

PRELIMINARY APPROVED BY  
the Decision of the Board of Directors of the Joint-Stock Company  
«Federal Grid Company of the Unified Energy System »  
Minutes # \_\_\_\_\_ dated 15<sup>th</sup> of May, 2008

# **ANNUAL REPORT 2007**

*Open Joint-Stock Company  
«Federal Grid Company of the Unified Energy System »*

Chairman of the Management Board Andrei N. Rappoport

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## Dear Shareholders!

In 2007 top priorities of JSC “FGC UES” included: increase the performance and reliability of the national backbone grid infrastructure, develop investment projects in electric grids of all voltage classes and complete the reform of the power transmission industry in the Russian Federation.

In 2007 Federal Grid Company was operating 120 thousand km of power lines and 796 power substations with the total transformer capacity of 310 thousand MVA of various voltage classes, starting from 110 and up to 1150 kV. JSC “FGC UES” owns 47 073 thousand km of power lines and 153 substations as well as 19 separate switchgears and transformer bays with the total transformer capacity of 139 thousand MVA. The remaining property has been taken on lease from backbone grid companies (so-called “MSKs”) that had been previously unbundled from former regional power utilities – AO-energos in the result of the power reform.

Following the results of the year 2007 Federal Grid Company has successfully provided actual balanced discharge of electricity from the Unified National (All-Russian) Electric Grid (UNEG) in the amount of 464 045,515 million kWh – 7% more than the volume of transmitted energy in 2006. The total revenues of the Company have accrued up to 64.1 billion Rubles, net profits according to Russian Accounting Standards – 2.3 billion Rubles.

In 2007 management of the Federal Grid Company has undertaken certain steps aimed at development of competition within the high-voltage equipment maintenance and repairs market. On the 14<sup>th</sup> of November 2007, JSC “FGC UES” Board of Directors has made a decision to create 100% subsidiaries on the basis of the existing Company’s affiliates: OAO “Spetsializirovannaya elektrossetevaya servisnaya kompania ENES” (JSC “Specialized Electric Grids Service Company of UNEG”) and OAO “Glavnaya elektrossetevaya servisnaya kompania ENES” (JSC “Main Electric Grids Service Company of UNEG”). In order to ensure successful and more effective implementation of the significantly enlarged Investment Program of the Company JSC “FGC UES” management has made a decision to create an additional 100% subsidiary – OAO “Centr inzhiniringa i upravlenia stroitelstvom ENES” (JSC “Engineering and Construction Management Center of UNEG”). New company will be responsible for engineering and technical support of new construction projects to build new elements of the electric grid.

In 2007 Federal Grid Company continued to increase the volumes of investments into UNEG facilities. Actual funding of the Investment Program has reached the amount of 75.01 billion Rubles – 2.2 times more than in 2006. For the year then ended 591 km of new high-voltage lines and 6351 MVA of transformer capacities as well as 540 MVar of reactor capacities have been commissioned. More than 41.52 billion Rubles have been invested in increasing the energy supply reliability of major peak loads regions – Moscow, Saint Petersburg and Western Siberia.

Crucial electric grid facilities that have been completed in 2007 were the first phase of 500 kV Emelino substation in the Sverdlovskaya region, substation Rzhenskaya in Saint Petersburg, 500 kV line Zarya-Barabinsk-Tavricheskaya that has interconnected Omsk and Novosibirsk energy systems within the territory of the Russian Federation and 220 kV line Kholmogorskaya – Muravlenkovskaya in the Tyumen region and a number of other projects.

The funding of the Investment program was made using own funds of the Company, loans, funds from the Federal budget as well as funds received from sales of the RAO “UES of Russia” assets (state-owned shares in power generating companies). In 2007 the Government of the Russian Federation has paid 22,48 billion Rubles for the first additional issue of JSC “FGC UES” shares and has increased its’ direct ownership in the Company up to 12,44%. At the same time the share of FGC UES equity that belonged to RAO “UES of Russia” has decreased from 100% down to 87,56%.

On the 23<sup>rd</sup> of August 2007 second additional offer of Company’s stock has been announced (the offering was closed in March 2008). By the time the offering is closed the Federal Grid Company’s equity will have increased from 180 691 103 960 Rubles to 238 173 731 077,5 Rubles and the share of the Russian Federation will have raised up to 16,128%.

On the 18<sup>th</sup> of December 2007 JSC “FGC UES” has fully fulfilled its liabilities to pay Accrued Interest for all series of bonded loans (01, 02, 03, 04 and 05). Total amount of Accrued Interest paid – 2,306 billion Rubles.

In March 2007, The Board of Directors of the RAO “UES of Russia” has agreed the road map for the final stage of JSC “FGC UES” restructuring which includes single-step merge of Backbone Grid Companies (MSKs) and Interregional Backbone Grid Companies (MMSKs) with JSC “FGC UES” together with simultaneous restructuring of JSC RAO “UES of Russia” (merge of RAO “UES of Russia”, State Holding and Minority Holding of FGC with JSC “FGC UES” on the 1<sup>st</sup> of July, 2008. In December 2007 – March 2008 extraordinary general meetings of shareholders of 56 MSKs were held where this restructuring road map has been endorsed.

In the meantime JSC “FGC UES” was also responsible for strategic management of distribution grid infrastructure on the basis of the Trust Deed that grants the right to manage Interregional Grid Companies’ (MRSKs) shares owned by RAO “UES of Russia” to JSC “FGC UES”. As a part of distribution grids reform process, the Board of Directors of RAO “UES of Russia” in 2007 has agreed the new structure of the distribution industry, proposed by JSC “FGC UES”, that now includes 11 MRSKs. Extraordinary general meetings of shareholders of distribution grid companies (RSKs) and MRSKs in December 2007 – March 2008 have supported the proposed restructuring scheme that provides for the merger of RSKs to MRSKs under new configuration.

Also in 2007 a number of decisions of major importance have been made: change of the tariff system for distribution grids and move to a “return on asset base” methodology (RAB). Industry’s experts have started preparing the regulatory and legal framework required to move a number of pilot companies to the new RAB-based tariff setting in the middle of 2008 and then ensure mass introduction of RAB-based tariff regulation for all distribution grid companies starting from 2009.

By the end of 2007 the productive supply of electric energy by the distribution grid companies has increased by 4%, the losses have been reduced by 0.58%. The amount of investments into distribution grids in 2007 amounted up to 94 billion Rubles – more than 100% growth in comparison with the last year. More than 17 thousand km of power lines and around 9 thousand MVA of transformer capacity have been built and refurbished. Summarizing the results of the two year history of distribution grids management by JSC “FGC UES” its capitalization has increased by 246% and reached 416 billion Rubles. The revenues have also grown from 57 billion up to 281 billion Rubles, net profits – from 7 to 14 billion Rubles.

Main goals of the Company for the year 2008 are the development of the target structure of the power grid industry, move of several “pilot” companies to the new RAB-based tariff system, development of long-term investment programs as well as successful implementation of the previously agreed investment programs. All this will help us strengthen the stability and reliability of the backbone grid infrastructure of the Russian Federation and increase its attractiveness for investments.

Chairman of the Board of Directors, Viktor Khristenko  
Chairman of the Management Board, Andrei N. Rappoport

# 1. Information on the Company and Industry Overview

## 1.1. Creation of the Company and Main Areas of Operations

Unified National (All-Russian) Electric Grid is the foundation of the Unified Energy System of Russia.

According to the Federal Law #35-FZ “On the Electric Power Industry” dated the 26<sup>th</sup> of March, 2006, Unified National (All-Russian) Electric Grid is a set of electric grids and other electric grid facilities owned by the electric power industry’s entities or any other entities beneficially or as otherwise provided for by the federal laws and ensuring sustainable electricity supply to consumers, functioning of the wholesale market, as well as parallel operation of the Russian electric power system and the electric power systems of foreign countries.

Design nominal voltage class, characteristics of transmission capacity, electricity flow reversibility and other technological characteristics of electric grid facilities included in the Unified National (All-Russian) Electric Grid, procedure for maintaining the register of the above-mentioned facilities are approved by the Government of the Russian Federation.

Currently effective are the Rules for attributing electric grid facilities to the UNEG endorsed by the Government of the Russian Federation (Decree #41 dated 26<sup>th</sup> of March, 2006).

JSC «Federal Grid Company of the Unified Energy System» (JSC «FGC UES», the Company) has been created in accordance with the Russian power industry reforming program as the organization to manage UNEG with main goals of its preservation and development.

The single founder of JSC «FGC UES» was JSC RAO «UES of Russia». The state registration of JSC «FGC UES» took place on the 25<sup>th</sup> of June, 2002.

When the Company was established JSC RAO «UES of Russia» has transferred the main element of the power industry – grid facilities that constitute the UNEG.

JSC «FGC UES» - is the key element of the infrastructure for the newly established power market. In accordance with the legislation JSC «FGC UES» is also a natural monopoly company. Company’s business is regulated by the state.

Main areas of Company’s operations:

- manage the Unified National (All-Russian) Electric Grid;
- provide services to the wholesale power market participants: electric energy transmission, new connections to the electric grid;
- conduct investments in order to develop the Unified National (All-Russian) Electric Grid;
- maintain and repair backbone electric grid facilities;
- provide technical supervision over the condition of electric grid facilities that constitute the UES of Russia.

The establishment of the UNEG property portfolio under single organizational and technological management by JSC «FGC UES» as a part of the power industry reform will help to:

- strengthen the integrative role of the Unified Energy System of Russia and ensure effective counteractions between electric energy producers and consumers within the competitive wholesale power market;
  - ensure equal access of sellers and purchasers to the electric energy wholesale market;
  - provide effective state regulation of electric energy transmission tariffs;
  - increase Russia’s energy security;
  - support effective state international economic and trade policy within international electric power markets.
- In 2001 major decisions on how to proceed with the reform of the Russian power industry and restructuring of the JSC RAO «UES of Russia» have been made. The Resolution of the Government of the Russian Federation #526 “On Restructuring the Electric Power Industry of the Russian Federation” dated 11<sup>th</sup> of July, 2001 identified the main areas of reforming of the power industry in the Russian Federation, specified its main goals, objectives, principles for reforming, areas of responsibilities for major power market participants, how should the power market be organized and how should the pricing mechanism

work within the market. The Decree of the Government of the Russian Federation #1040-r dated 3<sup>rd</sup> of August, 2001 has commissioned the Action-Plan for the First Stage of the Power Industry Reform in the Russian Federation which identified key steps required to prepare for the introduction of the competitive power market.

- One of the main objectives of the power reform in Russia is to ensure the split of monopoly and competitive types of businesses from each other. This split will ensure that generation, transmission, retail supply of electric energy, energy system operations and maintenance and repair businesses and other non-core businesses have been made organizationally independent.

- As a part of the reforming process, the Board of Directors of JSC RAO «UES of Russia» has made a decision to create JSC «FGC UES» (Protocol # 109, dated 25.01.2002).

- JSC «Federal Grid Company of the Unified Energy System» (JSC «FGC UES», the Company) has been created in accordance with the Russian power industry reforming program as the organization to manage UNEG with main goals of its preservation and development. Company's main areas of operations are:

- to manage the Unified National (All-Russian) Electric Grid;
- to provide services to the wholesale power market participants: electric energy transmission, new connections to the electric grid;
- to conduct investments in order to develop the Unified National (All-Russian) Electric Grid;
- to maintain and repair backbone electric grid facilities;
- to provide technical supervision over the condition of electric grid facilities that constitute the UES of Russia.

## **1.2. Main events of the year 2007**

In 2007 JSC «FGC UES» has completed the following major works required for the development of the UNEG including research and designing studies that provide the reasoning and justification for commissioning of new and strengthening of existing electric grid facilities:

- 2<sup>nd</sup> stage of designing works required to update “UES and BES (Bulk Energy System) of Russia Development Scheme for the Period Until 2020” that include:
  - BES of North-West Development Scheme for the Period Until 2020, including development of 220 kV and higher voltage electric grids within UNEG for the period until 2015”.
  - BES of Center Development Scheme for the Period Until 2020, including development of 220 kV and higher voltage electric grids within UNEG for the period until 2015”.
  - BES of Volga Development Scheme for the Period Until 2020, including development of 220 kV and higher voltage electric grids within UNEG for the period until 2015”.
  - BES of Siberia Development Scheme for the Period Until 2020, including development of 220 kV and higher voltage electric grids within UNEG for the period until 2015”.
  - BES of East Development Scheme for the Period Until 2020, including development of 220 kV and higher voltage electric grids within UNEG for the period until 2015”.
- The UNEG Perspective Development Program for the Five-year Period,
- Development Schemes for Energy Systems of Moscow and Leningrad regions, including development programs for generation facilities and systemic grids of 110 kV and higher voltage for the Moscow region, Saint Petersburg and Leningrad Region for the period until 2015.

In 2007 JSC «FGC UES» as a part of the JSC RAO «UES of Russia» Holding actively participated in signing Cooperation Agreements for Implementation of the Top-priority Program for the Construction and Refurbishment of Power Facilities with a number of regional governments in the Russian Federation. Such Agreements have been signed with the executive bodies of Leningrad Region, Murmansk Region, Kaliningrad Region, Krasnodar Region, and Perm Region. In the beginning of 2008, following the results of the work completed in 2007 additional Agreements were signed with the Government of Ryazan Region, the Government of Vologda Region, the Administration of Kemerovo Region, the Administration of Tomsk Region, and the Administration of Primorsky Region.

In 2007 JSC «FGC UES» has also updated the Top-priority Program for the Construction and Refurbishment of Power Facilities of the following regions of the Russian Federation that have previously signed the Cooperation Agreements with JSC RAO «UES of Russia»: Tyumen Region, Khanty-Mansyisk and Yamal-Nenetsk Autonomous Regions (the latter three regions of the Russian Federation have signed a joint Agreement for the development of Tyumen energy system).

In 2007 bilateral UNEG Development Cooperation Agreement was signed between JSC «FGC UES» and the government of the Perm Region.

Also quadripartite Agreements have been signed between JSC «FGC UES», JSC «MRSK», AO-energos and governments of the following regions of the Russian Federation:

1. Belgorod region;
2. Kaliningrad region;
3. Moscow city;
4. Moscow region;
5. Murmansk region;
6. Nizhniy Novgorod region;
7. Saint-Petersburg city;
8. Leningrad region;
9. Primorsky region;
10. Ryazan region;
11. Vologda region;
12. Kemerovo region;
13. Perm region;
14. Krasnodar region (Sochi);
15. Sverdlovsky region;
16. Chelyabinsky region;
17. Tomsky region;
18. Tyumen region, Khanty-Mansyisk Autonomous Region, Yamalo-Nenetsk Autonomous Region.

## 2. JSC “FGC UES” Investment Program for 2007 Was Approved

The Investment Program for 2007 in the amount of 78 935 million Rubles was properly presented and agreed by the Federal Tariff Service of Russia, Ministry of Economic Development of Russia, Ministry of Industry and Energy of Russia.

The Management Board of JSC RAO «UES of Russia» on the 29.01.2007 has made a number of amendments into the Investment Program and has increased its size up to 98 575 million Rubles by extending the Program with funds required to build electric grid facilities to discharge newly built generating capacities into the network in the amount of 7 000 million Rubles.

## 3. JSC «FGC UES» has received its Credit Rating

**02.02.2007**г. - International rating agency Standard & Poor’s has raised the long-term credit rating of JSC «Federal Grid Company of the Unified Energy System» up to BB+, level, national scale rating was raised up to ruAA+, and the forecast for all ratings - positive.

**20.04.2007** г. – Universal rating agency Moody’s has confirmed JSC «Federal Grid Company of the Unified Energy System» credit rating on the level Baa2, forecast – stable, national scale rating - Aaa.ru. This rating was confirmed in the result of annual review of the rating standings.

## 4. JSC «FGC UES» has fulfilled its liabilities for the bonded loan, Series 01.

On the 18<sup>th</sup> of December, 2007, JSC “FGC UES” has completely fulfilled its liabilities for the bonded loan of the 01 series. The bondholders have received the par value of the bonds – 5 000 million Rubles.

The bond offering of JSC “FGC UES” Ruble bonds of the 01 series took place on the 21<sup>st</sup> of December, 2004 on the MICEX (Moscow Interbank Currency Exchange). The first bond loan was offered

with the term of three years, total par value of the bonds was 5000 million Rubles. The established coupon rate – 8.80% per annum. In total for the 01 series bonds 6 coupons have been paid for the total value of 1 316 400 000 Rubles.

### 5. UNEG Consolidation

The 42 shares of MSK that belonged to JSC RAO “UES of Russia” were transferred in August 2006 as a payment for the additional equity offer by JSC “FGC UES”. The shares of MSK that remained under the ownership of JSC RAO “UES of Russia” are to be transferred as a payment for the next equity offer by JSC “FGC UES” in 2007 and also via the separation balance sheet of JSC RAO “UES of Russia” in 2008.

On the 2<sup>nd</sup> of March, 2007 The Board of Directors of the RAO “UES of Russia” has agreed the road map for the final stage of JSC “FGC UES” (Protocol #245 dated 2<sup>nd</sup> of March, 2007). According to the aforementioned decision on the 30<sup>th</sup> of March, 2007, the Board of Directors of JSC RAO “UES of Russia” (Protocol #248 dated 30<sup>th</sup> of March, 2007) has made a decision to modify the scheme for consolidation of MSKs and MMSKs and to provide for a single-step merge of MSKs and Interregional Backbone Grid Companies (MMSKs) with JSC “FGC UES” together with simultaneous restructuring of JSC RAO “UES of Russia”.

This option for consolidation of UNEG assets, following a preliminary discussion, was supported by MSKs shareholders. It will provide for unification of all UNEG-type grids of RAO “UES of Russia” Holding, will eliminate the rental contracts and create an opportunity for direct JSC “FGC UES” investment in the development of regional backbone grids that currently belong MSK and used to be a part of former regional utilities – AO-energос.

In the nearest future JSC “FGC UES” as a part of the JSC RAO «UES of Russia» Holding is planning to enter Cooperation Agreements for Development of Power Facilities with executive bodies of the Komi Republic, Rostov region, Northern Ossetia-Alania Republic, Samara region, Omsky region, Krasnoyarsky region, Tuva Republic, Sakha Republic (Yakutia).

### **1.3. Key operational indicators**

	2004	2005	2006	<b>2007</b>
Length of power lines, km.	45 038	45 895	47 060	<b>47073</b>
Number of substations	131	136	137	153
Average staffing number of the Company	10 174	11 765	20 129	21 019
Net revenue from sales of goods, products, works and services, million Rubles	23 249,7	29 866,9	53 599,5	61 385
Income (losses) before taxation, million Rubles	3 157,7	3 425	3 553,1	3 900
Net (retained) profits (losses), million Rubles	2 166,8	1 997,1	1 833,5	2 296
Net asset worth, million Rubles	129 121	134 729,2	140 078	204 785

### **1.4. Organizational structure**

By the end of 2007, JSC «FGC UES» included:

- ◆ Executive office;
- ◆ 8 affiliates – Backbone Electric Grids (MESs);
- ◆ 33 affiliates – Backbone Electric Grid Enterprises (PMESs), affiliate (training center);
- ◆ 2 Motor Transport Enterprises of Backbone Electric Grids (ATP MESs);
- ◆ Specialized Production Base «Belyi Rast»;
- ◆ 7 affiliates for Technical Maintenance and Repairs of Backbone Electric Grids (TMR affiliates).

JSC «FGC UES» TMR affiliates have within their structure:

- ◆ 39 regional units – Technical Maintenance and Repairs Enterprises (TMR Enterprise) of Backbone Electric Grids;
- ◆ Affiliate «Elektrosetservice»;
- ◆ 6 affiliates – «Elektrosetservice» Specialized production bases (SPBs)

JSC «FGC UES» affiliates – MESEs provide following services:

- Transmission and distribution of electric energy;
- New grid connections services;
- Collection, transmission and processing of technological data, including receiving data from the metering equipment;
- Electric grid and other electric grid facilities operations and technological control;
- Operations of technological communication systems, metering and reporting systems, relay protection, emergency automatics equipment and other equipment related to electric grid, technological and control equipment operations;
- Development of electric grids and other electric grid facilities, including designing, engineering, construction, reconstruction, refurbishment, assembly and set up.

JSC «FGC UES» affiliates – TMR and “Elektrosetservice” affiliates provide the following services:

- Assembly, set up, technical maintenance and repairs of transmission electric grids and other grid facilities;
- Conduct surveys, diagnostics and testing of power equipment;
- Assembly works, tuning, diagnostics, technical maintenance and repairs of technological communication networks, metering and accounting systems, relay protection and emergency automatics and other technological equipment related to electric grid, technological and control equipment operations
- Development of transmission electric grids and other electric grid facilities, including reconstruction, refurbishment, assembly and set-up works;
- Development, designing, manufacturing and implementation of new technologies, tools and methods to automate and optimize assembly, set-up, repair and maintenance works on electric grid facilities;
- Technical maintenance and repairs of pipelines and vessels under pressure.

As a part of JSC “FGC UES” organizational structure optimization efforts, in 2007 the Board of Directors of JSC «FGC UES» has made decisions to:

1. Liquidate the following JSC «FGC UES» affiliates – Khanty-Mansyisk Enterprise of Backbone Electric Grids, Tyumen Enterprise of Backbone Electric Grids, Yamalo-Nenetsk Enterprise of Backbone Electric Grids (Protocol dated the 4<sup>th</sup> of April, 2007 #42) – in order to centralize the electric grid operations on the level of JSC «FGC UES» affiliates – MES of Western Siberia.

2. Liquidate the following JSC «FGC UES» affiliates - Upper-Volga Enterprise of Backbone Electric Grids, Samara Enterprise of Backbone Electric Grids (Protocol dated 8<sup>th</sup> of October, 2007 # 48) – in order to ensure optimum allocation of resources according to the territory boundaries and volumes of work, maintain manageability and minimize the costs for the “Consumer” function for maintenance and repairs works.

3. Liquidate the following JSC «FGC UES» affiliates - Orenburg Enterprise of Backbone Electric Grids and rename the JSC «FGC UES» affiliate – Chelyabinsk Enterprise of Backbone Electric Grids into South-Urals Enterprise of Backbone Electric Grids (Protocol dated 8<sup>th</sup> of October, 2007, # 48) – in order to ensure optimum allocation of resources according to the territory boundaries and volumes of work, maintain manageability.

## 2. Company's Reform

### 2.1. Reform of the backbone electric grid infrastructure

In 2007 the creation of Backbone electric grid companies (MSKs) on the basis of UNEG facilities that have been unbundled in the result of AO-energos' reform. By February 2007 56 backbone electric grid companies have been created and registered by the state authorities. Their establishment was a part of the AO-energos reform.

In August 2006 shares of 42 MSKs that belonged to JSC RAO «UES of Russia» were transferred to JSC «FGC UES» as a payment for additional stock offer by JSC «FGC UES». MSKs shares that remained a JSC RAO «UES of Russia» property were transferred as a payment for the next equity offer by JSC «FGC UES» in 2007 and also via the separation balance sheet of JSC RAO «UES of Russia» in 2008 by the time the second restructuring of JSC RAO «UES of Russia» is complete

According to the Road map for consolidation of UNEG facilities that was agreed by the Board of Directors of JSC RAO «UES of Russia» (Protocol #188, dated 25<sup>th</sup> of February, 2005), starting from the 1<sup>st</sup> of January, 2006 all electric grid facilities that were owned by MSKs were rented to JSC «FGC UES» and the new transmission services tariff for JSC «FGC UES» also accounted for these assets as well.

On the 2<sup>nd</sup> of March, 2007 the Board of Directors of JSC RAO «UES of Russia» has endorsed the General Road Map for the Final Restructuring of the Company (Protocol #245, dated 2<sup>nd</sup> of March, 2007). Taking into account the aforementioned decision on the 30<sup>th</sup> of March, 2007 the Board of Directors of JSC RAO «UES of Russia» (Protocol #248, dated 30<sup>th</sup> of March, 2007) has made a decision to update the Road Map for Consolidation of MSKs and MMSKs that provided for single-step merger of MSKs and MMSKs with JSC «FGC UES» as a part of JSC RAO «UES of Russia» restructuring.

Such UNEG assets consolidation strategy after preliminary discussions was supported by MSKs shareholders. It provides for unification of all UNEG grids that belong to JSC RAO «UES of Russia» Holding Company, will eliminate rental contracts and create an opportunity for direct investments into MSKs backbone grids that used to be on the books of AO-energos.

The restructuring of JSC RAO «UES of Russia» is planned to be completed by the 1<sup>st</sup> of July, 2008. In the result of restructuring direct participation of the state in JSC «FGC UES» equity will reach the amount that was previously defined by the legislation of the Russian Federation – (not less than 75% of shares plus one share) and will ensure additional raising of funds required to implement the agreed Investment Program through sales of blocks of shares of thermal generating companies that belonged to the state.

Thus, in 2007-2008 the restructuring process will be completed in the result of the merger of 56 MSKs with JSC «FGC UES».

### 2.2. Reform of the distribution grids

The goals and objectives of the distribution grids reform have been defined by the Resolution of the Government of the Russian Federation #526, dated 11<sup>th</sup> of July 2001 “On Restructuring the Electric Power Industry of the Russian Federation”. Taking into account further changes that took place within the legal framework of the reform, the goals and objectives of the reform were further elaborated in the “Reform Strategy Concept of JSC RAO «UES of Russia» for 2005-2008 “5+5”, that was endorsed by the Board of Directors of JSC RAO «UES of Russia» (Protocol #143, dated 23.05.2003).

The Basic variant of the Russian Federation distribution grids reform included the creation of interregional distribution grid companies (MRSKs) as well as principles for interregional integration between distribution grid companies (within MRSKs) within Bulk Energy Systems (BES). This variant was agreed by the Board of Directors of JSC RAO «UES of Russia» (Protocol #168, dated 23.04.2004).

In full accordance with JSC RAO «UES of Russia» Board of Directors' decision following MRSKs have been created in 2004-2005:

- OAO «MRSK Centra i Severnogo Kavkaza» (JSC “MRSK of Center and North Caucasus);

- JSC «MRSK Severo-Zapada» (JSC “MRSK of North-West”);
- JSC «MRSK Urala i Volgi» (JSC “MRSK of Urals and Volga”);
- JSC «MRSK Sibiri» (JSC “MRSK of Siberia”).

As a part of the first stage of the reform all MRSKs were created as 100% subsidiaries of JSC RAO «UES of Russia».

In order to develop a centralized distribution grids management system, ensure its reliability and effective operations during the power industry reform period the Board of Directors of JSC RAO «UES of Russia» made a decision to place MRSKs shares in JSC «FGC UES» management.

On the 27th of December, 2006 during the meeting of the Joint Committee for Reforming of the Power Industry chaired by the Minister of Industry and Energy of the Russian Federation, Mr. Vladimir B. Khristenko a new structure of interregional distribution grid companies that will operate as unified operating companies was agreed (Protocol #9, dated 27th of December, 2006). Preliminary agreements have also been reached with main minor shareholders of individual Distribution grid companies on the structure and configuration of future MRSKs.

In 2007 the Board of Directors of JSC «FGC UES» as a part of the Distribution Grids Development Strategy in the Russian Federation that was developed by JSC “FGC UES” in 2006, and the Board of Directors of JSC RAO «UES of Russia» have agreed the new structure of MRSKs (Protocol #250, dated 27.04.2007) that provided for an increase in the number of MRSKs from 4 to 11 (not including MRSK of Far East). The increase of the number of MRSKs was made both by creation (establishment) of three new MRSKs (JSC “MRSK of Center and the Volga Region”, JSC “MRSK of Volga” and JSC “MRSK of South”) and renaming the existing MRSKs (JSC “MRSK of Center and North Caucasus”, “JSC “Southern Grid Company” (USK) and JSC “MRSK of Urals and Volga”). Major principles that were incorporated into the new design of MRSKs were territorial contingence and comparability of the book values of the distribution grids assets that were incorporated into respective MRSKs.

The Board of Directors of JSC RAO «UES of Russia» has also agreed the list of Distribution grid companies that should become constituent elements of respective MRSKs and made a decision to create MRSKs as operating companies by merging Distribution grid companies into MRSKs. Herewith in case one or several Distribution grid companies to become a part (parts) of MRSKs do not make a decision to restructure themselves by merging with a certain MRSK, such MRSK should make a decision to increase the share capital by issuing additional shares by private subscription for the JSC RAO «UES of Russia» so that the purchase of these shares is paid by the shares of Distribution grid companies that were supposed to merge with the specified MRSK. In such case MRSK is created as a holding (operating-holding) company.

New configuration of MRSKs agreed by the Board of Directors of JSC RAO «UES of Russia» in April 2007 includes the following companies:

- JSC "MRSK of North-West" including following Distribution grid companies:  
JSC "Arhjenenergo", JSC "Vologdajenergo", JSC "Kareljenenergo", JSC "Koljenenergo", JSC "AJeK "Komijenergo", JSC "Novgorodjenergo", JSC "Pskovjenergo";
- JSC "MRSK of Center and the Volga Region" including following Distribution grid companies:  
JSC "Vladimirenergo", JSC "Ivenergo", JSC "Kalugaenergo", JSC "Kirovenergo", JSC "Marijenergo", JSC "Nizhnovenergo", JSC "Rjazan'energo", JSC "Tulenergo", JSC "Udmurtenergo";
- JSC "MRSK of Center" including following Distribution grid companies:  
JSC "Belgorodjenergo", JSC "Brjanskjenergo", JSC "Voronezhjenergo", JSC "Kostromajenergo", JSC "Kurskjenergo", JSC "Lipeckjenergo", JSC "Oreljenergo", JSC "Tambovjenergo", JSC "Smolenskjenergo", JSC "Tver'jenergo", JSC "Jarjenergo";
- JSC MRSK of Siberia» including following Distribution grid companies:  
JSC "Altajjenergo", JSC "Burjatjenergo", JSC "Krasnojarskjenergo", JSC "Kuzbassjenergo – regional electric grid company", JSC AK "Omskjenergo", JSC "TRK", JSC "Tyvajenergo", JSC "Hakasjenergo", JSC "Chitajenergo";

- JSC MRSK of South» including following Distribution grid companies:  
JSC "Astrahan'jenergo", JSC "Volgogradjenergo", JSC "Kuban'jenergo", JSC "Rostovjenergo", JSC "Kalmjenergo";
- JSC MRSK of North Caucasus» including following Distribution grid companies:  
JSC "Dagjenergo", JSC "KEUK", JSC "Nurjenergo", JSC "Stavropol'jenergo";
- JSC MRSK of Volga» including following Distribution grid companies:  
JSC "Mordovjenergo", JSC "Orenburgjenergo", JSC "Penzajenergo", JSC "MRK of Volga", JSC "Chuvashjenergo";
- JSC MRSK of Urals» including following Distribution grid companies:  
JSC "Kurganjenergo", JSC "Permjenergo", JSC "Sverdlovjenergo", JSC "Cheljabjenergo";
- JSC "Tyumenenergo";
- JSC "Lenenergo".
- MRSK based on Distribution grid companies that operate on the territory of the City of Moscow and Moscow region.

In order to create the target structure of MRSKs within the newly agreed institutional design the Prime Minister of the Government of the Russian Federation on the 19<sup>th</sup> of December, 2007 has signed a Decree #1857-r that establishes the opportunity to create MRSKs on the basis of the shares of Distribution Grid Companies that belonged to JSC RAO «UES of Russia» under the new institutional design. This Decree allowed either a direct merger of Distribution Grid Companies into a MRSK or contribution of Distribution Grid Companies' shares into the charter capital of MRSKs in case the governing bodies of Distribution Grid Companies do not make a decision to carry out the restructuring in the form of a merger.

In December 2007 – January 2008 extraordinary general meetings of shareholders of eight MRSKs and Distribution grid companies that were a part MRSKs took place where all the key decisions on restructuring and merger of companies were made (excluding JSC “Kurganenergo” where shareholders of the Distribution grid company didn't make the decision to convene the general meeting of shareholders).

The conclusion of the restructuring process in the form of a merger of respective Distribution Grid Companies to MRSKs and establishment of MRSKs as operating companies is supposed to be completed in the second quarter of 2008.

## 3. Operations

### 3.1. Major characteristics of substation equipment and high-voltage lines operated by the Company as of the 31<sup>st</sup> of December, 2007

In 2007 Federal Grid Company operated 47 073 thousand km of power lines and 153 substations as well as 20 separate switchgears and transformer bays of various voltage classes, starting from 110 and up 1150 kV, among them:

*Substations:*

- Two 1150 kV SS with the installed transformer capacity of 1 002 MVA;
- Eight 750 kV SS with the installed transformer capacity of 21 015,7 MVA;
- Eighty five 500 kV SS with the installed transformer capacity of 95 120,5 MVA;
- One 400 kV SS with the installed transformer capacity of 4 925,5 MVA;
- Thirty eight 330 kV SS with the installed transformer capacity of 14 960,5 MVA;
- Twelve 220 kV SS with the installed transformer capacity of 2 807,6 MVA;
- Six 110 kV SS with the installed transformer capacity of 114,7 MVA;
- Six SS of 110 kV voltage class with total installed transformer capacity of 114,7 MVA;

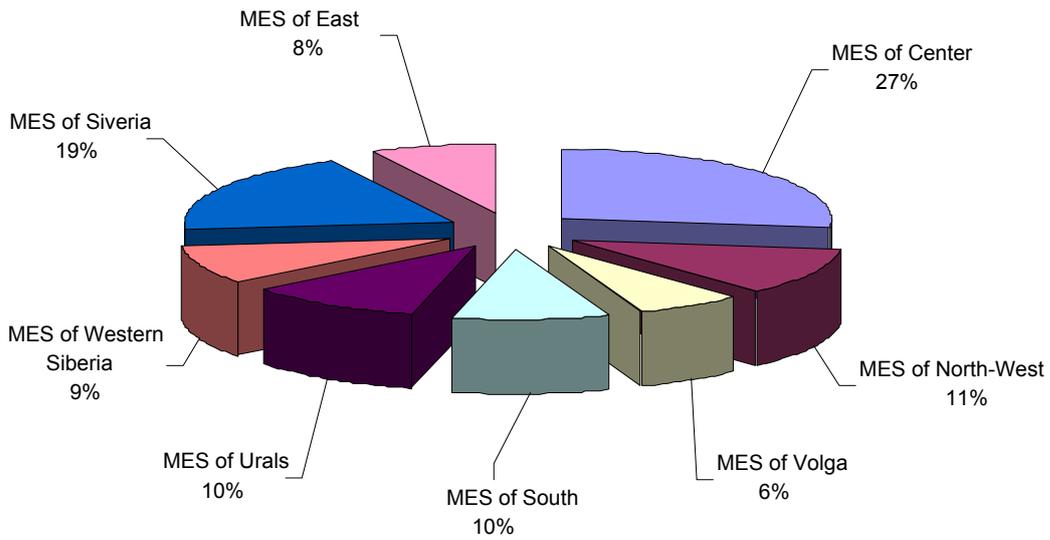
*High-voltage power lines:*

- 1150 kV voltage class, total length – 820.2 km;
- 800 kV voltage class, total length - 402.3 km;
- 750 kV voltage class, total length – 2972.6 km;
- 500 kV voltage class, total length - 32572.04 km;
- 400 kV voltage class, total length – 126.4 km;
- 330 kV voltage class, total length – 7993.52 km;
- 220 kV voltage class, total length – 2018.78 km;
- 110 kV and lower, total length – 168.12km.

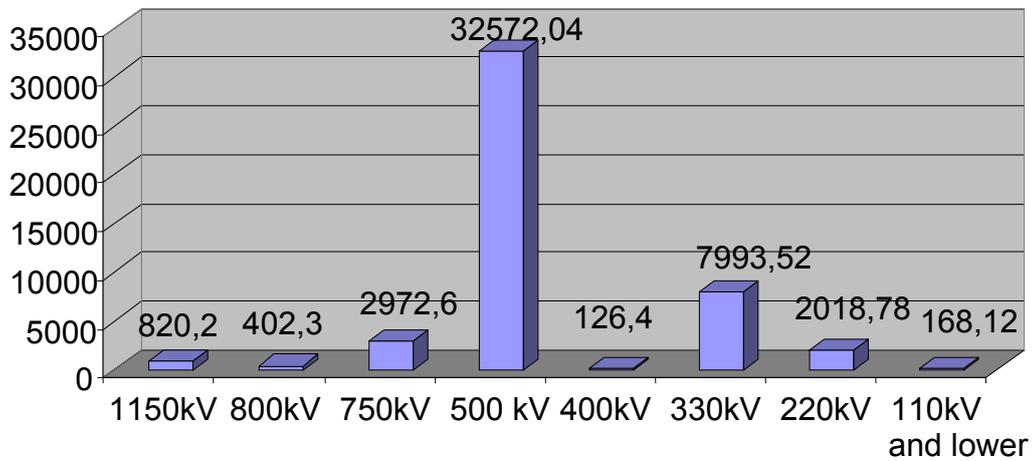
Total capacity of power transformers of various voltage classes (220-750 kV) installed at JSC «FGC UES» substations is 139 330 MVA – this figure does not include distribution transformers and auxiliary supply transformers. Total installed capacity of power transformers of 6-750 kV voltage classes is 146 405.06 MVA.

Total installed capacity of reactors located at JSC «FGC UES» substations was 25 705.6 MVA in 2007.

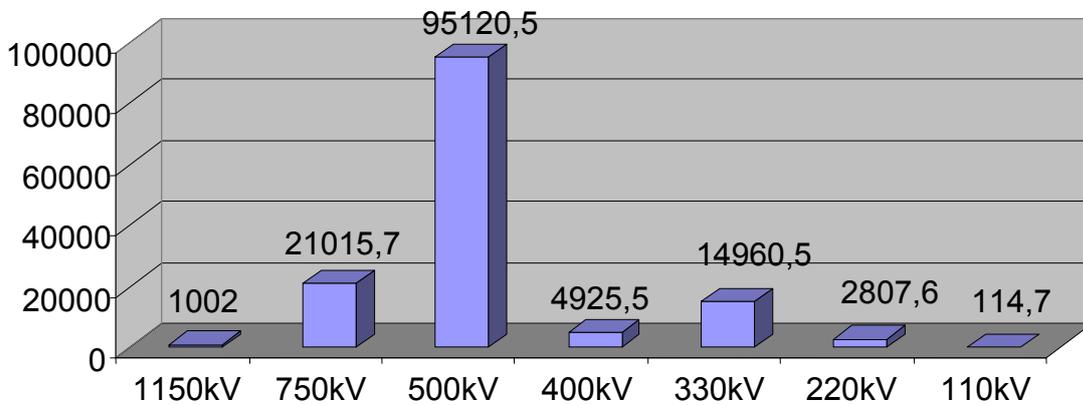
### Length of High-Voltage Lines by MES (% of the Total Length of HVL) JSC "FGC UES"



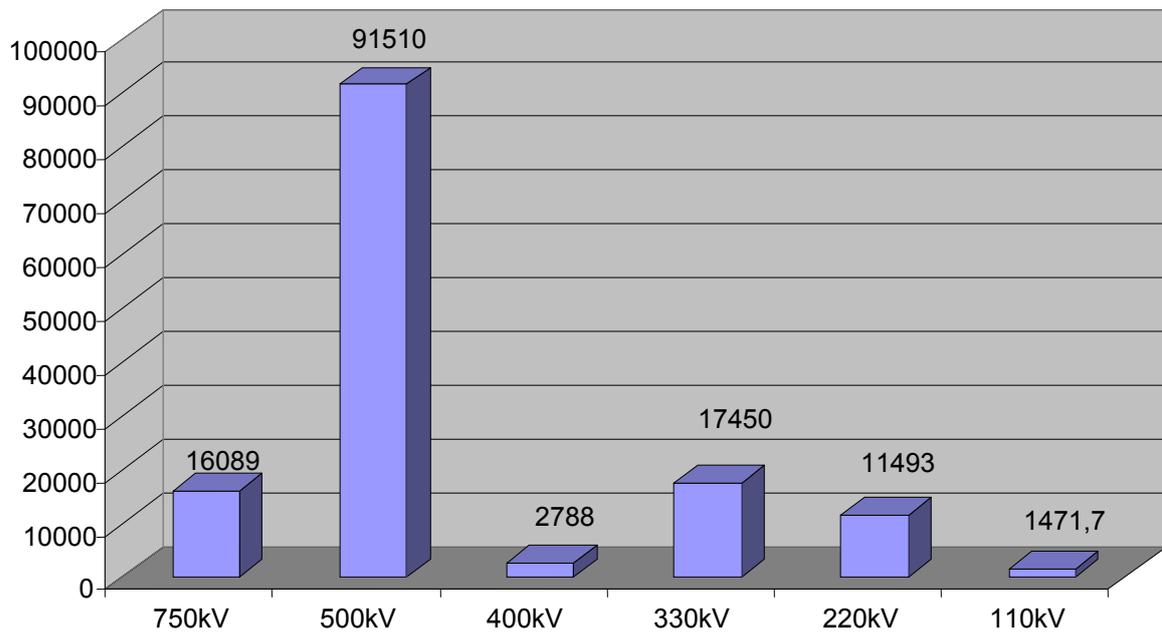
### Length of HVL (km) by Voltage Classes



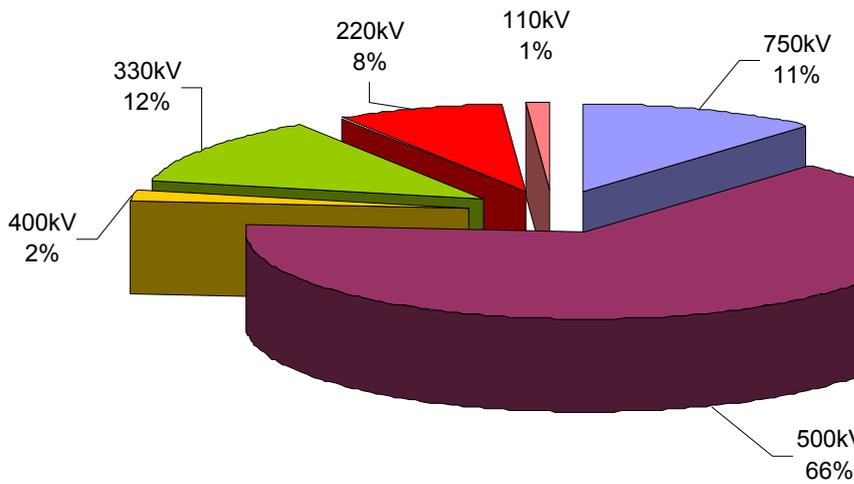
**Installed Autotransformer and Transformer Capacity (MVA)  
on Company's Substations by Voltage Classes**



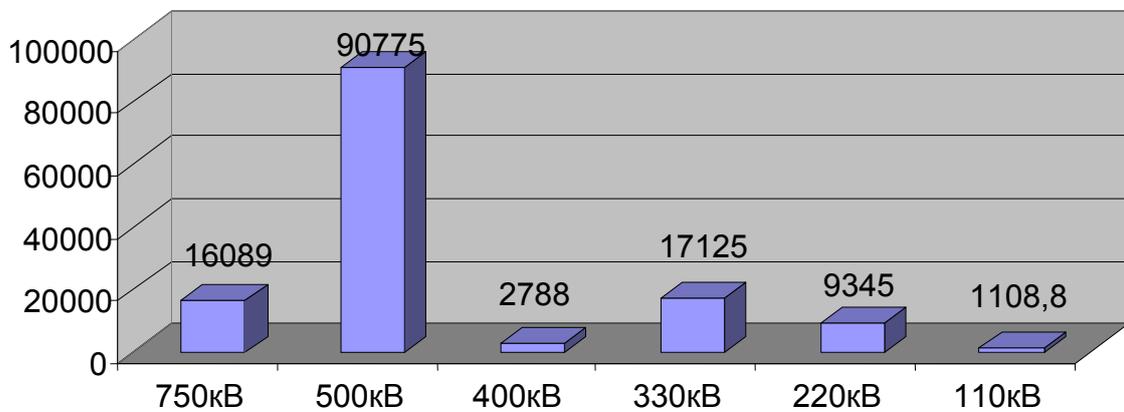
**Autotransformers and Transformers Capacity by Voltage Classes, (MVA)**



### Allocation of Autotransformers and Transformers Capacity by Voltage Classes



### Autotransformers and Transformers Capacity by Voltage Classes, (MVA)



## 3.2. Maintenance management

In 2008 all the large-scale refurbishment projects will be carried out in accordance with the JSC “FGC UES” concept of resources concentration for comprehensive refurbishment of the most important facilities in order to ensure their compliance with all advanced operational requirements. Development of all refurbishment projects is managed in compliance with the agreed “JSC “FGC UES” Comprehensive Electric Grids Refurbishment Program for 2004-2012”.

In accordance with the “JSC “FGC UES” Comprehensive Electric Grids Refurbishment Program for 2007” approved by the First Deputy Chairman of the Management Board, Mr. Andrei N. Chistyakov (dated 2<sup>nd</sup> of February, 2007) the following facilities are scheduled for refurbishment:

1. Completion of refurbishment and upgrade works of 8 substations of JSC «FGC UES»: SS 750 kV Leningradskaya, SS 500 kV Lipetskaya, SS 330 kV Mashuk, SS 500 kV Zlatoust, SS 500 kV Novo-Anzherskaya, SS 500 kV Raduga, SS 500 kV Kluchiki, SS 500 kV Veshkaima
2. Continuation of works according to previously entered contracts for refurbishment of the following substations of JSC «FGC UES»: SS 500 kV Arzamasskaja, SS 500 kV Central'naja, SS 500 kV Shagol.
3. Commencement of works for refurbishment of the following substations of JSC «FGC UES»: SS 330 kV Chudovo, SS 330 kV Belgorod, SS 330 kV Gubkin, SS 330 kV Vladikavkaz, SS 500 kV Kujbyshevskaja, SS 500 kV Tagil, SS 500 kV Kamala-1.
4. Development and review of refurbishment projects for 330-500 kV substations: SS 330 kV Talashkino, SS 330 kV Liski, SS 500 kV Cherepoveckaja, SS 500 kV Tihoreckaja, SS 500 kV Vjatka, SS 500 kV Kalino.
5. Commencement of works for refurbishment and upgrade of the following facilities of Backbone grid companies (MSK):

MES of North-West MSK: SS 220 kV Smolensk-1, SS 220 kV Cementnaja, SS 220 kV Drevljanka (#2)

MES of Center MSK: SS 220 kV Borskaja, SS 330 kV Sadovaja, SS 220 kV Orlovskaja Rajonnaja, SS 220 kV Rajonnaja, SS 220 kV Kostroma2, SS 220 kV Vichuga, SS 220 kV Aljuminievaja, SS 220 kV Kirovskaja, SS 220 kV Vladimirovka, SS 220 kV Gazovaja, RPP-2 g. Cherepovec, SS 220 kV Vologda-Juzhnaja, SS 220 kV Jamskaja, SS 220 kV Severnaja, VL 220 kV Cherepet'-Orbita, SS 220 kV Sputnik, SS 220 kV Mirnaja, SS 220 kV Luch, SS 220 kV Tjempy, SS 220 kV Oka, SS 220 kV Michurinskaja, SS 220 kV Juzhnaja, SS 220 kV Severnaja, SS 220 kV Pravoberezhnaja, SS 220 kV Poshehon'e.

MES of South MSK: SS 220kV Psou, SS 220kV Dagomys, SS 220kV Shepsi, SS 220 kV NZB, SS 220 kV R-4, SS 220 kV Starominskaja, SS 220 kV Vitaminkombinat.

MES of Volga MSK:

SS 220 kV Chigashevo, Ioshkar-Ola, SS 220 kV Ruzaevka, SS 220 kV Penza-I, SS 220 kV Ul'janovskaja, SS 220 kV Kirovskaja, SS-220 kV Levoberezhnaja, SS 220 kV Saratovskaja.

MES of Urals MSK: SS 220 kv Omutninsk, SS 220 kV Orskaja, SS 220 kV Kalininskaja, SS 220 kV Kamenskaja, SS 220 kV Novometallurgicheskaja, SS 220 kV Titan.

MES of Siberia MSK: SS 220 kV Tataurovo, SS 220 kV Oznachennoe-Rajonnaja, SS 220kV Levoberezhnaja Krasnojarsk, SS 220 kV KISK Krasnojarsk, CRP 220 kV KRAZ, SS 220 kV NKAZ-2, SS 220 kV Elanskaja, SS 220 kV Vostochnaja, SS 220 kV Vlasiha, SS 220 kV Chesnokovskaja, SS 220 kV Moskovka.

MES of East MSK: SS 220 kV Tynda, SS 220 kV RC, SS 220 kV Beregovaja-2, SS 220 kV Spassk, SS 220 kV Shirokaja.

6. Development of refurbishment projects for 220 kV substations:

MES of North-West MSK: SS 330 kV Monchegorsk, SS 220 kV Medvezh'egorsk, SS 220 kV Sortaval'skaja (№97).

MES of Center MSK: SS 220 kV Tambov-4, SS 220 kV Gumrak.

MES of South MSK: SS 220 kV Krymskaja, SS 220 kV Kirillovskaja.

Volumes of Maintenance and Repair Works, JSC «FGC UES» grids (excluding Special Programs)

Name	unit	2007 (Planned)	2007 (Actual)
HVL route clearing	ha	9 077	9 456
Replacement of insulators on HVL	units	12 830	13 492
HVL tower foundations' repairs	units	5 528	5 601

Replacement of the lightning wire on HVL	km	29	29
Replacement (reinforcement) of HVL towers	units	209	209
Replacement of spacers on HVL	units	6 589	6 633
Autotransformer repairs	phase (unit)	49	54
Shunting reactor repairs	phase (unit)	13	13
Replacement of 110-750 kV bushings on oil-filled equipment	units	15	16
Circuit-breakers repairs	units	342	358
Disconnectors repairs	units	515	534
110-750 kV stick-pedestal insulators repairs	units	0	74
Compressors repairs	units	117	116
Accumulator batteries repairs	units	0	0

Volumes of Maintenance and Repair Works, MSK grids (excluding Special Programs)

Name	unit	2007 (Planned)	2007 (Actual)
HVL route clearing	ha	4 803	5 345
Replacement of insulators on HVL	units	36 373	38 169
HVL tower foundations' repairs	units	2 649	2 676
Replacement of the lightning wire on HVL	km	109	122
Replacement (reinforcement) of HVL towers	units	116	139
Replacement of spacers on HVL	units	565	524
Autotransformer repairs	phase (unit)	66	68
Shunting reactor repairs	phase (unit)	3	3
Replacement of 110-750 kV bushings on oil-filled equipment	units	23	61
Circuit-breakers repairs	units	924	1 037
Disconnectors repairs	units	2 328	2 393
110-750 kV stick-pedestal insulators repairs	units	1 086	1 614
Compressors repairs	units	48	56
Accumulator batteries repairs	units	32	16

Volumes of works (thousand Rubles) for Special Programs, JSC "FGC UES" grids

Name	JSC «FGC UES»	
	2007 (Planned)	2007 (Actual)
Program for Replacement of High-voltage Bushings with T-	93 973.914	93 973.908

750 Oil on JSC “FGC UES” Substations for 2007		
Program for Reliability Increase of Stick-Pedestal Insulators (SPI) for 2007	51 441.000	52 670.257
Special Diagnostics Program for Deteriorated Equipment or MSK Facilities	16 054.000	16 054.000
Program for Extension of MSK’s 220 kV HVL Clearings Up to the Normative Width and HVL Routes Clearing	72 161.008	73 579.328
Program for HVL Stability Increase Under Gust-And-Glaze Loadings for 2007	36 384.350	36 384.350
220-500 kV HVL Lightning Wire Replacement Program for 2007	65 155.000	65 155.000
HVL Towers Concrete Foundations Replacement Program for 2007	37 616.000	37 616.000
Preventive Maintenance Program for Equipment That Has Exceeded its Guideline Life and Deteriorated Equipment for 2007	39 341.577	40 109.688
HVL Porcelain Insulation Replacement Program	56 825.000	56 825.000
Emergency Prevention Program	188 989.607	186 332.707

Volumes of works (thousand Rubles) for Special Programs, MSK grids

Name	MSK	
	2007 (Planned)	2007 (Actual)
Program for Replacement of High-voltage Bushings with T-750 Oil on JSC “FGC UES” Substations for 2007	95 639,650	95 639,650
Program for Reliability Increase of Stick-Pedestal Insulators (SPI) for 2007	130 247,006	129 016,515
Special Diagnostics Program for Deteriorated Equipment or MSK Facilities	15 960,000	14 725,000
Program for Extension of MSK’s 220 kV HVL Clearings Up to the Normative Width and HVL Routes Clearing	128 593,952	126 043,091
Program for HVL Stability Increase Under Gust-And-Glaze Loadings for 2007	75 493,344	76 360,574
220-500 kV HVL Lightning Wire Replacement Program for 2007	45 011,000	45 011,000
HVL Towers Concrete Foundations Replacement Program for 2007	118 298,000	118 297,999
Preventive Maintenance Program for Equipment That Has Exceeded its Guideline Life and Deteriorated Equipment for 2007	53 322,000	53 322,000
HVL Porcelain Insulation Replacement Program	63 816,223	63 351,197
Emergency Prevention Program	58 068,000	58 068,000
Program for Replacement of High-voltage Bushings with T-750 Oil on JSC “FGC UES” Substations for 2007	317 826,487	291 963,119
BU “Grids” Program for Preparation of Sochi Power Node for Stable Operations During the Autumn-Winter Period, 2007-2008	8 584,915	8 483,531

In 2007 reform of the Company’s maintenance and repairs system continued. Maintenance and repairs services were unbundled into separate maintenance and repairs affiliates – “Technical Maintenance and Repairs” (TMR) and “Elektrosetservice” affiliates. Financial and economic relations between Company’s affiliates for maintenance and repairs of JSC “FGC UES” and MSK electric grid facilities were

based on Customer-Contractor principle and were regulated by Service Level Agreements between affiliates. In 2007 the share of maintenance and repairs works at JSC “FGC UES” and MSK facilities that was carried out by TMR and “Elektrosetservice” affiliates was 78,3% of the total volume of such works.

### 3.3. JSC “FGC UES” equipment diagnostics in 2007

1. The amount of testing laboratories in TMR affiliates:

TMR Affiliates	Testing laboratories (electro technical)		Physical, chemical, chromatographic laboratories
	stationary	mobile	
East	5	2	5
Siberia	12	12	6
Urals and Western Siberia	7	17	2
Volga	4	10	4
South	3	11	3
North-West	5	10	6
Center	15	37	21
<b>TOTAL</b>	<b>51</b>	<b>99</b>	<b>47</b>

2. Number of personnel working at TMR affiliates testing laboratories and conducting diagnostic studies:

TMR Affiliates	Number of people	
	Staffing list	Actual
East	36	34
Siberia	71	71
Urals and Western Siberia	54	45
Volga	36	32
South	38	30
North-West	47	37
Center	112	99
<b>TOTAL</b>	<b>394</b>	<b>348</b>

3. Volumes of diagnostic works carried out by TMR affiliates’ personnel in 2007, Rubles

TMR Affiliates	Grids	Planned (Rubles)	Actual (Rubles)
East	FGC	7 727 929	5 780 320
	MSK	6 205 828	5 570 886

	<b>Total</b>	<b>13 933 757</b>	<b>11 351 206</b>
Siberia	FGC	8 348 679	6 916 087
	MSK	9 696 287	9 556 962
	<b>Total</b>	<b>18 044 966</b>	<b>16 473 049</b>
Urals and Western Siberia	FGC	38 317 002	41 944 087
	MSK	56 630 645	61 433 921
	<b>Total</b>	<b>94 947 647</b>	<b>103 378 008</b>
Volga	FGC	4 736 917	5 267 765
	MSK	4 335 036	6 143 812
	<b>Total</b>	<b>9 071 953</b>	<b>11 411 577</b>
South	FGC	5 653 038	5 044 653
	MSK	2 451 746	4 243 053
	<b>Total</b>	<b>8 104 784</b>	<b>9 287 706</b>
North-West	FGC	7 944 944	7 785 965
	MSK	5 733 615	5 758 581
	<b>Total</b>	<b>13 678 559</b>	<b>13 544 546</b>
Center	FGC	12 841 665	11 774 440
	MSK	25 996 290	21 784 648
	<b>Total</b>	<b>38 837 955</b>	<b>33 559 088</b>
<b>TOTAL</b>	<b>FGC</b>	<b>85 570 174,0</b>	<b>84 513 317</b>
	<b>MSK</b>	<b>111 049 447,0</b>	<b>114 491 863</b>

#### 4. Volumes of diagnostics works in 2007

Volumes of diagnostics works carried out by “Elektrosetservice” affiliate in MES affiliates (FGC + MSK) in 2007 (Rubles)

Work Type	East	Siberia	Western Siberia	Urals	Volga	South	North-West	Center	TOTAL:
SS Thermo vision survey	-	-	53 612	-	266 091	-	317 517	756 011	1393231
SS Thermo vision survey + optical inspection using "Filin" Tool	832 129	988 466	-	-	-	-	-	-	1820595
HVL Thermo vision survey, km	-	-	-	-	-	-	-	18 386	18386
Autotransformers thermo vision survey	4 593 731	13 211 262	339 265	488 039	2 865 578	2 334 210	3 819 779	6 672 755	34324619
Detection of PDs, VHs, MPsetc.	-	2 226 770	-	-	-	-	-	-	2226770
Reference input-units survey, SS	2 093 683	300 048	107 393	1 868 016	-	-	-	-	4369140
Current transformers survey + installation of UPOs	-	-	-	-	-	-	540 000	-	540000
Electromagnetic inspection, SS	-	223 694	24 830	282 880	-	-	-	-	531404
Ultrasound inspection, SS	-	-	-	261 762	-	-	-	-	261762
<b>Total:</b>	7519543	16950240	525100	2900697	3131669	2334210	4677296	7447152	45485907

#### Physical Volumes of diagnostics works carried out by “Elektrosetservice” affiliate in MES affiliates in 2007

Work Type	East	Siberia	Western Siberia	Urals	Volga	South	North-West	Center	TOTAL:
SS Thermo vision survey	-	-	2	0	8	0	6	40	56
SS Thermo vision survey + optical inspection using "Filin" Tool	6	7	-	-	-	-	-	-	13
HVL Thermo vision survey, km	-	-	-	-	-	-	-	?	0
Autotransformers thermo vision survey	9	25	1	3	6	5	8	17	74
Detection of PDs, VHs, MPsetc.	-	30	-	-	-	-	-	-	30
Reference input-units survey, SS	10	2	1	15	-	-	-	-	28
Current transformers survey + installation of UPOs	-	-	-	-	-	-	27	-	27
Electromagnetic inspection, SS	-	15	3	9	-	-	-	-	27
Ultrasound inspection, SS	-	-	-	9	-	-	-	-	9
<b>Total:</b>	25	79	7	36	14	5	41	57	264

## 3.4. Operational Dispatch Management

### 3.4.1. Summary

For the first time the term “operational technological management” became a part of the Russian national legislation of the power industry in November 2007 when the new edition of the Federal Law #35 “On the Power Electric Industry” was passed. Operational technological management is a range of measures for management of operational modes of power facilities and consumers’ power receiving devices that have not been included by the System operator in the list of power facilities that are subject to operational dispatch control by the System operator.

The main task of JSC «FGC UES» in the area of operational dispatch control is to ensure consistency of UNEG technological management, including backbone high-voltage lines control system that interconnect the majority of country’s regions.

On the basis of criteria for the split of functions between JSC “SO UES” and operational units of JSC “FGC UES” the following list of JSC “FGC UES” responsibilities in the area of operational dispatch management:

- Monitoring UNEG status, including UNEG main power equipment and operating environment monitoring and analysis;
- Outage management required for maintenance and refurbishment works on JSC “FGC UES” facilities;
- Maintain electric power quality parameters, fulfill UES of Russia reliability criteria and minimization of losses occurring within UNEG;
- Execution of operational functions by operating personnel, exercising switchings of UNEG equipment;
- Operative maintenance of substations;
- Coordination of emergency recovery actions required to eliminate technological breakdowns and restore UNEG operating modes;
- Review and confirmation of electric grids development plans and programs, including refurbishment and new connection projects;
- Providing regulatory and normative documents on operative dispatch management;
- Operative personnel development, emergency and simulation trainings.
- Limitation of energy supply to non-payers;
- Development and support of the UNEG model, UNEG operational modes and balances calculations and analysis.

### 3.4.2. Main events

- In order to fulfill operational dispatch management functions JSC “FGC UES” has made a decision to create Network Control Centers (NCC) in JSC “FGC UES” affiliates – MESes:
- 25 NCCs have been established;
- NCC have been fully staffed with operative dispatch personnel;
- NCC facilities were equipped with necessary office equipment and furniture;
- NCC dispatch stations were equipped with necessary dispatch and technological communication systems, operational information systems;
- Starting from November 2007 NCCs have started fulfilling non-operational functions: monitoring UNEG status, outage management for maintenance and repairs works of UNEG assets, interactions with JSC “FGC UES” operative personnel working at substations in order to reduce the numbers of erroneous operations;
- In August, in order to introduce a rigorous JSC “FGC UES” electric grid facilities naming system Unified Register of Dispatch Codes and Legal Designations of JSC “FGC UES” Electric Grid Facilities” was published along with internal Regulations regulating procedures for regular update of this Register;

- In order to prevent erroneous operations of JSC “FGC UES” substations operative personnel NCC staff has carried out a month-long assessment of operative personnel skills and quality of work;
- Since July JSC “FGC UES” has commenced an Action Plan for Development of the JSC “FGC UES” Operational Dispatch System. The purpose of this Action Plan is to ensure development of the operational dispatch system and improve the quality of operational dispatch of JSC “FGC UES” electric grid facilities. Standard Operational Guidelines for NCCs operative personnel and JSC “FGC UES” substations personnel has been developed. It established a single set of rules for conducting switchings, prevention and elimination of emergencies, keeping of operational records, personnel development and training, counteractions with customers;
- Starting from May the daily report for repairs and emergency outages in all dispatch units of JSC “FGC UES” is generated using standardized software systems. Unified database on emergency events has been introduced.
- In October, a new IT-System “Request” was commenced. It allows operative dispatch personnel to generate requests for maintenance outages for substation and high-voltage lines equipment;
- Starting from June alert messages on technological breakdowns and outages of UNEG assets are delivered via SMS service;
- In September all training simulation systems were fully supplied to all 330-750 kV substations of JSC “FGC UES”;
- New and refurbished grid facilities were commissioned using switchings programs developed by JSC “FGC UES” dispatch units in the following affiliates of JSC “FGC UES”:

#### MES of North-West:

- New autotransformer (AT-2) was commissioned at SS 750 kV Leningradskaya;
- New SS 330 kV Novgorodskaya was commissioned;
- AT-1-1 and AT-1-2 were loaded for the first time at SS 330 kV Vostochnaya;
- New SS 330 kV Knyazhegubskaya and HVL Kola Nuclear Power Plant – Knyazhegubskaya were commissioned;

#### MES of South:

- New switchgear 330 kV and new AT-1 were commissioned at SS 330 kV Mashuk;

#### MES of Center:

- New AT-1 was commissioned at SS 500 kV Raduga;
- New HVL 500 kV Vladimirskaya – Raduga Yuzhnaya was commissioned;
- New HVL 500 kV Arzamasskaya – Raduga Yuzhnaya was commissioned;
- New circuit breaker VG-503 was switched on at SS 500 kV Raduga;
- New circuit breaker VG-220 kV was switched on at SS 500 kV Lipetskaya
- New shunting reactor R-1500 kV (ROMBSM-60000/500) at SS 500 kV Ulyanovskaya Severnaya;
- New Cable line 500 kV Mytishinskaya (Noginsk-Beskudnikovo), switchgear 500 kV and AT-3 were switched on at SS 500 kV Beskudnikovo.

#### MES of Siberia:

- HVL 500 kV Tavricheskaya – Sibir (Barabinskaya) was loaded for the first time;
- New transit line HVL 500 kV Zarya – Barabinskaya – Tavricheskaya was put into service for the first time;

- New AT-1 was put into service at SS 500 kV Barabinskaya (500/220/10 kV, 501 MVA)

MES of Volga:

- New AT-1 at SS 500 kV Kluchiki was put into service (500/220/10 kV, 501 MVA)

MES of Western Siberia:

- New autotransformer group (3 ATG) was put into service at SS 500 kV Somkinskaya (500/220/10 kV, 501 MVA).

The on-time outage performance of JSC “FGC UES” – MES affiliates for HVL and SS equipment repairs has grown from 90.02% in 2006 up to 95.93% in 2007.

The amount of technological breakdowns caused by personnel mistakes has reduced from 30 in 2006, down to 21 in 2007.

### **3.4.3. Main goals and objectives for 2008**

1. Grant operational functions to the Network Control Centers (NCCs) in MES so that they could be directly responsible for switchings management and emergency recovery works on JSC “FGC UES” facilities.
2. Complete development of the necessary regulatory framework for operational dispatch management of JSC “FGC UES” grid facilities.
3. Develop main governing principles for operational dispatch management in grid companies to ensure integration of grid companies’ operations into the existing operational dispatch management system of Russian UES.

## **3.5. Electricity losses in electric grids**

Actual losses of electric energy within UNEG grids are determined on the basis of actual electricity inputs and outputs values of electric energy that comes into and from the electric grid that belongs to JSC “FGC UES” according to legislation or on any other terms established by the legislation of the Russian Federation. The metering is made on all connection points where members of the wholesale market that pay for electric energy transmission services via the UNEG and have connection with the network.

All metering works, including taking instrument readings, development of metering-sheets and calculation of balances and losses of electric energy within UNEG is regulated by the Decree of JSC “FGC UES” #348, dated 26<sup>th</sup> of December, 2005.

The formula for determining electric energy balances for the whole UNEG is based on collecting the data covering the reporting period for each substation (that belong both directly to FGC and to MSKs). Then this data is transferred to MESes, where initial balances covering MES and UNEG (within MES operational area). Readings of electric meters are taken at UNEG substations, then the input and output for all connection points is calculated and the actual imbalance is generated. The actual imbalances are then compared with allowed imbalances that were initially determined for each substation and after that the report is generated that contains data on input/output electric energy and electric balances for each MES operational area. Resulting data is then transferred to the Services and Reliability Department of JSC “FGC UES” where consolidated balance of electric energy for the whole UNEG is generated covering the reporting period. The deadline for monthly generation of electric energy balances for UNEG and metering-sheets and consolidated Metering-sheets for 2007 is established on the 7<sup>th</sup> day of the month that follows the reporting month.

In accordance with the Resolution of the Ministry of Industry and Energy #382 dated 11<sup>th</sup> of December, 2006 “On Approving Electric Energy Losses Allowance for the Unified National (All-Russian)

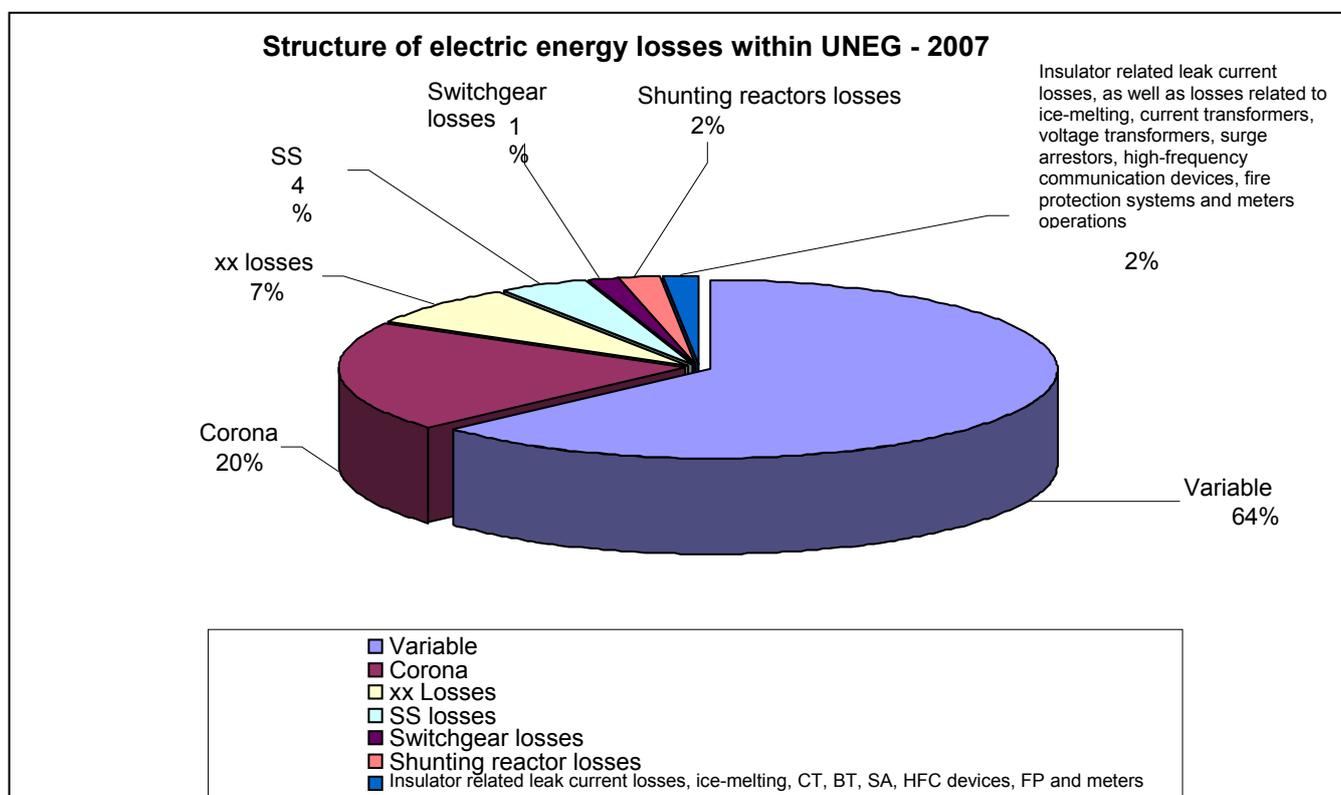
Electric Grid for 2007” the electric energy losses allowance for 2007 within UNEG was established on the level 5.22% of the total discharge from UNEG.

Following the results of generating electric energy balances within UNEG in 2007 the total actual electric energy losses in 2007 amounted 21 401.11 million kWh.

The structure of the actual energy losses by types of equipment is provided on the Figure 1. Loading (variable) losses constituted 13 580,277 million kWh, transformers’ and autotransformers’ blank run losses were 1 566,237 million kWh, losses of electric energy used by ancillary services equipment on UNEG substations – 929,301 million kWh, corona losses – 4 264,381 million kWh, losses related to compensating devices operations - 294,828 million kWh, shunting reactor losses - 414,180 million kWh, insulator related leak current losses, as well as losses related to ice-melting, current transformers, voltage transformers, surge arrestors, high-frequency communication devices, fire protection systems and meters operations – 351,906 million kWh.

Balanced discharge of electric energy from power stations into UNEG grids in 2007 amounted to 496 791,839 million kWh.

The structure of the actual energy losses by types of equipment is provided on the Figure 1.



In 2007 total balanced discharge of electric energy from UNEG into distribution grids, to direct customers operating on the wholesale market and to non-reformed AO-energos constituted 464 045.515 million kWh. Discharge of electric energy from independent AO-energos (JSC «Tatenergo», JSC «Bashkirenergo», JSC «Irkustkenergo», JSC «Novosibirskenergo») - 2 254.77 million kWh. Supply of electric energy to direct customers operating on the wholesale market - 7 672.17 million kWh.

Within the reporting period – 2007 – 11 345,214 million kWh of electric energy was transmitted into energy systems of adjacent countries.

### 3.6. Operations of IT and Communication Systems

The main goal of IT and Communication Systems operations in JSC “FGC UES” is to provide technological support for the Operational Dispatch Management System of the Company and ensure reliable operations of IT-systems in JSC “FGC UES” affiliates.

As a part of this work JSC “FGC UES” organized a special workshop for Network Control Centers personnel on relay protection equipment and emergency equipment operations on UNEG facilities.

In order to develop necessary skills of JSC “FGC UES” affiliates’ personnel in the area of fault rate calculations and complex non-symmetrical electrical modes analysis and relay protection equipment operations analysis a number of steps have been taken:

- Methodological guidelines and regulatory documents governing fault rate calculations for relay protection teams in MES and MES Enterprises (PMES) have been prepared;
- Special software packages for HVL parameters calculations - “ARM SRZA” were purchased and installed in MES affiliates;
- Special software packages for SS equipment operational calculations were purchased and installed in each MES affiliate.
- Training workshops for MES and NCC personnel have been carried out. The main objective of workshops was to train employees on how to use special electric grid simulation software – “TKZ-3000” and fault rate and SS equipment operational parameters calculation software - “ARM SRZA”.
- A number of joint projects with major software developers (VNIIE, MEI, Bresler Engineering Center) was initiated in order to develop new software systems for calculations of SS equipment settings (development of engineering specifications, initial data preparation, testing and performance evaluation, development and signing of contracts for development of such systems).

As a part of the project for establishment and further development of Network Control Centers a number of additional tasks has been resolved:

- Basic rules for interactions between Relay Protection Services of NCC and Regional Dispatch Centers of the System Operator and local Distribution grid companies have been developed and agreed;
- “Regulations for Reallocation of Functions for Calculations of Relay Protection Equipment Parameters on UNEG Facilities Between JSC “SO UES” and JSC «FGC UES»”;
- Necessary regulatory documents have been issued;
- Functional requirements to hardware and software systems to be used by NCC personnel;
- NCCs’ Start-up systems have been commissioned.

Currently NCC engineers are developing necessary regulatory documents that determine basic rules of interactions between JSC “SO UES” and JSC “FGC UES” operational dispatch services.

Throughout the whole year NCC experts participated in verification of terms of references and engineering specifications for various investment projects and tenders, provided assessment of bids supplied for tenders, certified relay protection, emergency protection equipment, automated control systems and automated operational dispatch management systems on UNEG facilities.

#### **With regard to simulation and optimization of UNEG operations:**

- Hierarchical UNEG State Estimator Systems was commissioned. This software and hardware integrated system allows for analysis of UNEG state with minimum intermittency 1 minute. Archives that contain results of electric energy losses calculations as well as the amount of electric energy discharged to JSC “FGC UES” customers will allow the Company to identify most important “sources” of losses that affect the total amount of electric energy losses within UNEG more than others. The System is also capable of forecasting absolute and relative volumes of losses by regions and voltage classes, conduct analysis of operational and balance situations for perspective and retrospective modes;

- Permanent UNEG equipment loading and voltage levels control is conducted. It is done with the help of new automated reporting forms created specially for operational information complex (operational dispatch management interface) – OIK SK2003;
- Unique system that allows calculation of corona losses was commissioned. It's main algorithm is based on statistical processing of telemetering information;
- JSC "FGC UES" has conducted performance assessment of the existing UES of Russia Voltage and Reactive Capacity Regulation System. A number of recommendations for development of the System have been developed.

Following the results of operations and project implementation activities in 2007 a number of projects have been initiated:

- To improve regulatory framework and develop necessary methodology for voltage and reactive capacity regulation in UES;
- To create necessary organizational structure for managing voltage and reactive capacity in UES on the basis of NCC dispatch teams and services;
- To ensure optimum utilization of voltage and reactive capacity control devices in order to reduce losses and increase quality of electric energy within UNEG.

Along with these projects JSC "SO UES", JSC "MOESK" and JSC "Institute "Energosetproject" together research an opportunity for creation of a modern voltage and reactive capacity control system in a "pilot" energy system (Kuban, Moscow or one of the energy systems of UES of Middle Volga) that would satisfy all modern technological requirements and requirements of the power market.

#### **With regard to ensuring parallel operations of UES of Russia and foreign energy systems:**

In order to strengthen integration between UES of Russia and Foreign Energy Systems JSC "FGC UES" has developed a number of documents that were later signed by our international partners:

- Agreement between JSC «FGC UES», JSC «SO UES», AK «CREPS» (Mongolia) and KOO «NDC» (Mongolia) on Technical Support of Parallel Operations of the Unified Energy System of Russia and Energy System of the Central Region of Mongolia;
- Interconnector Agreement between JSC «FGC UES» JSC «SO UES» and Fingrid (Finland) and Agreement for Maintenance and Joint Utilization of Transmission Capacities of Interstate Electric Lines between Russia and Finland.

A number of documents were developed together with JSC "SO UES" and sent to JSC "FGC UES" international partners to be reviewed and agreed:

- Technical Agreement on Parallel Operations between UES of Byelorussia, UES of Russia and UES of Ukraine
- Parallel Operation Agreement between Energy Systems of Azerbaijan, Georgia and Russian Federation.

According to the new Rules of the Wholesale Market Operations, JSC "SO UES" (Regional Dispatch Unit of North-West) has transferred to JSC "FGC UES" its functions on planning the volumes of electric energy supplies and interactions with power market participants in Finland.

### **3.7. Technical Condition of Electric Grid Facilities Supervision and Reform of Company's Technical Inspection**

#### **3.7.1. Summary**

The multilevel internal control system that was created in 2007 in JSC "FGC UES" has allowed to conduct the full range of organizational, technical, informational, methodological, supervisory and preventive actions at various UNEG facilities and JSC "FGC UES" offices and affiliates. Their main goals

were to prevent emergencies, fires, increase equipment reliability and improve safety of the personnel, reduce traumatism and amount of emergencies.

As a part of the project for reforming Technical Inspection of JSC “FGC UES” a new organizational unit was created in the Executive office of the Company in 2007: new Technical Audit Department (TAD). The source of resources for creation of the new department was personnel of the earlier existing Technical Inspection Department (TID). A number of functions of the former TID related to emergency prevention work, operational and labor safety were delegated to respective department in the Asset Management Unit of the Company.

According to the agreed work plan Technical Inspection Department has conducted a number of audits in order to ensure compliance of business-process existing in JSC “FGC UES” affiliates with stated Company’s goals and objectives for the period of reform of the maintenance and repairs management system.

The results of the audits were reviewed by the Management Board of JSC «FGC UES» and members of the Management Board made necessary decisions to mitigate risks that had been highlighted in the result of the audits.

It’s necessary to note that audits conducted by TAD are significantly different from the earlier inspections of Company’s affiliates as their main purpose is to audit and analyze organizational and management activity of affiliates: ensure optimum organizational structure of Company’s affiliates, check the efficiency of affiliates’ internal control systems, quality of personnel management and development systems as they are related to the reform of the maintenance and repairs system. The set of key performance indicators used to assess the quality of affiliates’ work has also been changed to reflect those changes. The wide spectrum of issues that are covered in the result of such audits allows for comprehensive evaluation of affiliates’ activities and for benchmarking between them.

MES Technical Inspection Units were fully established and staffed before the end of 2006. They have fully accomplished all the tasks set for them and conducted all the necessary inspections planned for 2007. Following the inspections all the recommendations for elimination of deviations from normal operational policies and inspection summaries have been provided to the respective departments in Company’s affiliates. Inspectors were also responsible for supervising the corrective actions.

### **3.7.2. Labor Safety**

In 2007 JSC “FGC UES” used the special Labor Protection System that was developed and commissioned in 2006.

The main goals of the System are:

- eliminate the possibility of fatalities and accidents during operations;
- ensure such level of safety when performing operations that minimizes the possible risk of traumas and is adequate to the existing level of technology development, operational policies and equipment safety rules;
- make sure that labor safety indicators have reached the levels of the advanced energy companies of the world;
- create conditions for stable functioning and development of the Labor Protection System.

## **4. Development of the Corporate Information Management System (CIMS) and telecommunication network**

### **4.1. Automated Business Management Systems**

CIMS is a finite number of IT and management systems that have been integrated using consistent methodology and special software technologies for systems integration.

CIMS in terms of Automated Business Management Systems (ABMS) is designed as a centralized system that uses the resources of the Data Storage and Applications Processing Center. The access to applications and data is provided remotely via client workstations using modern Web-technologies or terminal job processing. In terms of automated technological management system CIMS is designed as a spatial functionally distributed infrastructure that consists of a set of various applications. CIMS provides alignment of automated business management and technological management systems.

Following works have been completed within the reporting period as a part of development of CIMS Automated Business Management Systems:

- A number of IT policies have been developed: JSC “FGC UES” IT-Systems Technical Policy (endorsed by the decision of the Management Board of JSC “FGC UES” dated 10.04.2007, #316), Main Provisions of JSC RAO “UES of Russia” Business Unit “Grids” IT-Systems Technical Policy (endorsed by the Decree of JSC RAO «UES of Russia» and JSC «FGC UES» dated 11.04.2007 № 112r/111r).
- New Financial Management System has been developed and commissioned in the Executive office of JSC “FGC UES” based on SAP R/3 System;
- New Automated System for Consolidation of Financial and Taxation Reporting has been commissioned in the Executive office of JSC “FGC UES”;
- Replication of “CIMS-HR Management System” in all Company’s affiliates has been completed: MES, MES Enterprises, TMR, TMR Enterprises;
- New Automated System “KPI-Motivation” has been introduced in the Executive office of the Company;
- New subsystem “Standard Design – Salary Payments Calculation for Affiliates” has been commissioned in 4 affiliates of the Company in the Central region.
- As a part of the project for automation of Maintenance and Repairs Management business processes trial operations of such system was completed in the chosen “pilot” region – Bryansk Enterprise of MES. Following the trials the decision was made to replicate the system in all JSC “FGC UES” affiliates.
- In order to implement a Strategic Repairs Planning System trial testing was held at 4 substations. Following the trials the decision was made to conduct trials within the whole MES of North-West.
- System for Data Storage and Processing was developed and commissioned in all MES and MES Enterprises of JSC “FGC UES”. Main functionality of the system: gathering of data and generation of reports from the electric metering system required by the Trading System Administrator (NP ATS).
- Automated system for balances and losses calculations was developed and introduced in all MES and MES Enterprises of JSC “FGC UES”. The system also generates metering sheets covering all the data on power flows into and out of the UNEG power system.
- Methodology and Regulations for management of the Designing and Project Documents Electronic Archive have been developed. All the preparatory works for Electronic Archive Management have been completed.
- Automated System “New Connection Requests” (it provides necessary tools to manage and control fulfillment of requests for connections to the new grids) has been commissioned in all MES and MES Enterprises of JSC “FGC UES”
- Automated Control System “Property” has been developed, trial operations have been completed.
- Automated system “Gate Control System” has been commissioned;

- Automated System “Access of External Customers to UNEG Registry” has been commissioned.
- On the basis of Technological Data Base of Electric Grid Assets has been developed special software for re-evaluation of main assets costs according to Russian Accounting Standards and evaluation of JSC “FGC UES”, MMSK, MSK assets value according to IFRS.
- Subsystem for automation of tendering procedures “CIMS-Procurement” has been commissioned;
- Electronic Trade Site has been created. It was integrated with “CIMS-Procurement” subsystem.
- Automated Document Handling System has been successfully replicated within organizations that are members of the JSC RAO “UES of Russia” Business Unit “Grids”;
- The construction and designing of the Reserve CIMS Data Center is close to completion. This Center will ensure stability in case of local catastrophes and continuity of JSC “FGC UES” operations.
- JSC “FGC UES” Certification Center has been commissioned. The Center will serve as the main element of the corporate infrastructure for access keys and CIMS Users’ certificates;
- A number of necessary steps have been made to develop CIMS hardware systems in order to support the system with necessary resources.

## **4.2. Main Goals of the CIMS Project for 2008**

In full accordance with decisions made by the Management Board of JSC “FGC UES” and CIMS Steering Committee following projects are scheduled for 2008:

1. Replication of TMR Maintenance Management system in all JSC “FGC UES” affiliates, creation of JSC “FGC UES” Assets Register;
2. Development of the Asset Management Prototype System, trial testing in a pilot region – MES of North-West, integration of the system with TMR Maintenance Management System
3. Pilot project and replication of the Automated Strategic Repairs Planning System.
4. Development and introduction of Automated Final Metering and Electricity Accounting System,
5. Development and introduction of the Designing and Project Documents Electronic Archive;
6. Development and introduction of the Tender Specifications Development System;
7. Replication of the “Standard Design – Salary Payments Calculation for Affiliates” in all Company’s affiliates;
8. Creation of the regional salary calculation center for the Urals region.
9. Development of the Analytical Module for the “CIMS-HR Management System”;
10. Development and commissioning of the TMR Works Registry and a special Registry Management System;
11. Creation and introduction of JSC “FGC UES” Automated Investment Management System on the basis of mySAP Business Suite.
12. Complete replication of the Automated Document Handling System in all organizations that are members of the JSC RAO “UES of Russia” Business Unit “Grids”;
13. Replication of AS “Property” in all Company’s affiliates
14. Creation of informational security subsystem required to ensure confidentiality of JSC “FGC UES” documents and manage users’ access to such documents centrally.
15. Further extension of CIMS hardware computational resources.
16. Provide newly established subsidiaries with top-priority IT management systems.

## 5. Investments

### Execution of Capital Investments Funding Plans

JSC “FGC UES” Investment Program for 2007 was developed according to the Unified National (All-Russian) Electric Grid (UNEG) Development Strategy for the 10-year Period, UNEG Development Scheme for 220 kV Voltage Class Grids for the Years 2003-2012, Program for Refurbishment and Upgrade of JSC “FGC UES” Electric Grids for 2004-2012 (passed on the 18<sup>th</sup> of May, 2004).

The Investment Program for 2007 with the total value of 78 935 million Rubles was agreed by the Federal Tariff Service of Russia, Ministry of Economic Development of Russia, Ministry of Industry and Energy of Russia.

The Management Board of JSC RAO “UES of Russia” on the 29<sup>th</sup> of January, 2007 has amended the Investment Program and approved its final value – 98 575 million Rubles, including funds required to construct electric grid facilities required to discharge capacity of new power stations in the amount of 7 000 million Rubles.

This Program was developed with the account of the following major factors:

- ensure implementation of the Customer Energy Supply Reliability Increase Programs for Moscow, Saint-Petersburg and Western Siberia regions according to the Agreements on Development that have been signed earlier;

- Projects for refurbishment and upgrade of MSKs’ main assets;
- Projects for creation of the technological control, telecommunication systems and Final Metering systems at MSK facilities;
- Project for establishment of Network Control Centers in MES Enterprises;
- Projects for creation of the Corporate Information Management System (CIMS);
- Update of data on the volumes of funding for the earlier signed contracts and project implementation schedules;
- Additional needs for funding due to construction of additional electric grid facilities because of extension of the new generation construction plans.

During execution of the capital investments plan the need to adjust the amounts of funding has arisen. The adjustment was made by reallocation of funds between several construction projects and reduction of funding for certain projects.

The adjustment was made taking into account the actual disbursement of capital investments funds and other objective factors:

- Scheme of power distribution for certain construction projects for new generating facilities was missing;
- Delays with signing new connections contracts;
- Change of the volumes of funding due to adjustments of construction schedules after negotiations with prospective contractors.

At the year-end the JSC “FGC UES” Investment Program for 2007 was adjusted and amounted to 87 476.01 million Rubles (90 587.6 million Rubles taking into account additional financing from the year 2006).

The results of JSC “FGC UES” Investment Program for 2007 execution (including additional financing from 2006 in the amount of 3 111.6 million Rubles) are provided in the Table below.

Project name	Funding			Disbursement (VAT incl.)		
	Planned	Actual	%	Planned	Actual	%
<b>Total</b>	<b>90587,621</b>	<b>75017,443</b>	<b>83</b>	<b>44884,888</b>	<b>45457,491</b>	<b>101</b>

<b>Moscow Program</b>	<b>31816,524</b>	<b>27390,891</b>	<b>86</b>	<b>16686,285</b>	<b>17286,827</b>	<b>104</b>
Upgrade and refurbishment of SS 500 кВ Ochakovo	7263,000	7035,695	97	4300	2105,584	49
Upgrade and refurbishment of SS 500 кВ Chagino	5536,680	5329,760	96	3600	3543,712	98
Upgrade and refurbishment of SS 500 кВ Beskudnikovo	9296,782	7516,403	81	4100	5249,769	128
SS 500 кВ Zapadnaya with portals for a cable line	6016,534	4938,305	82	2476,285	4852,84	196
Electric grid facilities required to discharge the capacity of Moscow's Thermal Powerplants (TPP-21, TPP -26, TPP -27) cable line 500 kV TPP-27-Khlebnikovo	2099,42	1908,932	91	1910	1301,07	68
Expansion and refurbishment of switchgear 500 kV Kashirskya SDPP-4 along with installation of AT 500/220 kV	900	489,952	54	300	233,852	78
Creation of transmission capacity emergency reserve. "Moscow Ring" Program	300	170,175	57	0		
HVL 220 kV in Moscow	404,108	1,669	0	0		
<b>Saint-Petersburg Program</b>	<b>11045,911</b>	<b>8504,784</b>	<b>77</b>	<b>4113,500</b>	<b>4123,974</b>	<b>100</b>
SS 330 kV Rzhetskaja	2440	2258,751	93	2510	2459,112	98
HVL 330 kV Gatchina – Luga	50	30,054	60	50	0,1	0,2
Cable line 330 kV LAJeS-Zelenogorskaja (Primorsk)-Vyborg from SS Zelenogorskaja	411,833	193,435	47	107	113,429	106
SS 330/110 kV Vasileostrovskaja	200	18,450	9	165	13,246	8
SS 330/110 kV kV Central'naja SPB	500	500,000	100	334,5	216,512	65
Extension of SS 330/110 kV Kolpin	206,161	98,142	48	0	0	
SS 330 kV Parnas	70	70,000	100	77	75,9	99
SS 220/10 kV Prospekt ispytatelej	200	51,575	26	70	40,445	58
Refurbishment of 110 and 330 kV grids adjacent to SS Vostochnaya and 330 kV transformer bays on this substation along with commissioning of new generating unit (180 MW) at TPP-5	1,7	0,000	0	0	0	
Suspension of the second circuit on the towers of HVL 330 kV SS Leningradskaja-Kolpino-Vostochnaja, expansion of switchgears of respective substations	25,153	0,009	0	0	0	
Cable line 330 kV SS Zavod Il'ich № 15-SS Volhov-Severnaja № 16	1420	1420,000	100	800	1184,798	148
TPP-21 switchgear 330 kV (2x200	16,4	16,382	100	0	20,432	

MVA)						
Refurbishment of double-circuit HVL 220 kV Vostochnaja-Volhov-Severnaja	170,000	170,001	100	0	0	
Refurbishment and upgrade of SS 330 kV Vostochnaja in Saint-Petersburg	1000,000	357,352	36	0	0	
Expansion and refurbishment of SS Zapadnaja SPb	1000,000	631,713	63	0	0	
SS 220 kV Kolpinskaja	200,565	182,276	91	0	0	
Upgrade and refurbishment of SS Juzhnaja	434,699	434,699	100	0	0	
Expansion and refurbishment of switchgear 220 kV at SS 330 kV Sjas'	34,800	34,800	100	0	0	
Upgrade and refurbishment of SS № 20 Chesmenskaja SPB	1000,000	721,786	72	0	0	
Expansion and refurbishment of SS 330 kV Severnaja in Saint-Petersburg	300,000	256,514	86	0	0	
Upgrade and refurbishment of i tehper. SS 220 kV Zavod Il'ich in Saint-Petersburg	800,000	504,458	63	0	0	
Upgrade and refurbishment of i tehper. SS 220 kV Volhov in Saint-Petersburg	500,000	495,938	99	0	0	
Refurbishment and upgrade of SS 220 kv Kolpinskaja, design	0,100	0,000	0	0	0	
SS 330 kV Vostochnaja Refurbishment project	4,500	4,500	100	0	0	
SS 330 kV Kingisepckaja, project	40,000	36,000	90	0	0	
SS 220 kV Poluprovodniki, project	10,000	8,998	90	0	0	
SS 220 kV Primorskaja, project	10,000	8,953	90	0	0	
<b>Western Siberia Program</b>	<b>6532,325</b>	<b>5650,882</b>	<b>87</b>	<b>2878,500</b>	<b>3381,073</b>	<b>117</b>
HVL 500 kV Holmogory-Muravlenkovskaja-Tarko-Sale from SS 500 kV Muravlenkovskaja	2325	2202,594	95	1600,000	2197,529	137
SS 500 kV Kirpichnikovo with incoming line - HVL 500 kV SGRJeS-2-II'kovo, with incoming line - HVL 220 kV, construction of HVL 500 kV Somkino-Kirpichnikovo	750	750,000	100	515,000	602,807	117

HVL 500 kV SGRJeS-2-Trachukovskaja	12	12,000	100	0	0	
HVL 500 kV Kirillovskaja-Trachukovskaja	12	12,000	100	0	0,454	
Incoming line HVL 220 kV Ur'evskaja-Progress to SS Trachukovskaja	115	113,827	99	0	0	
SS 500 kV Trachukovskaja	150	17,206	11	4,5	11,44	254
SS 500 kV Holmogory	100	60,203	60	0	2,4	
HVL 500 kV Lugovaja-Il'kovo	100	2,480	2	2	2,3	115
HVL 220 kV Il'kovo-Krasnoleninskij GPZ	200	200,000	100	2	123,153	6158
SS 220 kV Vyngapur	12	0,000	0	0	0	
Upgrade and refurbishment of HVL 220 kV Holmogory-Avrora-Pul'-Jaha-Muravlenkovskaja	300,000	300,000	100	0	0	
Upgrade and refurbishment of HVL 500 kV Holmogorskaja-Tarko-Sale	23,000	22,997	100	0	0	
Upgrade and refurbishment of SS 220 kV Surgut s HVL 220 kV SGRJeS-1-Surgut	300,000	300,000	100	0	0	
Upgrade and refurbishment of HVL 220 kV (nominal voltage class - 500 kV) kV Urengoj-Tarko-Sale	200,000	189,303	95	0	0	
Installation of ATG-3 at SS 500 kV Tarko-Sale	250	208,026	83	0	0	
Installation of AT-2 at SS Kirillovskaja	150	112,288	75	0	0	
Refurbishment of SS 500 kV Tjumen'	645,024	645,024	100	350	123,201	35
Upgrade and refurbishment of SS 500 kV Dem'janskaja	15	14,867	99	0	0	
Refurbishment of SS 500 kV Somkinskaja (installation of ATG-3)	330	301,038	91	0	271,469	
SS 500 kV Nelym. Installation of controlled reactor	75	75,000	100	200	12,445	6
SS 500 kV Pyt'-Jah. Installation of AT	135	1,150	1	0	1,15	
Upgrade and refurbishment of SS 220 kV Megion	30	0,000	0	0	0	
Purchase and storage of fast assembly temporary towers, 220 kV voltage class	1,3	1,296	100		1,296	

Purchase and installation for storage of 4 reserve autotransformers, voltage class 220/110/10 kV, 125 MVA each, at SS 220 kV Krasnoleninskaja, Megion and at SS 500 kV Magistral'naja, Pyt'-Jah	108	28,000	26		0	
SS 220 kV Zavodoukovsk	16	13,246	83	0	0	
Switchgear 500 kV SS 220 kV Kirillovskaja with incoming line - HVL 500 kV and 220 kV. Project	23,000	22,139	96	85	12,59	15
HVL 500 kV SGRJeS-2 - Magistral'naja. Project	33,000	22,154	67	40	13,173	33
SS 500 kV Lugovaja ATG 500/220 kV. Project	7	4,425	63	30	0	0
HVL 220 kV Dem'janskaja-Snezhnaja. Project	15	9,276	62	50	5,666	11
SS 220 kV Urengoj. Installation of the Controlled shunting reactor, project	50	2,250	5	0	0	
SS Nadym. Installation of the Controlled shunting reactor, project	50	8,093	16	0	0	
<b>New construction</b>	<b>14588,390</b>	<b>12664,186</b>	<b>87</b>	<b>7761,200</b>	<b>8692,956</b>	<b>112</b>
Transmission line 330/400 kV along with expansion and upgrade of Vyborg Transmission Center in order to increase export volumes to Finland	336,75349	336,753	100	218,000	320,761	147
HVL 110 kВ – discharge of capacity from Kaliningrad TPP-2	4,842	0,371	8	0,000	0,126	
HVL 330 kV Kola NPP-Knjazhegubskaja HPP-SS 330/110/35 kV Louhi-Putkinskaja HPP-switchgear 330 kV Ondskaja HPP	1380	994,819	72	750,000	780,600	104
HVL 330 kV discharge of capacity from Kaliningrad TPP-2	0,765	0,764	100	1,000	1,092	109
SS 330 kV Novgorodskaja-2	47	14,524	31	40,500	59,726	147
SS 500 kV Voronezhskaja	318,096	318,096	100	183,400	212,418	116
HVL 500 kV Kostromskaja SDPP-N.Novgorod (2nd circuit) s SS Juzhnaja (Nizhegorodskaja) with incoming line - HVL 500 kV, 220 kV	0,2	0,000	0	0,000	0,051	
SS 330 kV Frunzenskaja with incoming lines - HVL 330 i 110 kV	140,633	137,333	98	15,500	1,938	13

SS 500 kV Zvezda with incoming lines - HVL 500 kV Kostroma NPP-Vjatka, HVL 110 kV Zvezda-Manturovo and two transformer bays at the Switchgear 110 kV SS 220 kV Manturovo	25,2535	25,254	100	0,000	18,438	
HVL 500 kV Frolovskaja-Shahty-Rostovskaja s SS 500 kV Rostovskaja along with extension of SS 500 kV Shahty	1834,06	1834,055	100	802,500	930,848	116
HVL 220 kV Ivanovo SDPP-SS Nero	750	647,727	86	585,000	769,049	131
HVL 220 kV Ivanovskaja-Ivanovo	5	0,000	0	0,000	0,000	
HVL 500 kV Tihoreckaja-Krymskaja-II with SS 500 kV Krymskaja-II (supply reliability increase of the city of Novorossiisk)	560,22	560,220	100	41,100	17,341	42
HVL 220 kV RPt 220 kV Volgodonsk-Sal'sk with extension of SS 220 kV Sal'sk	88,112	88,112	100	72,800	45,116	62
HVL 220 kV Volgodonskaja NPP-RP Volgodonsk s RP 220 kV Volgodonsk with incoming lines - 220 kV Volgodonskaja TPP-2-Zimovniki	0	0,000	0	0,000	0,006	
HVL 500 kV Volgodonskaja NPP-Nevinnomyssk from SS 500 kV Nevinnomyssk with incoming lines - HVL 330 kV	950,94	950,940	100	44,800	60,925	136
HVL 220 kV Psou-Poselkovaja from SS 220 kV Poselkovaja	1213,953	1064,625	88	642,000	528,605	82
SS 330 kV Groznyj	300	24,502	8	0,000	1,400	
Sochi Power Center Reliability Increase Program	120,546	120,546	100	0,000	31,326	
SS 500 kV Krasnoarmejskaja with incoming line - HVL 500 kV Balakovskaja NPP-Kujbyshevskaja	15	7,464	50	0,000	0,000	
HVL 500 kV Balakovskaja NPP - SS Kurdjum with extension of SS 500 kV Kurdjum	0	0		0	0,042	
HVL 500 kV Kurgan-Kozyrevo	1107,238	1107,238	100	850,000	1210,599	142
SS 500 kV Emelino with incoming high-voltage lines	630	630,000	100	530,000	264,549	50
HVL 500 kV Severnaja	200	88,852	44	45,000	47,042	105
SS 500 kV Sos'va with incoming line- HVL 500 kV Tagil-Baz	20	0,000	0	0,000	0,000	
SS 500 kV AMET (with installation of ATG 500/220 kV and AT 220/110 kV) with	30	0,000	0	0,000	0,000	

incoming line - HVL 500 kV Kropachevo-Ufimskaja						
SS 1150/500 kV Itatskaja with incoming line HVL 1150 kV and 500 kV for the 1st phase of SS extension	19,995	10,365	52	0,000	29,588	
SS 500 kV Kuzbasskaja with incoming line HVL 500 kV Belovo-Novokuzneckaja	20	0,745	4	0,000	0,000	
HVL 500 kV Gusinoozerskaja SDPP-Chita	241,791	237,710	98	204,600	191,443	94
HVL 500 kV Zarja-Barabinsk from SS 500 kV Barabinsk	600,02	600,020	100	800,000	808,394	101
HVL 500 kV Barabinsk-Tavricheskaja from SS 500 kV Voshod	630	559,170	89	1005,000	1019,488	101
HVL 500 kV Irkutsk-Gusinoozerskaja SDPP	0	0		0	-4,736	
HVL 1150 kV Barnaul-Itat from SS Barnaul'skaja	13,89	13,876	100	0,000	6,839	
Baikal Transformation Complex at SS 220 kV Mogochoa	5	2,326	47	0,000	1,180	
HVL 500 kV Primorskaja SDPP - Habarovskaja from SS 500 kV Hehcir	250	243,117	97	145,000	175,777	121
HVL 220 kV Habarovskaja TPP-3-Hehcir	100	24,715	25	70,000	14,730	21
Zahody HVL 500 kV Amurskaja-Habarovskaja to Bureyskaja HPP	7,784	6,522	84	0,000	0,000	
HVL 500 kV Burejskaja HPP - Habarovskaja	4,204	4,204	100	0,000	-0,571	
HVL 500 kV Primorskaja SDPP - Chuguevka from SS 500 kV Chuguevka. Startup facility	0,834	0,834	100	0,000	1,754	
HVL 500 kV Amurskaja - State Border	50	43,894	88	0,000	48,415	
HVL 500 kV Chuguevka – Nahodka - Vladivostok	25	0	0	15,000	0,000	0
HVL 500 kV Dal'nevostochnaja - Vladivostok from SS 500 kV Vladivostok	1000	1000,000	100	700,000	1008,744	144
HVL 220 kV Amurskaja - Blagovewenskaja (2nd circuit)	9,187	9,148	100	0,000	12,831	
Switching station 220 kV Partizansk	40,965	40,034	98	0,000	77,082	
HVL 220 kV Blagoveshensk-Sirius	1,698	1,697	100	0,000	0,000	
Discharge of capacity from generating stations' that are being constructed using the secured	50	0,000	0	0,000	0,000	

investments mechanism						
UNEG infrastructure construction	1439,41	913,616	63	0	0	
<b>Infrastructural assets and purchase of equipment that is not included in construction cost-sheets calculations</b>	<b>372,96</b>	<b>165,055</b>	<b>44</b>	<b>158,5</b>	<b>150,122</b>	<b>95</b>
<b>Intangible assets</b>	<b>1893,718</b>	<b>1591,2577</b>	<b>84</b>	<b>2246,558</b>	<b>618,481</b>	<b>28</b>
Including:						
<b>Corporate Spatial Resources Management System (CSRMS)</b>	<b>311,28</b>	<b>77,059</b>	<b>25</b>	<b>595,100</b>	<b>0,000</b>	<b>0</b>
<b>Development of CRSM in 220 kV grids</b>	<b>350</b>	<b>347,450</b>	<b>99</b>	<b>347,450</b>	<b>0,000</b>	<b>0</b>
<b>CIMS Development</b>	<b>1232,438</b>	<b>1166,748</b>	<b>95</b>	<b>1304,008</b>	<b>618,481</b>	<b>47</b>
Including:						
Automated System (AS) “HR Management”	18,966	12,129	64	16,205	5,796	36
AS “Strategic Management”	18,921	18,893	100	19,608	1,416	7
AS “Property Management”	206,05	206,021	100	185,551	96,121	52
AS “Document Handling Management”	45,317	18,801	41	45,189	0,129	0
AS “Archive”	3,837	3,819	100	3,061	2,315	76
IAS URE	31,274	30,575	98	69,396	8,276	12
AS Planning and Budgeting	4,72	4,720	100	4,72	4,72	100
AS Grid State Analysis	6,962	6,136	88	6,962	2,006	29
AMS TMR	39,49	39,480	100	46,3	39,873	86
AMS “Asset Management” (for the Asset Management Department)	480,185	449,475	94	454,4	123,574	27
AS “Corporate Portal”	10,179	10,179	100	10,179	2,983	29
AS “Financial Accounting and Reporting”	365,51	365,507	100	440,077	331,272	75
Informational Security System	1,02	1,015	99	2,36	0	0
<b>Other Investment Programs</b>	<b>4800,3348</b>	<b>3251,181</b>	<b>68</b>	<b>2880,676</b>	<b>1353,933</b>	<b>47</b>
Including:						
<b>Creation of CIMS</b>	<b>170,34</b>	<b>167,232</b>	<b>98</b>	<b>196,465</b>	<b>133,979</b>	<b>68</b>
Creation of CIMS hardware base	170,336	167,232	98	196,465	133,979	68
Information Security System	0,004	0,000	0	0	0	
<b>Final Metering System at FGC UES facilities</b>	<b>305,815</b>	<b>147,973</b>	<b>48</b>	<b>195,969</b>	<b>29,484</b>	<b>15</b>
<b>Final Metering System at MSK facilities</b>	<b>456,300</b>	<b>348,592</b>	<b>76</b>	<b>404,889</b>	<b>201,992</b>	<b>50</b>
<b>Creation of Automated Operational Dispatch Management System</b>	<b>487,050</b>	<b>487,050</b>	<b>100</b>	<b>455,095</b>	<b>5,852</b>	<b>1</b>
<b>Creation of NCC</b>	<b>690,757</b>	<b>250,527</b>	<b>36</b>	<b>573,992</b>	<b>340,959</b>	<b>59</b>

<b>Creation of Unified Telecommunication Systems of the Power Industry</b>	<b>2169,676</b>	<b>1585,033</b>	<b>73</b>	<b>542,052</b>	<b>368,675</b>	<b>68</b>
<b>Security of FGC UES electric grid facilities</b>	<b>264,611</b>	<b>238,817</b>	<b>90</b>	<b>262,214</b>	<b>255,776</b>	<b>98</b>
<b>Funds for bonuses for commissioning completed facilities</b>	<b>5</b>	<b>1,893</b>	<b>38</b>	<b>0</b>		
<b>Funding for state inventory and state registration</b>	<b>30</b>	<b>7,167</b>	<b>24</b>	<b>0</b>		
<b>Development of Automated Control Systems at FGC UES substations</b>	<b>220</b>	<b>16,116</b>	<b>7</b>	<b>250</b>	<b>16,106</b>	<b>6</b>
<b>Installation and assembly of transient voltages recording devices</b>	<b>0,786</b>	<b>0,778</b>	<b>99</b>	<b>0</b>	<b>1,11</b>	
<b>Design and research</b>	<b>846,077</b>	<b>519,957</b>	<b>61</b>	<b>471,406</b>	<b>432,655</b>	<b>92</b>
<b>Refurbishment and upgrade</b>	<b>13200,302</b>	<b>11036,274</b>	<b>84</b>	<b>6946,081</b>	<b>9036,187</b>	<b>130</b>
<b>Agency contracts</b>	<b>3687,950</b>	<b>2745,673</b>	<b>74</b>	<b>0</b>	<b>0</b>	
<b>Granting of short-term loans</b>	<b>301,6</b>	<b>200</b>	<b>66</b>	<b>0</b>	<b>0</b>	
Including:						
JSC "Nurjenergo"	0	0,000				
Ownership of voting capital of JSC "Power Industry Research and Development Center"	0	200,000				
Funding reliability increase measures in the city of Moscow	190	0,000	0			
Funding reliability increase measures in the city of Saint-Petersburg	111,6	0,000	0			
<b>Other long-term financial investments</b>	<b>513,420</b>	<b>513,419</b>	<b>100</b>			
Including:						
Ownership of voting capital of JSC "Power Industry UC "	27,536	27,536	100			
Purchase of shares of JSC "Power Industry Research and Development Center"	485,884	485,884	100			
Program for funding of JSC "Nurjenergo"	0	0,000				
<b>Payments for New Grid Connection Contracts</b>	<b>988,110</b>	<b>783,884</b>	<b>79</b>	<b>742,182</b>	<b>381,283</b>	<b>51</b>

Actual financing of the 2007 Investment Program amounted to 75 017.4 million Rubles (83 % of the planned amount) – 2.2 times more than in 2006.

The execution of Moscow Program amounted to 86% in terms of funding and 104% in terms of utilization of capital investment funds. Execution of Saint-Petersburg Program – 77% and 100% respectively, Western Siberia Program – 87% and 117% respectively.

The Funds Utilization Plan was fully completed. The planned amount was 44 884.9 million Rubles, actual utilization – 45 457.5 million Rubles – 101%.

The execution of the Funds Utilization Plan under conditions of insufficient funding is explained by the fact that utilization was planned with a significant delay from planning of the funding because of the need to prepay equipment supplies and construction works according to the terms and conditions of the contracts.

The underfulfillment of the Funding Program was caused mainly by the following reasons:

- Late execution of Job Completion Reports and consequently delay of the payments until the first quarter of 2008;

- Refinement of volumes and costs estimates for works on certain facilities (costs saving);

- Delays in execution of tenders for selection of contractors and equipment suppliers;

- Protracted processing of permits for construction and property rights at the local authorities;

- Delays in construction schedules execution, also due to bad weather conditions.

## **5. 2. Execution of the Capacities Commissioning Program for 2007**

According to the Electric Grid Facilities Commissioning Schedule for 2007 591.8 km of HVL, 6351 MVA of transformer capacities and 540 MVA of reactor capacities have been commissioned. The list of facilities includes the most important ones listed below:

*1. HVL 330 kV Kol'skaja NPP - Knjazhegubskaja HPP - SS 330/110/35 kV Louhi - Putkinskaja HPP - Switchgear 330 kV of Onda HPP*

The length of the HVL – 479 km, total transformer capacity of the SS - 250 MVA, 2x125 MVA.

First section of HVL 330 kV Kola NPP – Knyazhegubskaya HPP has been commissioned in 2007. Total length – 79 km, transformer capacity – 250 MVA. The completion of the whole HVL is scheduled for 2012.

The construction of this HVL will help reducing the loads on the single-circuit transit HVL 330 kV Kolenergo - Karelenergo – Lenenergo that is loaded up to its full capacity with electricity discharged from the Kola energy system towards Karelia energy system and further into Lenenergo grids. Due to insufficient transmission capacity of the line Kola energy system encounters difficulties and has to limit the capacity and volumes of generation at Kola NPP. In 2005 the amount of “locked” electric energy of the Kola NPP was estimated to amount to 1.5 billion kWh. The transmission capacity of the Kolenergo – Karelenergo transit line will increase by 290 MW and amount to 840 MW.

*2. SS 500 kV Emelino with incoming line - HVL 500 Votkinskaja HPP – Yuzhnaja and incoming HVL 220 kV*

In 2007 the construction of the startup complex was completed – incoming line from HVL 220 kV to SS 500 kV Emelino required to satisfy the demand of the Seversk Pipeline Factory (110 MW) as the new steelworks was scheduled to commissioning in 2008. The completion of construction along with commissioning of additional transformer capacities (2\*501 MVA) is scheduled in 2008.

The construction of SS Emelino was partially funded from the new connection fee paid by the metallurgy industry consumers.

*3. SS 330 kV Rzhevskaja*

Commissioning of new 330 kV substations, total capacity 2x200 MVA and 2x40 MVA allowed for reduction of loads of the existing SS 330 kV Vostochnaya as well as for connection of new consumers in Saint-Petersburg and Leningrad region.

*4. HVL 500 kV Barabinsk – Tavricheskaja with extension of SS 500 kV Tavricheskaja and HVL 500 kV Zarja - Barabinsk from SS 500 kV Barabinskaja*

Conversion of the HVL 500 kV Barabinsk - Tavricheskaja into the nominal voltage – 500 kV and installation of 501 MVA transformer at SS 500 kV Barabinskaja has increased the reliability of the energy supply to consumers in Omsk and Novosibirsk regions as well as energy security of Kazakhstan.

*5. HVL 220 kV Holmogorskaja – Muravlenkovskaja (nominal voltage - 500 kV)*

Bringing on service of 104.3 long HVL that was built as a part of the Program for Development of the Energy Supply Infrastructure in Western Siberia increased the transmission capacity of the grid towards Northern and Nojabrsk power centers of Tyumen Region and increased the reliability of the energy supply

during the Autumn – Winter period and peak consumption levels. The construction of HVL was executed under severe conditions, in a swampy area using advanced construction technologies.

*6. Reconstruction and refurbishment of existing substations*

According to the Program for Renovation of JSC “FGC UES Main Assets for 2007 the Company has upgraded and replaced outdated equipment at the following substations: SS 750 kV Leningradskaja (3h333 MVA, 3h333 MVA), SS 500 kV Raduga (250 MVA), SS 330 kV Mashuk (2h200 MVA, 2h40 MVA), 180 MVar reactors have been installed at SS 500 kV Osinovka and SS 500 kV Balashovskaja.

In accordance with the Programs for Providing Reliable Energy Supply to the consumers in the city of Saint-Petersburg, Leningrad region, Tyumen region, Khanty-Mansyisk and Yamalo-Nenetsk regions a number of substations have been refurbished. Additional autotransformers were installed in order to provide new connections to various existing and new consumers: JSC “LUKOIL”, JSC “Rosneft”, JSC “Gazprom-neft”.

**Execution of Capacity Commissioning Program for 2007**

Name of the project		Facilities to be commissioned in 2007 (according to the Schedule for Electric Grid Facilities Commissioning *)		Actual date of commissioning (according to the Working Committee Certificates)
		Amount commissioned	Deadline for commissioning	
<b><i>I. New Construction.</i></b>				
Unit-type Substation 220 kV Partizansk (commissioning of the unit-type		1,2 km	2Q	April 2007
Construction of HVL 330 kV Kol'skaja NPP - Knjazhegubskaja HPP - SS 330/110/35 kV Louhi - Putkinskaja HPP - ORU 330 kV Ondskoj HPP		79 km 250 MVA	3Q	July 2007
SS 500 kV Voronezhskaja with incoming line - HVL 500 and 110 kV		250 MVA	4Q	October 2007
HVL 500 kV Barabinsk - Tavricheskaja with the extension of SS 500 kV		362,1 km 180 MVar	4Q	November 2007
HVL 500 kV Zarja - Barabinsk from SS 500 kV Barabinskaja		501 MVA	4Q	December 2007
SS 500 kV Emelino with incoming line - HVL 500, 220 kV		Incoming line - HVL 220 kV 11,3 km	4Q	December 2007
<b>TOTAL:</b>	<b>HVL Length</b>	<b>453,6 km</b>		
	<b>Reactor Capacity</b>	<b>180 MVar</b>		
	<b>Transformer Capacity</b>	<b>1 001 MVA</b>		
<b><i>II. Refurbishment and Upgrade.</i></b>				
SS 500 kV Balashovskaja		180 MVar	1Q	March 2007
SS 750 kV Leningradskaja		3x333 MVA	2Q	April 2007
SS 750 kV Leningradskaja		3x333 MVA	3Q	August 2007
SS 500 kV Kujbyshevskaja		40 MVA	3Q	September 2007

SS 500 kV Raduga		250 MVA	4Q	November 2007
SS 500 kV Osinovka		180 MVar	4Q	November 2007
SS 330 kV Mashuk		2x200 MVA 2x40 MVA	4Q	December 2007
<b>TOTAL:</b>	<b>Reactor Capacity</b>	<b>360 MVar</b>		
	<b>Transformer Capacity</b>	<b>2 768 MVA</b>		
<b>III. Programs to Ensure Reliable Energy Supply for Consumers in the Moscow Region, Saint-Petersburg and Leningrad Region, Tyumen Region, Khanti-Mansyisk Region, Yamalo-Nenetsk Region</b>				
<b>SAINT-PETERSBURG PROGRAM</b>				
SS 330/110/10 kV «Rzhevskaja» with HVL and Cable line		HVL 330 kV 2x9,2 km, HVL 330 kV 1,1 km, Cable line 330 kV 3,4 km, 2x200 MVA,	4Q	November 2007
SS 330 kV «Zapadnaja». Extension and refurbishment		200 MVA	4Q	December 2007
SS 220 kV «Chesmenskaja». Refurbishment		2x125 MVA	4Q	December 2007
SS 330/110 kV Severnaja		200 MVA	4Q	December 2007
SS 220 kV Kolpinskaja		200 MVA	4Q	December 2007
<b>WESTERN SIBERIA PROGRAM</b>				
SS 220 kV Las-Eganskaja		125 MVA	2Q	April 2007
Incoming line - HVL 220 kV Ur'evskaja - Progress to SS Trachukovskaja		2x5,5 km	3Q	July 2007
Installation of the 2-nd ATG 500/220 kV, total capacity - 501 MVA at SS 500 kV «Tarko-Sale»		501 MVA	4Q	October 2007
Extension of SS 500 kV «Somkino». Installation of the 3rd ATG		501 MVA	4Q	December 2007
Installation of the 3rd AT 125 MVA at SS 220 kV «Kirillovskaja»		125 MVA	4Q	December 2007
HVL 220 kV Holmogorskaja – Muravlenkovskaja (nominal voltage of 500 kV)		104,3 km	4Q	December 2007
<b>TOTAL:</b>	<b>HVL length</b>	<b>138,2 km</b>		
	<b>Transformer Capacity</b>	<b>2 582 MVA</b>		
<b>TOTAL:</b>	<b>HVL length</b>	<b>591,8 km</b>		
	<b>Reactor Capacity</b>	<b>540 MVar</b>		

	<b>Transformer Capacity</b>	<b>6 351 MVA</b>		
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### Commissioning of operational assets since the establishment of JSC «FGC UES»

ASSETS COMMISSIONED	2002	2003	2004	2005	2006	2007
HVL of 220 kV and higher voltage class, km	560,9	265,51	705,5	563,04	637,47	591,8
Transformer capacity, MVA	2127	792	2352	1051	3498	6351
Reactor capacity, MVar	1000	484	1129,7	1722,4	920	540

In the period between 2002 and 2007 the numbers of key UNEG constituent high-voltage lines with the voltage class of more than 220 kV were on more or less the same level (in average 550 km per year).

In the meantime the numbers of new substations (transformer capacities) commissioned have significantly increased. In 2006 more the volumes of transformer capacities commissioned were more than 2 times higher than the average volumes for the past years. And in 2007 the volumes of transformer capacities commissioned were more 1.8 times higher than the volumes of 2006. Such increase in the volumes of transmission capacities commissioned every year was caused by significant increase in funding of Substations refurbishment and upgrade programs also in regards to the Cooperation Agreements signed with the local authorities of a number of regions of the Russian Federation. It is the substation equipment that has the most significant wear and tear rates and low reliability.

### 5.3. Investment Goals and Objectives for the Nearest Future (2008-2012)

The draft version of the JSC “FGC UES” Investment Program for 2008-2012 has been agreed by the Management Board of JSC «FGC UES» on the 20<sup>th</sup> of November, 2007.

The five-year Investment Program for 2008-2012 adjusted according to the decisions made by the JSC RAO “UES of Russia” Management Board decisions (dated 21<sup>st</sup> of January, 2008, #1805pr) was reviewed by the Management Board of JSC RAO «UES of Russia» on the 4<sup>th</sup> of February, 2008 and approved in principle.

JSC “FGC UES” Investment Program for 2008-2012 was developed on the basis of the following documents and decisions:

- Unified National (All-Russian) Electric Grid (UNEG) Development Strategy for the 10-year Period,
- UNEG Development Scheme for 220 kV Voltage Class Grids for the Years 2003-2012,
- Medium-term JSC “FGC UES” Investment Program for 2008-2010 agreed by the Board of Directors of JSC “FGC UES” (Protocol #42, dated 4<sup>th</sup> of April, 2007)
- Cooperation Agreements for Implementation of the Top-priority Program for the Construction and Refurbishment of Power Facilities signed with the Heads of local governments of Moscow city, Saint-Petersburg city, Western Siberia, Krasnodarsky Region and a number of other regions of the Russian Federation signed before the 1<sup>st</sup> of September, 2007;
- Refined deadlines for commissioning of new generating units of JSC RAO “UES of Russia” Holding’s companies and funds required to construct electric grid facilities to discharge the capacity from those generating units in the form of payment for the new connection to JSC “FGC UES” electric grids.

JSC “FGC UES” Investment Program for 2008-2012 was developed in order to resolve the following problems:

- Maintain normative reliability level of UNEG that is required to provide uninterrupted energy supply of consumers, eliminate electric grid bottlenecks and create opportunities for connections of new consumers;
- Maintain fully operational status of backbone electric grids (increase the volume of works for refurbishment and upgrade of the existing  $\geq 220$  kV electric grid facilities, implementation of additional special programs required to maintain normative reliability level of UNEG grids);
- Implement Cooperation Agreements signed with the local governments;
- Ensure discharge of capacity from new generating units of NPP, HPP and TPP;
- Create electric grid infrastructure facilities required to maintain effective operations of the wholesale competitive market of electric energy.

It is planned to commission around 22.2 thousand kilometers of new high-voltage lines and 87.6 MW of new transformer capacities as the result of implementation of the JSC “FGC UES” Investment Program for 2008-2012.

These construction projects will ensure:

- Reliable discharge of capacity from new generating units of NPP, HPP and TPP with the total volume of 33.9 GW;
- Growth of loads from consumers;
- Elimination of bottlenecks;
- Positive dynamics of the ageing structure of electric grid assets due to reduction of the share of worn out HVL and SS equipment;
- Achievement of necessary positive effects arising from parallel operations of all unified energy systems within UES of Russia;
- reliable operations of UES of Russia within the period under review.

### **Funds Required to Fulfill the Tasks Specified Above in the Period 2008-2012**

(million Rubles)

2008	2009	2010	2011	2012	2008 –2012
177 478,3	226 627,6	226 689,8	209 436,4	181 704,8	1 021 937,0

**Investment Program for 2008-2012 will be reviewed by the Board of Directors of JSC “FGC UES” in May of the current year.**

## 6. Allocation of Profits and Dividends Policy

### 1. Company's Financial Performance in 2005-2007

thousand Rubles

Year	2005	2006	2007
Financial result (net profits)	1 997 066	1 833 484	2 296 167

### 2. Planned allocation of profits and dividends policy in 2005-2007

thousand Rubles

Year	2005	2006	2007 (Proposal of the Planning and Budgeting Department)
Net profits allocation:			
Reserve Fund	1 629 773	1 245 636	1 916 167
Dividends	367 293	587 848	380 000
Covering undistributed deficit of prior years	-	-	-

## 7. Purchase/Procurement

### 7.1. Purchase/Procurement management

In 2007 procurement function of the Company was performed in accordance with Provision on procedure for regulated purchase of goods, work, services for JSC “FGC UES” needs approved in 2005. In May 2007 JSC “FGC UES” Board of Directors approved a revised version of the document. The Provision provides management for purchase of goods, work, services on the unified methodic base using currently available competitive forms of purchases, mostly on a competitive basis. The established rules fulfill requirements of the procurement management standards system which has been adopted in the Holding JSC RAO “UES Company of Russia”, and of the Russian Federation Government regulation № 1158 dated October 13, 1999 “On enforcement of the economically sound principles of product (services) pricing by subjects of the natural monopolies”.

The application of procedural purchases regulation is aimed to support efficient spending of funds as per their intended purpose, and to receipt of the economically sound costs (market product pricing) as well.

Regulation enabled to perform the following basic procurement management principles:

1. **Transparency principle.** Rules for procurement management are arranged on open access on JSC “FGC UES” and JSC RAO “UES Company of Russia” web-sites. Information about violation of the established rules can be sent to the Central tender committee of the Company (CTC), composition of which is published on the company web-site as well. CTC composition includes representatives from JSC RAO “UES Company of Russia”, Russia's industry and energy ministry and Federal Antimonopoly Service of Russia. Hence taken decisions conform to position of the corporate centre and governmental authorities. Annual procurement program is announced on the company web-site. A considerable part of purchases is performed through open tenders and other open procedures, information about which is published on the company web-site and in the mass media. In 2007 share of open procedures in the total purchase amount comprised 90 %.

2. **Competitive principle.** Regulation system is designed so that preference is given to the open tenders providing maximum business competition. Any limitation of competition requires strong substantiations and collegial decisions of the Company regulatory bodies. In cases when purchases are carried out at the sole supplier such decisions are made by the Company CTC only.

3. **Feasibility principle.** The established rules require that every decision to be justified and document supported, what not only increases procurement efficiency, but also prevents corrupt practice.

Procurement methods applied in accordance with the Provision on procedure for regulated purchase of goods, work, services for JSC “FGC UES” needs and application conditions are as follows:

Open tender	The most preferred method used without any strings.
Open request for proposals	Selection conditions for each of the outlined purchase methods are given in part 7 in the Provision published on the Company web-site. As a rule, selection of these purchase methods is restricted according to a purchase amount not exceeding 5-10 million rubles, as well as mainly applied in simple products purchase.
Open request for prices	
Open competitive negotiations	
Single sourcing	
Closed procedures	

Information support system for competitive purchases «TZS Elektra»

In accordance with JSC RAO “UES Company of Russia” decree № 27 under the date of 22.01.2007 «On measures directed to increase procurement efficiency in the Subsidiaries» all the Companies entering into the holding JSC RAO “UES Company of Russia” are obliged to perform no less than 60% of total number of competitive purchases using electronic commerce means.

JSC “FGC UES” Central tender committee approved the System «TZS Elektra» as an electronic trading site and it is recommended to be used as the electronic trading site for all Companies subordinate to the Business-unit “Grids” (protocol of 02.03.2007 № 2007/51/5).

System «TZS Elektra» is designed for organization and execution of the competitive and regulated single source purchases performed by the Company using Internet-technologies.

System «TZS Elektra» enables the following:

- Open/closed single-stage tender;
- Open/closed single-stage tender for power to make a framework agreement;
- Open/closed single-stage tender with prequalification of bidders;
- Open/closed request for proposals;
- Open/closed request for prices;
- Auction.

Selection of purchase/procurement procedure location is carried out during procurement planning process at the stage when the Annual comprehensive procurement program (hereinafter – ACPP) is drawn up and approved by the Company regulatory bodies.

The detailed information about “TZS Elektra” system can be found on the Company web-site in Purchases/Procurement section.

Formation of ACPP draft is performed by structural subdivisions of the Company executive office and affiliates. ACPP draft is agreed in accordance with procedure given in the annex 6 to the Provision on procedure for regulated purchase of goods, work, services for JSC “FGC UES” needs, and approved by the Company regulatory bodies: Continuing tender committees and Central tender committee pursuant to their competence.

Implementation of ACPP is executed in time and using methods outlined in the approved ACPP, which is announced on JSC “FGC UES” web-site under the heading Purchases.

In 2007 results of the procurement system operation can be found in structure of the Company purchases as described below.

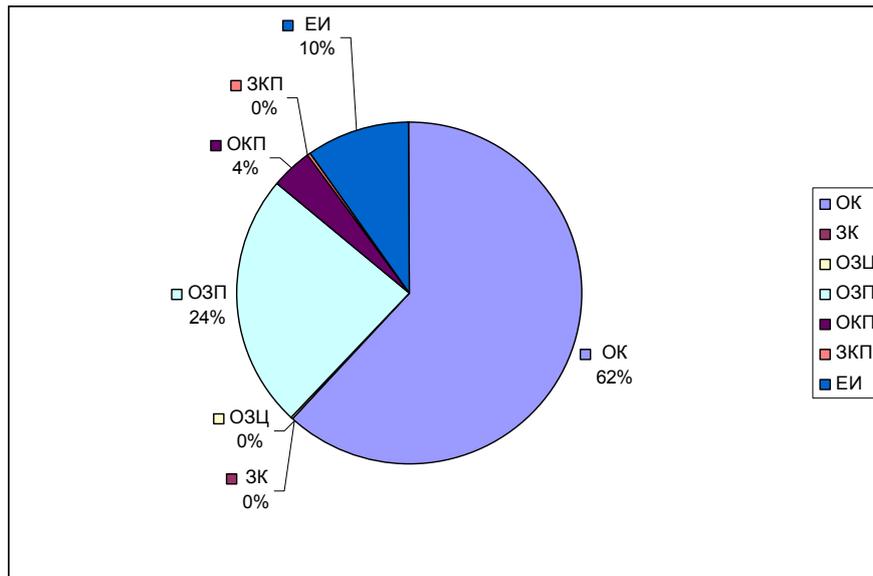
## 7.2. Competitive Purchase/Procurement

	Total amount of the contracts (mln. rub.)	% of total amount of the concluded contracts
Contracts concluded on a competitive basis	123 110.75	90.14

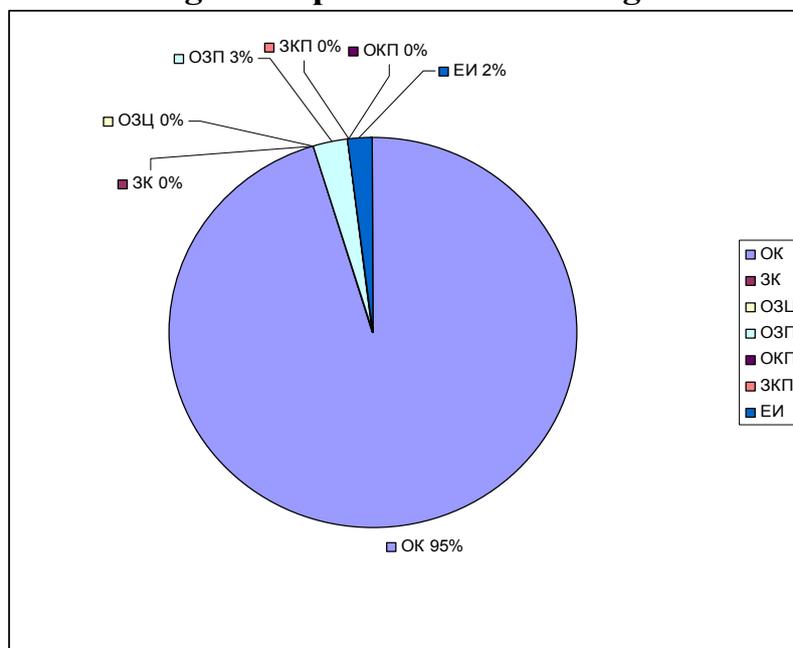
Abbreviations used in diagram:

OK – open tender	33П - closed request for proposals
O3П – open request for proposals	33Ц - closed request for prices
3K – closed tender	3КП – private competitive negotiations
O3Ц – open request for prices	ЕИ - single sourcing

### Structure of regulated purchases according to their methods in 2007



**Scheduled structure of regulated purchases according to their methods in 2008**



**7.3. Objectives of the procurement function for 2008 are as follows:**

1. Company cost saving at the expense of cost cutout at products (goods, work and services) purchase.
2. Provision of JSC “FGC UES” and other electric grid companies with products of:
  - required quality,
  - according to minimum value,
  - just-in-time.
3. Optimization of the purchase management system based on the advanced experience.

## 8. Economics and Finance of the Company

### 8.1. Financial management

JSC “FGC UES” is the natural monopoly. The principle aimed to providing the company with required gross proceeds, which permit to meet expenses incidental to regulated kind of activity and determined volume of investments for UNEG development, forms the basis for tariff regulation of JSC “FGC UES” business in accordance with the federal legislation.

JSC “FGC UES” financial management is based on mechanism enabling to form the Company money funds through proceeds from the core business and their next application to finance the core business and investment operations.

The core business financing is performed by distribution of money funds throughout JSC “FGC UES” affiliates - MES, Elektroservice, TM&R MES with following distribution by MES affiliates throughout PMES.

The main financial management tools in JSC “FGC UES” are Income and expenditure budget, Cash flow budget and Budgeted balance sheet.

Financial and economic planning of the company business is performed in the following manner:

- medium-term – with 3-5 years planning horizon and planning step – one year;
- short-term or annual - with one year planning horizon and planning step – a quarter;
- current – planning horizon equals to a quarter, six months, 9 months and a year with planning step – a quarter.

Recapitulation of the financial and economic outcome for the company business and operation profits analysis are carried out once every three months according to business accounting data.

### 8.2. Tariff

Beginning in 2007, the uniform tariff was established for customer contract demand. FTS RF decree under date of 18.11.2006 № 285-э/4 approved tariffs for 2007 applied to services for electric power transmission on UNEG, rendering by JSC “FGC UES” using electric grid facilities which belong to JSC “FGC UES” by ownership right and on the other on lawful business.

Methodology for losses payment was not applied, and the balancing supply from JSC “FGC UES” grid (BGC) into grids of customers joined to UNEG was used as a base. Standards of losses were approved by the Russia's industry and energy ministry individually for the Russian Federation constituents.

#### JSC “FGC UES” tariff code

<b>Date of tariff</b>	<b>Tariff (basic)</b>	<b>Base for tariff making</b>	<b>Regulatory document</b>
From July 1, 2003	31.35 rub/MW-h	Net e/e output to the end customers	Regulation of the RF Federal Energy Commission № 49-э/2 under date of June 25, 2003
From January 1, 2004	37.88 rub/MW-h	Net e/e output to the end customers	Regulation of the RF Federal Energy Commission № 84-э/2 under date of October 18, 2003
From July 1, 2004	38.07 rub/MW-h	Net e/e output to the end	Regulation of the RF Federal Energy

		customers	Commission № 84-э/2 under date of October 18, 2003
From January 1, 2005	Load rate tariffs according to the Russian Federation constituents. In the average 44.5 rub/MW-h.	Net e/e output to the end customers	FTS RF decree №215-э/2 under date of December 1, 2004.
From January 1, 2006	Tariffs for grids maintenance were differentiated according to RF constituents. In the average 74.61 rub/MW-h.  Payment for losses is carried out following weighted-average tariffs of the wholesale market.	Actual e/e output to JSC “FGC UES” customers	FTS RF decrees: №587-э/9 under date of December 6, 2006 and №633-э/17 of December 14, 2005. FTS RF decree № 588-э/10 of December 6, 2005.
From July 1, 2006	Tariffs for grids maintenance were differentiated according to RF constituents and calculated as regard to customer contract demand, in the average 40 195 rub/MW per month	Customer contract demand of “FGC UES” customers	FTS decrees: №144-э/2 of June 27, 2006 and №159-э/8 of July 28, 2006.
From January 1, 2007	The uniform tariff for grids maintenance was calculated as regard to customer contract demand of 40 072.09 rub/MW per month. Payment for losses is carried out following weighted-average tariffs of the wholesale market.	Customer contract demand of “FGC UES” customers	FTS decree №285-э/4 of November 18, 2006.  FTS decree № 319-э/17 of November 18, 2006.

### 8.3. Investment of money resources

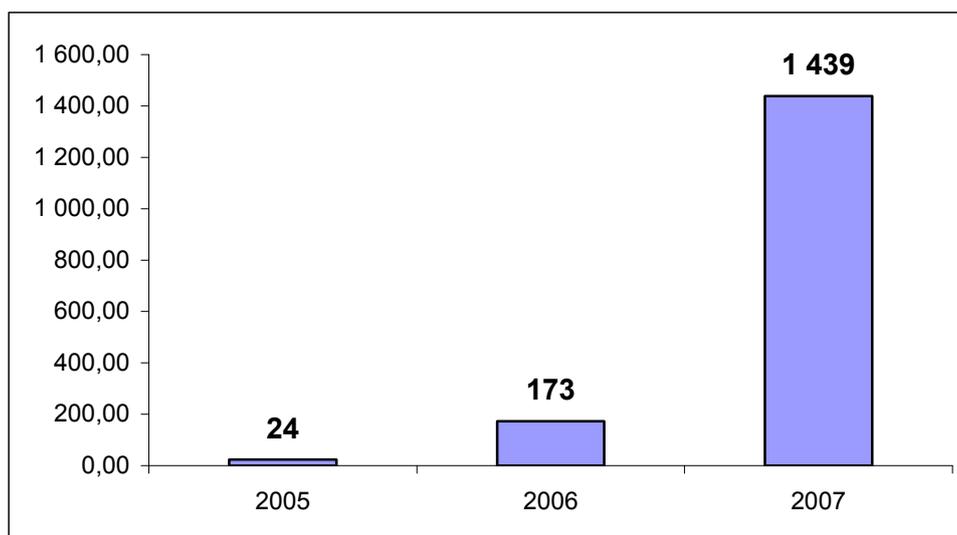
JSC “FGC UES” throughout 2007 has vigorously performed management of the Company temporarily surplus funds with a view to achieve maximum efficiency of financial investment upon optimization of risk-return ratio. Maximum return on financial investment was provided by investment of the Company temporarily surplus funds in the largest financial and credit institutions in Russia, which had a high reliability level and unblemished reputation on the financial market with regard to maximum possible interest rates essentially exceeding the mid-market, such as: JSC «Sberbank of Russia», JSC «Gasprombank», JSC «Alfa-Bank», JSC «VTB» and other credit institutions.

Depending on periods the investment tolls were as follows: bank deposits with different terms (maximum – up to 6 months) and maintenance of average daily balance on settlement accounts.

Definite liquidity management in the company and optimization in structure of the temporarily surplus funds investment with relation to profitability provided investment results, which far exceeded profit from the indicated operations over prior periods through money resources obtained from the Government budget and from JSC RAO “UES of Russia” in 2007.

#### **Income dynamics from the surplus funds investment.**

(Income from the surplus funds investment, mln. rub.)



#### 8.4. Electric energy transmission services

In accordance with the Russian Federation Government Regulation №861 under date of 27.12.2004: «Services for electric energy transmission will be rendered by a grid organization by virtue of a paid services agreement on electric energy transmission to entities which own or entitled to on the other lawful business any energy receiving equipment and other electric power industry facilities technologically joined to the electric grid in accordance with the applicable procedure, as well as to participants of the wholesale energy market performing export (import) of electric energy, to retail suppliers and providers of last resort».

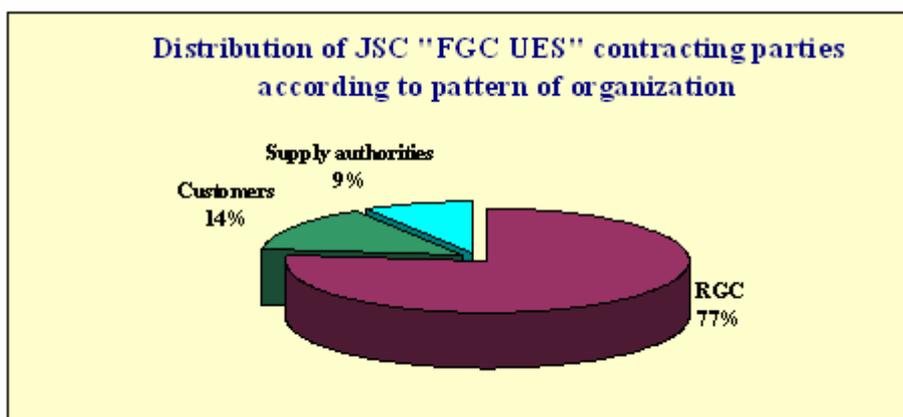
Cost of JSC “FGC UES” services for electric energy transmission on the unified national electric grid (UNEG) will be determined according to the appropriate tariffs established by the Federal Tariff Service (FTS of Russia) and Ministry of industry and energy of the Russian Federation (Russia's industry and energy ministry).

The basic objectives of the Company as pertaining to rendering services for electric energy transmission were the following in 2007:

- timely conclusion of contracts with the Company contracting parties under varied conditions of the energy market and legal framework;
- extension of the Company contracting parties including extension using rendering services for technological connection;
- providing the high level of payment by contracting parties for the Company services as concerns electric energy transmission.

The following results were achieved at the end of 2007:

- more than 90 organizations joined to UNEG were customers of the Company services for electric energy transmission using UNEG. In 2007 contracting parties of the Company represented three types of energy market structures: regional grid companies (RGC) separated from AO-energo during energy sector reforming, retail suppliers (supply entities) and large industrial customers of electric energy;



- vigorous activity was executed in order to increase number of the Company contracting parties;
- total receipts of the Company for electric energy transmission services increased considerably (almost by 12%);
- in 2007 the portfolio of JSC "FGC UES" contracting parties was highly diversified – more than 10% of the Company income from electric energy transmission services on UNEG fell only on one of service customers;

No.	Name of contracting party	Income share, %
1	JSC «Tyumenenergo»	10.4
2	JSC "Moscow Unified Energy Company"	7.1
3	JSC "Volzhskaya Interregional Distribution Company"	5.3
4	JSC «Sverdlovenergo»	4.4
5	JSC «Krasnoyarskenergo»	4.0
6	JSC «Lenenergo»	4.0
7	JSC «Kuzbassenergo»	3.9
8	JSC "Far East Distribution Grid Company"	3.6
9	JSC «Kubanenergo»	3.2
10	JSC «Chelyabenergo»	3.1

- in 2007 risk of insolvency for rendering electric energy transmission services was minimum, the high level of payment collection was provided for the Company services – accounts receivable over 2007 did not exceed 5% of quarterly service cost.

*The major tasks of the Company with regard to rendering services for electric energy transmission in 2008 are as follows:*

- providing timely conclusion of contracts with the Company contracting parties and conclusion of contracts with the new contracting parties;
- extension of the Company contracting parties;
- providing the high satisfaction level of the Company contracting parties with quality of services in relation to follow-up service contracts for electric energy transmission;
- providing the high level of payment by contracting parties for the Company services as concerns electric energy transmission;
- enhancement of interaction efficiency with customers under contracts for electric energy transmission to the extent that regulates overdue accounts receivable.

## **8.5. Company business under competitive relations on the wholesale energy (capacity) market within transitional period**

In terms of competitive relations on the wholesale energy (capacity) market within transitional period JSC “FGC UES” was the organization which exercised management over the unified national (All-Russia) electric grid (UNEG) within the framework of the Contract of accession to the wholesale energy market mercantile system and according to regulation of the Russian Federation Government № 529 under date of 31.08.2006 «On improving procedure for wholesale energy (capacity) market performance» in 2007 acquired not only electric energy volumes, but also capacity on the wholesale energy and capacity market (WECM) in order to compensate for actual electric energy losses in UNEG, net output, measured and paid by WECM participants in equilibrium prices.

Settlement of purchase and sales transactions based on tariffs established for electric energy and capacity, approved by the federal executive authority for natural monopolies regulation, was performed in 2007 by JSC “FGC UES” using the Contract of accession to the wholesale market mercantile system and WECM regulations, concluded jointly with CJSC "Financial Arrangement Centre" (CJSC “FAC”) in the order and on terms provided in the Rules for wholesale energy (capacity) market within transitional period (approved by regulation of the Russian Federation Government № 643 under date of 24.10.2003), purchase and sale contracts for electric energy and capacity with a view to compensate for losses in electric grids (within price and non-price zones) – to purchase in price and non-price zones of WECM.

JSC “FGC UES” throughout 2007 jointly with Reform Management centre (RMC) in JSC RAO “UES of Russia” and Nonprofit Partnership “Mercantile System Administrator” (NP “TSA”) developed and introduced alterations into the Contract of accession to the wholesale market mercantile system and into its appendices (WECM regulations) for JSC “FGC UES” performance on WECM in an effort to acquire volumes of electric energy and capacity to compensate for losses.

Basic alterations are required by the need to transfer JSC “FGC UES” to coordination of hourly electric energy cross-flows along UNEG boundaries established by the Rules for wholesale energy (capacity) market within transitional period (approved by regulation of the Russian Federation Government № 643 under date of October 24, 2003 as amended by regulation of the Russian Federation Government № 529 of 31.08.2006) and installation of interval accounting devices on UNEG boundary, including balance participation boundaries, which are located on elements of electrical facilities beneficially owned by JSC “FGC UES” or pertaining on any lawful business provided by the federal laws and as a consequence, beginning of reconciliation by JSC “FGC UES” of hourly balance data for electric energy cross-flows along UNEG boundary according to sections FGC (BGC) – retail supplier (DGC), FGC (BGC) – GC generating companies, FGC (BGC) – Customer, FGC (BGC) – foreign countries.

Procedures for conversion of Measuring tolls list in a part concerning the installed interval accounting devices for electric energy, and Agreements on information exchange adding reconciliation procedures for hourly data on the part of JSC “FGC UES” based on readings from the interval accounting devices for electric energy, which are installed on UNEG boundary, were carried out with a view to satisfy the abovementioned requirements.

Total 211 Agreements were concluded in 2007, among them agreements for sections FGC (BGC) - retail supplier (DGC) – 59 pcs., for sections FGC (BGC) – GC – 121 pcs., for sections FGC (BGC) – Customer – 8 pcs., FGC (BGC) – foreign countries - 23 pcs.

In 2007 JSC “FGC UES” also jointly with RMC in JSC RAO “UES of Russia” and NP “ATS” developed and introduced alterations into the Contract of accession to the wholesale market mercantile system and WECM regulations, associated with special features of JSC “FGC UES” participation in a mechanism of non-price zones operation and conclusion of quadripartite purchase and sale agreements in the non-price zones.

These alterations were introduced in the Contract of accession to the wholesale market mercantile system and WECM regulations by decisions of NP “ATS” Supervisory Board under date of December 14, 2007 effective as of on 01.01.200.

It should be noted that in 2007 JSC “FGC UES” jointly with RMC in JSC RAO “UES of Russia” and NP “ATS” actively participated in development and introduction of alterations in the Contract of accession to the wholesale market mercantile system and WECM regulations, which are associated with introduction of the capacity market in 2008.

## 8.6. Main financial results of the Company

Following the results of 2007 JSC “FGC UES” income increased by 14.5% as compared to 2006 and comprised 61 385 mln. rub.

The main factors affecting makeup of the Company income throughout 2007 were increase in tariffs for electric energy transmission services on UNEG and growth of other income.

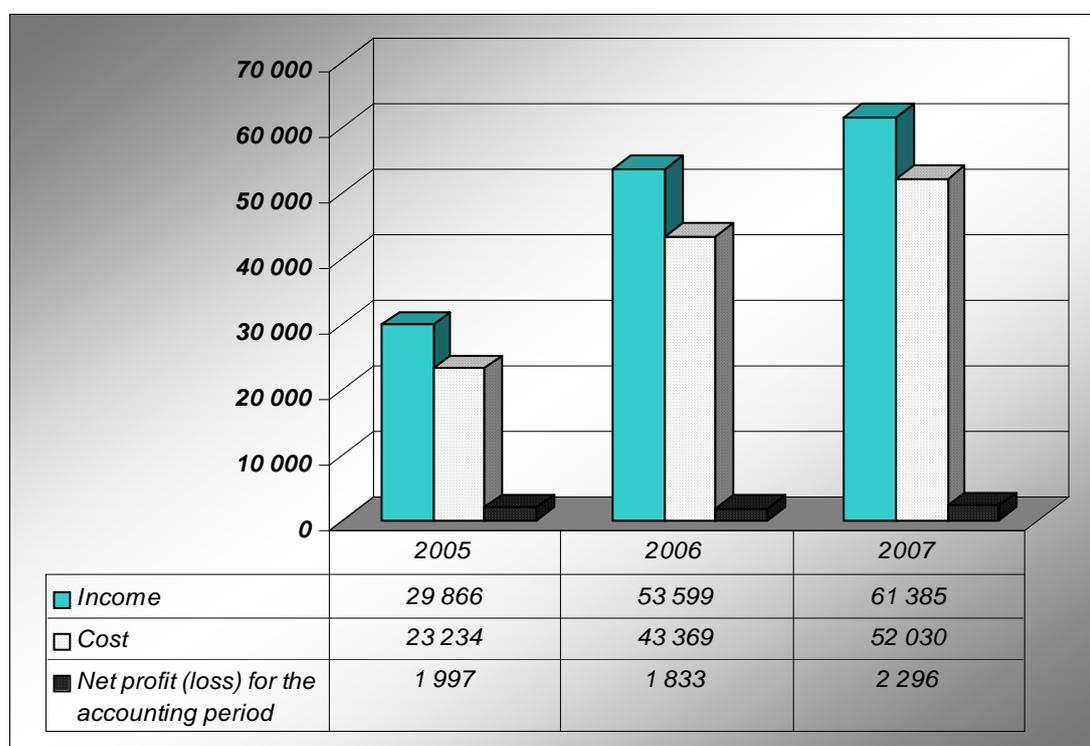
**Key finance indicators for 2005-2007. (mln. rub.)**

Indicator	2005	2006	2007
Income	29 866	53 599	61 385
Cost value	-23 234	-43 369	-52 030
<b>Sales profit (loss)</b>	5 335	8 355	6 280
Other income	1 000	996	2 681
Other expenses	-2 910	-5 799	-5 062
<b>Profit (loss) from tax liability</b>	3 425	3 553	3 900
Deferred tax asset	2	-15	3
Deferred tax liabilities	0	-237	-403
Profit tax and related payments	-1 429	-1 466	-1 203
<b>Net profit (loss) of accounting period</b>	1 997	1 833	2 296

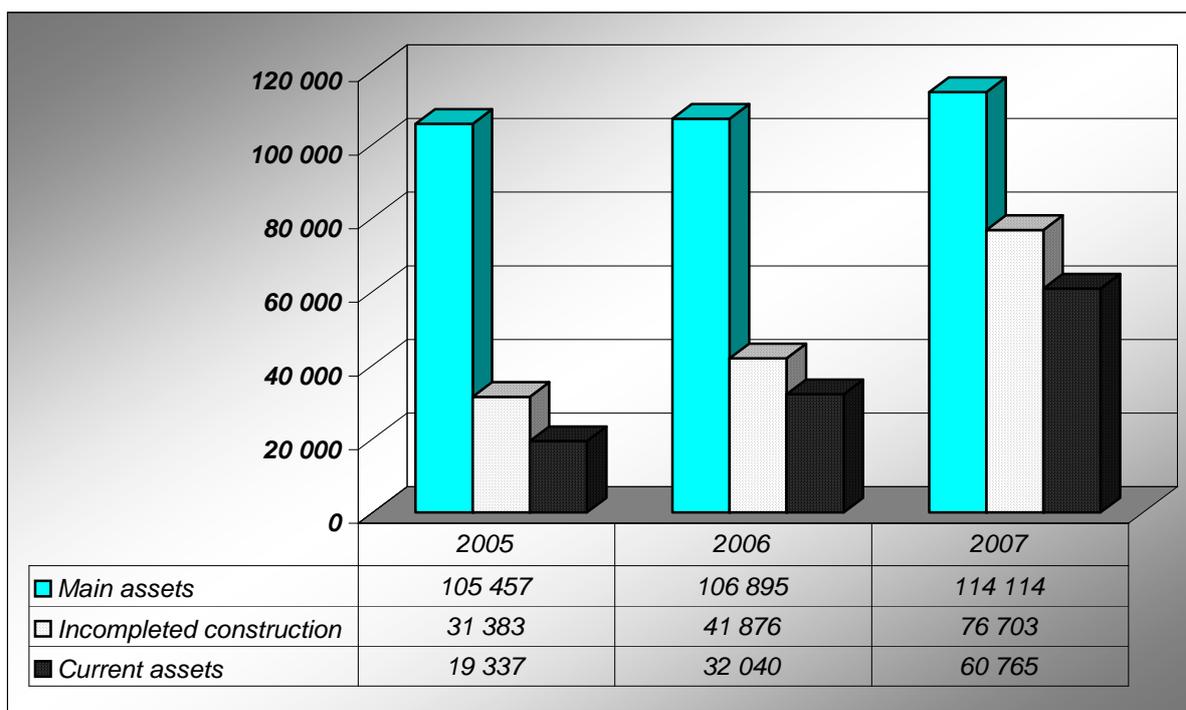
Cost of services rendered in 2007 by the Company increased by 8 661 mln. rub. (20.0%) as compared to 2006 and comprised 52 030 mln. rub.

In accordance with 2007 results net profit position was equal to 2 296 mln. rub., what exceeds year 2006 by 463 mln. rub. (25.3%). Increase in net profit is associated with growth of income from the core business and other incomes.

**Income and expenses dynamics for 2005-2007 (mln. rub.)**



**Asset profile dynamics for 2005-2007 (mln. rub.)**



Following results of 2007 the asset value increased by 6.8% owing to commissioning of new equipment, structures and transfer mechanisms. Rise in incompleted construction cost by 83.2% in 2007 as compared to 2006 occurred due to large-scale works on construction of the new, reconstruction and technical re-equipment of existing UNEG facilities within the approved JSC “FGC UES” investment program.

In 2007 rise in the current assets by 95.3% in comparison with 2006 is basically associated with increase in the short-term accounts receivable by 96.6%. That is associated with a need to advance money to work payment and equipment order during investment program implementation.

#### Accrued taxes and tax payments for 2005-2007 (mln. rub.).

Tax amount, current	Accrued for the accounting period			Paid for the accounting period		
	2005	2006	2007	2005	2006	2007
Profit tax	1 429	1 462	1 202	1 382	1 639	1 843
VAT	2 918	-2 963	-3 859	2 519	9	-2 663
Property tax	185	242	339	158	220	302
Uniform Social Tax	687	1 148	1 459	682	1 161	1 434
Other taxes	478	773	970	478	770	959
<b>Total</b>	<b>5 697</b>	<b>663</b>	<b>112</b>	<b>5 219</b>	<b>3 799</b>	<b>1875</b>

In 2007 the Company paid taxes to the amount of 1 875 mln. rub. in budgets of all levels. Diminution of tax payments by 50.6% as compared to 2006 related to reimbursement of accrued VAT for incompleted construction over pervious years. Profit tax paid for accounting period comprised 1 843 mln. rub., what exceeded tax in 2006 by 12.5%. Uniform Social Tax rates paid in 2007 comprised 1 434 mln. rub., what exceeded tax in 2006 by 23.5%. That is associated with increase in taxable base for Uniform Social Tax (labor compensation fund).

Indicators for composition of property, capital and liabilities according to financial statements data for 2005-2007 (mln. rub.)

Indicator	2005	2006	2007
<b>Total assets</b>	<b>158 872</b>	<b>215 199</b>	<b>296 632</b>

Cost of noncurrent assets	139 535	183 158	235 867
Cost of current assets	19 337	32 040	60 765
including cost of floating assets	1 642	6 387	13 922
<b>Total liabilities</b>	<b>158 872</b>	<b>215 199</b>	<b>296 632</b>
Own capital	134 729	140 078	204 785
Long-term liabilities	19 000	30 000	23 002
Short-term liabilities	5 143	45 121	68 845

Indicators for value of short-term liabilities for 2006 and 2007 include outstanding amounts to shareholders related to contributions to the authorized capital at the rate of 34 337.8 mln. rub. and 47 404.9 mln. rub. consequently. These amounts are excluded from value of short-term liabilities and are included in equity value in order to calculate indicators for financial position.

#### Indicators for the Company financial position over 2005-2007 (mln. rub.).

Coefficient	2005	2006	2007
Cash ratio	0.32	0.59	0.65
Quick assets ratio	1.99	2.59	2/62
Current ratio	3.76	2.97	2.83
Coefficient of financial independence	0.85	0.81	0.85
Profitability of sales ratio, %	22.21%	19.09%	15.24%
Return on equity (ROE), %	1.47%	2.40%	1.59%
Return on assets (ROA), %	1.24%	1.56%	0.77%
Dynamics of accounts receivable, %	51.35%	118.06%	94/76%
Dynamics of accounts payable, %	137.47%	28.63%	155.80%
Accounts receivable and accounts payable ratio	2.34	3.97	3.02

- Value of short-term liabilities after deduction of funds amount attracted from additional issue of JSC "FGC UES" shares was applied upon calculation of 2006 and 2007 indicators.

- Net profit value without deduction of depreciation loss from securities on the Company balance was used upon calculation of ROE and ROA value for 2006.

- Return on equity (ROE) for 2007 was calculated as «net profit/own capital of the Company beginning of accounting period».

In 2007 growth of liquidity figures was associated with increase in share of absolute current assets (money resources and short-term financial investment) in balance-sheet total, as well as with accounts receivable growth provided by investments in UNEG facilities. Value of liquidity figures according to 2007 results points to the Company ability to complete liquidation of own short-term liabilities.

Value of financial independence coefficient in accordance with results in 2007 comprised 0.85, what characterizes JSC "FGC UES" as the financial stable enterprise with a low risk of insolvency.

Profitability of sales ratio in 2007 decreased by 20.2% as compared to value of that coefficient in 2006 owing to unprejudiced cost development and special features in tariff regulation of planned profit.

Decrease in return on equity value by 33.7% as compared to 2006 is specified by change in accounting treatment in the early part of 2007. Changes relate to time displacement in calculation base from the end of accounting period to the beginning of accounting period.

Decrease in return on assets value is due to outstripping growth of balance-sheet total caused by assets transfer (contributions to the authorized capital) as of the year end by contrast to net profit growth, calculated with regard to provision for decrease in value of shares. Small slowdown in accounts receivable increase occurred throughout 2007. Accounts payable growth is associated with execution of contracts for technological connection of customers.

Ratio of accounts receivable and accounts payable in the Company provides reasonable balance of these values.

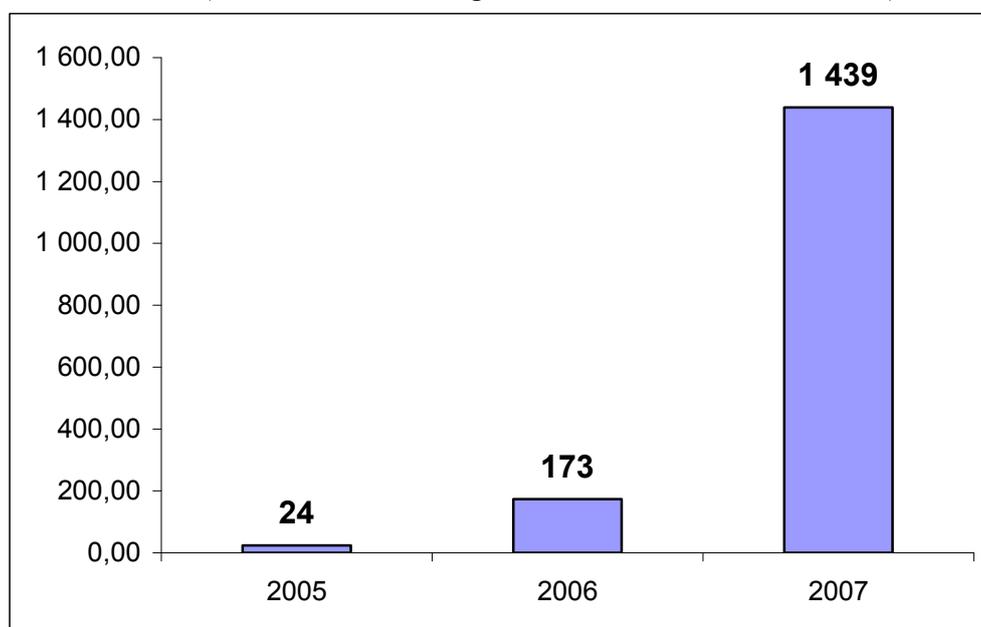
## 8.7. Investment of money resources

JSC “FGC UES” throughout 2007 has vigorously performed management of the Company temporarily surplus funds with a view to achieve maximum efficiency of financial investment upon optimization of risk-return ratio. Maximum return on financial investment was provided by investment of the Company temporarily surplus funds in the largest financial and credit institutions in Russia, which had a high reliability level and unblemished reputation on the financial market with regard to maximum possible interest rates essentially exceeding the mid-market, such as: JSC «Sberbank of Russia», JSC «Gazprombank», JSC «Alfa-Bank», JSC «VTB» and other credit institutions

Depending on periods the investment tolls were as follows: bank deposits with different terms (maximum – up to 6 months) and maintenance of average daily balance on settlement accounts.

Definite liquidity management in the company and optimization in structure of the temporarily surplus funds investment with relation to profitability provided investment results, which far exceeded profit from the indicated operations over prior periods through money resources obtained from the Government budget and from JSC RAO “UES of Russia” in 2007.

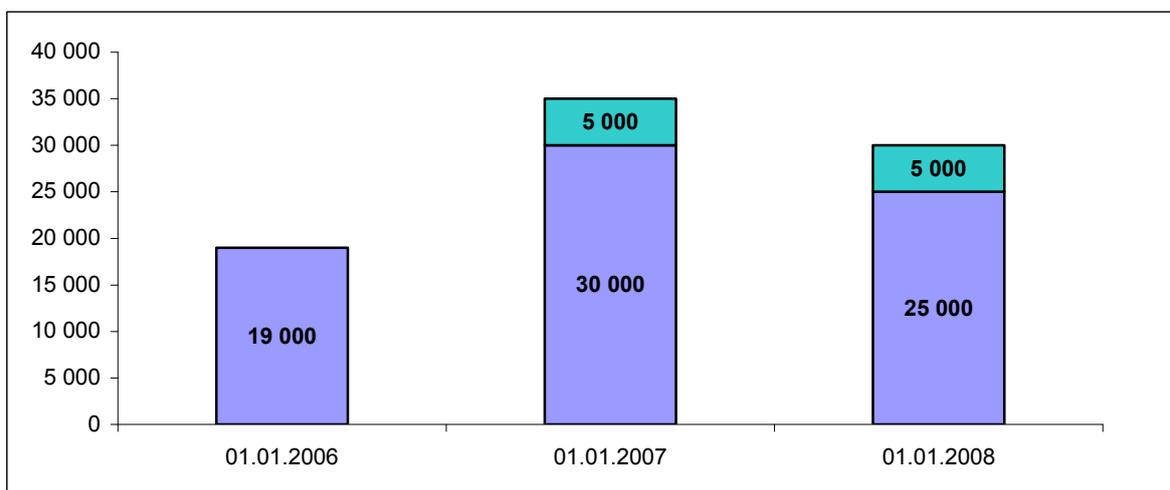
**Income dynamics from the surplus funds investment.**  
(Income from the surplus funds investment, mln. rub.)



## 8.8. Fund raising / Credit policy

In 2007 JSC “FGC UES” followed soft credit policy and did not attract long-term loans. Data are as of 01.01.2008, value of the Company long-term liabilities comprises 30 000 mln. rubles.

**Structure and dynamics of the Company credit portfolio**  
(Bonded loans, mln. rub.; EBRD credit, mln. rub.)



Falling in the Company long-term liabilities was incidental to the fact that on December 18, 2007 JSC “FGC UES” completely fulfilled its liabilities with regard to a bonded loan of 01 series, the company paid par value to bond holders - 5 000 mln. rubles.

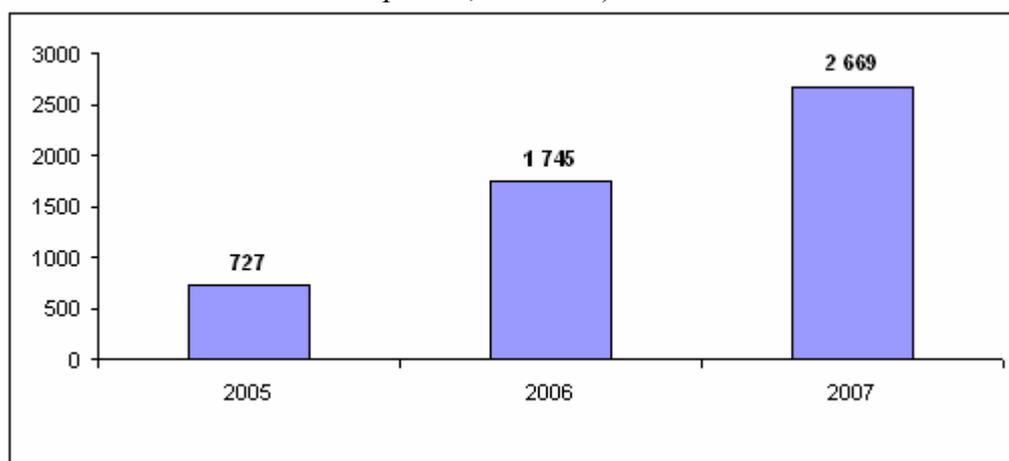
Placing of JSC “FGC UES” ruble bond issue of 01 series took place on December 21, 2004 on the Moscow Interbank Currency Exchange (MICEX). The first bond loan was issued for a term of three years, total par value of issue comprised 5 000 mln. rubles. Coupon rate was established in the amount of 8.80% per year. Total 6 coupons were paid for bonds of 01 series totaling 1 316.4 mln. rubles.

Total payment amount for maintenance of bonded loans of 01, 02, 03, 04 and 05 series in 2007 comprised 2 306.16 mln. rubles at average weighted rate 7.73% per year.

Total payment amount for maintenance of the European Bank for Reconstruction and Development credit (EBRD) in 2007 was 363.377 mln. rubles at average weighted rate 7.29% per year.

Hence, the total interest expenses incidental to maintenance of the Company long-term liabilities comprised 2 669 mln. rubles in 2007.

**Dynamics of interest expenses incidental to long-term liabilities performance (total interest expenses, mln. rub.)**



Issue of own notes to the amount of 22 bln. rubles took place in July 2007, payment of those notes was performed after sale of JSC “FGC UES” own shares, in order to provide financing of the investment program.

Generally, the Company credit portfolio at the end of 2007 was characterized by falling in long-term liabilities as compared to the same period in the previous year. However, the greater part of leverage ratio

was represented by bonded loans and EBRD credit. Issue of bonded loans and EBRD credit were used for financing of JSC “FGC UES” investment program.

In 2008 the interest expenses incidental to long-term liabilities maintenance will be reduced owing to decrease in the Company long-term liabilities.

In December 2008 repayment of bonded loan of 03 series will be performed.

Placing of JSC “FGC UES” ruble bond issue of 03 series was held on December 16, 2005 on MICEX. The third bonded loan was issued for a term of three years, total par value of issue comprised 7 000 mln. rubles. Coupon rate was established in the amount of 7.10% per year.

## 8.9. Credit ratings

The high level of credit standing and stable financial position of the Company are confirmed by rating assessments assigned by the leading international rating agencies.

Current credit ratings of JSC “FGC UES” are in the investment category and they testify that balance sheet ratio complies with a level required for complete and timely fulfillment of its financial liabilities.

### Current credit ratings of JSC “FGC UES”.

RATING AGENCY	VALUE OF RATING ASSESSMENT	
	INTERNATIONAL SCALE	NATIONAL SCALE
"Standard & Poor's"*	BBB/Watch positive	ruAAA
"Moody's"	Baa2/steady	AAA.ru

\*The last updating of rating assessment was performed in early March 2008. The previous rating values, data are as of 31.10.2007: on international scale – «BB+/Watch Positive»; on the national – «ruAA+/Watch Positive»

## 8.10. Audit report and financial statements of the Company

Audit report and financial statements of the Company for 2007 are represented in the **Attachment 4**.

## 9. Securities and authorized capital

### 9.1. Authorized capital

Data are as of 31.12.2007, JSC “FGC UES” authorized capital comprised **180 691 103 960 rubles** (one hundred and eighty billion six hundred and ninety-one million one hundred and three thousand nine hundred sixty), which was divided in **361 382 207 920** registered ordinary shares of 50 copecks par value each.

In 2006 placing of additional JSC “FGC UES” shares was performed. The issue to the amount of 80 bln. rubles was registered by FFMS of Russia (the Federal Financial Markets Service) on March 21, 2006. The shares were placed on private offering to the advantage of JSC RAO “UES of Russia” and the Russian Federation.

Data are as of 01.01.2007, 66 618 835 788 ordinary shares of 50 copecks par value each totaling 33 309 417 894 rubles were placed to the advantage of JSC RAO “UES of Russia”.

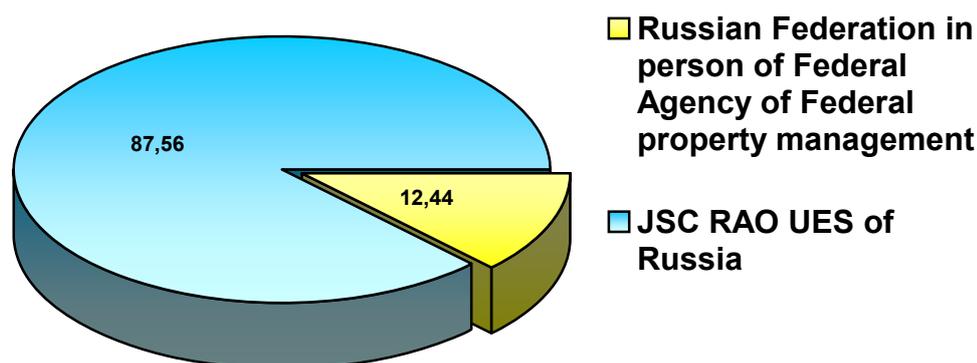
On March 21, 2007 the period for placing of JSC “FGC UES” shares from the additional issue expired. The result of issue is that in fact shares to the amount of 59 083 862 180 rubles 50 copecks were placed. Following the results of additional issue when placement report was registered the authorized capital of the Federal grid Company increased up to 180 691 103 960 rubles (one hundred and eighty billion six hundred and ninety-one million one hundred and three thousand nine hundred sixty rubles).

JSC RAO “UES of Russia” entered shares of backbone grid companies, electric grid assets pertaining to the Unified National (All-Russia) Electric grid and money resources in return for JSC “FGC UES” additional shares. The Russian Federation paid-up JSC “FGC UES” shares from additional issue with money resources in the amount of 22.48 bln. rubles, in accordance with the Federal law «On federal budget for 2007» № 283-FL of 19.12.2006.

The result of additional issue is that Russian Federation represented by the Federal Agency for Federal Property Management (FAFPM) provided its participation in the Federal grid Company authorized capital in the amount of 12.44%. In this regard JSC RAO “UES of Russia” share in JSC “FGC UES” authorized capital decreased from 100% to 87.56%.

On March 17, 2008 JSC «Federal grid Company of Unified Energy system» completed placing of the second additional issue of shares. The issue was registered on August 23, 2007. In fact 114 965 254 235 shares of 50 copecks par value each or 95.8% of securities aggregate amount pertained to placing were placed. Offering price was 59 copecks. The shares were placed on private offering to the advantage of JSC RAO “UES of Russia” and the Russian Federation. In this regard JSC RAO “UES of Russia” share in JSC “FGC UES” authorized capital decreased from 87.56% to 83.87%, and Government take increased and comprised 16.13%. Following the results of additional issue when placement report will be registered the authorized capital of the Federal grid Company will be increased from 180 691 103 960 rubles up to 238 173 731 077.5 rubles.

Structure of the authorized capital in graph form as of 31.12.2007.



## 9.2. Data on shareholders having no less than 5 percent in the Company authorized capital

1. Long title: **The Russian open joint-stock company of energy and electrification “UES of Russia”;**  
Abbreviation: **JSC RAO “UES of Russia”;**  
Location: **101, bld. 3, Vernadskogo avenue, Moscow, 119526;**  
Share in the Company authorized capital: **87.56%**  
Ratio of the Company ordinary shares: **87.56%**

2. Long title: **The Russian Federation represented by the Federal Agency for Federal Property Management (Federal Property Management Agency);**  
Location: **9, Nikolsky side-street, Moscow, 103685;**  
Share in the authorized capital of JSC RAO “UES of Russia”: **52.6831%**  
Ratio of JSC RAO “UES of Russia” ordinary shares: **54.9924%**  
Share in the Company authorized capital: **12.44%**  
Ratio of the Company ordinary shares: **12.44%**

## 9.3. History of issuing activity and dividend history of the Company

*Date on issues, category (type) of shares*

1) Number of outstanding shares (number of shares which are not redeemed or cancelled): **361 382 207 920 shares;**

Category of shares: *ordinary*;

Form of securities: *registered uncertificated*;

Par value of each share: *50 copecks*;

State registration number and date of issue state registration: *1-01-65018-D of 10.09.2002.*

2) Number of additional shares which are in the process of placing (number of shares in additional issue, state registration of placement report has not been performed): - **120 000 000 000 (one hundred and twenty billion) shares;**

Category of shares: *ordinary*;

Form of securities: *registered uncertificated*;

Par value: *50 (fifty) copecks each*

State registration number and date of issue state registration: *1-01-65018-D-001D of 21.03.2006.*

3) Number of declared shares – **161 832 275 639 (one hundred sixty one billion eight hundred thirty-two million two hundred seventy-five six hundred thirty-nine) shares;**

Category of shares: *ordinary*;

Form of securities: *registered uncertificated*;

Par value: *50 (fifty) copecks each*

State registration number and date of issue state registration: *1-01-65018-D-002D of 23.08.2007.*

The Company does not have treasury shares.

### Dividend history

No. p.p.	Figure name	Unit	Over 2004	Over 2005	Over 2006
1.	Total accrued for dividend distribution	thous. rub.	0	367 292.8	587 847.4
	- per one ordinary share	rub.	0	0.001510016	0.001626664

## **9.4. Data on rights carried by shares of each category (type)**

Every ordinary share provides a shareholder – its owner the equal measure of rights in accordance with the applicable legislation.

Shareholders – owners of the Company ordinary shares can participate in the general meeting of shareholders with a right to vote for all issues falling within its competence, as well as have a right to receive dividends, and in case of the Company winding-up – a right to obtain a part of the Company assets.

The Company has a right to make decisions (declare) on dividends distribution for placed shares in accordance with results obtained after the first quarter, six months, nine months of a financial year and (or) following results of a financial year. Decision on distribution (declaration) of dividends in accordance with results obtained after the first quarter, six months, nine months of a financial year can be taken within three months after completion of a relevant period.

Dividends distribution on ordinary shares is not a specific commitment of the Company to shareholders. General meeting of shareholders and Board of Directors of the Company has a right to take decision on inexpediency to pay dividends on ordinary shares following the results of one or another period and a year in the aggregate.

Distribution of dividends declared by the general meeting is binding upon the Company.

Decision on annual dividends distribution, dividend rate and outpayment form on ordinary shares is taken by the general meeting of shareholders upon the recommendation of the Company Board of Directors with an allowance for payment of interim dividends.

Final dividend rate can not exceed a rate recommended by the Board of Directors, but can be reduced by the general meeting of shareholders.

Upon dividend distribution primarily preference dividends are to be paid, afterwards dividends are paid on ordinary shares.

Net income for a current year directed for dividends will be distributed among shareholders in proportion to a number and category of their shares.

Decision on payment of interim (quarterly, six-monthly) dividends, dividend rate and outpayment form for every category (type) of shares will be made by the Company Board of Directors.

Board of Directors and general meeting of shareholders have no right to declare and pay dividends provided that the Company is a bankrupt, either it may become so after dividend distribution.

When diseconomies are found in the company annual balance sheet then Board of Directors or general meeting of shareholders may not to declare and pay dividends on shares as long as diseconomies are covered either Authorized capital of the Company be decreased.

Dividends will not be paid on not outstanding shares or shares which are not on the Company books.

Period of dividend distribution will be determined by the General meeting of Company shareholders but on or prior to 60 (sixty) days after making decision on payment.

Board of Directors and general meeting of shareholders may not to declare and pay dividends provided that the Company is a bankrupt, either it may become so after dividend distribution.

When diseconomies are found in the company annual balance sheet then Board of Directors or general meeting of shareholders may not to declare and pay dividends on shares as long as diseconomies are covered either Authorized capital of the Company be decreased.

Dividends will not be paid on not outstanding shares or shares which are not on the Company books.

The Company declares pretax dividend rate.

## **9.5. Subsidiaries**

In accordance with article 4 in the Federal law № 36-FZ dated of 26.03.2003 «On peculiarities of the electric power industry performance within transitional period ...» the Russian open joint-stock company of energetics and electrification “Unified Energy System of Russia” (JSC RAO “UES of Russia”) enters its shares of organizations established during reforming of open joint-stock companies of energetics, and electrification and to ownership of which electric grid facilities relating to the unified national (All-Russia) electric grid

(hereinafter – UNEG) have been transferred, in authorized capital of the organization which manages the unified national (All-Russia) electric grid (JSC “FGC UES”).

The list of JSC “FGC UES” subsidiaries is given in **Attachment 1**.

Majority of subsidiaries – is represented by backbone grid companies, the substantive activities of which are the following:

- rendering services for electric energy transmission and distribution;
- rendering services for connection to electric grids;
- rendering services for collection, transmission and processing of technological information including measurement and accounting information;
- diagnostics, operation, repair of electric grids and other electric grid facilities and their technological management;
- diagnostics, operation, repair of communication networks, measuring and accounting tools, equipment of relay protection and emergency automatics, and any other processing equipment associated with electric grids functioning, as well as their technological management;
- drawing-up of extended forecasts, perspective and current development plans for the electric grid complex, comprehensive target scientific and technological, economic and social programs;
- development of electric grids and other electric grid facilities including designing, engineering investigations, construction, reconstruction, technical re-equipment, assembly and setting operations;
- development of communication networks, measuring and accounting tools, equipment of relay protection and emergency automatics, and any other processing equipment associated with electric grids functioning including designing, engineering investigations, construction, reconstruction, technical re-equipment, assembly and setting operations.

## 10. Structures and principles of corporate governance

### 10.1. General information about corporate governance

JSC “FGC UES” is the open joint-stock company, structure and competence of its management bodies are established by the Federal law “On joint-stock companies” and the Company Articles of association.

The corporate governance arrangements existing in JSC “FGC UES” are based on uniform corporate standards, oriented on enhancement of operating activities efficiency in the Company and implementation of reforming strategy designed for the electric grid complex.

The supreme management body in JSC “FGC UES” is general meeting of shareholders.

Within a period between meetings a competence for the Company management is delegated by the sole shareholder JSC RAO “UES of Russia” to the Company Board of Directors.

Providing operative management in company is performed by the sole executive body – Chairman of the Board and collegial executive body – Management Board elected by Board of Directors.

Annually general meeting of shareholders elects Audit commission consisting of 5 employees with a view to exercise control for JSC “FGC UES” financial and economic activities.

Tasks and objectives of JSC “FGC UES” business as a company that fulfills role of organization for UNEG management, which are provided in the Federal law “On electric power industry” have defined a variety of features in JSC “FGC UES” management structure, they are mentioned in JSC RAO “UES of Russia” and JSC “FGC UES” articles of association. In particular, in 2006 JSC RAO “UES of Russia” Board of Directors made decisions on questions which fall within competence of JSC “FGC UES” general meeting of shareholders, as provided in JSC “FGC UES” Articles of association. JSC RAO “UES of Russia” Board of Directors conciliated candidates for posts of manager and members in JSC “FGC UES” collegial executive body.

Annual general meeting of JSC “FGC UES” shareholders held on June 23, 2006 approved annual Company report, Company auditor, and also elected compositions for the Company Board of Directors and Audit commission.

### 10.2. Principles and documents

Corporate governance in JSC “FGC UES” – is an interaction system, which represents interests of shareholders, interested parties, and is oriented on receipt of maximum information about company in accordance with the applicable laws.

JSC “FGC UES” is aware of responsibility and gives weight to qualitative corporate governance in order to conduct company business and achieve mutual understanding among all parties interested in the company activities, JSC “FGC UES” in its business makes efforts to follow principles for good corporate governance provided in the Code of corporate governance approved by FCSM of Russia on April 05, 2002.

Corporate governance in JSC “FGC UES” is based on regulatory and legal framework, which includes regulatory legal acts of the Russian Federation, JSC RAO “UES of Russia” normative documentation and intracompany normative legal documents of the Company, what provides maximum protection for shareholders and investors against any actions and measures, which can prevent obtaining of information and execution of their rights.

The following documents regulate corporate governance:

- ◆ JSC “FGC UES” Articles of association approved by resolution of the Company General meeting of shareholders dated 06.03.2007 (protocol №246);
- ◆ Provision on preparation procedure and format of JSC “FGC UES” general meeting of shareholders, approved by resolution of JSC RAO “UES of Russia” Board of Directors under date of 06.11.2002 (protocol № 131);
- ◆ Provision on JSC “FGC UES” Management Board, approved by resolution of JSC RAO “UES of Russia” Board of Directors under date of 12.07.2002;

- ◆ Provision on Audit commission in JSC “FGC UES”, approved by resolution of JSC RAO “UES of Russia” Board of Directors under date of 06.11.2002 (protocol № 131);
- ◆ Provision on payment of remuneration and compensation for members of JSC “FGC UES” Audit commission, approved by resolution of JSC RAO “UES of Russia” Board of Directors under date of 06.11.2002 (protocol № 131);
- ◆ Regulations for Board of Directors activities in JSC “FGC UES”, approved by resolution of JSC RAO “UES of Russia” Board of Directors under date of 06.11.2002 (protocol № 131);

Comprehensive text of the abovementioned documents can be found on the corporate web-site: [http://fsk-es.ru/stockholders\\_documents.html](http://fsk-es.ru/stockholders_documents.html)

### **10.3. Enhancement of corporate governance level**

Recently problems of corporate governance gains careful attention of mass media and people business. Work oriented on improvement in corporate governance quality is very important for JSC “FGC UES” shareholders and management. In the Company development of corporate governance arrangements is considered as one of tools providing increased attraction of company as an investment. Efficient corporate governance is a signal for investors to purchase shares. That is associated with a fact that corporate governance reduces risks of crisis conditions or, at least, enhances probability of their successful management.

JSC “FGC UES” fulfills requirements of corporate governance with a view to protect rights of investors: Generally, these requirements reduce to the following:

Observance of shareholders and interested parties rights.

Availability of an efficient supervisory body.

Well-separated powers and responsibility among management bodies. Aligned reporting management system for a supervisory body.

Formalized and transparent company policy, public procedure for appointment/re-election and remuneration of company directors and managers.

Information accessibility for shareholders and interested parties.

Availability of effective internal control and internal audit systems.

The Company is aimed at arrangement of such conditions, which will provide improvement of corporate governance quality:

precise and absolute compliance of the Company with the laws, and also honest and logical behaviour in interactions with shareholders;

providing possibility for shareholders to exercise and protect their rights and interests;

providing the high level of business ethics artificially between market participants.

The Company concentrated efforts on construction of a system for interaction with potential and current investors with an attempt to provide attraction as an investment, consequence of which consists in growth of the company capitalization. The indispensable condition of success is implementation of PR and IR – campaigns directed on to bring the company plans and lines of their implementation to the wide audience notice.

JSC “FGC UES” draws up the complex corporate governance arrangements which unite system of interactions with owners and investors, system of internal control and risk management, and also internal audit for the purpose to establish incorporated control.

### **10.4. Data on observance of FCSM Code of corporate governance in the Company**

Code of corporate governance was approved in 2001 by the Russian Federation Government and was recommended by FCSM of Russia in 2002 to business companies of all types, particularly, to joint-stock companies with a view to secure rights and legitimate interests of shareholders, as well as provide information disclosure to investors.

Adoption in JSC “FGC UES” of recommendations containing in the Code of corporate governance primarily requires increase of moral and ethic commitments of the company management to shareholders.

Ethic standards as well as laws form policy of the Company corporate governance, which is based on due regard to interests of shareholders and company management.

Guidelines for corporate governance followed by JSC “FGC UES” are as follows:

1. Company observes norms of the applicable laws and follows the best world practice as to corporate governance area;
2. Company functions with an aim to secure profits and increase return on shares;
3. Company clearly defines and divulgates its strategy and objectives;
4. Information of the Company possibilities, objectives in view, terms and methods of achievement, as well as information about possible risks and environment effects are brought to the notice of shareholders and other interested parties. Such information in form of quantitative indices and comments is disclosed along with annual report on the Company business;
5. Company in the process of its business is oriented on to long-term perspective;
6. Company protects interests of shareholders and provides equal relation to all the shareholders;
7. Basic solutions as to the Company business are taken with the participation of shareholders in voting form on general meeting of shareholders;
8. Opportunity to vote on a meeting personally or by proxy is offered to a shareholder;
9. Company provides information required for execution of a voting right on meeting of shareholders to a shareholder;
10. Shares of one category carry equal rights;
11. Company provides shareholder to exercise voting right on such principle as “one share – one vote”;
12. Company business is transparent.

Functions and competence of every body in the Company are well-defined and committed to writing. Company discloses relevant information on its activities.

13. Company submits accurate, objective, timely, available information sufficient for better decision making. Information is provided using modern electronic communicative means (facsimile communication, e-mail, Internet), application of which enables to, firstly, hasten information exchange process, secondly, to make this process cheaper as compared to, for example, with information transfer by post, what causes material and time costs.

14. Company constantly communicates with its shareholders, by submitting them with all the required information and documents.

15. Financial audit and inspections of Audit commission are performed in the Company.

16. Board of Directors in the Company represents interests of all shareholders and is accountable to the shareholders. Members of Board of Directors act in the interests of the Company. Such requirements as good conscience, reasonableness, honesty and loyalty are made on members of Board of Directors.

17. Company secures environment protection, labour safety and provides social security system for its employees.

Data on JSC “FGC UES” compliance with the Code of corporate governance of FCSM are given in the **Attachment 2**.

## **10.5. Data on management bodies**

### ***10.5.1. General meeting of the Company shareholders***

The supreme management body in JSC “FGC UES” is general meeting of shareholders. Holding of the general meeting of shareholders enables the Company to inform shareholders about its business, achievements and plans, involve them in discussion and taking decisions on most important issues relating to the Company business no less than annually.

Competence of General meeting of shareholders includes the following issues:

- 1) introduction of alterations and appendices in Articles of association or approval of redrafted Articles;

- 2) Company restructuring ;
- 3) winding-up of the Company, appointment of liquidation commission and approval of interim and closing liquidation balance-sheets;
- 4) determination of quantity, par value, category (type) of declared shares and rights carried by such shares;
- 5) increase in the Company authorized capital by raise in shares par value or placing of additional shares (issuing, Company securities convertible into shares) by the Company in cases provided by the Federal law “On joint-stock companies”;
- 6) decrease of the Company authorized capital by reduction in shares par value, decrease of the Company authorized capital by acquisition of a part of shares by the Company with view to reduce their aggregate amount, as well as by retirement of shares acquired or bought out by the Company;
- 7) splitting up and reverse split of Company shares;
- 8) acquisition of the Company placed shares in cases provided by the Federal law “On joint-stock companies”;
- 9) election of Chairman of the Board in the Company and early termination of his powers;
- 10) election of members for the Company Board of Directors and early termination of their powers;
- 11) election of members for the Company Audit commission and early termination of their powers;
- 12) approval of the Company Auditor;
- 13) approval of annual reports, annual financial statements including profit and loss statements (profits and losses accounts) of the Company, as well as distribution of profits (among them payment (announcement) of dividends, except for profit distributed as dividends following the results of first quarter, six months, nine months in the accounting year) and Company losses according to accounting year results;
- 14) distribution (announcement) of dividends in accordance with results of the first quarter, six months, nine months in the accounting year;
- 15) making decisions on approval of major transactions in cases provided in article 79 of the Federal law “On joint-stock companies”;
- 16) making decisions on approval of major transactions in cases provided in article 83 of the Federal law “On joint-stock companies”;
- 17) making decisions on participation in financial industrial groups, associations and other unions of profit-making organizations;
- 18) approval of internal documents, which regulate activities of the Company bodies;
- 19) taking decision on payment of remuneration and (or) compensation to members of the Company Audit commission;
- 20) taking decision on payment of remuneration and (or) compensation to members of the Company Board of Directors;
- 21) resolution of other problems provided by the Federal law “On joint-stock companies”.

3 (three) general meetings of shareholders were held in the Company in 2007:

1. Annual general meeting of shareholders held on 29.06.2007:
2. Extraordinary general meeting of shareholders held on 20.07.2007:
3. Extraordinary general meeting of shareholders held on 14.12.2007.:

### **1. Annual general meeting of shareholders held on 29.06.2007.:**

Resolution of JSC “FGC UES” Board of Directors under date of 29.05.07. approved the following agenda for the Annual general meeting of shareholders:

1. Approval of annual report, annual financial statements including profit and loss statements of the Company.
2. Distribution of profits (among them payment of dividends) and losses in the Company according to results of 2006 accounting year.
3. Election of members for the Company Board of Directors.
4. Election of members for the Company Audit commission.
5. Approval of the Company auditor.

6. Introduction of alterations and appendices in the Company Articles of association.
7. Approval of Contract for trust management of rights on IDGC shares between JSC RAO “UES of Russia” and JSC “FGC UES”, which is a transaction of interest.

**Annual general meeting of shareholders made the following decisions:**

1. Approve the Company annual report for 2006, annual financial statements including profit and loss statements (profits and losses accounts) of the Company.
2. Approve distribution of profits and losses in the Company according to results of 2006 accounting year:

	(thousand rubles)
Undistributed profit (loss) of accounting period:	1 833 484
Distribute to: Emergency reserve fund	1 245 636
Dividends	587 848
Repayment of losses from previous years	-

- Distribute dividends on the Company ordinary shares in accordance with results of year 2006 at the rate of 0.001626664 ruble for one Company ordinary share in money terms within 60 days after making decision on their payment.

3. Elect the following Board of Directors for the Company:

1. Askinadze Denis Arkadiyevich
2. Ayuev Boris Ilich
3. Voloshin Alexander Stalyevich
4. Gref German Oscarovich
5. Dementyev Andrey Vladimirovich
6. Medvedev Yuri Mitrofanovich
7. Rappoport Andrey Natanovich
8. Rashevsky Vladimir Valeriyevich
9. Udaltsov Yuri Arkadiyevich
10. Khristenko Victor Borisovich
11. Chubais Anatoly Borisovich

4. Elect the following Audit commission for the Company:

1. Baitov Anatoly Valeriyevich
2. Gabov Andrey Vladimirovich
3. Lelekova Marina Alexejevna
4. Sidorov Sergey Borisovich
5. Chernyshov Vladimir Vladimirovich

5. Approve the Closed joint-stock company “PricewaterhouseCoopers Audit” to be the Company auditor.

6. Introduce the following alterations and appendices in the Company Articles of association:

- article 15, subparagraph 32 of paragraph 15.1 shall be amended as follows:

“32) determination of procurement policy in the Company including approval of Provision on procedure for regulated purchase of goods, work, services, approval of manager for the Company Central purchasing authority, as well as making other decisions in accordance with documents, regulating the Company procurement activities, approved in the Company”.

- Introduce the following alterations and appendices in the Company Articles of association:

Article 20, paragraph 20.5. shall be amended as follows:

“20.5 Labour contract concluded with Chairman of the Board on behalf of the Company for a term of five years is signed by a person authorized by the Company board of Directors”.

7. Approve conclusion of Contract for trust management of rights on shares of interregional distribution grid companies (IDGC) between JSC RAO “UES of Russia” and JSC “FGC UES” (hereinafter – the Contract), which is a transaction of interest, on the following terms:

1.) JSC RAO “UES of Russia” (Initiator of management) transfers to JSC “FGC UES” (Trustee) collection of rights certified by IDGC registered ordinary shares which are beneficially owned by the Initiator of management (attachment 1).

2.) Trust management will be performed in behalf of JSC RAO “UES of Russia” and associated only with execution of rights carried by shares by the Trustee.

Contract time – from June 02, 2007 to July 01, 2008. In absence of notification about the Contract termination from one of the Parties on completion of its duration the Contract is considered to be prolonged for 6 months on the same terms.

Size of JSC “FGC UES” remuneration is not a constant value and consists of basic remuneration and supplementary fee.

3.) When Trustee remuneration is calculated the following objectives and management efficiency are taken into account, including a part concerning reforming in distribution grid complex according to key indicators:

- providing reliable functioning of the distribution electric grid complex within reforming period;
- increase in capitalization of distribution grid companies;
- providing IDGC transition to a uniform share;
- forming efficient and transparent system for tariff design which will stimulate activities in distribution electric grid complex;
- implementing planning schedule for IDGC reforming, approved by Initiator of management, in time;
- applying uniform principles for formation of investment programs and technical policy in distribution grid companies;
- management of distribution electric grid complex under criteria and standards designed for distribution electric grid facilities operation;
- providing dividend yield on shares of distribution grid companies;
- providing technical and process control on operation of facilities, equipment and structures in distribution grid complex, including issues related to labour protection, industrial and fire safety;
- providing move of a draft change in resolution of the Russian Federation Government № 77-p dated 26.01.2006 to RF Government Office not later than III quarter in 2007;
- state registration of interregional distribution grid companies with regard to configuration, approved by resolution of JSC RAO “UES of Russia” Board of Directors, not later than III quarter in 2007;
- joining of distribution grid companies (DGC), management bodies of which have taken all the required decisions on restructuring, to IDGC - II-III quarters in 2008;
- introduction of alterations in the laws in a part concerning adoption of a system for tariff design based on RAB (Regulated Asset base) into the relevant ministries and authorities - III quarter in 2007.

4.) Size of remuneration is calculated in the following way:

Source of remuneration payment for Trustee is an increment in actual value of dividends paid by IDGC to the advantage of Initiator, including dividends following the results of DGC work a the previous year

(hereinafter – the Increment). In addition, calculation of the Increment does not include value of dividends paid by IDGC from received DGC dividends, for which (DGC) a Dividend task (including zero) has not been determined.

The Increment is defined as difference between an amount of actually accrued (declared) dividends on all shares, rights of which are transferred to management, according to accounting year results and an amount of dividends determined in the Dividend task net of income tax. The Increment will be distributed between Initiator of management and Trustee as follows:

At first instance the Initiator of management pays an amount of basic remuneration, calculated by the following way, to the Trustee:

- for a period from date of Contract up to December 31, 2007 – not exceeding 169 564 679 (one hundred sixty-nine million five hundred sixty-four thousand six hundred seventy-nine) rubles 50 copecks;
- as to the following period of trust management – not exceeding values determined by the Initiator of management resolution.

5.) Should the Increment value be less than amount of basic remuneration, then payment of Trustee services is performed at the rate of the Increment.

6.) Balance of the Increment after basic remuneration payment will be distributed as follows: 70% (seventy percent) remain at Initiator of management disposal, 30% (thirty percent) are paid by the Initiator of management to the Trustee as remuneration.

The specified remuneration value includes VAT.

7.) Failing to achieve objectives provided in paragraphs 11-14 p. 7.1.3. within provided periods, then supplementary fee determined in p. 7.1.6. in this protocol will be paid to the Trustee for the relevant year.

7.1. Define that price of Trustee services on the Contract for trust management of IDGC shares, concluded between JSC RAO “UES of Russia” and JSC “FGC UES”, can not comprise 2 and more percent of balance sheet assets in JSC RAO “UES of Russia” according to data from JSC RAO “UES of Russia” financial statements as of 01.06.2007.

### **3. Extraordinary general meeting of shareholders held on 20.07.2007.:**

Resolution of JSC “FGC UES” Board of Directors under date of 29.06.07. approved the following agenda for the Extraordinary general meeting of shareholders:

1. Approval of a transaction (inter-related transactions) associated with placing of JSC “FGC UES” additional ordinary shares to the advantage of JSC RAO “UES of Russia”, which represents transaction of interest.
2. Approval of a transaction associated with acquisition of JSC RAO “UES of Russia” electric grid property, which earlier belonged to JSC “Kabbalkenergo”, by JSC “FGC UES”, this transaction is of interest.
3. Approval of a transaction associated with acquisition of JSC RAO “UES of Russia” electric grid property, which earlier belonged to JSC “Northern Caucasia energo”, by JSC “FGC UES”, this transaction is of interest.
4. Approval of a transaction associated with acquisition by JSC “FGC UES” of property of Unified digital communication system for energy (UDCSE), ATS Meridian -1 (option 11 C), non-residential premises (the Altai Territory, village Sibirsky), electric grid property, which earlier belonged to JSC “Kubanenergo” from JSC RAO “UES of Russia”, this transaction is of interest.

5. Approval of a transaction associated with acquisition by JSC “FGC UES” of JSC “Energostroykomplekt UES” shares pertaining to JSC RAO “UES of Russia”, which represents transaction of interest.
6. Introduction of alteration and appendices in the Company Articles of association.

**All items on the agenda were approved by resolution of the Extraordinary general meeting of shareholders.**

#### **4. Extraordinary general meeting of shareholders held on 14.12.2007:**

Resolution of JSC “FGC UES” Board of Directors under date of 16.10.07. approved the following agenda for the Extraordinary general meeting of shareholders:

1. On JSC “FGC UES” restructuring by joining to the following to the company: JSC RAO “UES of Russia”, JSC “State Holding”, JSC “Minority Holding FGC UES”, JSC “Amur Backbone Grid Company”, JSC “Arkhangelsk Backbone Grid Company”, JSC “Astrakhan Backbone Grids”, JSC “Belgorod Backbone Grid Company”, JSC “Bryansk Backbone Grid Company”, JSC “Vladimir Backbone Grids”, JSC “Vologograd Backbone Grids”, JSC “Vologda Backbone Grids”, JSC “Voronezh Backbone Grid Company”, JSC “Dagestan Backbone Grids”, JSC “Ivanovo Backbone Grids”, JSC “Kaluga Backbone Grid Company”, JSC “Karelian Backbone Grids”, JSC “Kirovsk Backbone Electric Grids”, JSC “Kola Backbone Grids”, JSC “Kostroma Backbone Grids”, JSC “Krasnoyarsk Backbone Grids”, JSC “Kuban Backbone Grids”, JSC “Kursk Backbone Grids”, JSC “Lipetsk Backbone Grids”, JSC “Backbone Grid Company Rostovenergo”, JSC “Backbone Grid Company”, JSC “Mari Backbone Grids”, JSC “Mordovian Backbone Grid Company”, JSC “Nizhni Novgorod Backbone Grid Company”, JSC “Omsk Backbone Grid Company”, JSC “Orenburg Backbone Grid Company”, JSC “Oryol Backbone Grid Company”, JSC “Penza Backbone Grid Company”, JSC “Perm Backbone Grid Company”, JSC “St. Petersburg Backbone Grids”, JSC “Primorski Backbone Grid Company”, JSC “Ryazan Backbone Grids”, JSC “Sverdlovsk Backbone Grids”, JSC “Smolensk Backbone Electric Grids”, JSC “Tambov Backbone Grid Company”, JSC “Tver Backbone Grids”, JSC “Tomsk Backbone Grids”, JSC “Tula Backbone Grid Company”, JSC “Tumen Backbone Grid Company”, JSC “Udmurt Backbone Grids”, JSC “Khabarovsk Backbone Grid Company”, JSC “Khakas Backbone Company”, JSC “Chelyabinsk Backbone Electric Grids”, JSC “Chuvash Backbone Grids”, JSC “Yakut Backbone Grid Company”, JSC “Yaroslav Backbone Grids”, JSC “Buryat Backbone Electric Grids”, JSC “Chita Backbone Grids”, JSC “Samara Backbone Company”, JSC “Saratov Backbone Company”, JSC “Kurgan Backbone Grid Company”, JSC “Backbone Electric Grid of the Komi Republic”, JSC “Backbone Electric Grids Kuzbassenergo”, JSC “Ulyanovsk Backbone Grids”, JSC “Tuva Backbone Grid Company”, JSC “IBGC “South”, JSC “IBGC “Ural”, JSC “IBGC “Siberia”, JSC “IBGC “North-West”, JSC “IBGC “East”, JSC “IBGC “Volga”, JSC “IBGC “Centre” (including approval of Contract of accession).
2. On determination of quantity, par value, category (type) of ordinary shares and rights carried by such shares.
3. On increase in JSC “FGC UES” authorized capital.
4. On introduction of alterations in JSC “FGC UES” articles of association.
5. On approval of Agency contract concluded between JSC “FGC UES” and JSC RAO “UES of Russia”, represents transaction settlement of which provides an interest.

**All items on the agenda were approved by resolution of the Extraordinary general meeting of shareholders.**

#### **10.5.2. Board of directors**

The Company Board of Directors performs general management of the Company business, except for issues which by the Federal law “On joint-stock companies” and these Articles of association are related to competence of the General meeting of shareholders. Board of Directors is governed by the Federal law “On

joint-stock companies”, other regulatory legal acts of the Russian Federation, the Company Articles of association and Regulations for JSC “FGC UES” Board of Directors.

Management by the Company over reporting period of 2007 was executed under the guidance of 2 convening (2006 and 2007) of JSC “FGC UES” Board of Directors.

Board of Directors elected on the annual General meeting of shareholders held on June 23, 2006 worked until 29.06.2007:

<b>Board of Directors elected by the decision of Annual general meeting of shareholders dated 23.06.2006.</b>	<b>Post in Board of Directors and data on Company share holdings</b>
Khristenko Victor Borisovich	Chairman of Board of Directors, is not a shareholder of the Company
Ayuev Boris Ilich	Deputy Chairman of Board of Directors, is not a shareholder of the Company
Voloshin Alexander Stalyevich	Member of Board of Directors, is not a shareholder of the Company
Gref German Oscarovich	Member of Board of Directors, is not a shareholder of the Company
Rashevsky Vladimir Valeriyevich	Member of Board of Directors, is not a shareholder of the Company
Ponomarev Dmitry Valeriyevich	Member of Board of Directors, is not a shareholder of the Company
Rappoport Andrey Natanovich	Member of Board of Directors, is not a shareholder of the Company
Udaltsov Yuri Arkadyevich	Member of Board of Directors, is not a shareholder of the Company
Chubais Anatoly Borisovich	Member of Board of Directors, is not a shareholder of the Company

Board of Directors elected on the General meeting of shareholders held on June 29, 2007 changed as compared to composition and quantity of Board of Directors, which had been elected on the previous General meeting of shareholders held on June 23, 2006, and comprised 11 persons, including 6 government representatives and 5 representatives from JSC RAO “UES of Russia”. Board of Directors previously consisted of 9 members, among them 5 government representatives and 4 representatives from JSC RAO “UES of Russia”.

In 2007 Board of Directors held 14 meetings, including one in compresence form, where 65 issues of different direction and nature were considered, among them issues concerning business management, financial and economic position of the Company, improvement in corporate governance, strategic objectives and other problems.

In 2007 the Company Board of Directors took a variety of important decisions, among them decisions associated with approval of the Program for the Company environmental policy on 2007-2009, Program for the Company insurance coverage on 2007, investment program on 2008 with a perspective to 2010, decision on additional issue of ordinary registered uncertified shares of the Company, and etc.

Moreover, one of the most important decisions was decision of Board of Directors dated 13.11.2007 on approval of JSC “FGC UES” participation in incorporated 100% companies: JSC «Specialized electric grid service company of Unified national electric grid», JSC «Main electric grid service of Unified national electric grid», JSC «Engineering and Construction Management Centre of Unified national electric grid».

Payment of remuneration to members of Board of Directors is performed based on Provision on payment of remuneration and compensation to JSC “FGC UES” Board of Directors, approved by JSC RAO “UES of Russia” Board of Directors on 10.03.2004.(protocol № 162) according to the following criteria:

1. Remuneration for participation in a Board of Directors meeting (without regard to form of holding) to a Board of Directors member is paid at the rate of threefold amount of minimal monthly tariff rate for a first rate

employee, established by Industry tariff agreement in RF electric energy complex, within seven calendar days after Board of Directors meeting.

2. When decision on payment of dividends on the Company ordinary shares following financial year results (or results of the first quarter/ six months / nine months) is taken by the general meeting of shareholders, then remuneration will be paid to a Board of Directors member, its amount is calculated with regard to dividend rate declared by the Company on ordinary shares and number of meetings where a Board of Directors member participated.

Moreover, expenses incidental to participation in Board of Directors meetings will be compensated to members of Board of Directors.

Data are as of 31.12.2007., remuneration is paid to all members of the Company Board of Directors to the amount of 1 278 thous. rub.

**The new Board of Directors was elected on the Company Annual general meeting of shareholders held on 29.06.2007, it included:**

### Board of Directors

*(Board of Directors elected on 29.06.2007.  
Posts are specified at the time of election)*



**Khristenko Victor Borisovich – Chairman of Board of Directors**

Year of birth: 1957  
Third level of education

Work status for the last 5 years:  
Period: 2003 - 24.02.2004  
Organization: Government of the Russia Federation  
Post: First Deputy Chairman, Deputy Chairman

Period: 05.03.2004 - date  
Organization: Ministry of Industry and Energy of the Russian Federation  
Post: Minister of Industry and Energy of the Russian Federation

Period: 2002 - date



**Chubais Anatoly Borisovich – Deputy Chairman of Board of Directors**

Year of birth: 1955  
Third level of education

Work status for the last 5 years:  
Period: 1998 - date  
Organization: JSC RAO "UES of Russia"  
Post: Chairman of the Board, Member of Board of Directors

Period: 2002 - date  
Organization: JSC "FGC UES"  
Post: Member of Board of Directors

Period: 2002 - date  
Organization: JSC "SO-CDA UES"  
Post: Member of Board of Directors

Period: 2005 - date  
Organization: JSC



**Ayuev Boris Ilich**

- Member of the Board of JSC RAO "UES of Russia", Chairman of the Board in JSC "SO-CDA UES"

Year of birth: 1957  
Third level of education

Work status for the last 5 years:  
Period: 2003 - 2004  
Organization: JSC "SO-CDA UES"  
Post: Deputy Chairman of the Board

Period: 2005 - date  
Organization: JSC "Federal hydro-generating company"  
Post: Member of Board of Directors

Period: 2005 - 2006  
Organization: CJSC "Agency for balance forecasting in the



**Askinadze Denis Arkadiyevich**

-Director of Department in the Ministry of Economic Development and Trade of the Russian Federation

Year of birth: 1957  
Third level of education

Work status for the last 5 years:  
Period: 2003 - 28.04.2003  
Organization: JSC "Lenenergo"  
Post: Operations manager for hydroelectric power plants

Period: 29.04.2003 - 19.07.2004  
Organization: CJSC "Aurora - management"  
Post: Director General of CJSC "Aurora - management"



**Voloshin Alexander Stalych**

Year of birth: 1956  
Third level of education

Work status for the last 5 years:  
Period: 2003  
Organization: Administration of President of the Russian Federation  
Post: Head

Period: 2003 - date  
Organization: JSC RAO "UES of Russia"  
Post: Chairman of Board of Directors

Period: 2004 - date  
Organization: JSC "FGC UES"  
Post: Member of Board of Directors

Period: 2004 - date  
Organization: JSC "SO-CDA UES"  
Post: Chairman of Board of Directors

<p>Organization: JSC "FGC UES"  Post: Member of Board of Directors</p>	<p>"Federal hydro-generating company"  Post: Member of Board of Directors</p>	<p>electric power industry"  Post: Member of Board of Directors</p>	<p>Period: 29.07.2004 - 30.09.2005  Organization: JSC "Lenenergo"  Post: director of economic department in JSC "Lenenergo"</p>	<p>Does not have share in the Company authorized capital</p>
<p>Period: 2003 - date  Organization: JSC OAO "UES of Russia"  Post: Member of Board of Directors</p>	<p>Does not have share in the Company authorized capital</p>	<p>Period: 2004 - date  Organization: JSC "SO-CDA UES"  Post: Chairman of the Board, Member of Board of Directors</p>	<p>Period: 1.10.2005 - 13.11.2006  Organization: JSC "Territorial generating company №1"  Post: head of economic department</p>	
<p>Period: 2000 - date  Organization: JSC "Gasprom"  Post: Member of Board of Directors</p>		<p>Period: 2004 - date  Organization: JSC RAO "UES of Russia"  Post: Member of the Board</p>	<p>Period: 14.11.2006r. - date  Organization: Ministry of Economic Development and Trade  Post: director of department for state regulation of tariffs and infrastructure reforms in the Ministry of Economic Development and Trade</p>	
<p>Period: 2004 - date  Organization: JSC "AK Transneft"  Post: Member of Board of Directors</p>		<p>Period: 2004 - date  Organization: JSC "FGC UES"  Post: Member of Board of Directors</p>		
<p>Period: 2004 - date  Organization: JSC "SO-CDA UES"  Post: Member of Board of Directors</p>		<p>Does not have share in the Company authorized capital</p>		
<p>Period: 2005 - date  Organization: JSC "HydroOGK"  Post: Member of Board of Directors</p>			<p>Does not have share in the Company authorized capital</p>	
<p>Period: 2005 - date  Organization: JSC "KAMAZ"  Post: Member of Board of Directors</p>				
<p>Period: 2006 - date  Organization: LLC "International consortium for management and development of the Ukraine gas-transport system"  Post: Member of Board of Participants</p>				
<p>Does not have share in the Company authorized capital</p>				



**Support  
Gref German  
Oscarovich**

Year of birth: 1964  
Third level of education  
Work status for the last 5 years:  
Period: 2003 - 24.02.2004  
Organization: Ministry of Economic Development and Trade of the Russian Federation  
Post: Minister

Period: 25.02.2004 - 09.03.2004  
Organization: Ministry of Economic Development and Trade of the Russian Federation

Period: 09.03.2004 - 24.09.2007  
Organization: Ministry of Economic Development and Trade of the Russian Federation  
Post: Minister of Economic Development and Trade of the Russian Federation

Period: 2004 - date  
Organization: JSC "SO-CDA UES"  
Post: Member of Board of Directors

Period: 2004 - date  
Organization: JSC "SO-CDA UES"  
Post: Member of Board of Directors

**Gref German Oscarovich**

Year of birth: 1964  
Third level of education  
Work status for the last 5 years:  
Period: 2003 - 24.02.2004  
Organization: Ministry of Economic Development and Trade of the Russian Federation  
Post: Minister

Period: 25.02.2004 - 09.03.2004  
Organization: Ministry of Economic Development and Trade of the Russian Federation

Period: 09.03.2004 - 24.09.2007  
Organization: Ministry of Economic Development and Trade of the Russian Federation  
Post: Minister of Economic Development and Trade of the Russian Federation

Period: 2004 - date  
Organization: JSC "SO-CDA UES"  
Post: Member of Board of Directors

Period: 2004 - date  
Organization: JSC "SO-CDA UES"  
Post: Member of Board of Directors

**Medvedev Yuri Mitrifanovich**

Year of birth: 1948  
Third level of education  
Work status for the last 5 years:  
Period: 2002-12.05.-2004  
Organization: Ministry of Property Relations of the Russian Federation  
Post: First Deputy Minister of Property Relations of the Russian Federation

Period: 13.05.2004 - date  
Organization: Federal Agency for Federal Property Management of the Russian Federation  
Post: deputy director of the Federal Agency for Federal Property Management

Does not have share in the Company authorized capital

**Rashevsky Valdimir Valeryevich**

Year of birth: 1973  
Third level of education  
Work status for the last 5 years:  
Period: 2003 - 2004  
Organization: AKB "MDM-Bank"  
Post: Chairman of the Board

Period: 2004-2004  
Organization: Holding company "Siberian coal energy company"  
Post: Director General (president)

Period: 2004 - date  
Organization: JSC "SUEK"  
Post: Director General

Does not have share in the Company authorized capital

**Udaltsov Yuri Arkadiyevich**

Year of birth: 1961  
Third level of education  
Work status for the last 5 years:  
Period: 2003 - 29.03.2004  
Organization: JSC RAO "UES of Russia"  
Post: Head of Department of electric power industry reforming

Period: 29.03.2004 - 28.04.2004  
Organization: JSC RAO "UES of Russia"  
Post: member of the Board, Head of Department of electric power industry reforming

Period: 2005 - 2006  
Organization: Nonprofit Partnership "Coordinator of gas market"  
Post: Member of Supervisory Board

Period: 28.04.2004 - date  
Organization: JSC RAO "UES of Russia"  
Post: member of the Board, Manager of Reform Management Centre

Period: 2004 - date  
Organization: JSC "FGC UES"  
Post: member of Board of Directors

Period: 2004 - date  
Organization: Nonprofit Partnership "Trade System Administrator of wholesale energy market of Unified

**Dementyev Andrey Vladimirovich**

Year of birth: 1967  
Third level of education  
Work status for the last 5 years:  
Period: 2003 - 2004  
Organization: RF Government  
Post: deputy head receptionist of the first deputy Chairman of RF Government  
Khistenko V.B.

Period: 2004-2005  
Organization: Ministry of Industry and Energy of Russia, Moscow  
Post: director of Department of structural and investment policy in industry and energy of Russia's industry and energy ministry, Moscow.

Period: beginning on 8.12.2005 - date  
Organization: Russia's industry and energy ministry  
Post: deputy Minister of industry and energy of Russia

Organization: "INTER RAO Chairman of Board of Directors Period: 2004 -	date Organization: Central Bank of the Russian Federation Post: member of the National Banker's Council	Energy System" Post: Member of Supervisory Board  Period: 2004 - date Organization: JSC "Mosenergo" Post: member of Board of Directors
Organization: JSC "SO-CDA UES" Member of Board of Directors Period: 2004 -	Period: 2005 - date Organization: JSC "Gazprom" Post: Member of Board of Directors	Period: 2004 - date Organization: JSC "SO-CDA UES" Post: member of Board of Directors
Organization: "INTER RAO Balkans" Member of Board of Directors Period: 2004 -	Period: 2005 - date Organization: JSC RAO "UES of Russia" Post: Member of Board of Directors	Period: 28.02.2005 - date Organization: JSC "Management energy company" Post: member of Board of Directors
Organization: JSC "Energy System" member of Supervisory Board Period: 2004 -	Period: 2006 - date Organization: JSC "Agency for mortgage credit insurance" Post: Chairman of Supervisory Board	Period: 2005 - date Organization: CJSC "Agency for balance forecasting in the electric power industry" Post: member of Board of Directors
Organization: JSC "C Centre and Eastern Asia" Member of Board of Directors Period: 2007 -	Period: 2006 - date Organization: Joint-stock Commercial Savings Bank of the Russian Federation (open joint-stock company) Post: member of Supervisory Board	Period: 2005 - date Organization: JSC "Moscow management energy company" Post: member of Board of Directors
Organization: JSC "C South" Member of Board of Directors Period: 2005 -	Period: 28.11.2007 - date Organization: Joint-stock Commercial Savings Bank of the Russian Federation (open joint-stock company) Post: President, Chairman of the Board	Period: 2006 - date Organization: JSC "Moscow urban electric grid company" Post: member of Board of Directors
Organization: RAO "Uralc OY" Member of Board of Directors Period: 2005 -	Does not have share in the Company authorized capital	Does not have share in the Company authorized capital
Organization: JSC "ROOGK" Member of		

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Member of  
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Data on size of remuneration, benefits and compensation for expenses are given for each management body.

**The Company Board of Directors:**

Income amount for all members of Board of Directors in 2007:

26 228 914.96 rub.

Including:

Salaries and emoluments: 3 961 848.28 rub.

Premiums: 18 763 709. 00 rub.

Other property presentation: 3 503 357.68 rub.

### ***10.5.3. Committees attached to the Company Board of Directors***

#### **Committees attached to Board of Directors**

2 committees worked in the Company in 2007:

1. Reliability committee;
2. Remuneration committee .

**Reliability committee** was formed to solve the following tasks:

1. Development and submission of recommendations (certificates) to the Company Board of Directors according to the following lines of Board of Directors activity:

- expert examination for investment programs and plans for energy facilities repair, analysis of their implementation in respect to requirements of complete reliability;
- evaluation of completeness and adequacy of measures according to results obtained after emergencies and major technological violations, as well as control for their performance;
- control and evaluation of the Company technical services in a part: providing complete reliable operation of grid and generating equipment and structures; providing normal status of fixed assets and communication on predictable risks of reliability in their operation;
- analysis of measures directed on to fulfillment of contractual and economic mechanisms for reliability management.

2. Quarterly information distribution for the Company Board of Directors with a report in relation to status of energy facilities fixed assets in the Company.

Resolution of the Company Board of Directors dated 04.04.2007 approved the following composition for Reliability committee in JSC “FGC UES” Board of Directors:

V.K. Pauli	Member of the Board, alternate technical director – senior technical inspector of JSC RAO “UES of Russia”, Chairman of Reliability committee in JSC “FGC UES” Board of Directors;
M.I. Chichinsky	Head of Department of technical inspection in JSC “FGC UES”;
A.N. Chistyakov	Chief Deputy Chairman of JSC “FGC UES”;
V.A. Vasiliyev	Deputy Chairman of JSC “FGC UES”;
N.G. Shulginov	Deputy Chairman of JSC “SO-CDA UES”;
V.K. Kraynirov	First Deputy Director of Central office for commercial dispatching of FSUE group of companies “Rosenergoatom”.

**Remuneration committee** was formed to solve the following tasks:

1. Development of principles and criteria within remuneration and material incentives area of:
  - members of the Company Board of Directors, Chairman of the Company Board of Directors;
  - members of the Company Management Board, Chairman of the Board;
  - members of the Company Audit commission, Chairman of the Company Audit commission.

Resolution of the Company Board of Directors dated 07.03.2006. approved the following composition for Remuneration committee in JSC “FGC UES” Board of Directors:

Y.A. Udaltsov	Member of the Company Board of Directors, Chairman of Remuneration committee in JSC “FGC UES” Board of Directors;
S.N. Ivanov	Member of the Company Board of Directors
D.V. Ponomarev	Member of the Company Board of Directors

Resolution of the Company Board of Directors dated 14.04.2007. a member of Board of Directors Dementyev A.V. was introduced in composition of Remuneration committee in JSC “FGC UES” Board of Directors and powers of a Committee member – Ivanov S.N. were terminated.

In 2008 resolution of Board of Directors dated 15.02.2008. changed the name of Remuneration committee into Committee for personnel and remuneration, and created one more Audit committee attached to the Company Board of Directors.

#### ***10.5.4. Management Board***

Management of the Company current performance is carried out by the sole executive body – Chairman of the Company Management Board and collegial executive body - Management Board of the Company.

The Board and Chairman of the Company are accountable to the General meeting of shareholders and Board of Directors of the Company.

The Company Board works under Articles of association and Provision on Management Board of the Company.

The Board competence includes the following issues:

1) development and submission of the Company business priorities and long-term plans for their implementation under Board of Directors consideration;

2) preparation of report on adherence to decisions taken by General meeting of shareholders and Board of Directors of the Company;

3) exercise of (with regard to pp. 26 p. 15.1 of these Articles) powers of shareholders' meetings of affiliated joint stock companies, all voting shares of which belong to the Company in accordance with their constitution and on other lawful business;

4) appointment (with regard to pp. 26 p. 15.1 of these Articles) of the Company representatives to participate in management bodies of organizations with any organizational legal forms, where the Company participates, except for Company representatives on members' meetings in the specified organizations;

5) recommendation of candidates for the sole executive body post in organizations with any organizational legal forms, where the Company participates;

6) submission under Board of Directors consideration of reports on financial and economic activities in subsidiaries, shares (stakes) of which belong to the Company, as well as information on other organizations where the Company participates;

7) hearing reports of deputy Chairmen of the Company Board, managers from the Company structural subdivisions on results of approved plans, programs, instructions implementation, consideration of reports, documents and other information concerning business of the Company and its subsidiaries;

8) solution of other problems associated with management for the Company current performance in accordance with decisions made by General meeting of shareholders, Board of Directors in the Company, as well as problems submitted for the Board consideration by the Company Chairman of the Board.

## **Management Board**

*(data are as of December 31, 2007)*



### **Chairman of the Board**

Rappoport Andrey Natanovich

#### **PREVIOUS PROFESSIONAL EXPERIENCE**

29.03.2004 – date	Member of JSC RAO “UES of Russia” Management Board, Moscow
26.06.2002 – date	Chairman of JSC “FGC UES” Management Board, Moscow
01.07.1998- 28.03.2004	Deputy Chairman of the Board in JSC RAO “UES of Russia”, Moscow
01.07.1998- 28.03.2004	Member of the Board in JSC RAO “UES of Russia”, Moscow
<b>Date of birth</b>	22.06.1963
<b>Education</b>	01.09.1984 – 21.06.1989 – third level of education, Donetsk State University, economist, candidate of sociological science

*Forming of strategy and objectives for the Company development for economic and financial issues, financial accounting and reporting, production and business activities, human resources management, scientific and technological, investment and corporate policy, security enforcement, legal groundwork for the Company business, organization of the Company business*



### **Chief Deputy Chairman**

Chistyakov Alexander Nikolayevich

### **PREVIOUS PROFESSIONAL EXPERIENCE**

01.10.2002 – date Chief Deputy Chairman of JSC “FGC UES”, Moscow  
14.11.2001- Member of the Board, Director for investment policy of JSC RAO  
30.09.2002 “UES of Russia”, Moscow

**Date of birth** 25.01.1973

**Education** 01.09.1990 – 29.12.1995 – third level of education, St. Petersburg,  
Institute of economics and finances «Interserting», economist

*Forming and implementation of the Company investment policy, scientific and technological of the Company, asset management, technology management, including information technologies, forming of efficient business in the distribution grid companies (IDGC and DGC), control of business in the Company affiliates – MES*

### **Executives**



Vasiliyev Victor Alexejevich

### **PREVIOUS PROFESSIONAL EXPERIENCE**

19.12.2002 – date Deputy Chairman of JSC “FGC UES” (Block of technical maintenance  
and repair)

**Date of birth** 05.02.1944

**Education** 01.09.1961 – 19.12.1966 – third level of education, Tomsk, Tomsk  
technological university named for S.M. Kirov, electrical engineer,  
Candidate of Engineering Science

*Forming and implementation of the policy for operation and repair of UNEG facilities, control over management in the Company service affiliates (Elektrosetservice, TMR MES)*



Demin Andrey Alexandrovich

### **PREVIOUS PROFESSIONAL EXPERIENCE**

28.04.2007 – date	Deputy Chairman of JSC “FGC UES”, Moscow (Block of financial activity)
05.04.2007 – 27.04.2007	Member of the Board, Manager of Management Centre for Interregional Grid Complexes in JSC “FGC UES”, Moscow
01.09.2005 – 04.04.2007	Manager of Management Centre for Interregional Grid Complexes in JSC “FGC UES”, Moscow
21.03.2005 – 31.08.2005	Head of Department for management of regional grid complexes in JSC “FGC UES”, Moscow
20.09.2004- 19.03.2005	Contract labour in Department for management of regional grid complexes in JSC “FGC UES”, Moscow
02.08.2004- 24.09.2004	Examiner-in-chief of Department for business-planning in Corporate Centre of JSC RAO “UES of Russia”, Moscow

**Date of birth** 28.04.1974

**Education** 01.09.1996 – 23.06.1999 – third level of education, Zaporozhye state institute, mathematician  
01.09.1996 – 23.06.1999 – third level of education, Zaporozhye institute of economics and information technologies, economist

*Organization of financial and economic processes in the Company, providing cost effectiveness in the Company*



Kazakov Alexander Ivanovich

**PREVIOUS PROFESSIONAL EXPERIENCE**

- 15.08.2007- date JSC “Federal Grid Company of Unified Energy System”, Moscow; Deputy Chairman
- 28.12.2005- 14.08.2007 Open joint-stock company “Moscow management energy company” (JSC “MUEC”), Moscow: - Director General
- 21.12.2001- 26.12.2005 Federal Council of Federal Assembly of the Russian Federation, Moscow: - Member of Federal Council of Federal Assembly of the Russian Federation

**Date of birth** 24.05.1948

**Education** 01.09.1966 - 18.06.1971, third level of education, Moscow engineering-economical institute named after S. Ordzhonikidze, engineer-economist, doctor of economic science.

*Coordination of issues concerning distribution grid complex, shares of which are in trust management of the Company*



Tuzov Mikhail Yuriyevich

**PREVIOUS PROFESSIONAL EXPERIENCE**

- 01.10.2002 – date Deputy Chairman of JSC “FGC UES”, Moscow (Block of corporate governance)
- 25.12.2001- 30.09.2002 Manager of Director's office for incorporation of the Federal grid Company of RAO “UES of Russia”, Moscow
- Date of birth** 18.09.1966
- Education** 01.09.1983 – 17.02.1989 – third level of education, Moscow, Moscow energy institute, engineer designer-technologist

*Implementation of corporate policy and legal groundwork for the Company business, organization of human resources management, organizational designing and development of the Company and Subsidiaries*

**Member of the Board, Director for industrial engineering and construction management, manager of Engineering and Construction Management Centre**



Maslov Alexei Victorovich

### **PREVIOUS PROFESSIONAL EXPERIENCE**

02.04.2007 – date	Member of the Board, Director for industrial engineering and construction management, manager of Engineering and Construction Management Centre
25.01.2007 – 01.04.2007	Member of the Board, Director for capital construction
12.10.2005 – 24.01.2007	Member of the Board, Director for asset management and investment
01.05.2005 – 11.10.2005	Director for asset management and investment of JSC “FGC UES”, Moscow
19.09.2002 – 30.04.2005	Director for investment and capital construction of JSC “FGC UES”, Moscow
<b>Date of birth</b>	13.05.1975
<b>Education</b>	01.09.1992 – 26.06.1998 – third level of education, Moscow, Moscow state technical university named after N.E. Bauman mechanical engineer 01.09.1998 – 25.12.2000 – third level of education, Moscow, Finance academy under the government of Russian Federation Economist Candidate of economic science

### *Organizing processes for investment and construction of the Company facilities*

Income amount for all members of **the Company Management Board** in 2007: 90 373 277.91 rub.

Including:

Salaries and emoluments: 29 697 852.67 rub.

Premiums: 60 169 990.00 rub.

Other property presentation: 505 435.24 rub.

Chairman of the Board acts on behalf of the Company without power of attorney, namely:

- settles transactions on behalf of the Company, gives powers of attorney, opens settlement and other accounts for the Company in banks;
- disposes the Company property at his own discretion with regard to restrictions provided by the applicable laws and these Articles of association;
- employs and dismisses the Company employees, takes incentives and disciplinary penalties to them;
- organizes work for the Company Board and takes the chair on its meetings;
- submits proposals concerning appointment and dismissal of members of the Board to Board of Directors;
- approves personnel arrangements and official salaries for the Company employees;
- distributes duties among deputies of Chairman;
- provides implementation of the Company business plans required for his tasks solution;

- approves Provision on the Company affiliates and representative offices;
- approves provisions of the Company on issues related to the Chairman competence;
- organizes maintenance of business accounting and financial statements in the Company;
- makes decrees, approves instructions and other internal documents of the Company, gives directions binding for all the Company employees;
- not later than 45 (forty-five) days prior to a date when the Company General meeting of shareholders will be held he submits annual report, accounting balance-sheet, profit and loss statement, distribution of profits and losses of the Company to Board of Directors;
- quarterly submits to Board of Directors plans for the Company Board activities (including plans for transactions settlement as specified in pp. 28 paragraph 15.1 of these Articles, as well as similar transactions settled by subsidiaries), and also reports on these plans implementation (among them reports on settlement of transactions indicated in pp. 28 paragraph 15.1 of these Articles, as well as similar transactions settled by subsidiaries). Format for the specified plans and reports on the Company Board activities is approved by resolution of Board of Directors;
- appoints the Company representatives on members' meetings of business entities, shares and stakes of which belong to the Company;
- solves other problems within current performance of the Company, except for issues related to the competence of General meeting of shareholders, Board of Directors and Board of the Company.

#### **10.5.5. Audit commission**

General meeting of shareholders annually elects an Audit commission with a view to exercise control over the Company financial and economic activities.

Competence of the Company Audit commission includes as follows:

- 1) confirmation of reliability for data containing in an annual report, accounting balance-sheet, profit and loss statement of the Company;
- 2) analysis of the Company financial position, finding reserves to improve the Company financial position and development of recommendations for the Company management bodies;
- 3) organization and execution of check (audit) in the financial and economic activities, in particular:
- 4) check (audit) of financial, accounting, payment and settlement and other documents of the Company, which are associated with the Company financial and economic activities, with respect to their compliance with the Russian Federation laws, Articles of association, internal and other documents of the Company;
- 5) control for safeguard and application of main assets;
- 6) control for compliance with the established procedure for writing-off of insolvent debtors outstandings as the Company losses;
- 7) control for the Company funds application in accordance with business-plan and budget approved in the Company;
- 8) control for forming and utilization of a reserve and special funds of the Company;
- 9) testing validity and expediency for distribution and payment of dividends on the Company shares, bond interest charges, revenue of other securities;
- 10) check performance of earlier issued instructions in relation to removal of violations and defects discovered by previous checks (audits);
- 11) other actions (measures) associated with audit in the Company financial and economic activities.

The Company Audit commissions of 2 conveying (2006 and 2007) worked in reporting period of 2007.

The following composition of Audit commission elected on the Annual general meeting of shareholders held on June 23, 2006 worked until 29.06.2007:

1. Sidorov Sergei Borisovich                      - Head of Department of financial audit in JSC RAO "UES of Russia"

2. Morozov Mikhail Afanasiyevich - Deputy head of Department of internal audit in Corporate Centre of JSC RAO "UES of Russia" – head of division for audit performance
  
3. Gabov Andrey Vladimirovich - Head of Department of corporate governance in Corporate Centre of JSC RAO "UES of Russia"
  
4. Baitov Anatoly Valeriyevich - Director of Director's office for financial control and internal audit in JSC "FGC UES"
  
5. Lelekova Marina Alexejevna - Deputy Director of Director's office for financial control and internal audit in JSC "FGC UES"

The new composition for the Company Audit commission was elected on the Annual general meeting of Company shareholders held on 29.06.2007., it included the following employees:

1. Baitov Anatoly Valeriyevich - Director of Director's office for financial control and internal audit in JSC "FGC UES"
  
2. Gabov Andrey Vladimirovich - Head of Department of corporate governance in Corporate Centre of JSC RAO "UES of Russia"
  
3. Lelekova Marina Alexejevna - Deputy Director of Director's office for financial control and internal audit in JSC "FGC UES"
  
4. Sidorov Sergei Borisovich - Head of Department of financial audit in JSC RAO "UES of Russia"
  
5. Chernyshov - Adviser of Office for property of commercial sector organizations in the Federal Agency for Federal Property Management

Payment of remuneration to members of the Company Audit commission is performed under Provision on payment of remuneration and compensation to the Audit commission members, approved by resolution of JSC RAO "UES of Russia" Board of Directors under date of 06.11.2002 (protocol № 131).

Income amount for all members of the **Audit commission** in 2007:

3 879 836.42 rub.

Including:

Salaries and emoluments: 2 768 375.92 rub.

Premiums: 744 231.00 rub.

Other property representation: 367 229.50 rub.

## **10.6. Data on nominating procedure for the Company Board of Directors, convene procedures, submission procedures for items on agenda of annual and extraordinary general meetings of shareholders, submission procedures for items for the Company Board of Directors**

### ***10.6.1. Data on convening order and holding meeting (session) of supreme management body in the Company***

Supreme management body of the Company is General meeting of shareholders.

Notification procedure for shareholders (participants) about meeting (session) of the issuer supreme management body is as follows:

In accordance with article 52 in Federal law “On joint-stock companies” (hereinafter – the Law) notification about general meeting of shareholders must be made not later than 20 days, and notification about general meeting of shareholders with agenda containing issue of company restructuring - not later than 30 days prior to a meeting date. In case provided in paragraph 2, article 53 of the Law, notification about extraordinary general meeting of shareholders must be sent not later than 50 days prior to a meeting date.

Notification about General meeting of shareholders is sent (either served) to every person specified in a list of persons enjoying a right to participate in the General meeting of shareholders, it is published by the Company in a newspaper “Rossiyskaya gazeta”, and also is arranged on the Company web-site in the Internet not later than 30 (thirty) days prior to the meeting date.

Subject to a person registered in the Company shareholder register is a nominee shareholder, then notification about General meeting of shareholders will be sent to address of a nominee shareholder, if the list of persons who have right to participate in the General meeting of shareholders does not contain the other postal address where notification about the General meeting of shareholders can be sent.

Subject to a person registered in the Company shareholder register is a nominee shareholder, then notification about General meeting of shareholders will be sent to address of a nominee shareholder, if the list of persons who have right to participate in the General meeting of shareholders does not contain the other postal address where notification about the General meeting of shareholders can be sent. In the event if notification about the General meeting of shareholders is sent to a nominee shareholder, he is obliged to bring it to attention of his clients in order and on time established by legal acts of the Russian Federation or by client agreement.

### ***10.6.2. Persons (bodies) which have a right to convene (require holding) of extraordinary meeting (session) of the Company supreme management body, as well as procedure for sending (presentation) of such requests***

In accordance with article 55 of the Law, extraordinary general meeting of shareholders will be held by the decision of the company Board of Directors (Supervisory Board) under its own discretion, request of the company audit commission (supervisor), company auditor, as well as shareholders (shareholder), which are holders of not less than 10 percent of company voting shares as of the date of request submission. Convene of extraordinary general meeting of shareholders as requested by audit commission (supervisor) of the company, company auditor or shareholders (shareholder), which are holders of not less than 10 percent of company voting shares, is performed by the company board of directors (supervisory board). Request for extraordinary general meeting of shareholders must contain worded questions to be introduced in the meeting agenda. Request for extraordinary general meeting of shareholders may have statement of decisions for each of these questions, and also proposal concerning form of general meeting of shareholders holding. Subject to request for convene of extraordinary general meeting of shareholders does contain proposal on nomination of candidates, then appropriate provisions in article 53 of the Law will apply to such proposal. Subject to request for convene of extraordinary general meeting of shareholders proceeds from shareholders (shareholder), it must contain names (titles) of shareholders (shareholder), who demand for convene of such meeting, and specification of number, category (type) of their shares. Request for convene of extraordinary general meeting of shareholders is signed by persons (person) who require for holding of extraordinary general meeting of shareholders.

### ***10.6.3. Procedure for determination of a meeting (session) date of the Company supreme management body***

In accordance with article 47 of the Law the annual general meeting of shareholders is held in time established by the company articles of association, but not earlier than two months and not later than six months after yearly closure. In accordance with article 54 of the Law the company board of directors (supervisory board) determines date, place, time for general meeting of shareholders when preparing to hold general meeting of shareholders.

Extraordinary General meeting of shareholders convened as requested by Audit commission (supervisor) of the Company, Company auditor or shareholders (shareholder), who are holders of not less than 10 percent of Company voting shares (hereinafter – persons enjoying a right to convene General meeting of shareholders), must be held within 40 days from date when request for extraordinary General meeting of shareholders is submitted.

Should suggested agenda for extraordinary General meeting of shareholders contain a question on election of members of the Company Board of Directors (Supervisory Board), who must be elected by cumulative voting, then this General meeting of shareholders must be conducted within 70 days from date when request for extraordinary General meeting of shareholders is submitted.

In cases when in accordance with the Federal law “On joint-stock companies” the Company Board of Directors is obliged to make a decision on holding of extraordinary General meeting of shareholders in order to elect members of the Company Board of Directors, then such General meeting of shareholders must be conducted within 70 days from date when decision on its holding is taken by the Company Board of Directors.

### ***10.6.4 Persons who have a right to offer proposals in agenda of meeting (session) of the Company supreme management body, and also procedure for such proposals***

Shareholders (shareholder), who as a whole are holders of no less than 2 percent of the Company voting shares, have a right to introduce questions in agenda of the annual General meeting of shareholders and nominate candidates for the Company Board of Directors and Audit commission, number of these candidates can not exceed quantitative composition of the appropriate body. These proposals must come in the Company not later than 60 days after yearly closure.

Proposal on introduction of questions in agenda of General meeting of shareholders and proposal on candidates nomination coming from shareholders (shareholder) are made in written form with specification of name (title) for shareholder (shareholders) representing proposals or requests to convene extraordinary meeting, number and category (type) of their shares.

Subject to suggested agenda for extraordinary General meeting of shareholders contains a question on election of members for the Company Board of Directors, who must be elected by cumulative voting, then shareholders (shareholder) of the Company, who as a whole are holders of no less than 2 percent of the Company voting shares, have a right to nominate candidates for election in the Company Board of Directors, number of which may not exceed quantitative composition in the Company Board of Directors. These proposals must come in the Company not later than 30 days prior to date of extraordinary General meeting of shareholders.

### ***10.6.5. Persons who have a right to survey information (materials) presented for preparation and holding of meeting (session) of the Company supreme management body, as well as procedure for familiarization with such information (materials)***

Information (materials) within 20 days, and in case of General meeting of shareholders agenda of which contains question on the Company restructuring, within 30 days after holding of General meeting of shareholders must be available to persons who have a right to participate in General meeting of shareholders for examination in the Company management body office and in other places, addresses of which are specified in notification about General meeting of shareholders.

The specified information (materials) must be available for persons who have a right to participate in General meeting of shareholders during holding of the meeting.

The Company is obliged upon request of person enjoying right to participate in General meeting of shareholders to provide copies of the indicated documents to him. Payment taken by the Company for these

copies may not exceed expenditures connected with their reproduction.

***10.6.6. Procedure for disclosure (bringing to attention of the Company shareholders) of decisions taken by the Company supreme management body, and also vote returns***

In case when General meeting of shareholders of the Company is held in form of meeting (compresence):

Subject to vote returns and decisions taken by the Company General meeting of shareholders are not disclosed on General meeting then not later than 10 (ten) days after drawing up protocol about vote returns and decisions made by the Company General meeting of shareholders, as well as vote returns will be published by the Company in newspaper “Rossiyskaya gazeta”.

In case when General meeting of shareholders is held in form of absent voting:

Decisions made by General meeting of shareholders, as well as vote returns in form of report on vote returns not later than 10 (ten) days after drawing up protocol about vote returns will be published in newspaper “Rossiyskaya gazeta”.

**10.7. Journal of transactions settled by the Company in 2007**

- see Attachment No. 5 to this annual report of the Company.

## 11. Human resources management and social policy.

### Social partnership

In 2007 the guidelines for JSC “FGC UES” business with regard to human resources management were as follows:

- Implementation of the Company strategy in the context of human resources management;
- Optimization of the Company organization structure and management structure;
- Expansion of programs for personnel reserve development in the Company;
- Improvement of organization, development and training of different grades;
- Program development in order to optimize remuneration system, motivation system, preference schemes and compensation system for the Company employees.

#### 11.1. Personnel and qualitative employees

As of 01.01.2008 JSC “FGC UES” personnel numbered 21 019 employees.

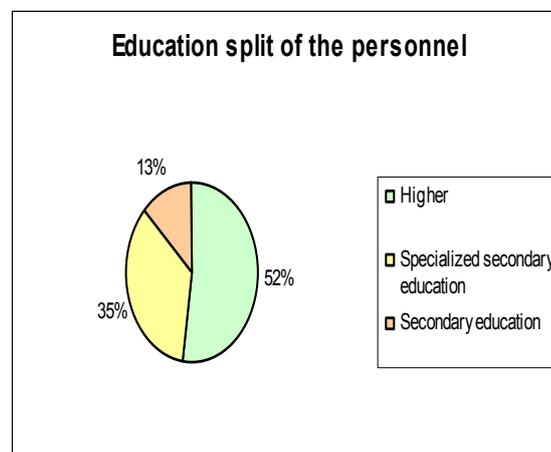
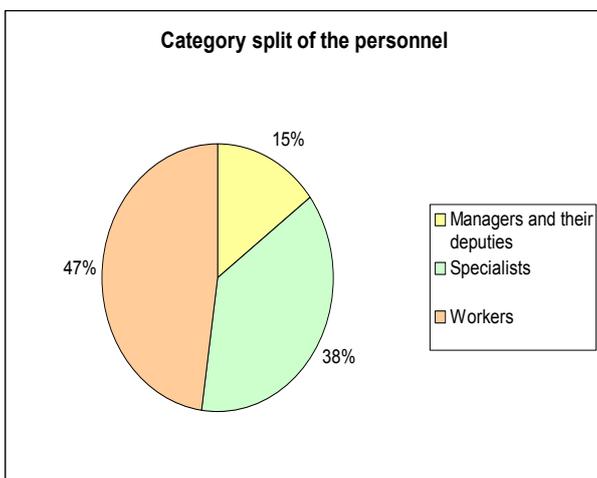
Within an accounting period the accountable personnel in Company increased by 5.36%. This growth occurred in accordance with reforming programs in the electric power industry when organization structures were formed and business processes were designed vertically in JSC “FGC UES”, they provided operation of UNEG facilities received by JSC “FGC UES” from AO-energo for repair-operation maintenance.

Name of subdivision	Personnel, men
Executive office	756
MES Centre	2 693
TMR MES Centre	2 886
MES North-West	1 167
TMR MES North-West	701
MES Volga	761
TMR MES Volga	949
MES South	947
TMR MES South	927
MES Ural	1 523
MES Western Siberia	862
TMR MES Ural and Western Siberia	1 630
MES Siberia	1 498
TMR MES Siberia	1 639
MES East	585
TMR MES East	730
Elektrosetservice	785
Total	21 019

**Qualitative employees of JSC “FGC UES” as of 01.01.2008**

Grade	Among them			Education			
	Up to 30 years	30 - 50 years	Pension age /over 50 years	Higher education	including candidates and doctors of engineering	Specialized secondary education	Secondary education
Managers and their deputies	8%	65%	27%	86%	2%	14%	0,4%
Specialists and office workers	27%	56%	17%	81%	1%	18%	1%
Employees	20%	55%	25%	19%	0%	54%	27%
Total	21%	57%	22%	52%	1%	35%	13%

Grade	men
Total	21 019
including office and management personnel	8 126
Personnel structure of the affiliates according to activity category	
Operating personnel	8 612
including production personnel	6 242
Maintenance personnel	8 237
Employees for Information-Technological and Communication Systems (ITCS)	1 552
Mechanization and transport workers	1 862



## 11.2. Personnel reserve

Personnel reserve in the Company has a multilevel structure:

1. Corporate personnel reserve of the Company – involves deputies of director general who demonstrate a high level of professional and managerial competences development.
2. Tactical personnel reserve – is formed from managers of the affiliate structural subdivisions, who in accordance with rating have obtained high results and have been chosen in the course of specialized rating events. They will be ready to hold key positions 2-3 years after goal-oriented and special developing measures, as well as owing to serious individual work.
3. Strategic personnel reserve – it is a «gold reserve» in every affiliate, which faces a long distance to the top of managerial skills. Program for their development and training is designed for 4-5 years.

In 2007 the Company Strategic Personnel Reserve was formed from among the best representatives of affiliates, who had been chosen according to results of a rating business-game “Game of Light”. Training program, which includes blocks for management and human resources, economics and finances, personal efficiency of manager, was designed in 2007 for the purpose of reserve personnel development. In 2008 it is planned to continue implementation of the specialized program designed for the Company strategic personnel reserve. Except for training, the program provides trainee jobs for reserve personnel on the best entities in Company, attraction of reserve personnel in interfunctional projects, discharge of immediate supervisor duties, and managers of other analogous or adjacent subdivisions as well.

In accordance with results of rating/certification, which was performed in 2007 for more than 2280 managers of structural subdivisions in the affiliates, the Tactical personnel reserve for affiliates was formed. The Company Tactical personnel reserve, which will be included in a comprehensive training and development program, will be formed in 2008 summarizing results of the business-game.

At the same time, an objective consisting in newcomers’ attraction is of current interest for the Company in order to increase reliability and achieve high results in the longer term. Programme of cooperation with leading higher education establishments of Russia was implemented in 2007, 61 senior students of engineering occupation were involved in practice and got trainee jobs for the following employment in the Company.

### **11.3. Managerial improvement**

In 2007 the large-scale reforming in JSC “FGC UES” structure was continued, it provided progress in changes of previous years which were oriented to JSC “FGC UES” reorganization into a management company and preparation of transition to competitive market relations in production sphere of operation, technical maintenance and repair of the backbone electric grids.

Practical interaction of the Company affiliates was performed in circumstances when technical maintenance and repair of the backbone electric grids were separated in the new seven TMR MES affiliates for technical maintenance and repair of the backbone electric grids with regional TMR MES entities.

The Surgut TMR Enterprise for HVL maintenance was created in the affiliate TMR MES Ural and Western Siberia with a view to develop production infrastructure of technical maintenance and repair in the Western Siberia region.

Functions for MES (PMES) affiliates as a customer of assets diagnostics were adjusted in an attempt to organize in JSC “FGC UES” functioning of a system designed for diagnostics, enhancement of asset management efficiency, optimization of costs incidental to technical maintenance and repair, and provision of reliable operation for UNEG facilities. Size for (staff building) diagnostic MES (PMES) services was defined and their formation started. Project directed on experiment separation of motor transport and special technical maintenance for the Company affiliates into two motor transport affiliates in the Ural and Western Siberia regions was continued.

Creation and building of subdivisions staff according to functions of perspective development, contract customer affairs, technological connection to UNEG facilities, forming of electric energy balances and losses in UNEG grids and organization of their purchase on the wholesale market, electric energy audit on UNEG boundaries, were completed in MES, PMES affiliates with an aim to form infrastructure for the wholesale energy and capacity market in JSC “FGC UES”.

Moreover, formation of Grids Management Centre (GMS) in MES affiliates structure was continued in order to provide operation-technological control over UNEG facilities, as well as with a view to reduce number

of technological violations occurring due to operating personnel errors, improve compliance with cut-off schedule made for TL and SS equipment repairs, decrease losses in UNEG.

Performing pilot adoption of vertically integrated structure with well-defined responsibility areas and optimized structures and costs for blocks, including development and customer relationship, line maintenance, asset management, Financial - economic and corporate services in MES Western Siberia for the purpose to determine novel forms of management. It enabled to abolish a management level – three enterprises of backbone electric grids subordinated to MES Western Siberia.

Development of MES Western Siberia experience was carried out in MES Volga and MES Ural using optimization in number of subordinated PMES affiliates by their consolidation. The following affiliates were abolished by means of accession:

- Orenburg PMES (joined to Chelyabinsk renamed in the South Ural PMES)
- Upper-Volga PMES (joined to the Middle-Volga PMES)
- Samara PMES (joined to the Lower-Volga PMES)

#### **11.4. Training and development of personnel**

System directed on development and training of personnel in the Company which had been started in 2006 was continued in 2007 within the following guidelines:

- Carrying out efficient evaluation of training requirements for the Company personnel;
- Forming uniform training requirements, standards for all subdivisions and grades in the Company;
- Carrying out performance evaluation for personnel training;
- Providing monitoring of performed training compliance with the Company tasks and objectives, and taking appropriate actions in order to increase training system effectiveness.

According to training programs and personnel development plans 6885 employees were undergone training in the reporting year, what comprised 32.8 % of average personnel number in the Company.

In 2007 training program for operating dispatch personnel on substations, dispatch operators in the Grids Management Centers was designed and implemented. According to these programs 369 Company specialists were undergone training.

In 2007 the Company continued its active participation in the Corporate energy university development. The key objective of cooperation – is creation of an efficient and qualitative training system for personnel at all levels. JSC “FGC UES” cooperation with the Corporate energy university is directed on efficient execution of education order secured from JSC “FGC UES”. One of basic objectives – is to form and translate uniform and equally high education standards into all the Company affiliates.

#### **11.5. Optimization of programs for personnel motivation**

System for management by objectives based on key performance indicators, applied to all management levels and all functional lines of activity in the Company executive office and affiliates was designed and adopted in the Company. Beginning on the 2<sup>nd</sup> quarter in 2007 a new remuneration system designed with regard to meeting the key performance indicators was adopted. Motivation system is directed on to increase employees’ performance, to improve orientation of the Company employees on result.

System for regional regulation of salary level in JSC “FGC UES” affiliates, based on labour market analysis performed in regions where affiliates conducted business, was designed in the Company in 2007. Regional premiums were established for affiliates situated in Moscow, Moscow region, St. Petersburg and the Leningrad region.

Implementation of the voluntary health insurance program is obligatory for JSC “FGC UES”. Voluntary health insurance gives guarantees for the Company employees per occurrence to get qualitative medical care and prevention measures. In 2007 package of voluntary health insurance services was formed with regard to grades.

Implementation of significant social programs was continued in 2007 with a view to execute uniform social policy in the Company. Programs of non-state retirement insurance for the Company employees and

«Veteran» representing goal-oriented Company policy concerning provision decent living standard for employees upon retiring are implemented in full measure.

## 12. Scientific and technical work and innovative technologies

Scientific and technical work in JSC “FGC UES” is focused on design, construction, development, adoption of the advanced and highly efficient technologies and equipment in UNEG, as well as on preparation of the appropriate normative and technical documentation for development and reliable operation of UNEG grids.

«Provision on technical policy in JSC “FGC UES”» (hereinafter – PTP) is the fundamental document that determines totality of engineering solutions aimed to enhancement of efficiency, technical level, industrial safety enforcement in UNEG, which set priorities for JSC “FGC UES” investment policy for the medium-term and long-term outlook.

Implementation of the Technical policy depends on a set of interrelated procedures and target scientific and technological programs:

- research, development, testing and technological work (R&D);
- comprehensive target programs for introduction of new improved equipment, technologies and materials;
- program for reconstruction and new introduction;
- certification of equipment, technologies and materials;
- design research;
- scientific and technological services.

### 12.1. Research, development, testing and technological work (R&D)

The most important factor that has an effect on JSC “FGC UES” technical policy is organization and execution of a set of research activities based on JSC “FGC UES” Comprehensive scientific and technological program, a basic part of which consists in R&D for the priority trends of electric grid, such as follows:

- creation of technology and equipment for controlled transmission lines;
- creation of equipment based on superconductor materials;
- development of construction solutions, equipment, systems and techniques for monitoring with a view to create SS and TL of new generation;
- improvement of automated systems for technological control and communications;
- perspective development, improvement of dispatching control and reliability growth in UNEG;
- improvement of operation, technical maintenance and repair for UNEG facilities.

In 2007 JSC “FGC UES” comprehensive scientific and technological programs were implemented to the amount of 357 mio. rub. through JSC “RDC of electric power industry” investment program.

In 2007 the basic R&D results according to JSC “RDC of electric power industry” investment program are as follows:

- project for creation of the Russian sole proving ground for high-temperature superconducting cables and equipment is developed, premise for proving ground prepared, testing equipment is purchased and in accordance with approved schedule delivered and being installed;
- high-temperature superconducting cable 30 meters long is designed, produced and is being laid on the proving ground;
- working construction documentation for double-circuit suspension support of HVL 220 kV based on steel multisided tower body is developed;
- working construction documentation of foundation for double-circuit suspension support of HVL 220 kV based on steel multisided tower body is developed;
- working construction documentation for single-circuit suspension support of HVL 220 kV based on steel multisided tower body is developed;
- working construction documentation of foundation for single-circuit suspension support of HVL 220 kV based on steel multisided tower body is developed;
- working construction documentation for single-circuit angle-tension tower of HVL 220 kV based on steel multisided tower bodies is developed;

- working construction documentation for acoustic emission device to control mechanical condition of porcelain covers on low-oil-content circuit breakers without their disassembling under operating conditions;
- specifications for unified interfaces of data access to JSC “FGC UES” UNEG automated control systems based on IEC standards 61970-1 and 4XX (Common Interface System) are developed;
- general information model for UNEG grid, based on IEC standards (61970-301, 61968-1, 61850-7) for designing, development and integration of the information-technological systems and construction of information models for substations, is developed;
- principles for subsystem ASTM designed for emergency conditions analysis in JSC “FGC UES” electric grids, based on analysis and processing of data received from ASTPM on backbone substations, are developed;
- temporary standard of organization for communication and intercommunicating systems on substations is developed on basis of IEC 61850;
- computer program for calculation of fault currents in grids 0.4-10 kV is designed;
- manufacturing plans for supports assembly and HVL 220-500 kV repair, which have been executed on steel multisided towers, are developed;
- manufacturing plans for construction of foundations on screw piles are developed;
- standard schematic circuit diagrams for substations switchgear 35-750 kV are designed;
- software system of electric grid topology for JSC “FGC UES” dispatch operators is designed.

Implementation of work results obtained in 2007 will be carried out on terms of license contracts concluded with manufacturing plants, design organizations, and also will be used in production activity by energy companies in a part concerning introduction of breakthrough technologies on JSC “FGC UES” facilities.

The higher priority scientific and technological direction for JSC “FGC UES” in 2008 is determined on JSC “FGC UES” Coordinating Scientific and Technical Council and is oriented to implementation of the following comprehensive (target) scientific and technological programs:

- creation of controlled transmission lines and equipment for them;
- creation and application of technologies and equipment based on super conductivity in the electric power industry;
- creation and application of steel multisided towers for HVL 35-500 kV;
- improvement of foundations for line towers.

As to development stage, the perspective guidelines for 2008-2009 are as follows:

- mastering of new technologies based on integrated digital measuring system, protection and control system;
- enhancement of operating efficiency for HF communication channels of HVL 110-750 kV.

## **12.2. Programs for new technologies and materials introduction**

Implementation of the target scientific and technological program with regard to creation and introduction of multisided towers both in JSC “FGC UES” and in companies of distribution grid complex is continued.

The target program “Unification of foundations for electric grid facilities” is designed owing to introduction of new industrial fast track construction methods for HVL and SS.

Development and adoption of the high-production construction methods for SS and HVL with the advent of regulatory framework, construction, production documentation, design recommendations, erection instructions, repair and operation instructions, which provide substantial reduction in materials consumption, construction period and costs incidental to construction, and accident recovery work execution, are performed within framework of programs implementation.

According to programs in 2007:

engineering samples were designed, produced and the following were tested:

- double-circuit suspension towers 220 kV;
- single- and double-circuit suspension towers 220 kV for glaze and specially glazed regions;

- suspension tangent structures single- and double-circuit for HVL 330 kV.

In 2007 implementation of the program for NTD development, designing, production of engineering samples and certification of foundations was continued.

### **12.3. Certification of equipment, technologies and materials**

Assessment of possibility and practicability for application of new equipment, technologies and material on JSC “FGC UES” facilities is performed within certification system. Certification is carried out on basis of production conditions test, compliance with specification, industrial and corporate normative and technical documentation with regard to service experience of similar equipment.

This procedure enables to prevent deliveries of defective either outdated equipment on UNEG facilities.

73 requests for certification and extension of permission for old acceptance were processed in 2007. 50 types of equipment were accepted and recommended for application in JSC “FGC UES”, including as follows:

Imported equipment - 18 units;

Home equipment - 32 units.

Penalty tests are carried out for 5 types of equipment upon JSC “FGC UES” request in order to confirm declared characteristics.

Penalty tests are carried out for one equipment type upon JSC “FGC UES” request with a view to confirm declared characteristics. (Dry high voltage reactors of X type produced by NOKIAN CAPACITORS Ltd (Finland), installed in MES North-West, Vyborg PMES).

The negative expert opinion is issued for 6 types of equipment and suspended by letter of operation prohibition for 5 types of equipment.

### **12.4. Introduced design choices and new equipment**

The following advanced engineering solutions and new equipment are applied upon construction of new and reconstruction of worn-out SS and HVL as a result of package plan in Technical policy:

1. Simplification in the main diagrams of substations. Objective – decrease in construction cost owing to reduction in devices quantity and in area occupied by SS, decline in number of technological violations (operating personnel errors during switching over) without deterioration in electric power supply reliability. It is achieved by the reliable advanced equipment: circuit-breakers – SF<sub>6</sub>, disconnectors – horizontal-rotary, pantograph and semi-pantograph with stick-pedestal insulation of increased mechanical strength;

2. Compact equipment based on cells 110-220 kV (Compact) of high operational compatibility, combined devices with SF<sub>6</sub> insulation of out-of-door installation (PASS), rigid busbar are used in order to reduce costs for construction and operation.

22 cells of compact switchover units 110 kV of HPL Compact type produced by ABB are commissioned in MES Centre at SS 330 kV Kalininskaya.

3. New process solutions for grid management are introduced: controlled reactors 110, 220 and 500 kV, static compensator, vacuum-reactors groups, in the design and construction stage – STATCOM ±50 MVar, ASK ±100 MVar.

At SS 500 kV “Khehtsyr” – line controlled shunting reactor CSR 220/100.

At SS 500 kV “Tavrisheskaya” a controlled shunting reactor CSR 500/180 is adopted.

At SS 500 kV “Barabinskaya” - line controlled shunting reactor CSR 500/180.

At SS 500 kV “Balashovskaya”: vacuum reactor group VRG 180 MVar (4x45) is introduced. It was commissioned in January 2007.

At SS 500 kV “Amurskaya” and SS 220 kV “Blagoveshchenskaya” 7 devices of Compact type 220 kV are commissioned.

4. HVL 500 kV “Kurgan-Kozyrevo” is constructed on line polymeric insulation of new generation. It is planned to continue its application on section of HVL 500 kV “Frolovo-Rostov”.

5. Automated icing control and signaling systems are introduced in regions with a higher icing level (in the South, On Volga) in order to early meet glaze-ice attack.

System for preventive wires heating second to none in the world, which will enable to exclude their damage caused by gust-and-glaze loading is adopted on HVL 220 kV of external power supply in Sochi.

**Introduction of new technology on electric grid facilities  
of JSC “FGC UES” in 2007**

No.	Equipment	Pcs.	Qualitative characteristics
1	2	3	4
1	Power transformers	17	Losses in active part were reduced, reliable high-voltage bushings were installed.
2	Reactors	9	Reactors of new design, reliable high-voltage bushings were installed.
3	Circuit-breakers	122	SF 6 circuit-breakers, with increased commutation life, expanded interrepair period.
4	Disconnectors	281	Disconnectors of new design, pantograph and semi-pantograph, expanded interrepair period.
5	Current transformers	186	Transformers of new design, with reinforced insulation, expanded interrepair period, with the high measurement accuracy.
6	Voltage transformers	111	Transformers of new design, with reinforced insulation, expanded interrepair period.
7	Excess-voltage suppressors	179	New type of insulation, expanded interrepair period.
8	High-voltage bushings	33	Bushings of new design, with reinforced insulation, expanded interrepair period.
9	Automated monitoring system on power transformer equipment	3	Increases operational integrity owing to timely detection of progressive damages.

## 13.Environment Protection

### 13.1. Organization of works in the sphere of normative-technical support for power supply network complex

In accordance with JSC “FGC UES” technical policy, the activity in the sphere of normative-technical support was conducted in the following areas:

- Participation in developing legislation on technical regulation for the purpose of providing for the interests of power supply network complex, including:
- participating in development of technical regulations;
- organizing appraisalment of technical regulations.

1.2 Organization of control over national standards development, standards of JSC “RAO UES of RUSSIA” in power supply networks.

Development of a new regulatory framework in electric power industry is made in accordance with the decision of the Management Board of JSC “RAO UES of RUSSIA” dated 21.11.05 No 1346pr/1.

- Development of concept, system and program of normative-technical provision of JSC “FGC UES” electricity networks.
- Results of JSC “FGC UES” activity in the area of normative-technical provision of electricity network complex.

1. In 2007 the development of the following 15 technical regulations and technical regulation drafts review was monitored at all the stages of their development:

- “On safety of electrical stations and networks”;
- “On organization of safe operation of electrical stations and networks”;
- “On security of electricity supply systems”;
- “On security of operative and dispatch control in electric power industry”;
- “On security of technical systems of dispatch control”;
- “On requirements to safety of cable products”;
- “On safety of electric installations”;
- “On safe operation of electric installations”;
- “On safe operation of electric power stations and electricity networks”;
- “On safety during interruption of power supply”;
- “On reliability of service and development of UES”;
- “On requirements to soft hardware for accounting for energy resources use in municipal housing economy”;
- “On safe operation of buildings, constructions, structures and adjacent territories”;
- “On safety of high voltage equipment”;
- “On safety of technical systems for electrical networks”;

The Company’s specialists directly participated in development of the following three technical regulations:

- “On safety of electric power stations and electric networks”;
- “On safety of electric installations”;
- “On safety of high voltage equipment”;

2. Control over development of national standards, JSC “RAO UES of RUSSIA” in the sphere of electric networks was organized via consideration, review and reconciliation of draft documents on every stage of their development.

3. The concept of normative-technical provision of electric network complex of JSC “FGC UES” was developed and is being realized, within the framework of which:

- a system of normative-technical documents of electric network orientation has been established;

- a program of JSC “FGC UES” in respect of normative-technical provision of electric network complex for 2007 – 2009 has been approved, including a program for developing scientific and technical documentation;

- a list of projects was developed and approved in respect of which the holding standards are required to be developed;

2007 plan for developing normative-technical documents as well as the budget for standards’ developing;

43 corporate normative-technical documents were developed and prepared for approval;

control documents were developed in respect of functional requirements for:  
electronic register,  
electronic library,  
hard copies library.

4. Major objectives in the sphere of normative-technical provision for electric network complex for 2008 are as follows:

- Direct participation in development of draft technical regulations in the sphere of electric networks:  
“On safety of electric power stations and electric networks”;  
“On safety of electric installations”;  
“On safety of high voltage equipment”;
- Organization of control and examination of technical regulations, national standards and other normative and technical documents developed by external organizations and affecting the interests of electric network complex;
- Organization of reviewing drafts of final editions of 54 standards of JSC “RAO UES of Russia” in the sphere of electric networks and their preparing for approval as corporate standards;
- Realization of planned development of normative and technical documentation for 2008 within the framework of JSC “FGC UES” Program of normative and technical documentation development and revision for 2007-2009;
- Organization of reviewing and preparation for approval of normative and technical documentation at the corporate level that were developed in 2004-2007;
- Development and maintaining of electronic register and electronic library of normative and technical documents on electric network topics;
- Creation of JSC “FGC UES” library of hard copies of normative and technical documentation.

### **13.2. Organization of works on environment protection**

In accordance with the program of realization of environmental policy of JSC “FGC UES” for 2007 – 2009, the company conducted its activity on environmental safety and environment protection in the following areas:

- Regulation of ecological payments and environmental documentation including organizing of works to obtain licenses to collect, utilize, deactivate, transport and dispose of hazardous wastes.
- Implementation of technical measures aimed to reduce environment pollution risks.
- Implementation of ecological management complying with requirements of the following standards ISO 14001:2004 and GOST R ISSch 14001-2007.
- Organization of works on professional development and exchange of experience in environment protection activity.
- Development of standards on environmental safety and environment protection activity in the sphere of electric networks.

### **13.3. Results of JSC “FGC UES” activity on environmental protection**

- JSC “FGC UES” environmental policy and the program of its realization for 2008 – 2010 were developed and approved by the Board of Directors of JSC “FGC UES”;
- Preparatory work was conducted within the pilot project framework to implement environmental management system and ecological audit in JSC “FGC UES” and in the branch of MES of the Center, taking into account requirements of international standard ISO 14001 (*cost of works under pilot project amounted RUR 1,235,000*);
- Ecological training of managers and employees responsible for ecological audit and implementation of environmental management system was organized (*31 people participated in training. Cost of training amounted RUR 1,080,000*);
- Ecological audit program and time schedule were prepared and approved. Ecological audits were conducted in MES of West Siberia and Volga-Don PMES of the Center;
- Status review of environment protection documentation and ecological payment was conducted in MES and PMES branches;
- Materials were prepared to develop target program on salvage of equipment containing trichlorodiphenyl;
- Documents required obtain license to collect, utilize, deactivate, transport and dispose of hazardous wastes have been prepared and submitted to Rostekhnadzor;
- 1<sup>st</sup> edition of standards on ecological safety and environment protection activity in respect of electric network covering all stages of life-cycle of electric network facilities had been prepared (*costs amounted to RUR 1,888,000*).

### **13.4. Main tasks of environment protection for 2008**

- Execution of measures planned for 2008 within the Program of realization of JSC “FGC UES” environmental policy for 2008 – 2010;
  - Certification of environmental management system of MES of Center in accordance with ISO 14001:2004 and GOST R ISO 14001-2007;
  - Commencement of work to implement environmental management system in branches of MES of South, MES of North-West and MES of West Siberia;
  - Organization of environmental training of managers and employees of JSC “FGC UES” head office, MES and PMES branches;
  - Conducting of ecological audit in branches of MES of Volga, MES of North-West and MES of South;
  - Organization of environmental service in MES and PMES;
  - Development of missing documentation on environment protection and regulation of ecological payments;
  - Preparation and realization of target program for disposal of equipment containing trichlorodiphenyl;
- Completion of development and approval of standards for environmental safety in the sphere of electric networks.

## 14. Contact information for shareholders and investors

Addresses, telephone numbers, contact persons, bank details, the Company internet-site address, brief information about the company's auditor, registrar and appraisers:

### Company information:

Location: 5A, Akademika Chelomeya street, Moscow 117630 Russia  
 Legal address: 5A, Akademika Chelomeya street, Moscow 117630 Russia  
 Mail address: 5A, Akademika Chelomeya street, Moscow 117630 Russia  
 Telephone: +7-(495)-710-90-00; fax: +7-(495)-710-96-55  
 E-mail: [info@FGC-ees.ru](mailto:info@FGC-ees.ru)  
 Web-page address: <http://FGC-ees.ru/>

### Information about bank accounts of the Issuer

№	Type of account	Account number	Name of the bank (credit organization)	INN of the bank	Mail address of the bank
1	Settlement (current)	40702810901200000098	JSC «Alfa-Bank» BIK 044525593 cor.30101810200000000593	7728168971	27, Kalanchevskaya street, Moscow
2	Settlement (current)	42102810802300000220	JSC «Alfa-Bank» BIK 044525593 cor.30101810200000000593	7728168971	27, Kalanchevskaya street, Moscow
3	Settlement (current)	40702810400000000556	LLC KB «Agropromcredit» BIK 044552710 cor.30101810500000000710	5026005919	13, block 2, 5 <sup>th</sup> urban district, Lytkarino, Moscow region
4	Settlement (current)	40702810138120116293	Lefortovo branch №6901 of Sberbank of Russia BIK 044525225 cor.30101810400000000225	7707083893	19, Vavilova street, Moscow
5	Settlement (current)	40702810100050000101	JSC «Vneshtorgbank» BIK 044525187 cor.30101810700000000187	7702070139	16, Kuznetskiy Most street, Moscow
6	Account to cover corporate card	40702810902300000285	JSC «Alfa-Bank» BIK 044525593 cor.30101810200000000593	7728168971	78, Lelinskiy prospect, Moscow
7	Settlement (current)	40702810038120108301	Lefortovo branch №6901 of Sberbank of Russia BIK 044525225 cor.30101810400000000225	7707083893	19, Vavilova street, Moscow
8	Settlement (current)	40702810700000003049	CJSC AB «Gazprombank» BIK 044525823 cor.30101810200000000823	7744001497	16, building 1, Namyetkina street, Moscow
9	Settlement (current)	40702810100000004371	JSC KB «Petrokommerts» BIK 044525352 cor.30101810700000000352	7707284568	24, Petrovka street, Moscow
10	Settlement (master account)	30214810710000001119	NKO «RTS clearing house» (LLC) BIK 044583258 corr. 30103810200000000258	7710298190	38, bld. 1, Dolgorukovskaya street, Moscow
11	Settlement (trading account)	30218810910000001119	NKO «RTS clearing house» (LLC) BIK 044583258 corr. 30103810200000000258	7710298190	38, bld. 1, Dolgorukovskaya street, Moscow

### Information about the auditor (auditors) of the Issuer

The annual general meeting of shareholders of JSC “FGC UES” held 29.06.2007 had appointed ZAO “PricewaterhouseCoopers Audit” as the auditor for the period till the next annual general meeting of the shareholders.

Complete and abbreviated trade names of the organization:

ZAO PricewaterhouseCoopers Audit

Location: 52, building 5, Kosmodamianskaya Embankment, Moscow 115054.

Telephone and fax numbers: Tel. (495) 967 6000; fax (495) 967 6001.

E-mail address - natalia.gubareva@ru.pwc.com

Web-page address of the auditor - <http://www.pwc.com>

Number, date of issue and validity of license on audit activity, the authority issued the mentioned license:

License to conduct audit activity - No E000376, the Order of the RF Ministry of Finance No 98 dated 20/05/2007 for the period of five years from the date specified.

There are no significant matters that can affect the independence of the auditor from the issuer.

### **Information about appraiser of the issuer**

1. Name: LLC “KO-INVEST”

Location: 22, apt. 20, Akademika Vargi street, Moscow

Tel.133-25-31, fax 133-25-98

Information about license:

License number: No 000025

Date of issue: 06.08.2001

License validity: extended till 06.08.2007

Authority issued the license: the Ministry of property of Russia

2. Name: JSC “Deloitte & Touche CIS”

Location: 4/7, Vozdvizhenka street, Moscow 125009

Tel. (495) 787-06-00, fax (495) 787-06-01

Information about license:

License number: No 004646

Date of issue: 01.08.2002

License validity: valid through 01.01.2008

Authority issued the license: the Ministry of property of Russia

### **Information about registrar**

Entity that maintains the register of holders of inscribed securities of the issuer (the issuer, the registrar) – Open joint stock company “Central Moscow Depository” (JSC “CMD”)

Location: 34, building 8, B. Pochtovaya street, Moscow 105082

Mail address: 3/V, Orlikov pereulok, Moscow, Russian Federation

Tel.: (095) 221-13-33 Fax: (095) 221-13-83

E-mail address: mcdepo@dol.ru

Information about license:

License number: 10-000-1-00255

Date of issuance: 13.09.2002

Validity of license: not specified

Authority issued the license: the Federal commission on securities market

The date of registration of the issuer’s inscribed securities by the registrar: 27.11.2002

### **Information about consultant**

Complete trade name: Open joint stock company “Federal fund corporation”

Abbreviated trade name: JSC “FFK”

Location: 25, Ostozhenka street, Moscow, Russian Federation

Telephone: (495)737-86-30; fax: (495) 737-86-32

Web-page address, used by the financial consultant to disclose information about the issuer: [www.fscorp.ru](http://www.fscorp.ru)

Information about licenses:

1) License of a professional participant of equity market to carry out brokerage activity

Number: No 077-06174-100000

Date of license issuance: 29 August 2003

Validity of license: unlimited validity

Authority issued the above mentioned license: FCSM of Russia

2) License of a professional participant of equity market to carry out dealer activity

Number: No 077-06178-010000

Date of license issuance: 29 August 2003

Validity of license: unlimited validity

Authority issued the above mentioned license: FCSM of Russia

## 15. Attachments

### Attachment 1

#### Subsidiary and affiliated companies of JSC "FGC UES"

<b>№</b>	<b>Company</b>	<b>The Company's share in the Charter capital of a subsidiary/ affiliated company</b>	<b>Percentage of voting shares</b>
1	JSC "Astrakhan bulk grids"	48.6630%	48.6630%
2	JSC "Belgorod bulk grid company"	49.0000%	65.2930%
3	JSC "Vladimir bulk grids"	49.0000%	49.0000%
4	JSC "Volgograd bulk grids"	48.9890%	61.3290%
5	JSC "Vologda bulk grids"	49.0000%	49.0000%
6	JSC "Voronezh bulk grid company"	49.0110%	49.0110%
7	JSC "Ivanovo bulk grids"	49.6590%	56.5460%
8	JSC "Kaluga bulk grid company"	52.2510%	52.2510%
9	JSC "Kostroma bulk grids"	49.0000%	49.0000%
10	JSC "Kursk bulk grids"	49.0000%	59.4690%
11	JSC "Lipetsk bulk grids"	49.0170%	49.0170%
12	JSC "MSK"	50.9010%	50.9010%
13	JSC "Nizhniy Novgorod bulk grid company"	49.0000%	49.0000%
14	JSC "Orel bulk grid company"	49.0000%	60.3470%
15	JSC "Ryazan bulk grids"	49.0000%	49.0000%
16	JSC "Tambov bulk grid company"	49.0000%	49.0000%
17	JSC "Tver bulk grids"	49.0000%	49.0000%
18	JSC "Tula MSK"	49.0000%	49.0000%
19	JSC "Yaroslavl bulk grids"	47.3570%	47.3570%
20	JSC "MUS of Electric power industry"	99.9900%	99.9900%
21	JSC "Bryanks bulk grid company"	49.0000%	65.2230%
22	JSC "Smolensk bulk grids"	48.6800%	59.2600%
23	JSC "Energostroysnabkomplekt of UES"	99.9930%	99.9930%
24	JSC "NTC of Electric power industry"	100.0000%	100.0000%
25	JSC "Arkhangelsk bulk grid company"	49.0000%	49.0000%
26	JSC "Karelian bulk grids"	100.0000%	100.0000%
27	JSC "Kola MS"	49.2050%	65.5170%
28	JSC "MES of Komi Republic"	50.1050%	50.3460%
29	JSC "Petersburg bulk grids"	49.0000%	57.4000%
30	JSC "Mariyan bulk grids"	64.4370%	70.0700%
31	JSC "Mordovian bulk grid company"	53.1410%	53.1410%
32	JSC "Penza bulk grid company"	49.0000%	49.0000%
33	JSC "Samara bulk company"	55.0310%	55.3530%
34	JSC "Saratov bulk company"	53.1300%	64.0400%
35	JSC "Chuvashian bulk grids"	100.0000%	100.0000%
36	JSC "Dagestan bulk grids"	51.0000%	51.0000%
37	JSC "Kuban bulk grids"	49.0000%	49.0000%
38	JSC "MSK Rostovenergo"	48.5760%	48.5760%

39	JSC "Nurenergo"	77.0000%	77.0000%
40	JSC "Kirov bulk electric network"	48.1730%	48.1730%
41	JSC "Kurgan bulk grid company"	49.0000%	49.0000%
42	JSC "Orenburg bulk electric grids"	100.0000%	100.0000%
43	JSC "Perm bulk grid company"	49.0000%	64.3630%
44	JSC "Sverdlovsk bulk grids"	49.0000%	65.3330%
45	JSC "Udmurt bulk grids"	49.0000%	55.3910%
46	JSC "Chelyabinks bulk electric grids"	49.0000%	58.0590%
47	JSC "Tyumen bulk grid company"	100.0000%	100.0000%
48	JSC "Buryat bulk electric grids"	46.7970%	46.7970%
49	JSC "Krasnoyarsk bulk grids"	51.7540%	66.3300%
50	JSC "Bulk electric grids Kuzbassenergo"	49.0000%	49.0000%
51	JSC "Omsk bulk grid company"	49.0000%	60.3860%
52	JSC "Tomsk bulk grids"	52.0250%	59.8810%
53	JSC "Khakkasian bulk company"	100.0000%	100.0000%
54	JSC "Chita bulk grids"	49.0000%	62.1560%
55	JSC OES "GruzRosenergo"	50.0000%	50.0000%
56	JSC "MMSK "Center"	15.0000%	15.0000%
57	JSC "MMSK "North-West"	15.0000%	15.0000%
58	JSC "MMSK "Ural"	15.0000%	15.0000%
59	JSC "MMSK "South"	15.0000%	15.0000%
60	JSC "MMSK "Volga"	15.0000%	15.0000%
61	JSC "MMSK "Siberia"	15.0000%	15.0000%
62	JSC "MMSK "East"	15.0000%	15.0000%
63	JSC "SANGTUDINSKAYA GES 1"	21.1560%	21.1560%
64	CJSC "EnergoRynok"	8.5000%	
65	JSC "UTs of electric power industry"	50.0000%	50.0000%

**Information about JSC “FGC UES” complying with of  
FCSM Corporate Behavior Code**

<i>№</i>	<i>Standard of the Corporate Behavior Code</i>	<i>Compliance with standard</i>	<i>Comments</i>
<b>General Shareholders Meeting</b>			
1	Notifying shareholders about the General shareholders meeting not later than 30 days prior to the meeting date irrespective of issues on agenda of the meeting,, if the legislation does not stipulate longer period	Observed	para. 11.4. art. 11 of the Company Charter
2	Shareholders are able to become acquainted with the register of persons who have the right to participate in the general shareholders meeting, starting from the date of announcing the meeting till the moment when the general shareholders meeting is closed, and in case of absent general shareholders meeting – till the date of conclusion of accepting voting bulletins.	Observed	Given to person owning at least 1 % of the votes, at that documents data and mail address of physical persons included in the register are provided upon approval received from those persons.
3	Shareholders are able to become acquainted with information (materials) to be submitted for preparation to the general shareholders meeting through electronic means of communication, including Internet.	Observed	In accordance with art. 52 of the Law “On joint stock companies”, shareholders of RAO “UES of Russia” are able 20 days, and in case when the meeting agenda includes the issue of reorganization of the Company –30 days prior to the General shareholders meeting to become acquainted with materials for the Meeting on the Company Web-site at address: <a href="http://FGC-ees.ru/">http://FGC-ees.ru/</a> , in section “To Shareholders and Investors”.
4	Shareholders are able to enter an issue to the General shareholders meeting agenda or call for a shareholders meeting without submitting an extract from shareholders register if its rights to shares are recorded in the shareholders register and incase if its rights to shares are recorded on custody account - an extract from the custody account is sufficient for the execution of the above mentioned rights.	Not observed	The company’s internal documents do not contain such requirement.
5	The charter of internal documents of a joint stock company contain requirements regarding compulsory attendance of the general director, members of the management board and the board of directors, revision committee and the joint stock company auditor at the general shareholders meeting.	Not observed	The company’s internal documents do not contain such requirement.

6	Compulsory attendance of candidates when the general shareholders meeting consider issues on electing members of the board of directors, general director, members of the management board, revision committee and appointing the auditor of a joint stock company.	Not observed	The company's internal documents do not contain such requirement.
7	Internal documents of a joint stock company specify registration procedures for participants of the general shareholders meeting.	Observed	Para 5.1. of Regulation "On the procedure to preparing and holding the General shareholders meeting of JSC "FGC UES".
<b>The Board of Directors</b>			
8	The charter of a joint stock company provides for the board of directors authority to approve financial and economic plan of the company on annual basis.	Observed	In accordance with art. 15, para 15.1., paras. 34, 35 of the Company Charter, the Board of Directors authority include approval of financial and economic plan, target key indicators of the Company's performance.
9	The board of directors has approved risk management procedures in the Company.	Not observed	Such procedure or any other regulating document was not approved separately.
10	The charter of a joint stock company provides for the board of directors right to suspend authorities of the general director appointed by the general shareholders meeting.	Not applicable	Chairman of the Management Board of the Company carries out functions of the sole executive body; the Company general shareholders' meeting has the power to elect or early terminate its authority.
11	The charter of a joint stock company provides for the right of the board of directors to determine qualification requirements and remuneration amount for the general director, members of the management board and heads of key structural divisions of the joint stock company.	Partially observed	Para 10 paras 15.1 art. 15 of the Company's Charter
12	The charter of a JSC provides for the right of the board of directors to approve terms of contracts concluded with the general director and members of the management board.	Observed	Para 15.1., paras 10 of the Company's Charter
13	The charter and internal documents of a JSC require that when approving terms of contracts with the general director (management organization, managing director) and members of the management board, votes of the board of directors members acting as general directors and members of the management board are not counted in vote tabulation.	Not observed	The Company's Charter and other documents do not contain such requirement.
14	The board of directors of a joint stock company comprises at least 3 independent directors who comply with the Corporate behavior code requirements.	Observed	In accordance with the resolution of the general shareholders meeting of JSC "FGS UES" held 29.06.2007, the following directors complying with independency requirements became members of the Board of directors: Askinadze D.A., Ayuyev B.I.,

			Medvedev Y.M.
15	Persons who were convicted as committed offense in business or crime against the state authorities, the interests of public sector or of local authorities; or to whom an administrative penalty was applied for offenses in business or finances, taxes and duties, securities market, do not participate in the board of directors of the joint stock company	Observed	The Board of directors elected 29.06.2007 does not have such persons as its member.
16	Persons who participate in executive bodies of a company and persons who are participants, general directors (managers), members of executive bodies or employees of a legal entity competing to the JSC, do not participate in the board of directors of the joint stock company.	Observed	The Board of directors elected 29.06.2007 does not have such persons as its member.
17	The charter of a joint stock company provides for the board of directors to be elected by cumulative vote.	Observed	Paras 10.9 art. 10 of the Company's Charter
18	Internal documents of a joint stock company provide for members of the board of directors obligations to refrain from actions that could result in or have potential to result in conflict of interests between them and the company, and in case of such conflict of interest – to disclose information about it to the board of directors.	Observed	Para 4.1.6 of the Company's corporate governance code
19	Internal documents of a joint stock company provide for members of the board of directors obligations to notify the board of directors in written about intention to make transactions with securities of the company where they are directors, or subsidiaries of their company; as well as to disclose information about transactions with such securities.	Observed	Section 3 of Regulation on the activity of the Company Board of directors; section 4 of Regulation on insider information; section 4.1.6. of the Company corporate governance (behavior) code
20	Internal documents of a joint stock company provide for the necessity to hold meetings of the board of directors at least once every six weeks.	Not observed	The Company's Charter and other documents do not contain such requirement.
21	Meetings of a joint stock company's board of directors must be held at least once in six weeks during the year for which the company's annual report is prepared.	Observed	At an average, in 2007 meetings of the Company Board of directors were held every two weeks.
22	Internal documents of a joint stock company provide for the procedure of holding meetings of the board of directors.	Observed	Regulation on the Company Board of directors activity
23	Internal documents of a joint stock company provide for the necessity to have the board of directors approval for transactions which value exceed 10 and more per cent of the company assets value, excluding transactions made in the normal course of business activity	Observed	Paras 28 para 15.1 article 15 of the Company Charter
24	Internal documents of a JSC provide for the right of the board of directors members to receive from executive bodies and heads of major structural divisions of the company information necessary to carry out their duties as well as for responsibility for non-presenting of such information.	Partially	Para 3. of Regulation for the Company Board of directors activity
25	The board of directors establishes strategic planning committee or assigns responsibilities of the mentioned committee to another committee (excluding audit committee and human resources and compensation committee)	Not observed	There was no committee established.

26	The audit committee of the board of directors is in place and provides recommendations to board of directors of the auditor of a joint stock company and interacts with it and the revision committee of a joint stock company	Observed	Establishment of the Audit committee was approved by the decision of the Company Board of directors dated 15.02.2008
27	The audit committee consists of independent and non-executive directors only.	Not observed	Regulation for audit committee does not have such requirement.
28	The audit committee is led by an independent director.	Not observed	There was no committee established.
29	Internal documents of a JSC provide for the right of all members of audit committee to have access to any documents and information of the JSC subject to non-disclosing of confidential information by them.	Observed	Paras 3, 4 of Regulation for the Audit committee at the Company Board of directors
30	Human recourses and compensation committee at the board of directors is established and determines selection criteria for candidates to the board of directors and develop joint stock company policy in respect of compensations.	Observed	Establishment of HR and compensation committee is approved by the decision of the Company Board of directors dated 15.02.2008
31	Human resources and compensation committee is led by an independent director	Observed	Para 5.2. of the Regulation for human recourses and compensation Committee
32	Human resources and compensation committee has no members who are officials of the joint stock company	Not observed	Regulation for HR and compensation does not have such requirement
33	The board of directors establishes risk committee or assigns responsibilities of the mentioned committee to another committee (excluding audit committee and human resources and compensation committee)	Not observed	There was no committee established.
34	The board of directors establishes corporate conflict management committee or assigns responsibilities of the mentioned committee to another committee (excluding audit committee and HR and compensation committee)	Not observed	There was no committee established.
35	Corporate conflict management committee does not have members who are officials in the joint stock company	Not observed	There was no committee established.
36	Corporate conflict management committee is led by and independent director.	Not applicable	There was no committee established.
37	Internal documents approved by the board of directors are in place providing for the procedure to establish the board of directors committees and for their functions.	Not observed	Regulations for: audit committee; HR and compensation committee, reliability committee
38	The charter of a joint stock company provides for procedures to determine quorum for the board of directors enabling to guarantee mandatory participation of independent directors in the board of directors meetings	Observed	Paras 18.9-18.11 article 18 of the Company Charter
<b>Executive bodies</b>			
39	Collegial executive body (the management board) of a joint stock company is in	Observed	In accordance with art. 21 of the Company Charter, the Management board is established comprised of 7 members

40	The charter or internal documents of a joint stock company have provisions necessitating management board approval for transactions with immovable assets, attracting loans in cases when the mentioned transactions do not relate to large transactions and normal course of business activity of the company.	Observed	In accordance with the Company Charter they are within authority of the Board of directors, however, in accordance with para 6.1 of the Regulation on preparing materials for the Management board meetings, all issues to be considered at the Company Board of directors should be previously approved by the Company Management board.
41	Internal documents of a JSC provide for approval procedures that are outside the scope of financial and economic plan of the company.	Not observed	
42	Persons who participate in executive bodies of a company and persons who are participants, general directors (managers), members of executive bodies or employees of a legal entity competing to the joint stock company, do not participate in the executive bodies of the joint stock company.	Observed	There are no such persons within the executive body
43	Persons who were convicted as committed offense in business or crime against the state authorities, the interests of public sector or of local authorities; or to whom an administrative penalty was applied for offenses in business or finances, taxes and duties, securities market, do not participate in executive bodies. If management organization or managing director carries out functions of the sole executive body – compliance of the general director and members of the board of directors of the management organization or of managing director with the requirements applied to the general director and members of the board of directors of the joint stock company	Observed	There are no such persons within the executive body
44	The charter or internal documents of a JSC prohibit management organization (managing director) to carry out similar functions in a competing company as well as have any property relations with the JSC except for providing services of a management organization (managing director).	Not observed	There is no such prohibition in the Company Charter or other documents
45	Internal documents of a JSC provide for members of executive bodies obligations to refrain from actions that could result in or have potential to result in conflict of interests between them and the company, and in case of such conflict of interest – to disclose information about it to the board of directors.	Observed	Para 4.1.6 of the Company corporate governance code.
46	The charter or internal documents of a JSC include criteria for selecting management organization (managing director)	Not observed	Selection criteria for management organization are not defined in the Company Charter and other documents
47	Executive bodies of a JSC provide monthly report to the board of directors	Not observed	Executive body reports on a quarter basis; art. 22, para 22.1. – para 14 of the Company Charter

48	Contracts between a JSC and the general director (managing organization, managing director) and members of the management board provide for a liability for violation of regulations for using commercial and insider information	Not observed	
<b>The Company's secretary</b>			
49	A JSC has a special official (the company secretary) who is responsible for the JSC bodies and officials compliance with procedural requirements to guarantee shareholders' rights and legitimate interests	Observed	The Secretary of the Company Board of directors acts for such official.
50	The charter or internal documents of a JSC provide for procedures to appoint (elect) the company's secretary and its responsibilities.	Observed	Article 4 of Regulation of the Company Board of directors activity.
51	The charter of a JSC contains requirements to the secretary of the company candidate.	Not observed	There are no such requirements
<b>Significant corporate activity</b>			
52	The charter or internal documents of a JSC require approval of a large transaction prior to its settlement.	Observed	Para 21 art. 15 of the Company Charter
53	Mandatory involvement of independent appraiser to determine market value of property that is subject of a large transaction.	Observed	
54	The charter of a JSC prohibits any actions aimed to protect interests of executive bodies (members of such bodies) and members of the board of directors of the company upon acquisition of large blocks of the company shares (take-over), as well as actions aggravating position of shareholders as compared to current situation (in particular, a prohibition to decide on additional shares issue, issue of securities convertible to shares or securities providing for an option even when such decision is provided for by the charter) prior to estimated date of the company stock acquisition.	Not observed	There is no such prohibition
55	The charter of a JSC provides for mandatory involvement of independent appraiser to determine fair market value of stock and its potential value variations in the result of acquisition.	Not observed	There is no such requirement.
56	The charter of a JSC does not provide for the purchaser relief from proposing shareholders to sell their ordinary shares (equity securities convertible to ordinary shares) upon acquisition.	Observed	The Company Charter does not contain such standard.
57	The charter or internal documents of a JSC provide for mandatory involvement of independent appraiser to determine share conversion factor for the purpose of reorganization.	Not observed	The Charter and other documents of the Company do not contain such a requirement.
<b>Information disclosures</b>			
58	Internal document approved by the board of directors is in place determining the company rules and approaches of disclosing information (Regulation on information policy).	Observed	Regulation on information policy approved by the Board of directors of the Company 28.02.2008.

59	Internal documents of a JSC provide for disclosure of information about purpose of stock offering, persons who intend to purchase stock offered, including large block of shares, as well as information about whether senior executives of a JSC purchase the stock offered.	Not observed	The Charter and other documents of the Company do not contain such requirement.
60	Internal documents of JSC provide for a list of information, documents and materials to be presented to shareholders to have them make decisions on issues submitted to the general shareholders meeting.	Observed	The Company Charter, section 7. of the Regulation on information policy of the Company
61	A JSC has its Web-site and regularly discloses information about the joint stock company on this Web-site.	Observed	<a href="http://www.FGC-ees.ru/">http://www.FGC-ees.ru/</a>
62	Internal documents of a JSC include requirements to disclose information about transactions between the JSC and persons who, in accordance with its charter relate to chief executive officers of the JSC, as well as about transactions of the company with organizations where chief executive officers of the company own 20% or more of charter capital or who can be influenced by such persons.	Observed	In accordance with para 5.2.8. of the Regulation on information policy of the Company
63	Internal documents of a JSC include requirements to disclose information about all transactions that can impact market value of shares of the joint stock company.	Observed	In accordance with para 5.1. & 5.2.10 of the Regulation on the Company information policy
64	Internal document approved by the board of directors in respect of use of significant information about a JSC activity, shares and other securities and transactions with them, that is not public and disclosure of which could significantly impact market value of stock and other securities of the JSC.	Observed	Regulation on insider information approved by the Board of Directors 28.02.2008
<b>Control over financial and economic activity</b>			
65	Procedures of internal control over financial and economic activity of a joint stock company are in place and approved by the board of directors.	Observed	Internal control standards are provided for by the Company internal documents approved by the Board of directors: Regulation on the Revision committee Regulation on internal control system of the Company.
66	A special division of a joint stock company enforces the internal control procedures the audit function).	Observed	The Company financial control and internal audit management, Department of technical audit, Management review and methodology directorate of the Company, the Revision committee.
67	Internal documents of a JSC contains requirement that the board of directors defines the structure and composition of the audit function of the joint stock company.	Not observed	Internal documents of the Company do not contain such a requirement.
68	Persons who were convicted as committed offense in business or crime against the state authorities, the interests of public sector or of local authorities; or to whom an administrative penalty was applied for offenses	Observed	There are no such persons in the audit function of the Company

	in business or finances, taxes and duties, securities market, do not participate in the audit function.		
69	Persons participating in executive bodies of the JSC and persons b participants, general directors (managers), members of executive bodies or employees of a legal entity competing to the JSC, do not participate in the audit function.	Observed	There are no such persons in the audit function of the Company
70	Internal documents of a JSC specify terms of presenting documents and materials to the audit function for assessment of the conducted transaction as well as responsibilities of executives and employees of the JSC for non-presenting the materials on the designated date.	Observed	Para 7 of the Regulation on Revision committee of the Company
71	Internal documents of a JSC contain the requirement that the audit function is obliged to report on violations identified to the Audit committee, and if there is no the Audit committee – to the board of directors of the JSC.	Observed	Para 4 of the Regulation on Revision committee of the Company
72	The charter of a JSC contains requirement on preliminary estimation of expediency to be conducted by auditing function in respect of transactions which are not stipulated by financial and economic plan of the joint stock company (nonstandard transactions).	Not observed	The Company Charter does not contain such requirement
73	Internal documents of a JSC contain procedures of approval of nonstandard transactions by the Board of Directors.	Not observed	Internal documents do not prescribe such procedures.
74	Internal document approved by the Board of Directors prescribes the procedure for a revision committee to conduct inspections of a JSC financial and economic activity.	Observed	Regulation on Revision Committee of the Company + Regulation on internal controls.
75	Audit committee assesses the audit opinion prior to its presenting to the shareholders at the general shareholders meeting.	Observed	Para 2.1.4. of section 2 of the Regulation of the Company Board of Directors on the Audit committee
<b>Dividends</b>			
76	The Board of Directors follows the internal document approved by the Board of Directors when making recommendations on the amount of dividends decisions (the Regulation on dividend policy).	Observed	the Regulation on dividend policy of the Company
77	The Regulation on dividend policy contains the procedure of calculating the minimal amount of net profit share of a JSC to be used for dividends payment, and terms when dividends on preferred stock are not paid or are paid in part considering that dividend amount under privileged stock is determined by the charter of the JSC.	Observed	Para 4.3. and 8.1. of the Regulation on dividend policy of the Company
78	Publication of information about dividend policy of a JSC and changes to the policy in a periodical publication specified by the charter of the JSC for publishing information about holding the general shareholders meetings as well as placement of the mentioned information on the Web- site of the JSC.	Observed	Regulation on dividend policy is placed in the official internet-site: <a href="http://FGC-ees.ru/stockholders_documents.html">http://FGC-ees.ru/stockholders_documents.html</a>

### Branches of JSC “FGC UES”

(As of 31.12.2007)

Branch of JSC “FGC UES” – Bulk power grid of the Center (MES Tzentra)	1, Tkatskaya street, Moscow, 105318, Russia
Branch of JSC “FGC UES” – Bulk power grid of the North-West (MES Severo-Zapada)	1, Kurchatova street, St. Petersburg, 194223, Russia
Branch of JSC “FGC UES” – Bulk power grid of Volga (MES Volgi)	226, Molodogvardeyaskaya street, Samara 443100, Russia
Branch of JSC “FGC UES” – Bulk power grid of the South (MES Yuga)	2, Darnitsky pereulok, Inozemtsevo settlement, Zheleznovodsk, 357400, Russia
Branch of JSC “FGC UES” – Bulk power grid of the Urals (MES Urala)	6, Tolmacheva street, Yekaterinburg 620219, Russia
Branch of JSC “FGC UES” – Bulk power grid of Siberia (MES Sibiri)	117, Ady Lebedevoy street, Krasnoyarsk 660099, Russia
Branch of JSC “FGC UES” – Bulk power grid of the East (MES Vostoka)	65, Sheronova street, Khabarovsk 630030, Russia
Branch of JSC “FGC UES” on special works in power grids “Elektrosetservis”	27, building 8, Sadovnicheskaya street, Moscow 115035, Russia
Branch of JSC “FGC UES” - Nizhegorodskoye enterprise of bulk power grids	29, Schlissenburgskaya street, Nizhniy Novgorod 603600, Russia
Branch of JSC “FGC UES” – Chernozemnoye enterprise of bulk power grids	1, Garazhnaya street, Kursk 305026, Russia
Branch of JSC “FGC UES” - Volgo-Okskoye enterprise of bulk power grids	31, Energetiov street, Energetik settlement, Vladimirsky region, 600902, Russia
Branch of JSC “FGC UES” - Volgo-Donskoye enterprise of bulk power grids	221a, prospect imeni Lenina, Volgograd 400006, Russia
Branch of JSC “FGC UES” - Vologodskoye enterprise of bulk power grids	18, Planernaya street, Vologda 160023, Russia
Branch of JSC “FGC UES” - Priokskoye enterprise of bulk power grids	101A, Timiryazeva street, Tula 300012, Russia
Branch of JSC “FGC UES” - Moscow enterprise of bulk power grids	PS 750 kV, P.O. Box Belyi Rast, Dmitrovsky district, Moscow region 141870, Russia
Branch of JSC “FGC UES” - Verkhne-Donskoye enterprise of bulk power grids	Komsomolets settlement, Tambovskiy district, Tambovskiy region 392543, Russia
Branch of JSC “FGC UES” - Valdayskoye enterprise of bulk power grids	55, prospect Kalinina, Tver 170001, Russia
Branch of JSC “FGC UES” - Amurskoye enterprise of bulk power grids	101, Shatkovskogo street, Svobodnyi, Amurskiy region 676400, Russia
Branch of JSC “FGC UES” - Khabarovskoye enterprise of bulk power grids	3, Tselinnaya street, Khabarovsk, 680032, Russia
Branch of JSC “FGC UES” – Primorskoye enterprise of bulk power grids	3, Mordovtseva street, Primorskiy region, Vladivostok, 690000, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of bulk power grids of Vostok	3, Tselinnaya street, Khabarovsk 680032, Russia
Branch of JSC “FGC UES” – Krasnoyarskoye enterprise of bulk power grids	4a, Tomskaya street, Krasnoyarsk 660013, Russia
Branch of JSC “FGC UES” – Zabaykalskoye	5, Sakhyanovoy street, Republic of Buriatia, Ulan-

enterprise of bulk power grids	Ude, 670047, Russia
Branch of JSC "FGC UES" – Kuzbasskoye enterprise of bulk power grids	25a, Kirchanova street, Kemerovo 650004, Russia
Branch of JSC "FGC UES" – Omskoye enterprise of bulk power grids	4, prospect Gubkina, Omsk, 644035, Russia
Branch of JSC "FGC UES" – Zapadno-Sibirskoye enterprise of bulk power grids	17, prospect Kalinina, Barnaul, 656002, Russia
Branch of JSC "FGC UES" – Khakasskoye enterprise of bulk power grids	39, Industilnaya street, Sayanogorsk, Republic of Khakasiya 655613, Russia
Branch of JSC "FGC UES" – Sverdlovskoye enterprise of bulk power grids	3, Malakhitoviy pereulok, Ekaterinburg, 620085, Russia
Branch of JSC "FGC UES" – Yuzhno-Uralskoye enterprise of bulk power grids	6a, 2-nd Zapadnyi proezd, Chelyabinsk, 454008, Russia
Branch of JSC "FGC UES" – Permskoye enterprise of bulk power grids	34, Visherskaya street, Perm, Perm region, 614058, Russia
Branch of JSC "FGC UES" – Verkhne-Volzhskoye enterprise of bulk power grids	Privolzhskiy settlement, Volzhskiy district, Mariy El Republic, 425010, Russia
Branch of JSC "FGC UES" – Sredne-Volzhskoye enterprise of bulk power grids	11, Energetikov street, industrial community Veshkaima, Ulianovskiy region 433100, Russia
Branch of JSC "FGC UES" – Samarskoye enterprise of bulk power grids	226, Molodogvardeyskaya street, Samara 443109 Russia
Branch of JSC "FGC UES" – Nizhne-Volzhskoye enterprise of bulk power grids	40, Sokolovaya gora, Saratov 410038, Russia
Branch of JSC "FGC UES" – Stavropolskoye enterprise of bulk power grids	Food processors industrial zone, Zheleznovodsk, Stavropolskiy region 357400, Russia
Branch of JSC "FGC UES" – Kubanskoye enterprise of bulk power grids	5, Tramvaynaya street, Krasnodar 350021, Russia
Branch of JSC "FGC UES" – Rostovskoye enterprise of bulk power grids	Salovskiy settlement, Volgodonskiy district, Rostovskiy region 347349, Russia
Branch of JSC "FGC UES" – Bryanskoye enterprise of bulk power grids	Novobryanskaya street, Vygonichi settlement, Bryanskiy region 243360, Russia
Branch of JSC "FGC UES" – Vyborgskoye enterprise of bulk power grids	Perovo settlement, Vyborgskiy district, Leningradskiy region 188932, Russia
Branch of JSC "FGC UES" – Novgorodskoye enterprise of bulk power grids	10, Vegikaya street, Novgorodskiy region 173021, Russia
Branch of JSC "FGC UES" – Karelskoye enterprise of bulk power grids	11, Veterinarnyi pereulok, Petrozavodsk, Republic of Karelia 185013, Russia
Branch of JSC "FGC UES" – SPECIALIZED PRODUCTION PLANT "Elektrosetremont"	1, Parkovaya stret, Noginsk, Moscovskiy region 142408, Russia
Branch of JSC "FGC UES" – Mikhailovskaya SPECIALIZED PRODUCTION PLANT for power grids service	Elektrik settlement, Mikhailov, 27a, Ryazanskiy region 391710, Russia
Branch of JSC "FGC UES" – Novgorodskaya SPECIALIZED PRODUCTION PLANT for power grids service	27a, village Novaya Melnitsa, Novgorodskiy district, Novgorodskiy region 173023, Russia
Branch of JSC "FGC UES" – Novosibirskaya SPECIALIZED PRODUCTION PLANT for power grids service	10/1, Klenovaya street, Novosibirsk 630126, Russia
Branch of JSC "FGC UES" – Srednevolzhskaya SPECIALIZED PRODUCTION PLANT for power grids service	101, 40 let Oktyabrya street, urban settlement Veshkaima, Ulianovskiy region 433200, Russia
Branch of JSC "FGC UES" – SPECIALIZED	P.S. "Belyi Rast", PO Belyi Rast, Dmitrovskiy

PRODUCTION PLANT “Belyi Rast” Branch of JSC “FGC UES” – Yuzhnaya SPECIALIZED PRODUCTION PLANT for power grids service	district, Moscovskiy region 141870, Russia 11, Promzona, Lermontovskiy razjezd, Pyatigorsk 357519, Russia
Branch of JSC “FGC UES” – Bulk power grids of Western Siberia	4, Universitetskaya street, Surgut, KhMAO, Tyumenskiy region 628406, Russia
Branch of JSC “FGC UES” – Leningradskoye enterprise of bulk power grids	1, Kurchatova street, St. Petersburg 194233, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of trunk power grids of the Center	1, Tkatskaya street, Moscow 105318, Russia
Branch of JSC “FGC UES” – Tomskoye enterprise of bulk power grids	1, Energeticheskaya street, Tomsk 634062, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of bulk power grids of Siberia	4a, Tomskaya street, Krasnoyarsk 666013, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of bulk power grids of the South	2, Food processors industrial zone, Inozemtsevo settlement, Zheleznovodsk, Stavropolskiy region 357431, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of bulk power grids of the Urals and West Siberia	5, Tolmacheva street, Ekaterinburg 620041, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of bulk power grids of the North-West	1, Kurchatova street, St. Petersburg 194223, Russia
Branch of JSC “FGC UES” on technical maintenance and repairing of bulk power grids of Volga	5, Polevaya street, Samara, 443100, Russia
Branch of JSC “FGC UES” - Kaspiyskoye enterprise of bulk power grids	73a, Dadakhaeva street, Makhachkala, Dagestan republic, Russia
Branch of JSC “FGC UES” - automobile operating company of bulk power grids of Ural	5, Tolmacheva street, Ekaterinburg 620041, Russia
Branch of JSC “FGC UES” - automobile operating company of bulk power grids of North- West	1, Kurchatova street, St. Petersburg 194223, Russia

**Auditor's opinion on  
Accounting reports**

(См. прилагаемый экселевский файл Accounts 2007)

For the Auditor opinion, please, address PWC

## **AUDIT REPORT**

### **on Statutory financial (accounting) reports**

To the shareholders of Open joint stock company “Federal Grid Company of the Unified Energy System”.

#### **Auditor**

Closed joint stock company “PricewaterhouseCoopers Audit “ (ZAO “PricewaterhouseCoopers Audit”)

State registration certificate No 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on August 22, 2002.

Audit license No E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002. The license is valid until 20 May 2012.

Member of the Institute of Professional Accountants and Auditors of Russia and of the Audit Chamber of Russia.

#### **Client**

Open joint stock company “Federal grid company of the Unified Energy System”

5a, Akademika Chelomeya street, Moscow, 117630

State registration certificate No 21081 series LO-002, issued by Leningrad regional Registration Bureau on 25 June 2002, recorded in the Unified State Register of Legal Entities under No. 00/03124.

## AUDIT REPORT

on Statutory financial (accounting) reports of Open joint stock company “Federal grid company of the Unified Energy System”

### **To the shareholders of Open joint stock company “Federal grid company of the Unified Energy System”**

- 1 We have audited the attached Statutory financial (accounting) reports of Open joint stock company “Federal grid company of the Unified Energy System” (hereinafter – “the Company”) for the period from 1 January up to 31 December 2007. Statutory financial (accounting) reports of the Company consist of Balance Sheet, Profit and Loss Account, Flow of Equity and Funds Report, Cash Flow Statement, Supplement to the Balance Sheet, Explanatory Notes (hereinafter all the reports together are called “Statutory financial (accounting) reports”). The Statutory financial (accounting) reports were prepared by the management of the Company in accordance with the legislation of Russian Federation applicable to Statutory financial (accounting) reports. Such Statutory financial (accounting) reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.
- 2 Preparation of the Statutory financial (accounting) reports is the responsibility of executive body of the Company. Our responsibility as auditors is to express our opinion in all material respects on these Statutory financial (accounting) reports and on whether the accounting is conducted in accordance with the Russian legislation based on our audit.
- 3 We conducted our audit in accordance with The Federal Law “On auditing activity”, Federal Auditing Standards, International Standards on Auditing and our internal standards.

Our audit was planned and performed to obtain reasonable assurance about whether the Statutory financial (accounting) reports are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statutory financial (accounting) reports, assessing compliance with accounting principles, techniques and rules of Statutory financial (accounting) reports preparation, evaluating significant estimates made by the management of the Company and the overall Statutory financial (accounting) reports presentation. We believe that our audit provides a reasonable basis for our opinion on these Statutory financial (accounting) reports and on whether the accounting is conducted in accordance with the Russian legislation.

- 4 In our opinion, the Statutory financial (accounting) reports of the Company attached to this report have been properly prepared to present, in all material respects, the financial position of the Company as at 31 December 2007 and financial results of its operations for the period from 1 January up to 31 December 2007 in accordance with the legislation of Russian Federation applicable for Statutory financial (accounting) reports.

2 April 2008

Director of ZAO

D. W. Gray

Statutory auditor  
Certificate No K005491  
for general audit  
termless

S.G. Mescherina

**AUDIT COMMISSION CERTIFICATE**  
**summarizing results of the financial and economic activities audit**  
**in JSC “FGC UES”**

**Audit commission of the open joint-stock company  
“Federal Grid Company of Unified Energy System”**

**Certificate  
summarizing results of the financial and economic activities audit  
in open joint-stock company  
“Federal Grid Company of Unified Energy System”  
for 2007**

**Moscow 2008**

**AUDIT COMMISSION CERTIFICATE**  
**on financial statements of the open joint-stock company**  
**“Federal Grid Company of Unified Energy System” for 2007**

Audit commission performed audit of the attached financial statements of Open joint-stock company “Federal Grid Company of Unified Energy System” (hereinafter – JSC “FGC UES”) for 2007. These financial statements had been prepared by JSC “FGC UES” management in accordance with the Federal «Accounting law» and Provision on business accounting and financial statements maintenance in the Russian Federation approved by decree № 34H of the Russian Federation Ministry of Finance under date of July 29, 1998.

JSC “FGC UES” management is liable for preparation of these financial statements. In accordance with JSC “FGC UES” Provision on Audit commission, the Audit commission duty is to evaluate these financial statements and acknowledge reliability of data contained in them, as well as to inform JSC “FGC UES” shareholders about facts when can be found in a procedure established by the Russian Federation laws for business accounting and presentation of financial statements, the Russian Federation legal acts in the course of the financial and economic activities, Articles of association and JSC “FGC UES” internal documents.

In accordance with the Audit commission plan, in 2007 it performed audit of JSC “FGC UES” financial and economic activities for 2006 during the period of 14.03.2007 to 30.03.2007, audit of JSC “FGC UES” investment programs for 2006 and the first half of year 2007 - during the period of 05.09.2007 to 21.09.2007.

Audit was scheduled and carried out with a view to get a reasonable assurance that financial statements did not contain material misstatements, and it included audit on a sample basis, confirmation of numeric data and explanations in the financial statements. Moreover, audit included evaluation of the most important calculations prepared by JSC “FGC UES” management.

Audit commission took into consideration a Certificate under date of 02.04.2008 issued by the Company independent auditor - CJSC «PricewaterhouseCoopers Audit» for 2007.

Audit commission confirms that JSC “FGC UES” financial statements for 2007 in every respect give a true and fair view of the financial situation in JSC “FGC UES” as of December 31, 2007 and results of the Company financial and economic activities for 2007.

JSC “FGC UES” Annual report summarizing the results of 2007 is drawn up in accordance with a Standard form designed by JSC RAO “UES of Russia”. JSC “FGC UES” Annual report subject to approval of the Annual general meeting of shareholders, which will be held on June 30, 2008, contain data provided by p.3.6. in Provision on additional requirements to procedure for preparation, convening and holding of the general meeting of shareholders, approved by Regulation N 17/nc of the Russia’s Federal Commission for the Securities Market (FCSM) under date of May 31, 2002, read with Regulation № 03-6 n/c of RF FCSM under date of 07.02.2003, namely:

- position of the company in industry;
- business priorities of the company;
- report of the company board of directors (supervisory board) on company development according to its business priorities;
- prospects for the company development;
- report on stated (accrued) dividend payments upon the company shares;
- description of the principal risk factors associated with company business;
- list of transactions conducted by the company within a reporting year, which are considered to be major transactions in accordance with the Federal law “On joint-stock companies”, as well as list of other transactions to which approval procedure for major transactions, including essential conditions and name of the company management body that makes decision on approval applicable for each transaction, is applied in accordance with the company articles of association;
- list of transactions conducted by the company within a reporting year, which in accordance with the Federal law “On joint-stock companies” are considered as transactions, in settlement of which there is an interest, with specification of an interested person (persons), essential conditions and

name of the company management body that makes decision on approval applicable for each transaction;

- composition for the company Board of Directors (supervisory board) including information about changes in composition of the company Board of Directors (supervisory board) introduced during reporting year, and data on members of the company Board of Directors (supervisory board) including their brief biographical data and holding of the company shares within reporting year;
- composition for the company Management Board (collegial executive body), data on members of the company Management Board including their brief biographical data and holding of the company shares within reporting year;
- information about a person who holds a position of the sole executive body (manager, management organization) in the company and members of the company collegial executive body, including their brief biographical data and holding of the company shares within reporting year,
- remuneration criteria and amount of remuneration (compensation for expenses) for a person who holds a position of the sole executive body (manager, management organization) in the company, for every member of the company collegial executive body and every member of the company board of directors (supervisory board), as well as total remuneration (compensation for expenses) for all these persons, which have been or will be paid in accordance with reporting year results;
- data on compliance of the company with Code of corporate governance;
- other information as provided in JSC “FGC UES” Articles of association.

The report contains additional information as well: JSC “FGC UES” balance-sheet, report on International Accounting Standards for 2007 and information about ownership structure.

## Information about related party transactions and major transactions effected by the Company in 2007

### Major transactions of the Company

*In the first, second and third quarters* no transactions (a group of associated transactions) were effected the amount of obligations under which equal 10 and more per cent out of balance sheet assets of the Company in accordance with its accounting reports for the latest reporting quarter preceding the date of a transaction (a major transaction).

In the third quarter of 2007 the major transaction was effected with obligations amounted 10 and more per cent of the balance sheet assets of the issuer in accordance with its accounting reports for the 3<sup>rd</sup> quarter of 2007.

**Date of effecting the transaction (associated transactions) (conclusion of the contract):** 20.07.2007.

**Subject of the transaction and other conditions:** JSC “FGC UES” undertakes to transfer 86,916,003,794 (eighty six billion nine hundred sixteen million three hundred and seven hundred ninety four) registered ordinary shares of JSC “FGC UES” into ownership of JSC “RAO UES of Russia”; the shares are to be distributed under private offering at offering price of RUR 0.59 (fifty nine kopeks) each. JSC “RAO UES of Russia” undertakes to make payment to JSC “FGC UES for the above mentioned shares not later than the end of the period of distribution.

As payment for the shares, JSC “RAO UES of Russia” undertakes to transfer into ownership of JSC “FGC UES” shares of its subsidiary and associated companies, specified in attachment 1 to the present resolution, as well as the amount of RUR 41,997,679,999 (forty one billion nine hundred ninety seven million six hundred seventy nine thousand and nine hundred ninety nine) and 90 kopeks.

**Subject of Contract No1:** The Seller undertakes to transfer into ownership of the Buyer and the Buyer undertakes to accept and make payment for the following securities issued in accordance with the Resolution on additional issue of securities registered in the Federal Service on Financial Markets of Russia “23” August 2007, the state registered number: 1-0165018-D-002D under the terms of the present Contract:

Type, category of the securities: Ordinary registered uncertified shares

Issuer: JSC “FGC UES”

Nominal value of one security: RUR 0.50 (fifty kopeks)

The state registration number of the issue: 1-01-65018-D-002 D

Offering price of one security: RUR 0.59 (fifty nine kopeks)

Quantity of securities to be sold under the present Contract: 64,099,556,711 (sixty four billion ninety nine million five hundred fifty six thousand seven hundred eleven) shares.

Acquisition price of the securities under the present Contract (the transaction amount): RUR 37,818,738,459.49 (thirty four billion eight hundred eighteen million seven hundred thirty eight thousand four hundred fifty nine) and 49 kopeks.

As payment for shares of additional issue of LSC “FGC UES”, the Buyer undertakes to transfer into ownership shares of the bulk grid companies (hereinafter referred to as “the Share of MSK”) in accordance with the Attachment that makes an integral part of the Contract, cost of these shares (money value) equals RUR 5,517,215,088.56 (five billion five hundred seventeen million two hundred fifteen thousand eighty eight) and 56 kopeks.

**Subject of Contract No2:** The Seller undertakes to transfer into ownership of the Buyer and the Buyer undertakes to accept and make payment for the following securities issued in accordance with the Resolution on additional issue of securities registered in the Federal Service on Financial Markets of

Russia “23” August 2007, the state registered number: 1-01-65018-D-002D under the terms of the present Contract:

**Type, category and form of the securities:** Ordinary registered uncertified shares

**Issuer:** JSC “FGC UES”

**Nominal value of one security:** RUR 0.50 (fifty kopeks)

**The state registration number of the issue:** 1-01-65018-D-002 D

**Offering price of one security:** RUR 0.59 (fifty nine kopeks)

**Quantity of securities to be sold under the present Contract:** 9,351,212,014 (nine billion three hundred fifty one million two hundred twelve thousand fourteen) shares.

**Acquisition price of the securities under the present Contract (the transaction amount):** RUR 5,517,215,088.56 (five billion five hundred seventeen million two hundred fifteen thousand eighty eight) and 56 kopeks.

As payment for shares of additional issue of LSC “FGC UES”, the Buyer undertakes to transfer into ownership shares of the bulk grid companies (hereinafter referred to as “the Share of MSK”) in accordance with the Attachment that makes an integral part of the Contract, cost of these shares (money value) equals RUR 5,517,215,088.56 (five billion five hundred seventeen million two hundred fifteen thousand eighty eight) and 56 kopeks.

**Subject of Contract No3:** The Seller undertakes to transfer into ownership of the Buyer and the Buyer undertakes to accept and make payment for the following securities issued in accordance with the Resolution on additional issue of securities registered in the Federal Service on Financial Markets of Russia “23” August 2007, the state registered number: 1-01-65018-D-002D under the terms of the present Contract:

**Type, category and form of the securities:** Ordinary registered uncertified shares

**Issuer:** JSC “FGC UES”

**Nominal value of one security:** RUR 0.50 (fifty kopeks)

**The state registration number of the issue:** 1-01-65018-D-002 D

**Offering price of one security:** RUR 0.59 (fifty nine kopeks)

**Quantity of securities to be sold under the present Contract:** 1,293,605,338 (one billion two hundred ninety three million six hundred five thousand three hundred thirty eight) shares.

**Acquisition price of the securities under the present Contract (the transaction amount):** RUR 763,227,150 (seven hundred sixty three million two hundred twenty seven thousand one hundred fifty).

As payment for shares of additional issue of LSC “FGC UES”, the Buyer undertakes to transfer into ownership the following shares (hereinafter referred to as “the Shares of GruzEnergo”):

**Type, category and form of the securities:** Ordinary registered shares

**Issuer:** Joint stock company Unified Energy System “GruzRosenergo”

**Nominal value of one security:** LARI 10,000 (ten thousand).

**The state registration number of the issue:** 1-01-65018-D-002 D

**Offering price of one security:** RUR 0.59 (fifty nine kopeks)

**Quantity of securities to be sold under the present Contract:** 11,500 (eleven thousand five hundred) shares.

**Acquisition price of the securities under the present Contract (the transaction amount):** RUR 763,227,150 (seven hundred sixty three million two hundred twenty seven thousand one hundred fifty).

**Subject of Contract No4:** The Seller undertakes to transfer into ownership of the Buyer and the Buyer undertakes to accept and make payment for the following securities issued in accordance with the Resolution on additional issue of securities registered in the Federal Service on Financial Markets of Russia “23” August 2007, the state registered number: 1-01-65018-D-002D under the terms of the present Contract:

**Type, category and form of the securities:** Ordinary registered uncertified shares

**Issuer:** JSC “FGC UES”

**Nominal value of one security:** RUR 0.50 (fifty kopeks)

**The state registration number of the issue:** 1-01-65018-D-002 D

**Offering price of one security:** RUR 0.59 (fifty nine kopeks)

**Quantity of securities to be sold under the present Contract:** 5,008,677,966 (five billion eight million six hundred seventy seven thousand nine hundred sixty six) shares.

**Acquisition price of the securities under the present Contract (the transaction amount):** RUR 3,002,320,000 (three billion two million three hundred twenty thousand).

As payment for shares of additional issue of LSC "FGC UES", the Buyer undertakes to transfer into ownership the following shares (hereinafter referred to as "the Shares of NTC"):

**Type, category and form of the securities:** Ordinary registered uncertified shares

**Issuer:** Open Joint Stock Company "Scientific-technical center of electric power industry"

**Nominal value of one security:** RUR 0.50 (fifty kopeks)

**Quantity of securities to be sold under the present Contract:** 29,075,176 (twenty nine million seventy five thousand one hundred seventy six) shares.

**Acquisition price of the securities under the present Contract (the transaction amount):** RUR 3,002,320,000 (three billion two million three hundred twenty thousand).

**Date of fulfillment of obligations under the transaction (associated transactions):** 17.03.2008

**Parties to the transaction:** "the Buyer": JSC RAO "UES of Russia", "the Seller": JSC "FGC UES";

Notarization of this transaction is not required.

**Amount of transaction (associated transactions) in money value:** RUR 51,280,442,238 (fifty one billion two hundred eighty million four hundred forty two thousand two hundred thirty eight) and 46 kopeks. JSC "RAO UES of Russia" has the right to purchase less shares of JSC "FGC UES" and if such is the case, JSC "FGC UES" transfers into ownership of JSC "RAO UES of Russia" the respective amount of paid-up shares.

**Amount of transaction (associated transactions) in percentage to the Issuer assets value:** 14.6 %.

### **Information about related parties transactions approved by the Annual general meeting of shareholders of JSC "FGC UES" in 2007.**

1. Contract on trust management of rights under shares of interregional distribution grid companies (MRSK) between JSC "RAO UES of Russia" and JSC "FGC UES" (hereinafter referred to as "the Contract") that represent a related party transaction between JSC "RAO UES of Russia" (the Grantor) and JSC "FGC UES" (the Trustee). The Contract duration: from 02.06.2007 till 01.07.2008. The Contract considered prolonged for 6 months period under the same conditions if one of the Parties do not apply for the Contract termination upon its expiring. Cost of services of the Trustee under the contract on trust management of MRSK shares concluded between JSC "RAO UES of Russia" and JSC "FGC UES" cannot equal 2 (two) and more per cent of the balance sheet assets of JSC "RAO UES of Russia" according to the accounting reports of JSC "RAO UES of Russia" as of 01.06.2007.

2. The Transaction (associated transactions), related to distribution of additional ordinary shares of JSC "FGC UES" to the advantage of JSC "RAO UES of Russia" that represents a related party transaction concluded on the following conditions:

Parties to the transaction (associated transactions):

JSC "RAO UES of Russia";

JSC "FGC UES".

Subject of the transaction (associated transactions): JSC "FGC UES" undertakes to transfer 86,916,003,794 (eighty six billion nine hundred sixteen million three hundred and seven hundred ninety four) registered ordinary shares of JSC "FGC UES" into ownership of JSC "RAO UES of Russia"; the shares are to be distributed under private offering at offering price of RUR 0.59 (fifty nine kopeks) each. JSC "RAO UES of Russia" undertakes to make payment to JSC "FGC UES" for the above mentioned shares

not later than the end of the period of distribution. As payment for the shares, JSC “RAO UES of Russia” undertakes to transfer into ownership of JSC “FGC UES” shares of its subsidiary and associated companies, specified in attachment 1 to the present resolution, as well as the amount of RUR 41,997,679,999 (forty one billion nine hundred ninety seven million six hundred seventy nine thousand and nine hundred ninety nine) and 90 kopeks.

Price of the transaction (associated transactions): RUR 51,280,442,238 (fifty one billion two hundred eighty million four hundred forty two thousand two hundred thirty eight) and 46 kopeks. JSC “RAO UES of Russia” has the right to purchase less shares of JSC “FGC UES” and if such is the case, JSC “FGC UES” transfers into ownership of JSC “RAO UES of Russia” the respective amount of paid-up shares.

3. Transaction related to JSC “FGC UES” purchasing of electric network facilities of JSC “RAO UES of Russia”, previously owned by JSC “Kabbalkenergo” that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

JSC “RAO UES of Russia”;  
JSC “FGC UES”.

Subject of the transaction:

JSC “RAO UES of Russia” undertakes to transfer into ownership of JSC “FGC UES” the property owned by JSC “RAO UES of Russia” and comprised by assets used for the purpose of electric power transmission, as specified in attachment 2 to the present resolution.

JSC “FGC UES” undertakes to make payment for the purchased property in the amount of RUR 55,727,933 (fifty five million seven hundred twenty seven thousand and nine hundred thirty three).

Price of the transaction: RUR 55,727,933 (fifty five million seven hundred twenty seven thousand and nine hundred thirty three) plus VAT in the amount stipulated by the legislation.

4. Transaction (associated transactions) related to JSC “FGC UES” purchasing of electric network facilities of JSC “RAO UES of Russia”, previously owned by JSC “Sevkavkazenergo” that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

JSC “RAO UES of Russia”;  
JSC “FGC UES”.

Subject of the transaction:

JSC “RAO UES of Russia” undertakes to transfer into ownership of JSC “FGC UES” the property owned by JSC “RAO UES of Russia” and comprised by fixed assets and assets under construction used for the purpose of electric power transmission, as specified in attachment 3 to the present resolution.

JSC “FGC UES” undertakes to make payment for the purchased property specified in attachment 3 to the present resolution in the amount of RUR 52,173,809 (fifty two million one hundred seventy three thousand eight hundred nine).

Price of the transaction: RUR 52,173,809 (fifty two million one hundred seventy three thousand eight hundred nine) plus VAT in the amount stipulated by the legislation.

5. Transaction (associated transactions) related to JSC “FGC UES” purchasing of assets from JSC “RAO UES of Russia” that represents a related party transaction concluded on the following conditions:

Parties to the transaction (associated transactions):

JSC “RAO UES of Russia”;  
JSC “FGC UES”.

Subject of the transaction (associated transactions):

JSC “RAO UES of Russia” undertakes to transfer into ownership of JSC “FGC UES” the property owned by JSC “RAO UES of Russia” and comprised by fixed assets used for the purpose of electric power transmission, as specified in attachment 4 to the present resolution.

JSC “FGC UES” undertakes to make payment for the purchased property specified in attachment 4 to the present resolution in the amount of RUR 704,585,942 (seven hundred four million five hundred eighty five thousand nine hundred forty two).

Price of the transaction: RUR 704,585,942 (seven hundred four million five hundred eighty five thousand nine hundred forty two) plus VAT in the amount stipulated by the legislation.

6. Transaction (associated transactions) related to JSC “FGC UES” purchasing of JSC “Energostroynabkomplekt” shares owned by JSC “RAO UES of Russia” that represents a related party transaction concluded on the following conditions:

Parties to the transaction (associated transactions):

JSC “RAO UES of Russia”;

JSC “FGC UES”.

Subject of the transaction (associated transactions):

JSC “RAO UES of Russia” undertakes to transfer into ownership of JSC “FGC UES” 14,499 (fourteen thousand four hundred ninety nine) registered ordinary uncertified shares of JSC “Energostroynabkomplekt” owned by JSC “RAO UES of Russia”.

Price of the transaction: RUR 206,250,775 (two hundred six million two hundred fifty thousand seven hundred seventy five).

7. Agency contract related to fair and replacement value of determination of JSC “FGC UES” assets concluded between JSC “FGC UES” and JSC “RAO UES of Russia” that represents a related party transaction concluded on the following conditions:

Parties to the transaction (associated transactions):

JSC “FGC UES” (the Principal);

JSC “RAO UES of Russia” (the Agent).

Subject of the transaction (associated transactions):

JSC “FGC UES”, hereinafter referred to as “the Principal” assigns and JSC “RAO UES of Russia”, hereinafter referred to as “the Agent”, undertakes at its own name and at the expense of the Principal to conclude a contract on works on determining fair value and replacement value of the assets owned by the Principal, exercise rights and perform duties of the Customer under the mentioned contract and present to the Principal results of work, and the Principal undertakes to make payments for works under the contract as well as pay the agency commission for services rendered.

Price of the contract: RUR 8,104,050 (eight million one hundred four thousand and fifty), VAT inclusive, including expenses under the valuation contract in the amount of RUR 8,100,000 (eight million one hundred thousand), VAT inclusive, plus agency commission.

The Agent’s fee under the Contract equals 0.05 (five hundredth) per cent, VAT inclusive, out of the amount specified in the valuation contract (para 1.2 of the agency contract) submitted by the Principal.

Duration of the contract:

Works under the Contract on valuation are to be completed till 30.04.2007 for the purpose of recognizing fixed assets at fair value in accordance with IFRS requirements when preparing of consolidated financial statements of RAO «UES of Russia” Group and other groups of the Holding. The Contract come into effect from the date of its signing by the Parties and is valid till the Parties duly fulfill their obligation under the Contract.

### **Information about related parties transactions approved by the Board of Directors of JSC “FGC UES” in 2007**

1. Contract agreement on collating and scientific-technical handling of documentation of JSC “Energostroynabkomplekt of UES” for 2001-2005, concluded between JSC “FGC UES” and JSC

“Energostroysnabkomplekt of UES” that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

The Client: JSC “Energostroysnabkomplekt of UES”;

The Contractor: JSC “FGC UES”.

Subject of the transaction: The Contractor undertakes to collate and handle documentation of JSC “Energostroysnabkomplekt of UES” for 2001-2005 and the Client undertakes to accept the result of works completed in the form of a formed archive of the documents and a set of normative-procedure documentation and to pay for the works.

Price of the transaction: Remuneration of the Contractor under the contract is set in the amount not exceeding RUR 1,000,000 (one million), VAT inclusive.

2. Agency contract on realization of target programs of reliability enhancement of JSC “Kurgan bulk grid company” grids that represents a related party transaction concluded on the following conditions:

Parties to the contract:

The Agent: JSC “FGC UES”;

The Principal: JSC “Kurgan bulk grid company”.

Subject of the transaction: the Principal assigns and the Agent performs in accordance with the procedure and under conditions stipulated by the contract at its own name and at the expense of the Client certain functions of the Client on realization of the target programs of reliability enhancement of the Principal’s grids in accordance with article 1 of the agency contract.

Price of the transaction: The Agent’s fee under the contract is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

3. Additional agreement to agency contract dated 31.03.2006 No13/I on realization of investment program for construction, renovation and technical upgrading of electric network facilities assets of JSC “Petersburg bulk grids” for the purpose of the network capacity growth and customers supply reliability enhancement and realization of additional JSC “Petersburg bulk grids” target programs as well as programs to develop computerized information and measuring system to control and account for electric power of JSC “Petersburg bulk grids” between JSC “FGC UES” and JSC “Petersburg bulk grids” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Client - JSC “Petersburg bulk grids”;

The Contractor - JSC “FGC UES”.

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the present contract, at its own name and at the expense of the Client certain functions of the Client on construction, renovation and technical upgrading of electric network facilities assets of JSC “Petersburg bulk grids” for the purpose of the network capacity growth and customers supply reliability enhancement and realization of additional JSC “Petersburg bulk grids” target programs as well as programs to develop computerized information and measuring system to control and account for electric power of JSC “Petersburg bulk grids” in accordance with article 1 of the additional agreement to the agency contract.

Price of the transaction: The Contractor’s remuneration under additional agreement to the agency contract dated 31.03.2006 No13/I is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed in additional agreements.

4. Agency contract on provision of services to realize target programs of reliability enhancement of electric network facilities of JSC “Bulk grid company” between JSC “FGC UES” and JSC “Bulk grid company”, that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

The Client - JSC "Bulk grid company";

The Contractor - JSC "FGC UES".

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the present contract, at its own name and at the expense of the Client certain functions of the Client on realization of target programs on reliability enhancement of electric network facilities of the Client in accordance with article 1 of the contract.

Price of the transaction: The Contractor's remuneration under the contract is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

5. Agency contract on establishing and upgrading of systems for commercial accounting for the UNES electric power on facilities of JSC "Primorsk bulk grid company" between JSC "FGC UES" and JSC "Primorsk bulk grid company" that represents a related party transaction concluded on the following conditions:

Parties to the contract:

The Client: JSC "Primorsk bulk grid company";

The Contractor: JSC "FGC UES" (the Contractor).

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the contract, at its own name and at the expense of the Client certain functions of the Client on establishing and upgrading of systems for commercial accounting for the UNES electric power on the facilities of JSC "Primorsk bulk grid company".

Price of the transaction: The Contractor's remuneration under the contract is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

6. Agency contract on establishing and upgrading of systems for commercial accounting for the UNES electric power on facilities of JSC "Khabarovsk bulk grid company" between JSC "FGC UES" and JSC "Khabarovsk bulk grid company" that represents a related party transaction concluded on the following conditions:

Parties to the contract:

The Client: JSC "Khabarovsk bulk grid company";

The Contractor: JSC "FGC UES" (the Contractor).

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the contract, at its own name and at the expense of the Client certain functions of the Client on establishing and upgrading of systems for commercial accounting for the UNES electric power on the facilities of JSC "Khabarovsk bulk grid company".

Price of the transaction: The Contractor's remuneration under the contract is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

7. Agency contract on provision of services to realize target programs of reliability enhancement of electric network facilities of JSC "Khabarovsk bulk grid company" between JSC "FGC UES" and JSC "Khabarovsk bulk grid company", that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

The Client - JSC "Khabarovsk bulk grid company";

The Contractor - JSC "FGC UES".

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the present contract, at its own name and at the expense of the Client certain functions of the Client on realization of target programs on reliability enhancement of electric network facilities of JSC "Khabarovsk bulk grid company" in accordance with article 1 of the contract.

Price of the transaction: The Contractor's remuneration under the contract is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

8. Agency contract on provision of services to realize target programs of reliability enhancement of electric network facilities of JSC "Amursk bulk grid company" between JSC "FGC UES" and JSC "Amursk bulk grid company", that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

The Client - JSC "Amursk bulk grid company";

The Contractor - JSC "FGC UES".

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the present contract, at its own name and at the expense of the Client certain functions of the Client on realization of target programs on reliability enhancement of electric network facilities of JSC "Amursk bulk grid company" in accordance with article 1 of the contract.

Price of the transaction: The Contractor's remuneration under the contract is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

9. Contract on services provision, that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

The Client - JSC "FGC UES";

The Contractor - JSC "Engineer center of UES" represented by the branch "Firm ORGRES".

Subject of the transaction: Provision of services on the UNES relays systems and automatic equipment analysis;

Price of the transaction: RUR 1,436,000 (one million four hundred thirty six thousand) plus VAT of 18 per cent in the amount of RUR 258,480 (two hundred fifty eight thousand four hundred eighty). Total amount equals RUR 1,694,480 (one million six hundred ninety four thousand four hundred eighty).

10. A related party transaction related to the opportunity to assignment of assets comprising fixed assets aimed for electric power transmission and distribution, in particular, to approve the conclusion of the contract on sale and purchase of electricity network facilities (with preliminary assignment of those facilities to lease) on the following conditions:

Parties to the transaction:

The Seller: JSC "FGC UES";

The Buyer: JSC "GMK "Norilsk nickel".

Price of the assets assigned (VAT exclusive) equals RUR 2,018,213,247 (two billion eighteen million two hundred thirteen thousand two hundred forty seven) multiplied by adjusting factor K specified by the Contract (attachment No4 to the Contract).

11. Transaction between JSC "FGC UES" and JSC "MUS of Electric power industry" that that represents a related party transaction concluded on the following conditions:

Parties:

JSC "FGC UES" and JSC "MUS of Electric power industry";

Subject of the contract: JSC "FGC UES" transfers property as payment for 20,000 (twenty thousand) additional shares of "MUS of Electric power industry" (the market value of one share equals RUR 2,500 (two thousand five hundred) distributed by private placement in favor of JSC "FGC UES".

Price of the transaction related to assignment of JSC "FGC UES" property as payment for additional shares of JSC "MUS of Electric power industry" equals RUR 50,000,000 (five million).

12. Agency contract between JSC "FGC UES" and JSC "Vladimir bulk grids" that represents a related party transaction concluded on the following conditions:

Parties to the transaction:

The Agent - JSC "FGC UES";

The Principal - JSC "Vladimir bulk grids".

Subject of the transaction:

JSC "Vladimir bulk grids" assigns and JSC "FGC UES" undertakes at its own name but at the expense of and in the interest of JSC "Vladimir bulk grids" to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as "the Applicants") on the basis of their applications to electricity network of JSC "Vladimir bulk grids" as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC "Vladimir bulk grids"; and JSC "Vladimir bulk grids" undertakes to pay to JSC "FGC UES" expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Price of the transaction:

Agency fee under the Contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent under each of the contracts concluded by JSC "FGC UES" on provision of access connection.

13. Contracts on services provision between JSC "FGC UES" and JSC "Scientific and technical center of electric power industry" that represents a related party transaction concluded on the following conditions:

Parties to the contract:

JSC "FGC UES" (the Client);

JSC "Scientific and technical center of electric power industry" (the Contractor).

Subject of the contract: Support of database and archive of documents of acceptance and expert committees in respect of equipment, technologies and materials accepted and not accepted to be used on JSC "FGC UES" plants (depository).

Price of the transaction: RUR 1,660,000 (one million six hundred sixty thousand). Imputed cost of services is given in attachment 3 to the draft contract.

14. Contract on lease of assets between JSC "FGC UES" and JSC "Buriatenergo" that represents a related party transaction concluded on the following conditions:

Parties to the contract:

JSC "FGC UES" (the Lessee);

JSC "Buriatenergo" (the Lesser).

Subject of the transaction: JSC "Buriatenergo" (the Lesser) transfers and JSC "FGC UES" represented by the director of JSC "FGC UES" branch – Zabaikalskoye enterprise MES, Zubrev N.M. - (the Lessee) accepts in tenure and temporary use (lease) non-living premises of total area 221.7 sq. m. to place communication equipment and provide for the activity of JSC "FGC UES" branch – Zabaikalskoye enterprise MES; the premises include:

- non-living premises of total area 170.3 sq. m. located in an administrative building at address: 28, prospect 50-letia Oktyabrya, Ulan-Ude, Republic of Buryatia;

- non-living premises of total area 17.4 sq. m. located in a building at address: 5, Zheleznodorozhnaya street, Gusinozersk, Republic of Buryatia;

- non-living premises of total area 11.2 sq. m. located in repair and production plant building at address: 2, Promyshlennaya street, Kamensk settlement, Kabanskiy district, Republic of Buryatia;

- non-living premises of total area 22.8 sq. m. located in a building at address: 26, Orlovskaya street, Ulan-Ude, Republic of Buryatia.

Price of the transaction: rental value under the contract amounts RUR 103,597 (one hundred three thousand five hundred ninety seven) and 40 kopeks, including VAT of 18 per cent – RUR 18,647 (eighteen thousand six hundred forty seven) and 53 kopeks. Lease payment calculation is given in attachments to the draft contract on lease of assets.

15. Loan agreement between JSC “FGC UES” (the Lender) and JSC “Scientific and technical center of electric power industry” (the Borrower) that represents a related party transaction concluded on the following conditions:

Principal amount – RUR 100,000,000.00 (one hundred million);

Maturity date – 31.12.2007;

Interest rate – 10.5 (ten and five tenth) per cent per annum;

Security – non-secured.

15. Contract on service provision between JSC “FGC UES” and JSC “Scientific and technical center of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “Scientific and technical center of electric power industry” (the Contractor).

Subject of transaction: The Client assigns and the Contractor undertakes to provide services to develop requirements and initial data content, methodology to calculate and analyze electric losses in UNES network base on information of Computerized energy management system, Computerized information and measuring system for commercial accounting for electricity and Corporate management system for spatial resources.

Price of the transaction: RUR 1,416,000 (one million four hundred sixteen thousand), VAT inclusive. Cost of services calculation is given in attachment 3 to the draft contract.

16. Contract on lease of assets between JSC “Mordovenergo” and JSC “FGC UES” that represents a related party transaction concluded on the following conditions:

Parties to the contract:

JSC “FGC UES” (the Lessee);

JSC “Mordovenergo” (the Lesser).

Subject of the transaction: JSC “Mordovenergo” (the Lesser) transfers and JSC “FGC UES” represented by the General director of JSC “FGC UES” branch –MES of Volga, Streltsov S.V. - (the Lessee) accepts in tenure and temporary use (lease) non-living premises of total area 253 sq. m. at address: 22, Zhukovskogo street, Ruzaevka town, Republic of Mordovia;

Price of the transaction: rental value under the contract amounts RUR 33,312 (thirty three thousand three hundred twelve) including VAT of 18 per cent – RUR 5,081 (five thousand and eighty one) and 50 kopeks.

17. Contract on lease of assets between JSC “FGC UES” and JSC “Penzaenergo” that represents a related party transaction concluded on the following conditions:

Parties to the contract:

JSC “FGC UES” (the Lessee);

JSC “Penzaenergo” (the Lesser).

Subject of the transaction: JSC “Penzaenergo” (the Lesser) transfers and JSC “FGC UES” represented by the General director of JSC “FGC UES” branch –MES of Volga, Streltsov S.V. - (the Lessee) accepts in tenure and temporary use (lease) non-living premises of total area 315.83 sq. m. at address: 1/2, Pushkina street, Penza.

Price of the transaction: rental value under the contract amounts RUR 111,244 (one hundred eleven thousand two hundred forty four) and 63 kopeks per month, including VAT of 18 per cent – RUR 16,969 (sixteen thousand nine hundred sixty nine) and 52 kopeks. Lease payment calculation is given in the attachment to the draft contract on lease of assets.

18. Contract on lease of assets between JSC “FGC UES” and JSC “TGK-6” that represents a related party transaction concluded on the following conditions:

Parties to the contract:

JSC “FGC UES” (the Lessee);

JSC “TGK-6” (the Lesser).

Subject of the transaction: JSC “TGK-6” (the Lesser) transfers and JSC “FGC UES” represented by the director of JSC “FGC UES” branch – PMES Srednevolzhskoye, Ivashchkin K.K. - (the Lessee) accepts in tenure and temporary use (lease) non-living premises of total area 99 sq. m. at address: 50, prospect Lenina, Saransk, Republic of Mordovia.

Price of the transaction: rental value under the contract amounts RUR 27,654 (twenty seven thousand six hundred fifty four) and 32 kopeks, including VAT of 18 per cent – RUR 4,218 (four thousand two hundred eighteen) and 45 kopeks.

19. Additional agreement No6 to agency contract dated 05.12.2005 No1/AG-05 on realization of investment program for construction, renovation and technical upgrading of electric network facilities assets of JSC “Bulk grid company” between JSC “FGC UES” and JSC “Bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Client - JSC “Bulk grid company”;

The Contractor - JSC “FGC UES”.

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the agency contract dated 05.12.2005 No 1/AG-05, at its own name and at the expense of the Client certain functions of the Client on realization of investment program for construction, renovation and technical upgrading of electric network facilities assets of JSC “Bulk grid company” in accordance with article 1 of the additional agreement to the agency contract.

Price of the transaction: The Contractor’s remuneration under additional agreement to the agency contract dated 05.12.2005 No1/AG-05 is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed in additional agreements.

20. Agency contract on realization of investment program for construction, renovation and technical upgrading of electric network facilities assets of JSC “Yakutsk bulk grid company” between JSC “FGC UES” and JSC “Yakutsk bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Client - JSC “Yakutsk bulk grid company”;

The Contractor - JSC “FGC UES”.

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the agency contract, at its own name and at the expense of the Client certain functions of the Client on realization of investment program for construction, renovation and technical upgrading of electric network facilities assets of JSC “Yakutsk bulk grid company” in accordance with article 1 of the additional agreement to the agency contract.

Price of the transaction: The Contractor’s remuneration under additional agreement to the agency contract is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed in additional agreements.

21. Contract on services provision in respect of the state secret protection concluded between JSC “FGC UES” and CJSC “INTER RAO UES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

CJSC “INTER RAO UES” (the Client);

JSC “FGC UES” (the Contractor).

Subject of the transaction: the Contractor undertakes to provide the Client with services in respect of protecting the state secret at the address of its own secure-confidential body and in accordance with its operating procedure. The Client undertakes to pay for the Contractor’s services equal and on a timely basis.

Price of the transaction: The Contractor's remuneration under the contract is determined in the amount of RUR 82,600 (eighty two thousand six hundred) per month including VAT of 18 per cent in the amount RUR 12,600 (twelve thousand six hundred).

22. The Contract between JSC "FGC UES" and JSC "Moscow unified electric grid company" that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC "Moscow unified electric grid company" (the Client)

JSC "FGC UES" (the Contractor).

Subject of the transaction: JSC "Moscow unified electric grid company" (the Client) assigns and JSC "FGC UES" (the Contractor) undertakes to repair 110 kV high voltage line section "Drozdovo – Gorenki" 1 and 2 of total length of 2.5 km for the needs of Eastern electric grids - JSC "Moscow unified electric grid company" branch.

Price of the transaction: RUR 3,188,599 (three million one hundred eighty eight thousand five hundred and ninety nine) and 36 kopeks, VAT exclusive. In addition, VAT of 18 per cent in the amount of RUR 573,947 (five hundred seventy three thousand nine hundred forty seven) and 88 kopeks. The total amount including VAT at present prices equals RUR 3,762,547 (three million seven hundred sixty two thousand five hundred forty seven) and 24 kopeks.

23. The Contract between JSC "FGC UES" and JSC "Moscow unified electric grid company" that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC "Moscow unified electric grid company" (the Client)

JSC "FGC UES" (the Contractor).

Subject of the transaction: JSC "Moscow unified electric grid company" (the Client) assigns and JSC "FGC UES" (the Contractor) undertakes to carry out works on capital repair of RZA facilities on substations PS No 343, 213, 175 for the needs of Southern electric grids - JSC "Moscow unified electric grid company" branch.

Price of the transaction: RUR 4,286,680 (four million two hundred eighty six thousand six hundred eighty), VAT exclusive. In addition, VAT of 18 per cent in the amount of RUR 771,602 (seven hundred seventy one thousand six hundred and two) and 40 kopeks. The total amount including VAT at present prices equals RUR 5,058,282 (five million fifty eight thousand two hundred eighty two) and 40 kopeks.

24. The Contract between JSC "FGC UES" and JSC "Moscow unified electric grid company" that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC "Moscow unified electric grid company" (the Client)

JSC "FGC UES" (the Contractor).

Subject of the transaction: JSC "Moscow unified electric grid company" (the Client) assigns and JSC "FGC UES" (the Contractor) undertakes to carry out construction-assembly works on renovation 110 kV high voltage line Shature-Eksiton, Shatura-Dulevo for the needs of Noginsk electric grids - JSC "Moscow unified electric grid company" branch.

Price of the transaction: RUR 6,462,547 (six million four hundred sixty two thousand five hundred and forty seven), VAT exclusive. In addition, VAT of 18 per cent in the amount of RUR 1,163,298 (one million one hundred sixty three thousand two hundred ninety eight) and 60 kopeks. The total amount including VAT at present prices equals RUR 7,626,068 (seven million six hundred twenty six thousand six hundred and sixty eight) and 60 kopeks.

25. Contract on services provision between JSC "FGC UES" and JSC "NIIPT" that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC "FGC UES" (the Client);

JSC “NIIPT” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor undertakes to provide services on reviewing of drafts and other documents related to reliability enhancement, renovation, new construction of electricity network facilities of JSC “FGC UES”, or normative and technical draft documents and materials of scientific and technical council sections, working groups and commissions where JSC “FGC UES” is a participant.

Price of the transaction: RUR 1,200,000 (one million two hundred thousand) plus VAT of 18 per cent – RUR 216,000 (two hundred sixteen thousand). Total amount under the contract equals RUR 1,416,000 (one million four hundred sixteen thousand).

26. Additional agreement to the contract between JSC “FGC UES” and JSC “Engineer center of UES” branch – “Firm ORGRES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “Engineer center of UES” branch – “Firm ORGRES” (the Contractor).

Subject of the contract: JSC “FGC UES” (the Client) assigns and JSC “Engineer center of UES” branch – “Firm ORGRES” (the Contractor) undertakes to carry out works on developing methodology to determine labor forces to operate implemented (renovated) assets of the UNES bulk grids.

Price of the transaction: RUR 3,000,000 (three million) VAT exclusive, plus VAT of 18 per cent in the amount of RUR 540,000 (five hundred forty thousand). Total amount including VAT calculated in present prices equals RUR 3,540,000 (three million five hundred forty thousand).

27. Contract on services provision between JSC “FGC UES” and JSC “NIIPT” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NIIPT” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor undertakes to provide services on developing draft working documentation “Practical guidelines on quality control of electricity in bulk grids”.

Price of the transaction: RUR 1,100,000 (one million one hundred thousand), VAT exclusive, plus VAT of 18 per cent – RUR 198,000 (one hundred ninety eight thousand). Total amount under the contract equals RUR 1,298,000 (one million two hundred ninety eight thousand). Cost of services estimates are given in attachment 3 to the draft contract.

28. Agency contract between JSC “FGC UES” and JSC “Arkhangelsk bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Agent - JSC “FGC UES”;

The Principal - JSC “Arkhangelsk bulk grid company”.

Subject of the contract: JSC “Arkhangelsk bulk grid company” assigns and - JSC “FGC UES” undertakes at its own name but at the expense of and in the interest of JSC “Arkhangelsk bulk grid company”, to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network of JSC “Khabarovsk bulk grid company” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Arkhangelsk bulk grid company”; and JSC “Arkhangelsk bulk grid company” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

29. Agency contract between JSC “FGC UES” and JSC “Khabarovsk bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Agent - JSC “FGC UES”;

The Principal - JSC “Khabarovsk bulk grid company”.

Subject of the contract: JSC “Arkhangelsk bulk grid company” assigns and - JSC “FGC UES” undertakes at its own name but at the expense of and in the interest of JSC “Khabarovsk bulk grid company”, to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network of JSC “Khabarovsk bulk grid company” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Khabarovsk bulk grid company”; and JSC “Khabarovsk bulk grid company” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

30. Agency contract between JSC “FGC UES” and JSC “Primorsk bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Agent - JSC “FGC UES”;

The Principal - JSC “Primorsk bulk grid company”.

Subject of the contract: JSC “Primorsk bulk grid company” assigns and - JSC “FGC UES” undertakes at its own name but at the expense of and in the interest of JSC “Primorsk bulk grid company”, to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network of JSC “Primorsk bulk grid company” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Primorsk bulk grid company”; and JSC “Primorsk bulk grid company” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

31. Agency contract between JSC “FGC UES” and JSC “Yakutsk bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Agent - JSC “FGC UES”;

The Principal - JSC “Yakutsk bulk grid company”.

Subject of the contract: JSC “Yakutsk bulk grid company” assigns and - JSC “FGC UES” undertakes at its own name but at the expense of and in the interest of JSC “Yakutsk bulk grid company”, to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network of JSC “Yakutsk bulk grid company” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Yakutsk bulk grid company”; and JSC “Yakutsk bulk grid company” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

32. Agency contract between JSC “FGC UES” and JSC “Amursk bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Agent - JSC “FGC UES”;

The Principal - JSC “Amursk bulk grid company”.

Subject of the contract: JSC “Amursk bulk grid company” assigns and - JSC “FGC UES” undertakes at its own name but at the expense of and in the interest of JSC “Amursk bulk grid company”, to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network of JSC “Amursk bulk grid company” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Amursk bulk grid company”; and JSC “Amursk bulk grid company” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

33. Agency contract between JSC “FGC UES” and JSC “Tyumen bulk grid company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

The Agent - JSC “FGC UES”;

The Principal - JSC “Tyumen bulk grid company”.

Subject of the contract: JSC “Tyumen bulk grid company” assigns and - JSC “FGC UES” undertakes at its own name but at the expense of and in the interest of JSC “Tyumen bulk grid company”, to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network of JSC “Tyumen bulk grid company” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Tyumen bulk grid company”; and JSC “Tyumen bulk grid company” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

34. Contract of lease of immovable assets between JSC “Kirovenergo” and JSC “FGC UES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lessee);

JSC “Kirovenergo” (the Lesser).

Subject of the transaction: JSC “Kirovenergo” (the Lesser) transfers and JSC “FGC UES” (the Lessee), represented by the general director of the branch of JSC “FGC UES” – ToiR MES of Ural and West Siberia, Kuzmin S.A., accepts in tenure and use immovable assets: non-living premises of total area 45.7 sq. m. at address: 51, Drevelskogo street, Kirov.

Price of the transaction: Rental value per month amounts RUR 15,471 (fifteen thousand four hundred and seventy one) and 78 kopeks, including VAT of 18 per cent - - RUR 2,360 (two thousand three hundred sixty) and 10 kopeks.

35. Contract of lease of immovable assets between JSC “Udmurtenergo” and JSC “FGC UES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lessee);

JSC “Udmurtenergo” (the Lesser)

Subject of the transaction: JSC “Udmurtenergo” (the Lesser) transfers and JSC “FGC UES” represented by the director of JSC “FGC UES” branch – Perm PMES, Kufeld V.D. - (the Lessee) accepts in tenure and temporary use (lease) non-living premises of total area 153.9 sq. m. to accommodate personnel of Udmurtskiy RMES, located in the building of Izhevsk RES – subdivision of TsES of JSC “Udmurtenergo” on the third floor at address: 105, Votkinskoye shosse, Izhevsk, Udmurtian Republic.

Price of the transaction: rental value under the contract amounts RUR 35,589 (thirty five thousand five hundred eighty nine) and 38 kopeks per month, plus VAT of 18 per cent – RUR 6,406 (six thousand four hundred and six) and 09 kopeks. Lease payment calculation is given in attachments to the draft contract on lease of non-living premises.

36. Contract of lease of immovable assets between JSC “Udmurtenergo” and JSC “FGC UES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lessee);

JSC “Udmurtenergo” (the Lesser)

Subject of the transaction: JSC “Udmurtenergo” (the Lesser) transfers and JSC “FGC UES” represented by the director of JSC “FGC UES” branch – Perm PMES, Kufeld V.D. - (the Lessee) accepts in tenure and temporary use (lease) non-living premises of total area 284.69 sq. m. to place communication equipment; the premises include:

- non-living premises of total area 215.26 sq. m. located in the building of APK JSC “Udmurtenergo” in the ground and the first floors at address: 30, Sovetskaya street, Izhevsk, Udmurtian Republic;
- non-living premises of total area 36.6 sq. m. located in the building of Izhevsk RES – subdivision of TsES of JSC “Udmurtenergo” on the third floor at address: 105, Votkinskoye shosse, Izhevsk, Udmurtian Republic;
- non-living premises of total area 32.83 sq. m. located in a building of TsRES – subdivision of YES of JSC “Udmurtenergo” on the first floor at address: 44, Gagarin street, Izhevsk, Udmurtian Republic.

Price of the transaction: rental value under the contract amounts RUR 123,966 (one hundred twenty three thousand nine hundred sixty six) and 96 kopeks per month, plus VAT of 18 per cent – RUR 22,314 (twenty two thousand three hundred fourteen) and 05 kopeks. Lease payment calculation is given in attachments to the draft contract on lease of assets.

37. Contract of lease of non-living premises between JSC “Buriatenergosbyt” and JSC “FGC UES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lessee);

JSC “Buriatenergosbyt” (the Lesser).

Subject of the transaction: JSC “Buriatenergosbyt” (the Lesser) transfers and JSC “FGC UES” (the Lessee), represented by the general director of the branch of JSC “FGC UES” – Zabaykalsk PMES, Zubrev N.M., accepts in tenure and use immovable assets: non-living premises of total area 450.8 sq. m. at address: 5, Sakhyanova street, Ulan-Ude, Republic of Buryatia.

Price of the transaction: Rental value per month amounts RUR 286,095 (two hundred eighty six thousand and ninety five) and 92 kopeks, including VAT of 18 per cent - - RUR 43,641 (forty three thousand six hundred forty one) and 75 kopeks.

38. Agency contract on realization of measures in accordance with the approved “Business-unit “Grids” activity program for preparation of electricity network facilities of Sochi power center for reliable operations in OZP 2007 – 2008” between JSC “FGC UES” and JSC “Kuban bulk grids” that represents a related party transaction concluded on the following conditions:

Price of services: The Contractor’s fee under the agency contract is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the legislation of the Russian Federation to be payable from the amount of agreed funding.

Parties to the Contract:

JSC “Kuban bulk grids” (the Client);  
JSC “FGC UES” (the Contractor).

Subject of the Contract: The Client assigns and the Contractor undertakes in the procedure and under conditions specified by the agency contract, in its own name but at the expense of the Client, to conduct a part of the Client’s functions in respect of developing and upgrading of the assets and other works in accordance with the approved “Business-unit “Grids” activity program for preparation of electricity network facilities of Sochi power center for reliable operations in OZP 2007 – 2008” in accordance with Article 1 of the agency contract.

39. Additional agreement No4 to agency contract dated 31.03.2006 No13/I on construction, renovation and technical upgrading of JSC “Petersburg bulk grids” electricity network facilities for the purpose of network capacity growth and power supply reliability increase between JSC “FGC UES” and JSC “Petersburg bulk grids” that represents a related party transaction concluded on the following conditions:

Price of services: The Contractor’s fee under the agency contract is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the legislation of the Russian Federation to be payable from the amount of agreed funding.

Parties to the Contract:

JSC “Petersburg bulk grids” (the Client);  
JSC “FGC UES” (the Contractor).

Subject of the Contract: The Client assigns and the Contractor undertakes in the procedure and under conditions specified by the agency contract dated 31.03.2006 No13/I, in its own name but at the expense of the Client, to conduct a part of the Client’s functions in respect of construction, renovation and technical upgrading of the Client’s electricity network facilities for the purpose of network capacity growth and power supply reliability increase in accordance with Article 1 of the agency contract.

40. Additional agreement No1 to agency contract dated 26.01.2007 No2/13 on construction, renovation and technical upgrading of JSC “Tyumen bulk grid company” electricity network facilities to provide for the system reliability between JSC “FGC UES” and JSC “Tyumen bulk grid company” that represents a related party transaction concluded on the following conditions:

Price of services: The Contractor’s fee under the additional agreement to the agency contract dated 26.01.2007 No2/13 is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the legislation of the Russian Federation to be payable from the amount of agreed funding.

Parties to the Contract:

JSC “Tyumen bulk grid company” (the Client);  
JSC “FGC UES” (the Contractor).

Subject of the Contract: The Client assigns and the Contractor undertakes in the procedure and under conditions specified by the agency contract dated 26.01.2007 No2/13, in its own name but at the expense of the Client, to conduct a part of the Client’s functions in respect of construction, renovation and technical upgrading of the Client’s electricity network facilities for the purpose of network capacity growth and power supply reliability increase in accordance with Article 1 of the agency contract.

41. Contract on provision of services between JSC “FGC UES” and JSC “General data processing center of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);  
JSC “General data processing center of electric power industry” (the Contractor)

Subject of the contract: the Contractor provides to the Client services in respect of organizing collection and processing of statistical reports, preparing of consolidated reports including customization and installation of computerized work stations in JSC “FGC IUES” Head office and its structural subdivisions.

Transaction value: RUR 2,492,160 (two million four hundred ninety two thousand one hundred sixty), VAT inclusive.

Term of services rendering:

42. Contract on carrying out works on tuning of ETsSSE-3 equipment between JSC “FGC UES” and JSC “Moscow communication center of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “Moscow communication center of electric power industry” (the Contractor)

Subject of the transaction: the Client assigns and the Contractor undertakes to carry out works in respect of:

- tuning of ETsSSE-3 equipment to organize network access to JSC “FGC UES” data processing center in Moscow;

- conducting centralized tuning of ETsSSE-3 network infrastructure from Moscow to provide for operation of the mentioned systems from users work stations to the data processing center.

Price of the transaction: RUR 2,100,000 (two million one hundred thousand), VAT exclusive, plus VAT of 18 per cent in the amount of RUR 378,000 (three hundred seventy eight thousand). Total amount of the contract with VAT in present prices equals RUR 2,478,000 (two million four hundred seventy eight thousand). Cost of works calculation is given in attachment 3 to the draft contract.

43. Contract on services on production and servicing of keyword certificates of electronic digital signature between JSC “FGC UES” and JSC “UTs of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the contract:

JSC “FGC UES” (the Customer of services);

JSC “UTs of electric power industry” (the center).

Subject of the transaction: the Contract regulates relationship between the Parties in respect of services on production and servicing of keyword certificates of electronic digital signature provided by JSC “UTs of electric power industry”.

Price of the transaction: RUR 395,808 (three hundred ninety five thousand eight hundred and eight) per annum, VAT inclusive.

44. Additional agreement between JSC “FGC UES” and JSC “ENIN” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “ENIN” (the Contractor).

Subject of the transaction: JSC “FGC UES” (the Client) assigns and JSC “ENIN” (the Contractor) undertakes to provide service “Analysis of job evaluation and remuneration of labor of certain employee categories in production units of Business-unit “Grids” companies.

Price of the transaction: Cost of service provided under additional agreement to contract dated 09.11.2006 No5295 equals RUR 2,450,000 (two million four hundred fifty thousand) plus VAT of 18 per cent in the amount of RUR 441,000 (four hundred forty one thousand). Cost of service was determined in accordance with “Protocol on agreed cost”.

45. Contract between JSC “FGC UES” and JSC “ENIN” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “ENIN” (the Contractor).

Subject of the transaction: JSC “FGC UES” (the Client) assigns and JSC “ENIN” (the Contractor) undertakes to provide service “Calculation and analysis of statutory staffing level in JSC “FGC UES” branches MES and PMES as of 01.01.2007”.

Price of the transaction: Cost of service provided under the contract dated equals RUR 1,180,000 (one million one hundred eighty thousand), VAT inclusive.

46. Additional agreement to the contract between JSC “FGC UES” and JSC “Engineer center of UES” branch – “Firm ORGRES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “Engineer center of UES” branch – “Firm ORGRES” (the Contractor).

Subject of the transaction: JSC “FGC UES” (the Client) assigns and JSC “Engineer center of UES” branch – “Firm ORGRES” (the Contractor) undertakes to estimate required staffing level of diagnostic personnel in JSC “FGC UES” branches – MES and PMES.

Price of the transaction: RUR 1,819,830 (one million eight hundred nineteen thousand eight hundred thirty) and 50 kopeks excluding VAT, plus VAT of 18 per cent – RUR 327,569 (three hundred twenty seven thousand five hundred sixty nine) and 50 kopeks. Total amount including VAT in present value equals RUR 2,147,400 (two million one hundred forty seven thousand four hundred).

47. Additional agreement No1 to contract on repair and operational servicing of electric network facilities dated 01.01.2006 No31P/REO between JSC “FGC UES” and JSC “Altayenergo” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “Altayenergo” (the Client);

JSC “FGC UES” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor undertakes to provide repair and operational servicing of the UNES electric network facilities.

Price of the transaction: RUR 116,500 (one hundred sixteen thousand five hundred), including VAT – RUR 17,740 (seventeen thousand seven hundred forty).

48. Contract on repair and operational servicing of electric network facilities JSC “FGC UES” and JSC “Arkhenargo” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “Arkhenargo” (the Client);

JSC “FGC UES” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor undertakes to provide repair and operational servicing of the UNES electric network facilities.

Price of the transaction: RUR 27,603,274 (twenty seven million six hundred three thousand two hundred and seventy four), including VAT.

49. Contract between JSC “FGC UES” and JSC “NIIPT” that represents a related party transaction concluded on the following conditions:

Price of the contract: RUR 21,240,000 (twenty one million two hundred forty thousand), including VAT.

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NIIPT” (the Contractor).

Subject of the Contract: the Client assigns and the Contractor undertakes to carry out works on topic “Development of principles, structure and mechanisms of the system of emergency control schemes of Moscow energy system. Part 1 “Development of measures to reduce levels of short-circuits currents in networks of 110-220, 500 kV of Moscow and Moscow region network for the period up to 2010 when realizing complex program for development and modernization of the energy system”.

50. Contract on developing normative and technical documentation in respect of basements of high voltage lines and substation equipment, protective earth wire for high voltage power lines between JSC “FGC

UES” and JSC “Engineer center of UES” branch – “Firm ORGRES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “Engineer center of UES” branch – “Firm ORGRES” (the Contractor).

Subject of the transaction: JSC “FGC UES” assigns and JSC “Engineer center of UES” branch – “Firm ORGRES” undertakes to develop normative and technical documentation in respect of basements of high voltage lines and substation equipment, protective earth wire for high voltage power lines; JSC “FGC UES” undertakes to accept and pay for the works.

Price of the transaction: Cost of works carried out by the Contractor, amounts to RUR 3,422,000 (three million four hundred twenty two thousand), including VAT of 18 per cent – RUR 522,000 (five hundred twenty two thousand).

51. Contract on developing normative and technical documents in respect of environment exposure, requirements to high voltage power lines and line insulation between JSC “FGC UES” and JSC “NIIPT” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NIIPT” (the Contractor).

Subject of the transaction: JSC “FGC UES” assigns and JSC “NIIPT” undertakes to develop normative and technical documents in respect of environment exposure, requirements to high voltage power lines and line insulation, JSC “FGC UES” undertakes to accept and pay for the works.

Price of the transaction: Cost of works carried out by the Contractor, amounts to RUR 8,260,000 (eight million two hundred sixty thousand), including VAT of 18 per cent – RUR 1,260,000 (one million two hundred sixty thousand).

52. Contract on developing normative and technical documents in respect of basements of high voltage lines and substation equipment between JSC “FGC UES” and JSC “SevZapNTC” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “SevZapNTC” (the Contractor).

Subject of the transaction: JSC “FGC UES” assigns and JSC “SevZapNTC” undertakes to develop normative and technical documents in respect of basements of high voltage lines and substation equipment; JSC “FGC UES” undertakes to accept and pay for the works.

Price of the transaction: Cost of works carried out by the Contractor, amounts to RUR 2,596,000 (two million five hundred ninety six thousand), including VAT of 18 per cent – RUR 396,000 (three hundred ninety six thousand).

53. Contract on developing normative and technical documents in respect of IT and communication systems between JSC “FGC UES” and JSC “NTC of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NTC of electric power industry” (the Contractor).

Subject of the transaction: JSC “FGC UES” assigns and JSC “NTC of electric power industry” undertakes to develop normative and technical documents in respect of IT and communication systems; JSC “FGC UES” undertakes to accept and pay for the works.

Price of the transaction: Cost of works carried out by the Contractor, amounts to RUR 6,667,000 (six million six hundred sixty seven thousand), including VAT of 18 per cent – RUR 1,017,000 (one million and seventeen thousand).

54. Contract on developing normative and technical documents in respect of electric networks, high-voltage power lines, substations and main electric equipment between JSC “FGC UES” and JSC “NTC of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NTC of electric power industry” (the Contractor).

Subject of the transaction: JSC “FGC UES” assigns and JSC “NTC of electric power industry” undertakes to develop normative and technical documents in respect of electric networks, high-voltage power lines, substations and main electric equipment; JSC “FGC UES” undertakes to accept and pay for the works.

Price of the transaction: Cost of works carried out by the Contractor, amounts to RUR 8,319,000 (eight million three hundred nineteen thousand), including VAT of 18 per cent – RUR 1,269,000 (one million two hundred sixty nine thousand).

Performance time under the contract: 30.11.2008.

55. Contract on developing standards on environmental safety of electric network facilities between JSC “FGC UES” and JSC “NTC of electric power industry” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NTC of electric power industry” (the Contractor).

Subject of the transaction: JSC “FGC UES” assigns and JSC “NTC of electric power industry” undertakes to develop standards on environmental safety of electric network facilities, JSC “FGC UES” undertakes to accept and pay for the works.

Price of the transaction: Cost of works carried out by the Contractor, amounts to RUR 1,888,000 (one million eight hundred eighty eight thousand), including VAT of 18 per cent – RUR 288,000 (two hundred eighty eight thousand).

Performance time under the contract: 30.03.2008.

56. Additional agreement No4 to agency contract NoA3 on realization of investment program for construction, renovation and technical upgrading of electric network facilities assets of JSC “Penza bulk grid company” dated 11.04.2006 between JSC “FGC UES” and JSC “Penza bulk grid company” that represents a related party transaction concluded on the following conditions:

Price of the transaction: The Contractor’s remuneration under additional agreement No4 to the agency contract dated 11.04.2006 3A is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed in additional agreements.

Parties to the Contract:

JSC “Penza bulk grid company” (the Client);

JSC “FGC UES” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the agency contract dated 11.04.2006 No 3A, at its own name and at the expense of the Client certain functions of the Client on realization of investment program for construction, renovation and technical upgrading of electric network facilities, including assets (equipment) for dispatching technological management that are beneficially owned by the Client and relate to the UNES in accordance with article 1 of the additional agreement to the agency contract.

57. Contract on works to renovate substation PS 711 and install 40 mVA transformer and build 110 kV high voltage line for district networks of JSC “Lenenergo” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “Lenenergo” (the Client)

JSC “FGC UES” (the General contractor);

Subject of the contract: the General contractor at its own risk and by engaged forces and funds undertakes to carry out the whole complex of works on turnkey construction and commissioning substation 711 with high-voltage power line of 110 kV in accordance with terms of this contract, technical specifications of the Client and designing estimates.

Price of the contract: Cost of works to be carried out by the General contractor under the present contract equals RUR 111,000,000 (one hundred eleven million) including VAT (18%) in the amount of RUR 16,932,203 (sixteen million nine hundred thirty two thousand two hundred and three) and 39 kopeks.

Price of the Contract concluded between JSC “FGC UES” and JSC “Lenenergo” cannot equal 2 (two) and more per cent of the balance sheet assets of JSC “FGC UES” according to the accounting reports of JSC “FGC UES” as of the date of the resolution of the Board of directors of JSC “FGC UES”.

Duration of the Contract: Starting date – not later than 25.05.2007. Completion date – not later than 31.12.2007.

58. Additional agreement to agency contracts on establishing and upgrading of systems for commercial accounting for the UNES electric power between JSC “FGC UES” and bulk grid companies that represent a related party transactions.

Price of the transaction: The Contractor’s remuneration under additional agreement No2 to the agency contract dated 22.09.2006 NoASKUE/1 is determined in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed in additional agreements.

Parties to the contract:

Bulk grid companies

JSC “FGC UES” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the agency contract dated 22.09.2006 NoASKUE/1, at its own name and at the expense of the Client certain functions of the Client on establishing and upgrading of systems for commercial accounting for the UNES electric power at the Client’s units in accordance with article 1 of the additional agreement No2 to the agency contract.

59. Agency contracts on realization of target Program “UNES reliability and observability enhancement. Subprogram “Upgrading and enhancement of supervisory and communication systems in the UNES substation” between JSC “FGC UES” and bulk grid companies that represent a related party transactions.

Price of the transaction: The Contractor’s remuneration under the agency contract is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the current legislation of the Russian Federation payable out of the amount of financing agreed.

Parties to the contract:

Bulk grid companies

JSC “FGC UES” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor performs in accordance with the procedure and under conditions stipulated by the agency contract at its own name and at the expense of the Client certain functions of the Client on realization of the target Program “UNES reliability and observability enhancement. Subprogram “Upgrading and enhancement of supervisory and communication systems in the UNES substation” approved by JSC “FGC UES” Management Board (Minutes dated 01.08.2007 No367) at the following substations of the Client – 220 kV substation Alexandrov, 220 kV substation Vyazniki, 220 kV substation Zarya, 220 kV substation Rayonnaya, 220 kV substation Steklovolokno, 220 kV substation TsVETMET in accordance with article 1 of the agency contract.

60. Trust agreement between JSC “FGC UES” and ZAO “INTER RAO UES” (hereinafter referred to as “the Contract”) that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Trustor);  
ZAO “INTER RAO UES” (the Trustee).

Subject of the Contract: JSC “FGC UES” (the Trustor) transfers to ZAO “INTER RAO UES” (the Trustee) the collect of rights certified by 120,780 (one hundred twenty thousand seven hundred and eighty) registered ordinary shares of JSC “Sangtudinskaya GES-2” which are beneficially owned by the Grantor;

Price of the Contract: the amount of remuneration of the Trustee is not fixed and consists of principal and supplementary fee.

Cost of services of the Trustee under the contract on trust management concluded between JSC “FGC UES” and CJSC “INTER RAO UES” cannot equal 2 (two) and more per cent of the balance sheet assets of JSC “FGC UES” according to the accounting reports of JSC “FGC UES” as of 30.09.2007.

Duration of the Contract – five years starting from the date of the Contract conclusion.

61. Contract on services provision between JSC “FGC UES” and JSC “NIIPT” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “NIIPT” (the Contractor).

Subject of the transaction: the Client assigns and the Contractor undertakes to provide services on analysis of schemes and modes of Vyborg converter substation for the purpose of organizing reverse mode of complex high-voltage converter installation (KVPU-4).

Price of the transaction: Cost of services to be provided by the Contractor equals RUR 2,360,000 (two million three hundred sixty thousand) including VAT of 18 per cent – RUR 360,000 (three hundred sixty thousand).

The Contract comes into effect from the date of its signing and covers the relations between the parties arisen from 01.10.2007 and is valid till the parties execute their obligations under the contract.

62. License contract on transfer of scientific-technical information and the right to use this information between JSC “FGC UES” and JSC “SevZapNTTs” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Licensor);

JSC “SevZapNTTs” (the License holder).

Subject of the Contract: the Licensor (JSC “FGC UES”) that is the owner of the scientific and technical information, provides the License holder (JSC “SevZapNTTs”) with non-exclusive right of use for a fee the scientific and technical information on the territory of the Russian Federation in the form of design works, replication and distribution of standard process cards for assembling and installing of tangent single-circuit and double-circuit steel multifaceted poles for high voltage lines 330 kV against orders of third parties.

The Contract price: Cost of works under the Contract amounts 7 (seven) per cent (royalty) from each price (net of VAT) of “Produce of license” sold to third parties on the basis of data on “Produce of license” production and sales volume provided to the Licensor.

Duration of the Contract: The Contract comes into effect starting from the date of its signing by the parties and is valid till 31.12.2011.

63. Agency contract between JSC “FGC UES” and JSC “Kolskiye bulk grids” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Agent);

JSC “Kolskiye bulk grids” (the Principal).

Subject of the Contract: JSC “Kolskiye bulk grids” authorizes and JSC “FGC UES” undertakes a responsibility in its own name and at the expense of and in the interest of JSC “Kolskiye bulk grids” to conclude contracts on access connection of power receiving facilities (power units) of legal and physical entities (hereinafter referred to as “the Applicants”) on the basis of their applications to electricity network

of JSC “Kolskiye bulk grids” as well as to conduct other legal and actual acts for the purpose of access connection of power units of the Applicants to electricity network of JSC “Kolskiye bulk grids”; and JSC “Kolskiye bulk grids” undertakes to pay to JSC “FGC UES” expenses related to execution of the agency under the present Contract and pay a commission in the amount and in the procedure stipulated in the present contract;

Contract price: Agency commission under the contract amounts RUR 100,000 (one hundred thousand) plus VAT of 18 per cent, for every contract on access connection concluded by JSC “FGC UES”.

64. Agency contract between JSC “FGC UES” and JSC “Belgorodskaya bulk grid company”, that represents a related party transaction concluded on the following conditions:

Cost of services: The Contractor’s fee under the agency contract is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the legislation of the Russian Federation to be payable from the amount of agreed funding.

Parties to the Contract:

JSC “Belgorodskaya bulk grid company” (the Client);

JSC “FGC UES” (the Contractor).

Subject of the Contract: The Client assigns and the Contractor undertakes in the procedure and under conditions specified by the agency contract in its own name but at the expense of the Client to conduct a part of the Client’s functions in respect of developing and upgrading of commercial systems for the UNES electricity accounting in accordance with technical requirements of wholesale energy market and the Program of establishing of Computerized information and measuring system for commercial accounting for electricity of UNES approved by the Management Board of JSC “FGC UES” (Minutes dated 14.07.2006 No 254) at the sites of the Client in accordance with Article 1 of the agency contract.

Duration of the contract: The present contract comes into effect starting from the date of its signing and is valid till the moment of executing of the Parties obligations under the contract.

65. Contract agreement on renovation of a crossing of high-voltage line 220 kV Balakovo – 1, 2 over the Volga river, between JSC “FGC UES” and JSC “Saratovskaya bulk grid company”, that represents a related party transaction concluded on the following conditions:

Price of the transaction: Cost of works under the contract amounts RUR 16,672,602 (sixteen million six hundred seventy two thousand and six hundred two) 32 kopeks, including VAT of 18 per cent – RUR 2,543,278 (two million five hundred forty three thousand and two hundred seventy eight) 32 kopeks.

Parties to the Contract:

JSC “Saratovskaya bulk grid company” (the Client);

JSC “FGC UES” (the Contractor).

Subject of the transaction: In accordance with the present Contract, the Client assigns and the Contractor undertakes to carry out works in accordance with working project “Renovation of crossing of high-voltage line 220 kV Balakovo – 1, 2 over the Volga river” and the Client undertakes to accept the works and pay for them.

Duration of the contract: The present contract comes into effect starting from the date of its signing and is valid till the moment of complete executing of the Parties obligations under the contract.

66. Contract on service provision between JSC “FGC UES” and JSC “GVTs Energetiki”, that represents a related party transaction concluded on the following conditions:

Price of the transaction: RUR 2,450,000 (two million four hundred fifty thousand) plus VAT of 18 per cent.

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “GVTs Energetiki” (the Contractor).

Subject of the transaction: The Contractor provides the Client with information-computer resources for using system and application software and the Client’s data, as well as related services in accordance with

attachment No1 to the Contract, and the Client undertakes to pay for these services and use of these information-computer resources.

Term of service provision: The present contract comes into effect starting from the date of its signing and is valid till 31.12.2007. The Contract is valid in respect of relations between the parties started arisen from 01.08.2007.

67. Contract on service provision between JSC “FGC UES” and the branch of JSC “Engineer center of UES” – “Firm ORGRES” for developing the first edition of Practical policies for periodic engineering certification of overhead and cable power lines of the UNES, that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

Branch of JSC “Engineer center of UES” – “Firm ORGRES” (the Contractor).

Subject of the transaction: The Client assigns and the Contractor undertakes to develop the first edition of Practical policies for periodic engineering certification of overhead and cable power lines of the UNES.

Price of the transaction: RUR 1,729,880 (one million seven hundred twenty nine thousand and eight hundred eighty), VAT inclusive.

Duration of the Contract: The contract comes into effect from the date of signing and covers relations between the parties arisen from 01.07.2007.

68. Contract on provision of repair and operational service of electricity network facilities assets between JSC “FGC UES” and JSC “KEUK”, that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “KEUK” (the Contractor).

Subject of the transaction: The Client assigns and the Contractor undertakes to provide repair-operational services in respect of the UNES assets.

Price of the transaction: RUR 4,401,907 (four million four hundred one thousand and nine hundred and seven), VAT inclusive.

Duration of the contract: The present contract comes into effect from the date of signing, covers relations between the parties arisen from 01.08.2007 and is valid till 31.12.2007.

69. Additional agreement No3 to contract No1104 on provision of repair and operational service of electricity network facilities assets dated 04 February 2004 between JSC “FGC UES” and JSC “Yantarenergo”, that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Client);

JSC “Yantarenergo” (the Contractor).

Subject of the transaction: The Client assigns and the Contractor undertakes to provide repair-operational services in respect of the UNES assets.

Price of the transaction: RUR 20 563 200 (twenty million five hundred sixty three thousand and two hundred), VAT inclusive.

Duration of the contract: The present contract comes into effect from the date of signing, covers relations between the parties arisen from 01.01.2007.

70. Contract on engaging technical ordering party for the purpose of realization of investment project to construct, renovate, upgrade and re-equip electric power industry assets on the territory of Chechen republic between JSC “FGC UES” and JSC “MRSK of Northern Caucuses”, that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Investor);

JSC “MRSK of Northern Caucasus” (the Technical ordering party”).

Subject of the contract: The Investor makes capital investments into realization of investment project to construct, renovate, upgrade and re-equip electric power industry assets on the territory of Chechen republic and the Technical ordering party acting in its own name and at the expense of the Investor, undertakes to realize the investment project, provide the Investor with services on realization of the investment project and transfer to the Investor assets that meet technical requirements and in accordance with project documentation.

Price of the contract: Cost of services of JSC “MRSK of Northern Caucasus” amounts 1.6 (one and six tenth) per cent out of capital investment volume under the contract on engaging technical ordering party for the purpose of realization of investment project to construct, renovate, upgrade and re-equip electric power industry assets on the territory of Chechen republic between JSC “FGC UES” and JSC “MRSK of Northern Caucasus”.

Duration of the contract: The present contract comes into effect from the date of its signing by the Parties. Term of the present contract expires when the Parties execute their obligations undertaken in full and upon expiring assets and work package guarantee period.

71. Additional agreement No2 to Contract of lease of immovable assets dated 01.12.2005 No1001 between JSC “Sverdlovenergo” and JSC “FGC UES” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lessee);

JSC “Sverdlovenergo” (the Lesser).

Subject of the transaction: JSC “Sverdlovenergo” (the Lesser) transfers and JSC “FGC UES” (the Lessee), represented by the general director of the branch of JSC “FGC UES” – ToiR MES of Ural and West Siberia, Kuzmin S.A., accepts in tenure and use immovable assets: non-living premises of total area 169.9 sq. m. at address: 70A, Decabristov street, Bogdanovitch town, Sverdlovsk region.

Price of the transaction: Rental value per month amounts RUR 72,347 (seventy two thousand three hundred and forty seven) and 20 kopeks, including VAT of 18 per cent - - RUR 11,036 (eleven thousand and thirty six), 00 kopeks.

Duration of the transaction: The present additional agreement No2 to Contract of lease of immovable assets comes into effect from the date of its signing and is valid till 30.06.2008. Terms of the additional agreement No2 to Contract of lease of immovable assets covers relations between the parties arisen from 01.08.2007.

73. Contract on usage of electricity network facilities assets between JSC “FGC UES” and JSC “Kuzbassenergo-RSK” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lesser);

JSC “Kuzbassenergo-RSK” (the Lessee).

Subject of the transaction: JSC “FGC UES” (the Lesser) transfers and JSC “Kuzbassenergo-RSK” (the Lessee) accepts for a consideration rights of occupation and usage of electricity network facilities assets specified in attachment q to the present Contract.

Price of the transaction: Lease payment for use of electricity network facilities assets amounts RUR 55,430 (fifty five thousand four hundred and thirty) on the basis of 360 days, plus VAT in accordance with the RF legislation.

Duration of the transaction: The present Contract comes into effect from the date of its signing and covers relations between the parties arisen from 01.09.2007.

74. Agency contract on execution of works to build Krasnoarmeyskaya substation 500/220/35 kV with overhangs of high voltage lines 500, 220 kV, between JSC “FGC UES” and JSC “Samarskaya bulk company” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “Samarskaya bulk company” (the Client);  
JSC “FGC UES” (the Contractor).

Subject of the transaction: The Client assigns and the Contractor executes in the procedure and under conditions specified by the agency contract, in its own name and at the expense of the Client a part of the Client’s functions on constructing an asset of the electricity network facilities of the Client - Krasnoarmeyskaya substation 500/220/35 kV with overhangs of high voltage lines 500, 220 kV (hereinafter referred to as “the Asset”) in accordance with Article 1 of the agency contract.

Price of the transaction: The Contractor’s remuneration under the agency contract is set in the amount of 2 (two) per cent out of actual volume of capital investments plus VAT in the amount determined in accordance with the legislation of the Russian Federation and payable out of the agreed volume of capital investments.

Duration of the contract: The Contract comes into effect from the date of its signing and is valid until the Parties execute their obligations under the contract.

75. Additional agreement to the contract on lease of immovable assets between JSC “FGC UES” and JSC “Tulaenergo” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES (the Lessee);

JSC “Tulaenergo” (the Lesser).

Subject of the transaction: JSC “Tulaenergo” (the Lesser) and JSC “FGC UES represented by director of the branch of JSC “FGC UES” – Priokskoye PNES, Rudnev S.N. (the Lessee) are concluding additional agreement No1 to contract on lease of immovable assets No95 dated 08.12.2006, where the amount of lease payment amounts RUR 82,204 (eighty two thousand two hundred and four) and 31 kopeks plus VAT of 18 per cent – RUR 14,796 (fourteen thousand seven hundred and ninety six) and 78 kopeks.

Duration of the transaction: Additional agreement No1 comes into effect from the date of signing by the Parties and is valid during the validity period of contract on lease of immovable assets No95 dated 08.12.2006, term of validity of the additional agreement is considered prolonged under the same terms and the same period.

76. Additional agreement No2 to the contract on lease of immovable assets dated 01.10.2005 No2 MES-A between JSC “Sverdlovenergo” and JSC “FGC UES that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Lessee);

JSC “Sverdlovenergo” (the Lesser).

Subject of the transaction: JSC “Sverdlovenergo” (the Lesser) transfers and JSC “FGC UES (the Lessee) represented by the General director of the branch of JSC “FGC UES” – ToiR MES of Ural and West Siberia, Kuzmin S.A., accepts in tenure and temporary usage immovable assets: non-living premises of total area 213.03 sq. m. at address: 33, Malysheva street, Nizhnyaya Tura town, Sverdlovsk region;

Price of the transaction: Rental value per month amounts RUR 62,872.48 (sixty two thousand eight hundred and seventy two) and 48 kopeks, including VAT of 18 per cent - - RUR 9,590.72 (nine thousand five hundred and ninety) and 72 kopeks.

Duration of the transaction: The present additional agreement No2 to Contract of lease of immovable assets dated 01.10.2005 No2 MES-A comes into effect from the date of its signing and is valid till 15.07.2008. Terms of the additional agreement No2 to Contract of lease of immovable assets covers relations between the parties arisen from 15.08.2007.

77. Agency contracts on completion of works on complex technical upgrading and improvement of electricity network facilities assets of bulk grid companies between JSC “FGC UES” and bulk grid companies that represent a related party transactions concluded on the following conditions:

Parties to the Contracts:

Bulk grid companies

JSC “FGC UES” (the Contractor).

Subject of the Contract: The Client authorizes and the Contractor executes in the procedure of and on terms stipulated by the agency agreement, in its own name but at the expense of the Client a part of functions of the Client in respect of works on complex technical upgrading and improvement of electricity network facilities assets of the Client for the purpose of providing the system reliability (hereinafter referred to as “the Assets”) in accordance with Article 1 of the Agency contract.

Transaction price: The Contractor’s remuneration under the agency contract is set in the amount of 2 (two) per cent out of the amount of actual capital investments plus VAT in the amount stipulated by the legislation of the Russian Federation.

Duration of the contract: The contract comes into effect starting from the date of its signing and is valid till the parties actually execute their obligations under the Contract.

78. Contract on purchase of non-executive rights to use computer software “Computerized system of managerial document flow of JSC “FGC UES” between JSC “FGC UES” and JSC “MRSK of the North-West” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Seller);

JSC “MRSK of the North-West” (the Buyer).

Subject of the contract: Due to the necessity to implement “Computerized system of managerial document flow of JSC “FGC UES” in JSC “MRSK of the North-West” and organize 20 (twenty) work stations, the Buyer under the present contract purchases non-executive rights to use the software in the amount of 20 licenses (for professional users) for computer software “Computerized system of managerial document flow of JSC “FGC UES” (hereinafter referred to as “Software for documents flow management of JSC “FGC UES”).

Price of the contract: RUR 99,120 (ninety nine thousand one hundred and twenty) and 00 kopeks, VAT inclusive.

Duration of the contract: The contract comes into effect starting from the date of its signing and is valid till the parties fully execute their obligations under the Contract.

79. Contracts on provision by the Licenser (JSC “FGC UES”) to the Licensee (MSRK/RSK) of non-executive rights to use computer software “Computerized system of managerial document flow of JSC “FGC UES” between JSC “FGC UES” and MRSK/RSK that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Licenser);

MRSK/RSK

Subject of the contract: Due to the necessity to implement “Computerized system of managerial document flow of JSC “FGC UES” in JSC “MRSK of the Center” and organize 47 (forty seven) work stations, the Licenser under the present contract undertakes to provide the Licensee with non-executive rights to use computer software “Computerized system of managerial document flow of JSC “FGC UES” (hereinafter referred to as “Software”) in accordance with the Specification (Attachment 1 to the present Contract).

Price of the contract: RUR 232,932 (two hundred thirty two thousand nine hundred and thirty two) and 00 kopeks, VAT inclusive.

Duration of the contract: The contract comes into effect starting from the date of its signing and is valid till the parties fully execute their obligations under the Contract.

80. Contracts on purchase of non-executive rights to use (by professional users) computer software “Computerized system of managerial document flow of JSC “FGC UES” between JSC “FGC UES” and RSK that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Seller);

RSK

Subject of the contract: Due to the necessity to implement “Computerized system of managerial document flow of JSC “FGC UES” in JSC “Lipetskenergo” and organize 20 (twenty) work stations, the Buyer under the present contract purchases non-executive rights to use the software in the amount of 20 licenses (for professional users) for computer software “Computerized system of managerial document flow of JSC “FGC UES” (hereinafter referred to as “Software for documents flow management of JSC “FGC UES”).

Price of the contract: RUR 99,120 (ninety nine thousand one hundred and twenty) and 00 kopeks, VAT inclusive.

Duration of the contract: The contract comes into effect starting from the date of its signing and is valid till the parties fully execute their obligations under the Contract.

Duration of the Contract: The Contract comes into effect starting from the date of its signing by the parties and is valid until the Parties in full execute their obligations under the Contract.

81. Contracts on purchase and sale of shares between JSC “Scientific and technical center of electric power industry” and JSC “FGC UES”, that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Buyer);

JSC “Scientific and technical center of electric power industry” (the Seller).

Subject of the Contract:

JSC “Scientific and technical center of electric power industry” (the Seller) transfers into possession of JSC “FGC UES” (the Buyer) of registered ordinary shares of JSC “Scientific and technical center of electric power industry” in the amount of 8,548,440 (eight million five hundred forty eight thousand and four hundred forty) shares for consideration mentioned in the Contract. Due date – during 14 days from the date of signing of transfer act by the parties.

The Contract price:

RUR 893,500,045 (eight hundred ninety three million five hundred thousand and forty five) 68 kopeks.

Duration of the Contract:

82. Contract on purchase and sale of property allocated to the UNES between JSC “FGC UES” and JSC “Altayenergo” that represents a related party transaction concluded on the following conditions:

Parties to the Contract:

JSC “FGC UES” (the Buyer);

JSC “Altayenergo” (the Seller).

Subject of the Contract:

JSC “Altayenergo” undertakes to transfer into possession of JSC “FGC UES” the property allocated to the UNES, beneficially owned by JSC “Altayenergo” and comprising of fixed assets and equipment to installation with utilization purpose of electricity transfer specified in attachments 1, 2 to the present decision.

JSC “FGC UES” undertakes to pay for the purchased property specified in attachments 1,2 to the present decision the amount of RUR 2,419,247,370 (two billion four hundred ninety million two hundred forty seven thousand and three hundred seventy) 00 kopeks (VAT exclusive).

The Contract price:

A) RUR 2,419,247,370 (two billion four hundred ninety million two hundred forty seven thousand and three hundred seventy) 00 kopeks (VAT exclusive), or

B) RUR 2,386,706,830 (two billion three hundred eighty six million seven hundred six thousand and eight hundred thirty) 00 kopeks (VAT exclusive) in case if PS 110/10 kV Kulunda is excluded from the Register of the UNES assets by the working group for allocation of electric network facilities assets to the unified national (all-Russian) electricity network, and a respective order of the RF Ministry of Industry and Energy is issued.

**Duration of the Contract:**

The Contract comes into effect starting from the date of its signing by the parties and is valid till the parties actually execute their obligations under the Contract.

83. Contract on provision of services to examine execution of Contract No 207-03-K-Г on developing VTsTSPR of electric power industry of the Central Volga based on the equipment of standard "TETRA" between JSC "FGC UES" and JSC "Moscow communication center of power industry" that represents a related party transaction, on the following conditions:

**Parties to the Contract:**

JSC "FGC UES" (the Client),

JSC "Moscow communication center of power industry" (the Contractor);

**Subject of the Contract:** JSC "FGC UES" assigns and JSC "Moscow communication center of power industry" undertakes a commitment to:

describe current status of execution of Contract No 207-03-K-Г, test its compliance with Technical requirements as well as develop action plan for completion of all works under Contract No 207-03-K-Г;

carry out comprehensive expert examination including technical and financial review of execution of Contract No207-03-K-Г through comparison of the documents received, site visits of the specialist for the purpose of conducting survey works and reviews.

**The Contract price:**

RUR 10,304,720.63 (ten million three hundred four thousand and seven hundred twenty and 63 kopeks) VAT inclusive. Calculations of cost of works are given in attachment 1 to the draft contract.

**Duration of the Contract:** The Contract comes into effect starting from the date of its signing by the parties and is valid during 90 consecutive days.