | The Lessor undertakes to transfer and the Lessee undertakes to accept to temporary possession and use, on the paid basis, the non-residential premises on the 2d, 3d and 4th floors of the building (hereinafter referred to as Premises) located at w/o n, Antonova Street, Lebedeva-Kumacha Street, Saratov; Liter: AA1A2A3 (hereinafter referred to as Building). Gross floor area of the Building: 2,539.9 square meters. Gross floor area of the Premises: 969.1 square meters. Building Layout is an integral part of the Agreement. | 2,452,782.42 roubles (VAT included) |

Financial statements of IDGC of Volga, JSC for the reporting period prepared under Russian Accounting Standards

Balance sheet As of December 31, 2009

| | Codes | |
|---|-----------------------------|------------|
| | Date (year, month, day) | 2009.12.31 |
| Company: IDGC of Volga, JSC | OKPO | 96956370 |
| Taxpayer Identification Number: 6450925977/997450001 | INN | 6450925977 |
| Business activity: Power transmission | OKVED | 40.10.2 |
| Businesslegal structure / Form of ownership: Joint-Stock Company / Joint federal and foreign ownership | OKOPF / OKFS | 47 / 31 |
| Measurement unit: thousands of rubles | OKEI | 384 |
| Location (address): 42/44, Pervomayskaya Street, Saratov, 410031, tel.: (845-2)30-26-32, fax: (845-2)73-69-09 | | |
| | Approval date | |
| | Submitting (receiving) date | |

Annexes

| Asset | Item code | At the beginning of the reporting period | At the end of reporting period |
|--|------------|--|--------------------------------|
| Section I. Non-current assets | | | |
| Intangible assets | 110 | 144,010 | 125,860 |
| Property, plant and equipment | 120 | 41,804,489 | 42,105,899 |
| Construction in progress | 130 | 3,339,680 | 1,823,695 |
| Income yielding investments into tangible assets | 135 | – | – |
| Long-term financial investments | 140 | 100,653 | 100,776 |
| including: | | | |
| Investment in branches | 141 | 100,529 | 100,529 |
| Deferred tax assets | 145 | 19,936 | 26,348 |
| Other non-current assets | 150 | 79,832 | 115,954 |
| including: | | | |
| Deferred charges | 151 | 78,135 | 114,051 |
| Total for section I | 190 | 45,488,600 | 44,298,532 |
| Section II. Current assets | | | |
| Inventories | 210 | 1,110,841 | 927,053 |
| including: | | | |
| Raw materials and other supplies | 211 | 862,296 | 804,845 |
| Finished products and goods for resale | 213 | 9,687 | 1,293 |
| Deferred charges | 214 | 238,858 | 120,915 |
| Value added tax on acquired assets | 220 | 104,199 | 60,833 |
| Receivables (due after more than 12 months) | 230 | 251,026 | 360,839 |
| including: | | | |
| Purchasers and clients | 231 | 17,598 | 119,022 |
| Advances made | 232 | 31,028 | 5,708 |
| Other receivables | 233 | 202,400 | 236,109 |
| Receivables (due after more than 12 months) | 240 | 3,039,410 | 3,195,964 |
| including: | | | |
| Purchasers and clients | 241 | 1,449,559 | 2,273,606 |
| Advances made | 242 | 984,114 | 667,890 |
| Other receivables | 243 | 605,737 | 254,468 |
| Short-term financial investments | 250 | – | 536,480 |
| Cash | 260 | 470,681 | 395,098 |
| Other current assets | 270 | 140,334 | 128,164 |
| Total for section II | 290 | 5,116,491 | 5,604,431 |
| Balance | 300 | 50,605,091 | 49,902,963 |

Form No. 0710001 p. 2

| Liabilities | Item code | At the beginning of the reporting period | At the end of reporting period |
|--|------------|--|--------------------------------|
| Section III. Capital and reserves | | | |
| Charter capital | 410 | 17,857,780 | 17,857,780 |
| Additional paid-in capital | 420 | 18,732,055 | 18,720,229 |
| Reserve capital | 430 | 178,517 | 218,921 |
| including: | | | |
| Legal reserves | 431 | 178,517 | 218,921 |
| Retained earnings (uncovered loss) | 470 | 4,052,798 | 4,165,826 |
| Total for section III | 490 | 40,821,150 | 40,962,756 |
| Section IV. Long-term liabilities | | | |
| Loans and borrowings | 510 | 4,553,713 | 5,379,110 |
| Deferred tax liabilities | 515 | 137,507 | 433,462 |
| Other long-term liabilities | 520 | 527,679 | 440,609 |
| including: | | | |
| Deferred revenue | 521 | 16,097 | 15,719 |
| Advances received | 522 | 37,747 | 64,499 |
| Total for section IV | 590 | 5,218,899 | 6,253,181 |
| Section V. Short-term liabilities | | | |
| Loans and borrowings | 610 | 1,240,300 | 4,755 |
| Payables | 620 | 3,323,096 | 2,669,673 |
| including: | | | |
| Suppliers and contractors | 621 | 1,417,070 | 800,641 |
| Payables to employees | 622 | 201,220 | 210,931 |
| Payables to state non-budgetary funds | 623 | 70,781 | 80,647 |
| Taxes payable | 624 | 343,967 | 631,712 |
| Advances received | 625 | 877,907 | 769,891 |
| Other payables | 626 | 412,151 | 175,851 |
| Payables to members/founders | 630 | 192 | 120 |
| Deferred revenue | 640 | 1,454 | 949 |
| Reserve for future expenses and payments | 650 | – | 2,632 |
| Other short-term liabilities | 660 | – | 8,897 |
| Total for section V | 690 | 4,565,042 | 2,687,026 |
| Balance | 700 | 50,605,091 | 49,902,963 |

Annexes

| Off-balance sheet assets and liabilities | Item code | At the beginning of the reporting period | At the end of reporting period |
|--|-----------|--|--------------------------------|
| Leased fixed assets | 910 | 3,905,812 | 4,602,215 |
| including lease agreements | 911.10 | 294,725 | 287,470 |
| Inventory items accepted for safekeeping | 920 | 38,836 | 43,563 |
| Goods for sale on consignment | 930 | – | – |
| Bad debt write-off | 940 | 219,539 | 113,676 |
| Assets received as collateral for liabilities and payments | 950 | – | 2,828 |
| Assets pledged as collateral for liabilities and payments | 960 | 128,111 | – |
| Depreciation of housing facilities | 991 | 188 | 175 |
| Depreciation of land improvement facilities and other similar facilities | 992 | – | – |
| Intangible assets obtained for use | 999 | – | – |

General Director



V. A. Ryabikin

Chief Accountant



I. A. Tamlenova

February 19, 2010



Profit and loss statement as of january through december, 2009

| | | Codes | |
|--|-----------|-----------------------------|-------------------------------|
| | | Date (year, month, day) | 2009.12.31 |
| Company: IDGC of Volga, JSC | | OKPO | 96956370 |
| Taxpayer Identification Number: 6450925977/997450001 | | INN | 6450925977 |
| Business activity: Power transmission | | OKVED | 40.10.2 |
| Business legal structure / Form of ownership: Joint-Stock Company / Joint federal and foreign ownership | | OKOPF / OKFS | 47 / 31 |
| Measurement unit: thousands of rubles | | OKEI | 384 |
| | | Approval date | |
| | | Submitting (receiving) date | |
| Item name | Item code | For reporting period | For the same period last year |
| Operating income and expenses | | | |
| Revenue from sales of goods, works and services (less value added tax, excise tax and similar statutory charges) | 010 | 29,318,215 | 22,614,524 |
| Including: | | | |
| Power transmission and distribution services | 011 | 28,491,849 | 19,791,516 |
| Technological connection services | 012 | 393,466 | 1,508,656 |
| Cost of goods, products, works and services sold | 020 | (27,127,483) | (19,901,922) |
| Including: | | | |
| Power transmission and distribution services | 021 | (26,822,266) | (19,496,752) |
| Technological connection services | 022 | (56,992) | (33,435) |
| Gross income | 029 | 2,190,732 | 2,712,602 |
| Income (Loss) from sales | 050 | 2,190,732 | 2,712,602 |
| Other revenue and expenses | | | |
| Interest receivable | 060 | 2,066 | 2,825 |
| Interest payable | 070 | (653,454) | (345,903) |
| Revenue from ownership interest in other entities | 080 | – | – |
| Other revenue | 090 | 1,598,203 | 1,430,541 |
| Other expenses | 100 | (2,500,089) | (2,235,538) |
| Income (Loss) before tax | 140 | 637,458 | 1,564,526 |
| Deferred tax assets | 143 | 11,062 | 18,594 |
| Deferred tax liabilities | 144 | (299,995) | (164,045) |
| Current income tax | 145 | (338,237) | (662,116) |
| Adjusted income tax for previous periods | 146 | 135,554 | 50,593 |
| Other similar statutory charges | 147 | (4,235) | 531 |
| Net Income (retained earnings (uncovered loss) for reporting period) | 190 | 141,607 | 808,083 |

Annexes

| Item name | Item code | For reporting period | For the same period last year |
|-----------------------------------|-----------|----------------------|-------------------------------|
| For reference: | | | |
| Fixed income tax liability | 200 | 499,678 | 432,196 |
| Basic earnings (loss) per share | 201 | 0.000001 | 0.000005 |
| Diluted earnings (loss) per share | 202 | – | – |

Explanation of some items related to profit and losses

Form 0710001 p. 2

| Item name | Item code | For reporting period | | For the same period last year | |
|--|-----------|----------------------|-----------|-------------------------------|-----------|
| | | Profit | Loss | Profit | Loss |
| Fines, late fees and penalties acknowledged or which are to be collected based on judgments issued by the court of arbitration | 210 | 16,412 | (2,752) | 24,076 | (945) |
| Profit (Loss) of previous years | 220 | 40,874 | (105,950) | 18,882 | (48,942) |
| Indemnity for losses due to nonperformance or improper performance of obligations | 230 | 22,753 | (2,044) | 19,578 | (5,371) |
| Exchange rate difference for foreign currency transactions | 240 | 92 | (82) | 19 | (66) |
| Contributions to allowance account | 250 | X | (271,045) | X | (200,799) |
| Write-off of uncollectible receivables and payables due to expiration of statute of limitation | 260 | 13,057 | (241,931) | 4,009 | (11,477) |
| Total | 270 | 93,188 | (623,804) | 66,564 | (267,600) |

General Director



V. A. Ryabikin

Chief Accountant



I. A. Tamlenova

February 19, 2010



Group of Companies "Nexia Pacioli"

Auditor's opinion on accounting (financial) reports

To Shareholders Of "Interregional Distribution Grid Company of Volga",
Joint-Stock Company

February 24, 2010

Moscow

| | |
|---|---|
| Audited entity | «Interregional Distribution Grid Company of Volga», Joint-Stock Company (IDGC of Volga, JSC) |
| Location | 42/44, Pervomayskaya Street, Saratov, 410031 |
| Mail address | 42/44, Pervomayskaya Street, Saratov, 410031 |
| Contact details | Tel.: (8452) 30 26 32, tel./fax (8452) 73 69 09. |
| State registration | Certificate of state registration, series 64 No. 0022630786 of June 29, 2007, issued by Interdistrict Inspectorate of the Federal Tax Services No. 8 for the Saratov Region; Entered to the Unified State Register Of Legal Entities under primary state registration number 1076450006280. |
| Auditor | "Nexia Pacioli", Limited Liability Company (Nexia Pacioli, LLC) |
| Location | 2, Malaya Polyanka Street, Moscow, 119180 |
| Mail address | 2, Malaya Polyanka Street, Moscow, 119180 |
| Contact details | Tel.: (495) 785 94 76, fax (495) 785 94 61, e-mail: pacioli@pacioli.ru |
| State registration | Certificate of state registration No. 856.235 of June 23, 1995 issued by the Moscow Registration Chamber; Certificate of state registration 77 No. 005390060 of October 22, 2002 issued by Interdistrict Inspectorate of the Ministry of Taxation of Russia No. 39 for Moscow; Entered into the Unified State Register of Legal Entities under primary state registration number 1027739428716 |
| Membership in self-regulating audit institution | Member of the self-regulating audit institution Non-profit Partnership "Institute of Professional Auditors"; Entered into the Registrar of auditors and audit companies of the self-regulating audit institution on October 30, 2009 under primary registration number 10202000073 |
| Audit Quality Certificate | No. 172, issued by the non-profit Partnership "Institute of Professional Auditors", validity period from September 16, 2008 to September 16, 2011 |

We have carried out the audit of submitted accounting (financial) reports of IDGC of Volga, JSC for the period January 01 through December 31, 2009. Accounting (financial) reports of the company includes:

- › Balance Sheet as of December 31, 2009;
- › Income Statement for 2009;
- › Appendixes to Balance Sheet and Income Statement;
- › Explanatory note.

According to the Charter, the Executive body – General Director of IDGC of Volga, JSC is responsible for the preparation and presentation of the accounting (financial) reports.

Our responsibility is to draw an opinion on the reliability of every substantial aspect of the reports based on our audit procedures.

Audit of accounting reports for the previous period (2008) was carried out by “Fine art-Audit”, Limited Liability Company (Moscow). The Auditor’s opinion of March 10, 2009 gave highly favorable assessment to the reliability of the reports.

We have carried out the Audit in compliance with:

1. Federal Law “On Auditing Activities”;
2. Federal Guidelines (standards) for Auditing Activities;

The audit was planned and carried out in a manner that ensures we can obtain a substantiated assurance that accounting (financial) reports do not contain significant misrepresentations. The audit was carried out on a sample basis and involved the examination based on the verification of evidence that confirm numerical values in accounting (financial) reports and disclosed data on financial and business activities, assessment of compliance with accounting guidelines applied for accounting (financial) reports, review of the basic performance indicators estimated by the management of the audited company as well as assessment of the accounting (financial) forms. We believe that obtained audit results allow us to draw an opinion on the reliability of the accounting (financial) reports.

In our opinion, accounting (financial) reports of IDGC of Volga, JSC provide reliable data on every substantial aspect of the financial condition as of December 31, 2009 and business and financial performance for the period January 01 through December 31, 2009 and are in compliance with the Russian laws regulating accounting (financial) reports.

February 24, 2010

Executive Director of Nexia Pacioli, LLC



Audit Supervisor
(Qualification Certificate No. K025323 of January 20, 2006 on General Audit, unlimited certificate period Entered into the Registrar of auditors and audit companies of the Non-Profit Partnership «Institute of Professional Auditors of Russia» on October 30, 2009 under the primary registration number 2062004038)

O. V. Goryatcheva

S. G. Demidova

Auditing commission
IDGC of VOLGA, JSC
Minutes No. 2/2009 of June 10, 2009
Elected by the decision
of the Annual General Meeting of Shareholders

Opinion of auditing commission

Based on the audit of financial and business activities of “Interregional Distribution Grid Company of Volga”, Joint-Stock Company for 2009

April 14, 2010
Moscow

Company information

| | |
|--|---|
| Full business name | “Interregional Distribution Grid Company of Volga” Joint-Stock Company |
| Legal Address | 42/44, Pervomayskaya Street, Saratov, 410031, Russian Federation |
| Mail address | 42/44, Pervomayskaya Street, Saratov, 410031 |
| Contact Information | Klimova, Elena Viktorovna – Head of Internal Audit Department Telephone number: (845 2) 30-25-29, Fax: (845 2) 28-31-47 E-mail: ev.klimova@mnsk-volgi.ru |
| State registration (OGRN, Date) | Certificate of state registration issued by the Interdistrict Inspectorate of the Federal Tax Services No. 8 for the Saratov Region under primary state registration number 1076450006280 on June 29, 2007 |
| INN | 6450925977 |
| Branches and autonomous business units with separate balance sheet | <ul style="list-style-type: none"> › Branch of IDGC of Volga, JSC – Orenburgenergo; › Branch of IDGC of Volga, JSC – Penzaenergo; › Branch of IDGC of Volga, JSC – Samara Distribution Grids; › Branch of IDGC of Volga, JSC – Saratov Distribution Grids; › Branch of IDGC of Volga, JSC – Ulyanovsk Distribution Grids; › Branch of IDGC of Volga, JSC – Chuvashenergo; › Branch of IDGC of Volga, JSC – Mordovenergo. |
| Executive body (Full name, title, entering office date) for all in the reporting period and events after reporting date | Ryabikin, Vladimir Anatolyevich – General Director Entering office date – December 12, 2008 (Minutes of the Board of Directors No. 8) |
| Chief Accountant (Full name, title, entering office date) for all in the reporting period and events after the reporting date | Tamlenova, Irina Alekseevna – Chief Accountant – Head of the Accounting and Reporting Department Entering office date – March 31, 2009 |

Annexes

Membership of auditing commission

| | |
|--------------------------------------|-----------------------------|
| Chairman of the Auditing Commission | Rokhlina, Olga Vladimirovna |
| Secretary of the Auditing Commission | Puchkova, Irina Yurievna |
| Members of the Auditing Commission | Ivanova, Ksenia Valerievna |

Auditor information

| | |
|---|--|
| Full business name | «Nexia Pacioli», Limited Liability Company (Nexia Pacioli, LLC) |
| Legal address (location) | 2, Malaya Polyanka Street, Moscow, 119180 |
| Mail address | 2, Malaya Polyanka Street, Moscow, 119180 |
| State registration (OGRN, Date) | <p>Certificate of State Registration No. 856.235 of June 23, 1995, issued by the Moscow Registration Chamber;</p> <p>Certificate of State Registration series 77 No. 005390060 of October 22, 2002 issued by the Interdistrict Inspectorate of the Ministry of Taxation of Russia No. 39 for Moscow;</p> <p>Entered into the Unified State Register of Legal Entities under primary state registration number 1027739428716</p> |
| Licenses (membership in SRI, entering date, name of a self-regulating audit institution) | <p>Member of the self-regulating audit institution the non-profit partnership «Institute of Professional Auditors»;</p> <p>Entered into the Registrar of the auditors and audit companies of the self-regulating audit institution on October 30, 2009 under primary registration number 10202000073;</p> <p>Audit Quality Certificate No. 172 issued by the Non-Profit Partnership «Institute of Professional Auditors», validity period from September 16, 2008 through September 16, 2011</p> |
| Minutes of the Annual General Meeting of Shareholders (appointing the Auditor and approving the accounting (financial) reports) | Minutes of the Annual General Meeting of Shareholders of IDGC of Volga, JSC of June 10, 2009, No. 2/2009 |
| Auditor's Opinion | In our opinion, accounting (financial) reports of IDGC of Volga, JSC provide reliable data on every substantial aspect of its financial condition as of December 31, 2009 and its business and financial performance for the period January 01 through December 31, 2009 and are in compliance with the Russian laws regulating accounting (financial) reports February 24, 2010 |
| Signees of Auditor's opinion (Full name, audit certificate, SRI membership) | <p>O. V. Goryacheva – Executive Director of Nexia Pacioli, LLC</p> <p>S. G. Demidova – Audit Supervisor (Qualification Certificate on General Audit No. L025323 of January 20, 2006, unlimited certificate period, entered into the Registrar of Auditors and Audit Companies of the Non-Profit Partnership «Institute of Professional Auditors of Russia» on October 30, 2009 under primary registration number 20602004038)</p> |

I. Analytical part

Internal audit was carried out in compliance with:

- › Federal Law “On Auditing Activities”;
- › Charter of the Company;
- › Regulation on the Auditing Commission;
- › Decision of the Annual General Meeting of Shareholders (minutes No. 2/2009 of June 10, 2009);
- › Decision of the Auditing Commission on the approval of the present Opinion (minutes No. 6 of April 14, 2010);
- › other regulations and decisions of authorized bodies of the Company.

Purpose of internal audit: to confirm the reliability of the accounting (financial) reports and the annual report of IDGC of Volga, JSC (hereinafter referred to as Company) for 2009, hereinafter referred to as Reports. Reliability of reporting data refers to a degree of accuracy of the Reports that allows users of these reports to analyze the Company’s business performance, financial condition and property status and to make informed decisions based on such analysis.

Subject: accounting (financial) reports, annual report, compliance of the Company’s financial and business activities with applicable laws and the Company’s regulations and policies.

The Opinion is an official and publicly available document for the use by shareholders, investors and other interested parties.

Internal audit was carried out in compliance with:

- › The Federal Law “On Accounting” of November 21, 1996 No. 129-FZ;
- › The Order of the Ministry of Finance of the Russian Federation “On Approval of the Regulation on Maintenance of Accounting Records and Financial Statements in the Russian Federation” of July 29, 1998, No. 34n;
- › The Order of the Ministry of Finance “On Forms of Accounting Reports in Organizations” of July 22, 2003 No. 67n;
- › Other laws and Company’s regulations and policies.

The executive body of the Company is responsible for ensuring the compliance of financial and business activities of the Company with the laws of the Russian Federation.

Internal audit was planned and carried out in a manner that ensures we can obtain a substantiated assurance that the annual report and accounting (financial) reports for 2009 (hereinafter collectively referred to as Reports) do not contain significant misrepresentations.

The internal audit was planned on a sample basis and involved the examination based on the verification of evidence that confirm numerical data and information disclosed in the Reports on the financial and business activities of the Company, assessment of accounting principles and methods, guidelines for the Reports and the determination of significant performance criteria.

In the course of the Internal Audit, we have assessed the Company’s compliance with the laws of the Russian Federation. We have examined the compliance of some business and financial transactions made by the Company solely in order to obtain substantiated assurance that the Reports do not contain significant misrepresentations.

In the course of the Internal Audit, we have determined a substantiality level (a level of acceptable cumulative error). Substantiality refers to an ability of information disclosed in the annual report and financial statements to affect the decisions made by users of the Reports. A level of acceptable error represents a criterion for the confirmation of the reliability of the Company’s Reports.

Substantiality level was determined at 1,671,500 thousand roubles.

Audited period:

We have carried out Internal Audit of Reports attached to the Conclusion for the period:

1. reporting period: from January 01, 2009 to December 31, 2009 for financial and business activity for 2009
2. events after reporting date: from January 01, 2010 to April 14, 2010

The Opinion is dated with the last day of Internal Audit.

Reports are prepared in accordance with the laws and regulations of the Russian Federation (Russian Accounting Standards) and the Company's regulations and policies.

Reports approved by the Auditing Commission

| No. | Form No. | Report name | Date of approval by management | Number of pages in document |
|-----|----------|--|--------------------------------|-----------------------------|
| 1 | No. 1 | Balance Sheet (consolidated for all autonomous business units of the Company) | 19.02.2010 | 2 |
| 2 | No. 2 | Income Statement (consolidated for all autonomous business units of the Company) | 19.02.2010 | 2 |
| 3 | No. 3 | Statement of changes in equity | 19.02.2010 | 3 |
| 4 | No. 4 | Cash Flow Statement | 19.02.2010 | 1 |
| 5 | No. 5 | Appendix to Balance Sheet | 19.02.2010 | 5 |
| 6 | No. 6 | Report on proper use of funds received | 19.02.2010 | 1 |
| 7 | – | Explanatory Note (consolidated for all autonomous business units of the Company) | 19.02.2010 | 55 |
| 8 | – | Auditor's Opinion on accounting (financial) reports of IDGC of Volga, JSC for 2009 | 24.02.2010 | 3 |
| 9 | – | Annual Report (consolidated for all autonomous business units of the Company providing information on branches and affiliates) | | 118 |

We believe that obtained audit results allow us to draw an opinion on the reliability of the accounting (financial) reports.

II. Conclusions

In our opinion, Reports of the Company for 2009 attached to this Conclusions provides reliable data on every substantial aspect of the Company's financial condition and financial and business performance for the period January 01, 2009 through December 31, 2009. The Reports were prepared in compliance with the laws of the Russian Federation regulating accounting (financial) reports with regards to audit and audit opinion and the Company's regulations and policies for the preparation of the annual report of the Company.

Dissenting opinion

Members of the Auditing Commission do not have disagreements with the conclusion of the Opinion.

Approved by the Minutes of the Auditing Commission No. 6 of April 14, 2010.

Chairman of the Auditing Commission



O. V. Rokhlina



