

ANNUAL REPORT



Open Joint Stock Company
"Interregional Distribution Grid Company of the South"

Preliminary Approved by Resolution of the Board of Directors of IDGC of the South, JSC
on 28.04.2011 (Minutes dated 29.04.2011 № 64/2011)



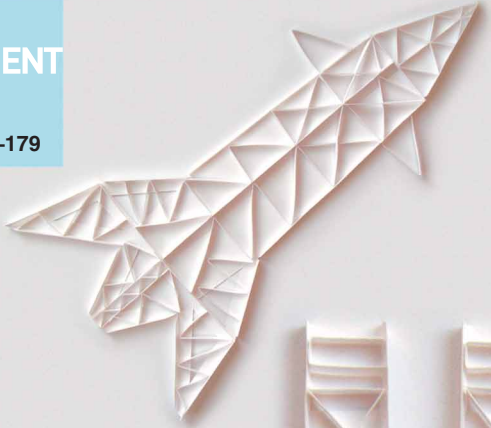
ANNUAL REPORT 2010

IDGC of the South annual report 2010

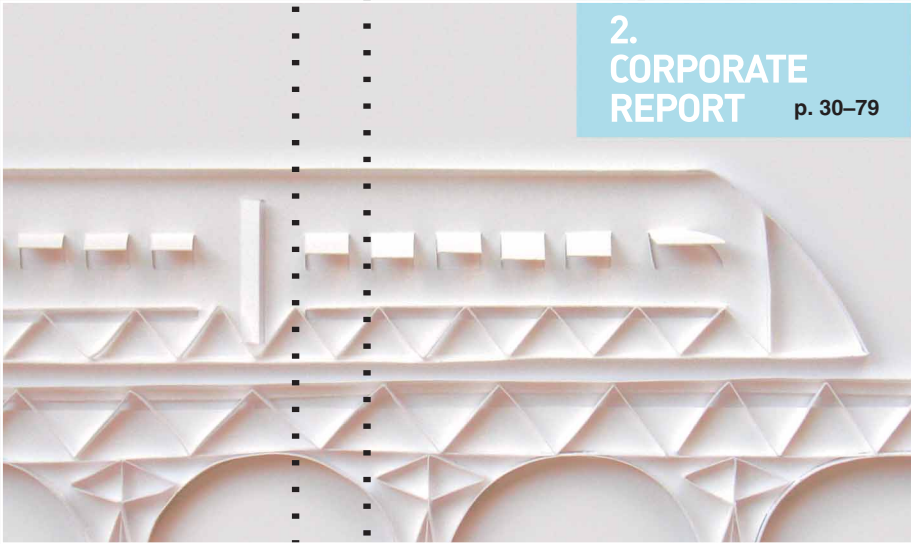
1.
GENERAL
INFORMATION
ABOUT THE
COMPANY p. 10–29



8.
DEVELOPMENT
STRATEGY p. 162–179

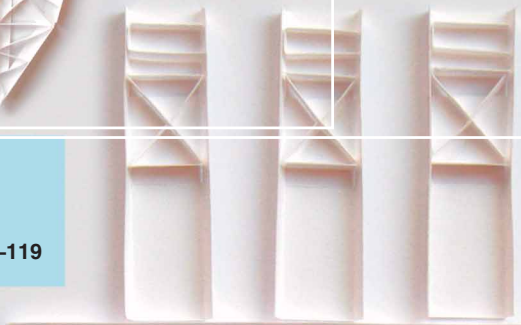


6.
FINANCIAL
REPORT p. 130–145



2.
CORPORATE
REPORT p. 30–79

4.
OPERATING
REPORT p. 92–119



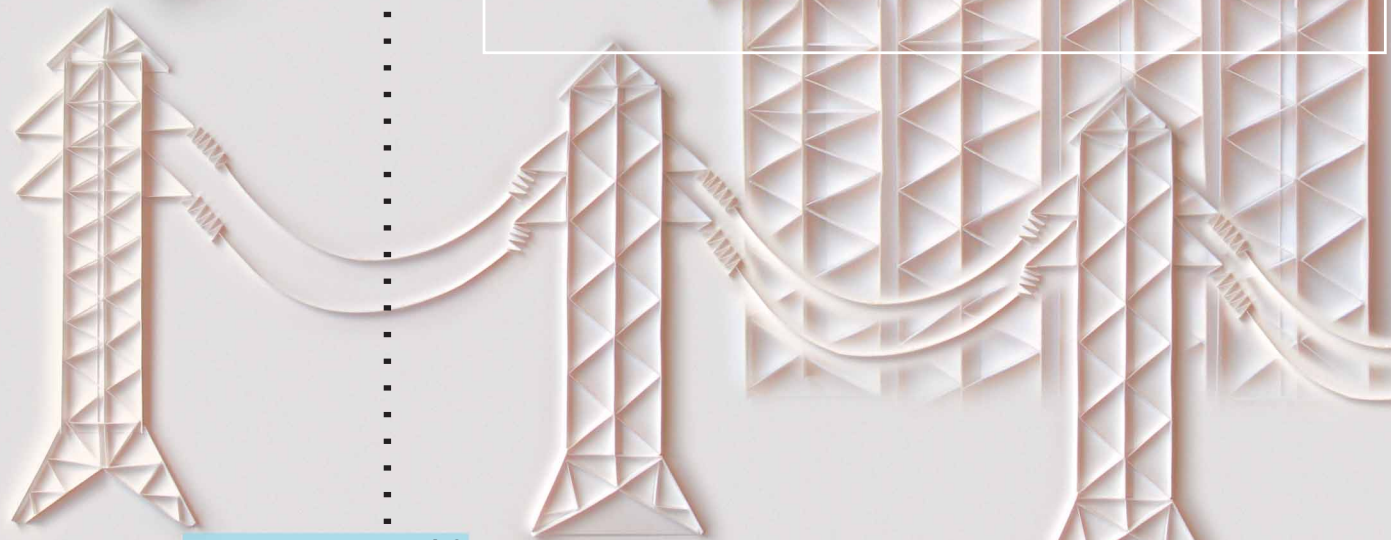
3.
SHARE CAPITAL AND
THE MARKET FOR THE
COMPANY'S EQUITIES p. 80–91



5.
INVESTMENT
REPORT p. 120–129



7.
SOCIAL
REPORT p. 146–161



ADDRESS TO
SHAREHOLDERS p. 4–9

APPENDICES p. 185–254

GLOSSARY p. 180–184

Address to shareholders of the Chairman of the Board of Directors of IDGC of the South, JSC

Dear shareholders!

IDGC of the South, JSC is part of the IDGC Holding, JSC group of companies, which owns 51.66% of the Company's voting shares.

IDGC Holding, JSC is one of the largest infrastructure organizations in Russia, controlling about 80% of Russia's entire power distribution grid complex. The competitiveness and development of IDGC of the South, JSC, just as for other interregional power distribution grid companies which are part of IDGC Holding, are determined to a great degree by the policy conducted by IDGC Holding, JSC through its representatives in the boards of directors of the holding's subsidiaries.

The 2010 reporting year featured the consequences of the financial crisis, natural disasters, and, as a result, a decrease in power consumption, and lower solvency of electricity sales companies and electricity consumers, including the bankruptcies of a series of the Company's counterparties. The Company's top management changed, and the Company's zone of responsibility changed as well: by resolution of the Board Directors of IDGC of the South, JSC dated 29.10.2010, it was decided that it is expedient to discontinue the validity of the contract for transferring the authority of the individual executive body of Kubanenergo JSC between IDGC of the South, JSC and Kubanenergo, JSC starting from 01.12.2010.

By the end of 2010 accounts receivable had accumulated to a sum of RUR 4 bln. It was impossible for the Company to collect such a large sum. Of this amount RUR 2.5 bln was written off by the Company, and a reserve for doubtful debts of RUR 1.5 bln was formed so as to write off the remaining accounts receivable in 2011. But despite the fact that the Company had a negative financial result for 2010, a series of steps were taken to reduce costs and increase revenue as compared to the previous year.

In accordance with article 15 of the Company's Charter, the Board of Directors conducts strategic management of the Company's business and control over managers' work, and is accountable to the Company's shareholders.

The Company's management under the leadership of the Board of Directors aimed its efforts at solving the following tasks in the reporting year:

- forming a unified integrated high-technology management system in IDGC of the South, JSC;
- improving the integrated system of personnel management and implementation of the principles of social responsibility of IDGC of the South, JSC;
- ensuring energy-efficient and innovational development of the Company;
- implementation of a client-oriented approach in the business of IDGC of the South, JSC;
- ensuring high-quality and reliable energy supplies to customers;
- preventing injuries: the Company's Program for 2010–2012 at reducing the risks of injury of other parties on equipment of IDGC of the South, JSC;
- improving the company's financial results, including reducing accounts receivable: the Company approved its plan for financial recovery of IDGC of the South, JSC for 2010–2012.

The Company plans to approve the concept for forming its production program in 2011. The implementation of this program will make it possible to significantly reduce deterioration of electrical equipment.

The Company improved its system of corporate management over the course of 2010. The Charter of IDGC of the South, JSC, was adopted in its new edition at the annual General Shareholders' Meeting which took place on June 15, 2010. The committees of the Company's Board of Directors which were established at the end of 2009 were active throughout the accounting year, including the:

- Auditing Committee;
- Committee for Personnel and Remuneration;
- Committee for Technological Connections to Electric Grids;
- Reliability Committee;
- Committee for Strategy, Development, Investments, and Reform.



Nikolay Nikolayevich Shvets

Chairman of the Board of Directors
IDGC of the South, JSC

The Company implemented preparation and disclosure of a social report for 2009 for the first time ever with the aim of improving corporate management practice, improving working conditions and the quality of life of its employees, as well as protecting the interests of other categories of interested parties.

Realizing its responsibility before interested parties, IDGC of the South, JSC plans to implement regular compilation of a social report in the future.

In 2010 the Consortium of the Russian Institute of Directors and the Expert RA rating agency raised IDGC of the South, JSC's corporate management rating, which was given to the company earlier at NRKU 5+ ("Average corporate management practice"), to NRKU 6+ ("Well-developed corporate management practice").

This rating class testifies to the fact that IDGC of the South, JSC has low corporate management risks, and follows the majority of recommendations of the Corporate Governance Code and modern Russian and international corporate management practice.

The procedure for listing IDGC of the South, JSC shares in the "B" quotation list of the MICEX exchange was conducted on 12.07.2010 as a result of implementation of the company's efforts in 2010 to increase the investment attractiveness of its shares for potential investors and its market capitalization, including with the aim of transferring Company shares from the list of off-list securities to the "B" quotation list on the MICEX Exchange.

Furthermore, IDGC of the South, JSC shares demonstrated an increase in liquidity by almost 6 times year-on-year in the reporting year: according to MICEX exchange data, turnover of the total quantity of shares placed by the Company equaled 5.5% in 2009, but 32% in 2010.

An integral part of IDGC of the South, JSC's system of corporate management is its risk management system, which allows Company management bodies to take the most effective and economically justified decisions. The risk management system is

closely linked to the process of strategic and operation planning, and calls for active participation of all the Company's structural subdivisions in the process of exposing and appraising risks.

IDGC of the South, JSC's risk management policy was adopted (Board of Directors minutes dated 11.06.2010 № 47/2010) with the aim of determining the main principles of organization, implementation and control over the processes of risk management in IDGC of the South. The Company's risk management policy is based on world practice at managing risks in the energy sector, taking into consideration the regulations of conceptual bases of risk management COSO ERM, the ISO/IEC Guide 73:2002, as well as other generally accepted documents in the field of risk management in the world. The Company identified and appraised the significance of risks in all spheres of its business activity.

The management system of IDGC of the South, JSC was implemented and functions effectively in accordance with the requirements of international standards: ISO 9001:2008 "Quality management systems"; ISO 14001:2004 "Ecological management systems"; and OHSAS 18001:2007 "Occupational health and safety information". All of IDGC of the South, JSC's branches received certificates of conformity to international standards ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007 in 2010.

Despite objective difficulties, the Company performed new construction, reconstruction and technical upgrading of power grid supply equipment, worked at reducing the risk of injury, fulfilling the yearly revenue plan, optimization of reserves, and other operations in the reporting year.

I'm sure that the Board of Directors and the Company management can solve the Company's main tasks for 2011 — providing uninterrupted electricity supplies to consumers, fulfillment of investment and repair programs, and ensuring the profitability of the Company's business and the company's transparency for shareholders and investors.

Respectfully yours,
Chairman of the Board of Directors
IDGC of the South, JSC

Nikolay Nikolayevich Shvets

Interview with S. A. Arkhipov, General Director — Chairman of the Management Board of IDGC of the SOUTH, JSC



Sergey Aleksandrovich Arkhipov

General Director —
Chairman of the Management Board
of IDGC of the SOUTH, JSC

— *Sergey Alexandrovich, IDGC of the South made net losses over the last two years. What can be done to change the situation this year?*

— We finished last year with a loss of RUR3.6 bln, but all the company's losses last year are explained by one factor — writing off and provisioning for debt that can't be collected: those debts on which the term of the claim has expired or which we weren't able to collect through court. Accounts receivable are connected to the consequences of the crisis, which is an entirely normal situation for the majority of large companies in the energy sector. We had to write off "dead" debt, and we therefore conducted risk assessment, and separated risky sums from accounts receivable, for which reserves for doubtful receivables were made. It will be possible to write these debts off from our reserve over the course of 2011, and they won't have an influence on the company's financial results.

The most important thing is that we managed to clean out our accounting balance. IDGC of the South, JSC doesn't have any "dead" debt now, which can lead to risks. Furthermore, we planned for our operating business to make a loss of RUR 1.5 bln in 2010, but in the end our operating business broke even.

— *How much of a problem does non-payment remain today? When will you be able to change the situation?*

— The problem of non-payment continues to this day. We're totally dependent on guaranteed supplies, which depending on the territory make up from 50 to 90% of our income. If those customers have problems, then the revenue of IDGC of the South, JSC comes under threat.

The situation stabilized in 2010 for debts in the Rostov Oblast. The situation became more stable with Energosbyt Rostovenergo, JSC. We signed a settlement agreement with them, and the volume of debt began to decrease. This year the company's indebtedness continues to go down, although there are questions about current payments.

The main non-payers in the Volgograd Oblast are large defense industry companies. The situation with them hasn't yet been resolved. We've only managed to stabilize current payments. Right now IDGC of the South, JSC is discussing the possibility of restructuring debt for the mid-term period with these companies. The situation is stable in the Astrakhanskaya Oblast and the Republic of Kalmykia.

— *In the 2009 crisis year the company's worse financial result was connected, among other things, to growth in interest rates on loan contracts and by costs for serving debt. What's the company's status right now as concerns its debt load?*

— The company has a large debt load, but we've conducted refinancing of all our loans over recent months. Banks have lowered their interest rates following a decrease in the Central Bank rate. In my opinion, the current average-weighted interest rate is quite effective, and has reached a level which is acceptable to the company. We have one expensive instrument remaining — bond issues. I expect that it will be possible to lower the rates on our bonds in the second half of 2011.

— *IDGC of the South uses a cost management program which calls for significantly reducing costs. What is this program about, and what effect do you expect from it?*

— The main task that stood before me when I came to the company in the summer of 2010 was to achieve financial recovery. All changes and innovations have to be regarded within this context. Currently the company is gradually reducing its management costs. We've cut the company car fleet in half, and costs for office rental have been almost cut in half as well. We are optimizing the company headcount as well, but that's a natural process. Overall the reduction concerns auxiliary production and the non-production sphere, and concerns professions which aren't so necessary to the company at this stage of its development, for example computer operators or guards. The headcount remains the same for our main production work.

The reduction in management costs has already given an effect of RUR500 mln, including through payment of bonuses of top and middle level managers: considering the financial results we had last year, there's no reason for them to think of bonuses. Salaries of managers are made up of 30% regular salary and 70% bonuses, which depend on there not being any accidents or injuries, on indicators of the systemic reliability of energy supplies to consumers, and on a number of other criteria, but which are formed when the company achieves positive financial results. Considering that we didn't have positive financial results last year, no bonuses were paid at the end of the year.

Another element of the cost management program is reducing operating costs, losses in grids, and reducing the costs for implementing the program of energy conservation and energy efficiency. IDGC of the South will increase its R&D expenditures by several times this year, and innovational developments should pay themselves back by several times.

Based on these goals, the company established a 100% subsidiary dependent company last year — Energoservice Yuga, JSC. The main types of business activity of IDGC of the South are providing electricity transmission services and technological connections to consumers. The subsidiary company founded will give lots of support to us in these spheres, and will work on examining all electricity infrastructure objects, forming energy passports, and developing energy saving programs for reaching parameters set by federal legislation: to reduce power consumption by up to 40%.

— *IDGC of the South, JSC is currently re-designing its system of company management. What kinds of changes are being made?*

— The company had a three-level system in 2010: the company management apparatus, as well as the branch management apparatuses and electric grid companies. That said the production divisions themselves – electric grid companies and regional electric grids (RESs) — are located even lower in this structure.

Starting from July 1, 2011, IDGC of the South will transfer to a two-level management system. As a result, the system of management becomes more transparent and effective, document flow decreases, and bureaucratic encumbrances go down. Thanks to this system it becomes clear where management is concentrated, who is responsible, and for what.

Such changes are objective and necessary for the company. Up to now the management system of IDGC of the South has trailed behind many other energy companies. IDGC of Siberia, Tyumenenergo, and IDGC of the Center all work under a two-level model. We've studied their experience, examined how it can fit in our company, and have developed it further. IDGC of the South worked on organizational design for 4 months, and has already launched this process today. The new structure will inevitably lead to reorganization of a number of subdivisions as well.

Furthermore, the question of consolidation of production sites which were built during the period of mass electrification (during the 1960s) is also being examined currently. These sites serve a zone of 5–10 km each. These sites can be consolidated today without hurting the reliability of energy supplies to consumers. That said we are taking quite a balanced and careful approach so that these changes don't affect terms of emergency recovery.

The new tasks that stand before the company require new competencies and personnel solutions. IDGC of the South is making its staff younger and changing its team: the new head engineer came to the company from IDGC of Siberia, JSC, while the new deputy head of economics and finance came from IDGC of the Center and the new deputy head of capital construction came from Gazprom structures. I think there will be a great synergy effect for members of the team.

— *Considering the significant change in final electricity prices, the question of optimization of energy tariffs is a hot topic now, as well as "smoothing out" these tariffs with respect to distribution companies. What is IDGC of the South JSC's share in the final cost of electricity, and does a reduction in tariffs influence the company's investment program?*

— The tariff for final consumers is made up of the cost of producing electricity and the costs for delivering this electricity, which is approximately 50-50. As part of our "half", we get a share of from 20 to 50%, depending on the territory. In Rostovskaya Oblast, for example, the "grid" tariff for 2011 increased by 29%, while the additional revenue received by IDGC of the South, JSC increased by 14% — factually the inflation rate.

There are objective factors for making greater expenditures — capital investments. IDGC of the South, JSC uses more than 150,000 km of grids, the majority of which were created in the 1960s, while the term of service grids is 30–40 years. Presently deterioration on several types of equipment exceeds 70%, and today we're focusing on the situation of mass retirement of fixed assets: electric lines and substations which must be replaced. Sources of investment are needed. This is not only the tariff element, but also an additional share issue, and credit resources. Only a small part of funds invested are included in the tariff. For example, if the company invests RUR 1 bln per year into grid development in a certain region, only 1/35th part the investment expenditures and interest for servicing loans are included in the tariff for the year, and nothing more. So it's not right to blame RAB as the main source of growth in tariffs. The main element of the price for final consumers is the cost of electric power on the wholesale market.

Nevertheless, we're ready for "smoothing out" tariffs, the transition to the 7-year period of RAB-regulation, and expansion of the investment program. In 2011 the company has an investment program for RUR 5.6 bln. That's enough to prepare the company for the fall-winter period and to get through peak capacity loads. This sum also corresponds to the investment plans of the regions where the company operates. Presently there's no doubt that the investment program will be fulfilled. It's possible that the investment program figure will be corrected as a result of the expected change in tariffs starting from May 1st.

— *Does the company intend to continue consolidation of territorial grid organizations?*

— Absolutely, since separate grids have an influence on the uninterrupted operation and quality of electricity supplies. In Rostovskaya Oblast, for example, there are about 40 territorial grid organizations and this situation of the "quilted blanket" isn't so good: there are 40 different directors, dispatcher centers, and technical policies. Consolidation holds more efficiency as concerns cost management and translating a unified technical policy. We aim to consolidate electric grids, and use all available instruments for this: we buy assets, and take them under management. Some sections of grids, so-called "ownerless" ones, are taken on by municipalities, while we take all of these "pieces" for long-term rent. The company's position is to accept these sections, even though there are lots of technological questions, their grids are in poor state, and they can lead to large losses.

Centralization of territorial grid organizations is almost complete in the Astrakhanskaya Oblast, and there are only two independent grid companies in the region. I think we'll manage to agree with them too this year. IDGC of the South, JSC is preparing to buy assets from several large companies in other regions of responsibility of the company. That said, overall the process, in my opinion, is going very slow. The managers of grid companies don't want to lose these assets. That said the question of management effectiveness isn't even asked. In IDGC of the South, JSC, the reliability of energy supplies, and technical culture is much higher than in the majority of territorial grid organizations.

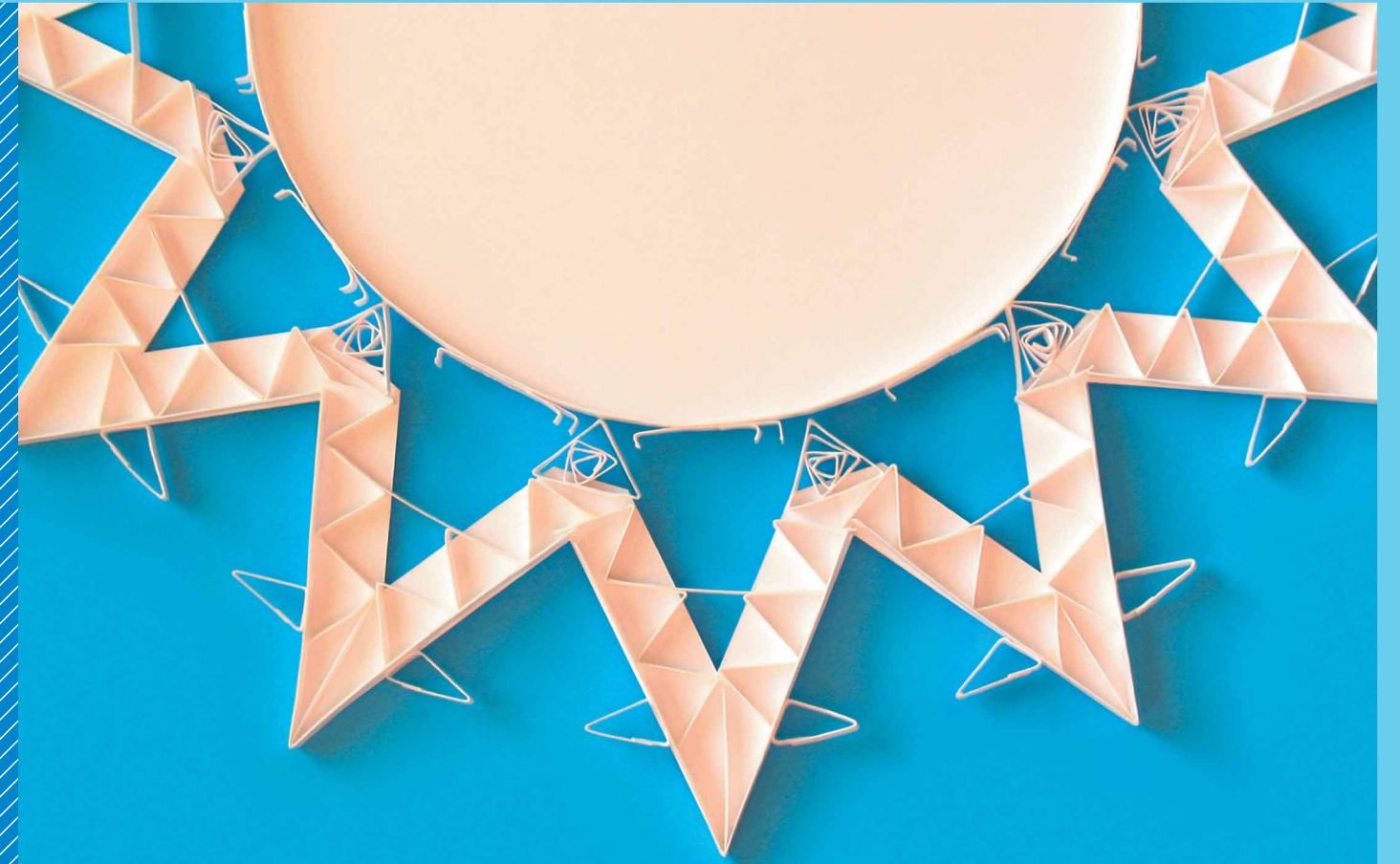
— *Sergey Alexandrovich, summing up, what development directions of IDGC of the South, JSC are most important to you?*

— I'm convinced that IDGC of the South has begun a new stage in its life. The first stage was connected to establishing the company, reorganizing Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC into branches of IDGC of the South, JSC, as well as organize management of Kubanenergo, JSC. Kubanenergo, JSC has been working independently since December 1, 2010, and the management of IDGC of the South has focused its efforts on the remaining territories, thus more resources, ability, and knowledge will be invested in these areas. The change in the system of management will serve as a serious buffer for raising the company's effectiveness, changing the technological base, and implementing 21st century technologies.

The new stage is also determined by RAB-regulation. Already 3 out of 4 branches work under these conditions. It wasn't possible for Volgogradenergo to make the transition to RAB in 2010, but there were objective reasons for that connected to "last mile" consumers falling off the wayside, and, as a result, to there being uneven pressure on the tariff for the remaining consumers in the region. We plan for the branch to transfer to the new method of regulation starting from 2012. RAB-regulation is a sort of psychological change connected to understanding the life cycle of fixed assets — financially, in terms of physical deterioration, effectiveness, and return on shareholder capital.

Based on 2011 results it will be possible to determine what the sum-total development vector of IDGC of the South is. But it's already clear to me today that this isn't a peak, and it's not horizontal movement. The company is dynamically moving upwards.

1. GENERAL INFORMATION ABOUT THE COMPANY



1. General information about the Company and its position in the sector

Geographic work area of the Company

IDGC of the South conducted its business operations in the reporting year on the territory of the whole Southern Federal Region of the Russian Federation. The Company is present in the Astrakhanskaya, Volgogradskaya and Rostovskaya Oblasts, the Krasnodar Territory, and the Republics of Kalmykia and Adighea*.

IDGC of the South, JSC's territory of responsibility is limited by the Black Sea and Russia's state border with the Republic of Abkhazia to the south, by the Sea of Azov and the state border with Ukraine to the west, by the administrative borders of the Voronezh and Saratov Oblasts in the north, and by the state border with Kazakhstan, the Caspian Sea,

and the administrative borders of the Republic of Dagestan, the Stavropol Territory, and the Karachaevo-Cherkesskaya Republic in the east. The climactic conditions in the area served by IDGC of the South, JSC range from subtropic in the south to continental in the north.

The total area of the territory where IDGC of the South, JSC is present is about 423,000 square kilometers, with a total population of about 14 mln people and population density of 40 people per square kilometer on average. The greatest population density is in the Krasnodar Territory (66.1 people per sq. km.), while the lowest is in the Republic of Kalmykia (3.8 people per sq. km.).



* Starting from December 1, 2010, the contract for transferring authority of the singular executive body of Kubanenergo, JSC to the managing organization — IDGC of the South, JSC — was terminated; as a result starting from 01.12.2010 the Krasnodar Territory and Republic of Adyghea are no longer served by IDGC of the South, JSC.

History of the foundation of IDGC of the South, JSC

The process of reformation of the electric power sector was begun in 2000 under the project developed by RAO UES, JSC.

The goals and tasks of reform of the sector were set by the Decree of the Russian Government dated 11.07.2001 № 526 "On reform of the electric power sector in the Russian Federation". Taking into account later changes to the regulatory and legal framework, the goals and tasks of reform were made more precise in the "Concept of the Strategy of RAO UES of Russia, JSC for 2005–2008 "5+5", approved by the Board of Directors of RAO UES of Russia, JSC (Minutes dated 23.05.2003 № 143).

The strategic goal of reforming the sector is to transfer the electric power sector into a regime of consistent development by implementing progressive technologies and market principles of functioning, and ensuring reliable, economically effective satisfaction of solvent demand for electric and thermal power in both the near and long terms.

The main goals of reform of the sector are to raise the efficiency of the work of electric power companies and to create conditions for development of the sector on the basis of private investment.

In April 2007 the Board of Directors of RAO UES of Russia, JSC (Minutes dated 27.04.2007 № 250) took the decision to approve the configuration of Interregional Distribution Grid Companies (IDGC), and determined the compilation of distribution grid companies (DGC), which make up IDGCs, as well as decided on the participation of RAO UES of Russia, JSC in three newly-created IDGCs, including IDGC of the South, JSC.

IDGC of the South, JSC was registered on June 28, 2007 on the basis of the decision of the singular founder — RAO UES of Russia, JSC (Decree of RAO UES of Russia, JSC dated 22.06.2007 № 192p).

Pursuant to the decision of the Board of Directors of RAO UES of Russia, JSC (Minutes dated 27.04.2007 № 250), RAO UES of Russia, JSC and FGC UES, JSC issued a joint Decree dated 29.06.2007 № 203p/217p, putting responsibility for the business activity of DGCs which are part of the configuration of IDGCs on the general directors of the IDGCs.

Responsibility was given to A. I. Gavrilov, General Director of IDGC of the South, JSC, in accordance with the given decree, for the business activity of five DGCs: Astrakhanenergo, JSC, Volgogradenergo, JSC, Kubanenergo, JSC, Rostovenergo, JSC, and Kalmenergo, JSC.

In August — September, 2007, the functions of the singular executive bodies of DGCs were transferred to IDGC of the South, JSC by decisions of the extraordinary general shareholders' meetings with the aim of increasing the effectiveness of management of these DGCs.

On December 25, 2007 the management board of RAO UES of Russia, which fulfilled the functions of the extraordinary general shareholders' meeting of IDGC of the South, JSC (Minutes № 1795np/6), took the decision to reorganize IDGC of the South, JSC by merging Astrakhanenergo, JSC, Volgogradenergo, JSC, Kubanenergo, JSC, Rostovenergo, JSC, and Kalmenergo, JSC to it, as well as on approving the contract on the merger of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kubanenergo, JSC, Rostovenergo, JSC, and Kalmenergo, JSC to IDGC of the South, JSC; on increasing the charter capital of IDGC of the South, JSC by placing additional ordinary shares in an amount of 80,789,200,000 units with a nominal value of 10 kopecks each for a total sum at the nominal value of 8,078,920,000 rubles. The placement method was to convert shares of DGCs into additional shares of IDGC of the South, JSC.

On January 18, 2008, extraordinary general shareholders meetings of the given five DGCs took the decision to reorganize the companies by merging them to IDGC of the South, JSC.

On March 31, 2008 the reorganization of IDGC of the South, JSC by merging Volgogradenergo, JSC, Kalmenergo, JSC, Rostovenergo, JSC, and Astrakhanenergo, JSC to it was completed; entries were made to the unified state register of legal entities on terminating the activity of the merged Companies.

On March 31, 2008 IDGC of the South, JSC started to perform its business activity as a singular operating company. DGCs, which were merged to IDGC of the South, JSC as a result of the reorganization process, serve as branches of the Company. IDGC of the South, JSC became the successor of each of the companies that was merged not only in terms of their rights and liabilities, but also the successor of their excellent traditions, and the invaluable experience gained at developing the energy sector in the South of Russia.

The reorganization of Kubanenergo, JSC was stopped due to the fact that on 06 March, 2008, one of the shareholders of Kubanenergo, JSC — Neft-Aktiv, LLC, made a claim against Kubanenergo, JSC, and its registrar — CMD, JSC, as well as against IDGC of the South, JSC.

By ruling of the Arbitrage Court of the city of Moscow dated 11.06.2008, the court acts of the higher-standing degrees of jurisdiction were left in power, and the claimant's demands were partly satisfied, and in particular: the decision of the extraordinary general shareholders meeting of Kubanenergo, JSC dated January 18, 2008, the contract dated December 03, 2007 as concerning the merger of Kubanenergo, JSC to IDGC of the South, JSC and the deed of assignment dated 03.12.2007 on transferring the rights and liabilities of Kubanenergo, JSC to

IDGC of the South, JSC were ruled to be invalid. Considering these circumstances, IDGC of the South, JSC continued to fulfill the functions of singular executive body of Kubanenergo, JSC on the basis of the contract.

By decision of the Board of Directors of IDGC of the South, JSC (minutes dated 29.10.2010 № 55/2010) the termination of contract № 407/30-1143/26 dated 14.09.2007 on transferring authority of the singular executive body of Kubanenergo, JSC to the management organization IDGC of the South, JSC from 01.12.2010 was ruled to be inexpedient.

Position of IDGC of the South, JSC in the sector

The electric power sector of Russia currently has three levels of distribution companies, formed by technological and administrative-territorial characteristics:

Level 1. Federal Grid Company (FGC UES, JSC) is the organization which manages the unified national (all-Russian) electric grid (UNEG), owning grid networks of 220 kV and higher, and performing its business on the whole territory of the Russian Federation.

Level 2. Interregional Distribution Grid Companies (IDGCs), formed as a result of reform of AO-energosts by separating them in terms of business activity, and then merging distribution grid companies (DGCs) to them.

IDGCs own grid networks with voltage of 110–0.4 kV, and provide services for transfer and distribution of electric power on the territory of subjects of the Russian Federation, the DGCs of which entered IDGCs.

Level 3. Local grid companies, formed as municipal companies (serving consumers of one municipal entity) and which own grid networks of 10–0.4 kV for the most part.

As part of the reform process, some of the companies at this level were united: local grid organizations serve consumers of several municipal entities, while some of them serve consumers who are located on the territory of an entire subject of the Russian Federation.

Starting from this date, December 1, 2010, the regions in which the Company participates are the Astrakhanskaya, Volgogradskaya, and Rostovskaya Oblasts, and the Republic of Kalmykia.

Presently IDGC of the South, JSC, having a dominant position on the market for electricity transmission services in the Southern Federal Region, is part of IDGC Holding, JSC group of companies, one of the largest infrastructure companies in Russia, which controls about eighty percent of the country's electricity distribution complex.

Presently IDGC of the South, JSC is a 2nd level interregional distribution grid company, with technological connections to the UNEG, and holding a dominant position on the market for electric power transmission services in the Southern Federal Region of the Russian Federation.

Any other grid company located on the territory of service of IDGC of the South, JSC, is lower-standing, and was required to sign a contract with IDGC of the South, JSC on electric power distribution services in 2010 (this concerns 3rd level organizations which have technological connections to the electrical grids of IDGC of the South, JSC).

Consumers of the company's services are generally electricity sales companies, subjects of the wholesale and retail electric power markets, as well as local grid companies.

The total volume of services for electricity transmission provided by IDGC of the South, JSC in 2010 equaled 27,148.978 mln. kWh, while the Company's revenue equaled RUR 24,774.901 mln with VAT.

A significant part of the electric power which is supplied to consumers located on the service territory of IDGC of the South, JSC, goes through the Company's electric grids.

In the case of direct technological connection of consumers to the grids of the UNEG, IDGC of the South, JSC reaches contracts with the owners of the equipment of the UNEG (FGC UES, JSC) for rental of electricity grid property ("last mile" contracts), thereby getting the right to provide such consumers with services for electric power transmission.

Characteristics of the main production capacities of IDGC of the South, JSC

Indicator	Unit of measure	Total	Branch of IDGC of the South, JSC — Astrakhanenergo	Branch of IDGC of the South, JSC — Volgogradenergo	Branch of IDGC of the South, JSC — Kalmenergo	Branch of IDGC of the South, JSC — Rostovenergo
Quantity and capacity of SS 35–220 kV, total	Units	1,217	136.00	396	117	568
	MVA	18,336.48	2,078.60	6,549.98	1,111.7	8,596.2
Including						
SS of 220 kV	Units	4	0	2	2	0
	MVA	516.5	0	126	390.5	0
SS 110 kV	Units	636	90	260	46	240
	MVA	14,544.8	1,715	5,629.3	511.7	6,688.8
SS 35 kV	Units	577	46	134	69	328
	MVA	3,272.18	363.6	794.68	209.5	1,907.4
Length of OL, total	Km	156,265.2	20,049.60	44,818.00	19,071.60	72,326.00
Length of OL, 35–220 kV	Km	27,571.6	3,031.7	8,880.6	4,154.3	11,505
Including						
OL 220 kV	Km	538.6	0	141	245.2	0
OL 110 kV	Km	15,572	2,441.6	5,987.3	1,955.5	5,340
OL 35 kV	Km	11,461	590.1	2,752.3	1,953.6	6,165
Length of OL, 0.38–10 kV	Km	128,693.6	17,017.9	35,937.4	14,917.3	60,821
Including						
OL 10 kV	Km	72,790.2	9,717.9	21,170.1	11,949.2	29,953
OL 6 kV	Km	3,874.1	1,110.6	926.5		1,837
OL 0.38 kV	Km	52,029.3	6,189.4	13,840.8	2,968.1	29,031
Length of OL, total	Km	1,692.4	843.1	395.7	0.9	452.7
Including						
CL, 110–35 kV	Km	65.7	0	0	0	65.7
CL 10–0.38 kV	Km	783.6	843.1	395.7	0.9	387
Quantity and capacity of TC and RP 6,10/0.38 kV	Units	30,681	3,629	10,095	3,115	13,842
	MVA	4,889.77	776.81	1,842.18	301.88	1,968.9

Competitive environment of the Company and risk factors

The Company performs its main business activity under natural monopoly conditions, regulated by the state as concerns implementing tariffs for electricity transmission and rates for technological connections, as well as ensuring indiscriminate access for consumers to electric grids.

IDGC of the South, JSC is the largest electric power subject providing electricity transmission services to consumers located in the Southern Federal Region of Russia.

Factors (including risk factors), which influence the Company's business under the current economic and financial situation.

The main factors influencing the Company's activity under the current economic and financial situation include:

Tariff regulation. Provision of services for electricity transmission is a regulated business activity. Tariffs are set by

executive power bodies in the tariff regulation field (Regional Tariff Services). That said, part of the economically justified expenditures of the Company aren't taken into account in tariffs, or aren't included in their full degree. Non-commercial expenditures reduce the Company's financial result for electricity transmission, and require a constant decrease in costs in order to break even.

Electric power consumption in the Company regions of presence. The volume of services provided depends completely on electricity consumption on the territories where the Company operates. Considering that the main consumption volume from industrial companies, levels of business activity and economic development rates play an important role in forming the incomes of IDGC of the South, JSC.

Possibility of transferring consumers' capacity demands for an electricity source to lines with greater voltage (for example, MV-1 to HV). This leads to a change in the structure of useful output and a decrease in revenue from electricity transmission.

Annulling contracts for sub-rental of equipment with FGC UES, JSC ("last mile" contracts). That said the consumer signs a direct contract with FGC UES, JSC, which leads to a decrease in income of IDGC of the South, JSC.

Demand for technological connections. This factor, along with electricity consumption, is determined by macroeconomic factors — the level of business activity, industrial development and the investment climate in the regions. Furthermore, tariffs for technological connection are regulated by normative-legal acts and executive power bodies, which also significantly limits the potential for growth in incomes from this business segment.

Growth in unregulated electricity prices. Exceeding the price level set in tariffs leads to uncompensated costs for the Company, which worsens the Company's financial result.

Inflation. Growth in prices for materials and services bought by the Company have a significant effect on fulfillment of planned profit figures.

Solvency of counterparties. Low payment discipline among electricity sales companies and large industrial companies, the difficult financial situation, and bankruptcy of a series of counterparties of IDGC of the South, JSC led to significant growth in accounts receivable in 2008–2010. Moreover, the Company had to cover the deficit in cash funds for financing its current activity by taking loans, which damaged the structure of the Company balance and led to additional significant costs. The total amount of interest payable in 2010 equaled RUR 1,733 mln.

Interest rates on loans. The change in interest rates significantly influences the Company's financial results, since the share of credit resources makes up 37% of the Company entire amount of own and borrowed funds. The average weighted interest rate for credit means in 2010 equaled 12.6%, as compared to an average weighted rate in 2009 of 15%. The total volume of costs for serving the company's interest decreased slightly in 2010 as compared to 2009 (RUR 1,733 mln in 2010 as compared to RUR 1,750 mln in 2009), however the amount of interest paid off makes this one of the largest parameters in the financial activity of IDGC of the South, JSC.

The main factors determining the Company's sector on the electric energy power market are:

- The configuration of the market in the region, which determines the scheme of contract relations and payments between the participants of the electricity market (determined by the state regulating organ — the Regional Tariff Service);
- The price (tariff) for providing electricity transmission services and for buying electric power with the aim of compensating electricity losses from power sales companies (determined by the state regulating organ — the Regional Tariff Service);
- Distribution of cross subsidizing in the tariff (determined by the state regulating organ — the Regional Tariff Service);
- The level of electricity market liberalization, which determines which part of electric power (including losses) are bought at free and at regulated prices.

There is no competition in this business sector since it's impossible for electricity consumers to choose a supplier of distribution services. This is because connection to the grid organization is determined only by the territorial location of the object.

The strategy of IDGC of the South, JSC is aimed at further integration of the distribution grid complex by taking over adjacent grid companies by priority of stability of payments for electricity transmission services, lowering supernormal losses, and increasing the reliability of electricity transmission to the final consumer.

The advantage of the Company before other territorial grid companies is based on the following factors:

- The presence of many years of experience with electricity sales companies and generating plants, and with companies in the region;
- Having qualified personnel;
- The well-known brand of the Company, which gives a guarantee of reliable and high-quality electricity supplies to consumers.

In order to keep the positive development tendency of the Company and strengthen its position, the Company is fulfilling the following operations:

- Constant monitoring of regional electricity and capacity markets, which is based on forecasting and analyzing the factors which have an influence on the Company's business, as well as developing operations for reducing their negative influence on the results of the Company's business;
- Interaction with the Federal Tariff Service of Russia, the Russian Ministry of Energy, the administrations of subjects of the Russian Federation, Regional Tariff Services, SO UES, JSC, FGC UES, JSC, IDGC Holding, JSC, local grid organizations, and electricity sales and power supply companies on questions of tariff-balance regulation and the work of regional markets of energy and capacity.

In order to minimize financial and other losses, IDGC of the South, JSC uncovers and prevents potential risks in good time. Such risks in the field of electricity transportation include:

- A reduced share of the total volume of services provided for transporting electricity in the regions where IDGC of the South, JSC is present. In order to minimize this risk the Company employs a consistent policy aimed at buying the electricity grids of adjacent grid network companies and increasing the share of services provided through high-quality servicing of the existing clients and by attracting new clients;
- Risks of insolvency of energy sales companies for electricity transportation services provided. The Company takes measures to normalize accounts with sales companies: making the transition to direct contracts for electricity transportation services with consumers, regulating disputes when signing contracts, and cooperating with administrative and regulating bodies.

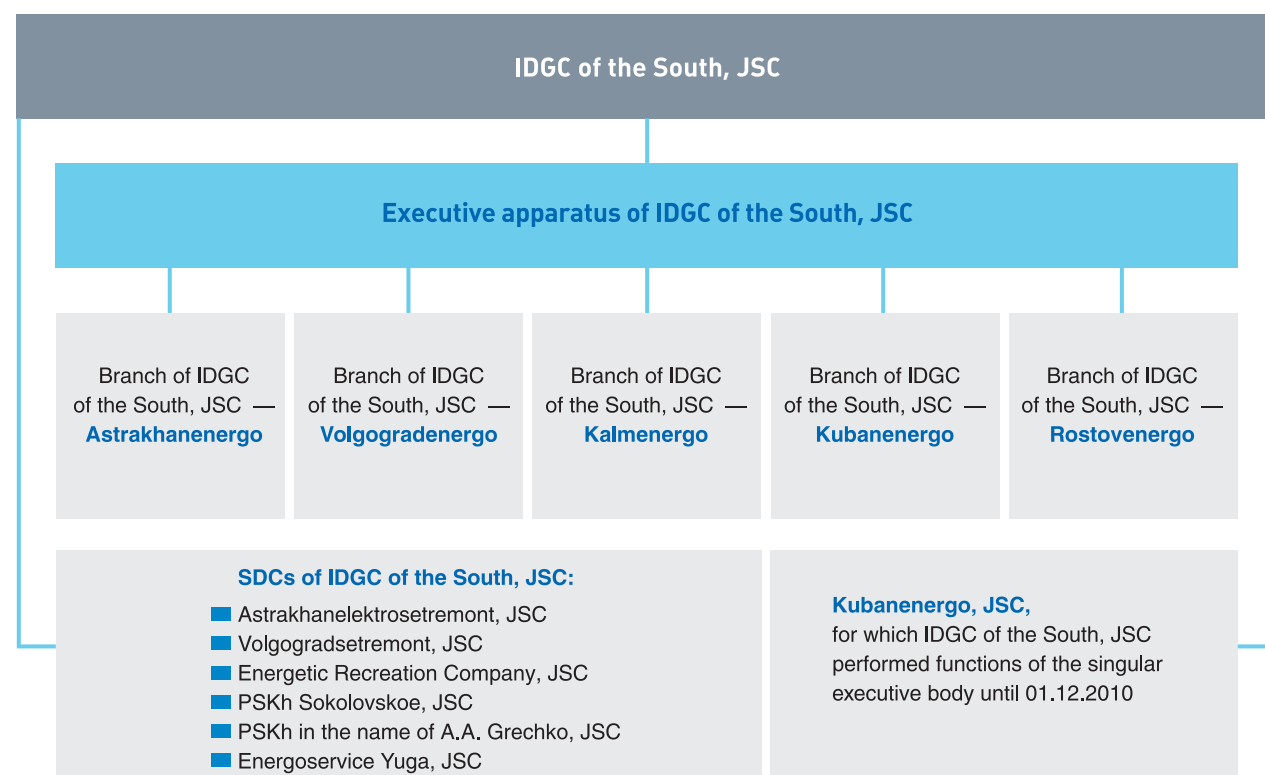
The market share for technological connection of energy-accepting equipment (electric power installations) held by IDGC of the South, JSC in 2010 among legal entities and individual persons equaled 80%.

Contact persons:

Denis Vladimirovich Negryoba, Head of the Department of Economy,
tel: (861) 279-86-11, e-mail: negrebadv@mrsk-yuga.ru.

Vladimir Vladimirovich Shtokaylo, Head of the Department of Technological Connection,
tel. (861) 279-86-44, e-mail: shtokaylov@mrsk-yuga.ru.

Organizational structure of IDGC of the South, JSC



The organizational structure of IDGC of the South, JSC was developed in accordance with the joint degree of RAO UES of Russia, JSC and FGC UES, JSC № 356p/459p dated 24.12.2007 "On improving the organizational structure of operating IDGCs", approved at the Board of Directors Meeting of the Company (Minutes № 7/2008 dated 28.01.2008), and implemented in action from 01.04.2008 (Decree of IDGC of the South, JSC № 11 dated 28.01.2008).

A series of changes were made to the organizational structure of IDGC of the South, JSC by decision of the Board of Directors:

- Minutes № 16/2008 dated 25.07.2008 (as concerns forming the management vertical for development of the Sochi energy region);
- Minutes № 21/2008 dated 23.12.2008 and Minutes № 28/2009 dated 03.06.2009 (as concerns building a developing the vertical of the deputy general director for administrative questions, including managing use of transportation means and administrative-economic guarantees);
- Minutes № 31/2009 dated 07.08.2009 (as concerns introducing the position of deputy general director for capital construction in place of the first deputy general director).

One of the main reasons for making changes to the organizational structure of IDGC of the South, JSC in 2010 was that the contract for transferring authority of the singular executive body, reached between IDGC of the South, JSC and Kubanenergo, JSC, was terminated. As a result the position of deputy general director — managing director of Kubanenergo, JSC was excluded from the organizational structure of IDGC of the South, JSC, as was the management vertical for development of the Sochi energy region. Furthermore, other amendments were made as concerns transformation, renaming, and redistributing subordination of a series of structural sub-divisions (Minutes dated 06.08.2010 № 52/2010).

The main business directions of IDGC of the South, JSC are distributed by functional blocks, the management of which is conducted by the deputies of the general director of IDGC of the South, JSC:

- For Economics and Finance.
- For Development and Sales.
- For Capital Construction, Investments, Logistics, and Maintenance.
- For the Technical Block.
- For Corporate Governance, Property Management, and Legal Support.
- For the Safety and Protection of State Secrets.
- For Personnel, Administration, Transportation and Documentation.

Certain directions have been separated into independent structural subdivisions, with direct subordination to the general director of IDGC of the South, JSC:

- Department of Accounting and Tax Accounting and Reporting;
- Department of Technical Inspection.
- Department of Informational Technologies.
- Department of Internal Auditing and Risk Management.
- Department of Public Relations.
- Department of Mobilization Training.

The organizational structure also includes the following deputies of the general director — directors of branches who perform management of the current business activity of the Company branches formed, on the basis of powers of attorney given by the general director of IDGC of the South, JSC.

Company branches

In accordance with the decision of the Board of Directors of IDGC of the South, JSC (Minutes dated 11.01.2008 № 6/2008), 5 branches of IDGC of the South, JSC have been established:

1. Branch of IDGC of the South, JSC — Astrakhanenergo at the address: 414000, Astrakhan, Ul. Krasnaya Naberezhnaya, 32;
2. Branch of IDGC of the South, JSC — Volgogradenergo at the address: 400066, Volgograd, Pr. Lenina, 15;
3. Branch of IDGC of the South, JSC — Kalmenergo at the address: 358007, Republic of Kalmykia, Elista, Northern Industrial Zone;
4. Branch of IDGC of the South, JSC — Kubanenergo at the address: 350033, Krasnodar, Ul. Stavropolskaya, 2;
5. Branch of IDGC of the South, JSC — Rostovenergo at the address: 344002, Rostov-on-Don, Ul. Bolshaya Sadovaya, 49.

All of the branches of IDGC of the South, JSC, with the exception of the branch of IDGC of the South, JSC — Kubanenergo, have existed since March 31, 2008.

The branch of IDGC of the South, JSC — Kubanenergo does not conduct operating business.

From 14.09.2007 to 01.12.2010 the Company (in accordance with the contract for transferring authority of the singular executive body of Kubanenergo, JSC dated 14.09.2007 № 407/30-1143/26) was the managing company of Kubanenergo, JSC.

Contact person:

Olga Vladimirovna Xozhaylova, Head of the Department of Organizational Development and Work Standardization
tel: (861) 279-85-27, e-mail: hozhailovaov@mrsk-yuga.ru

IDGC of the South, JSC owns 100 percent of the voting shares in the following SDCs:

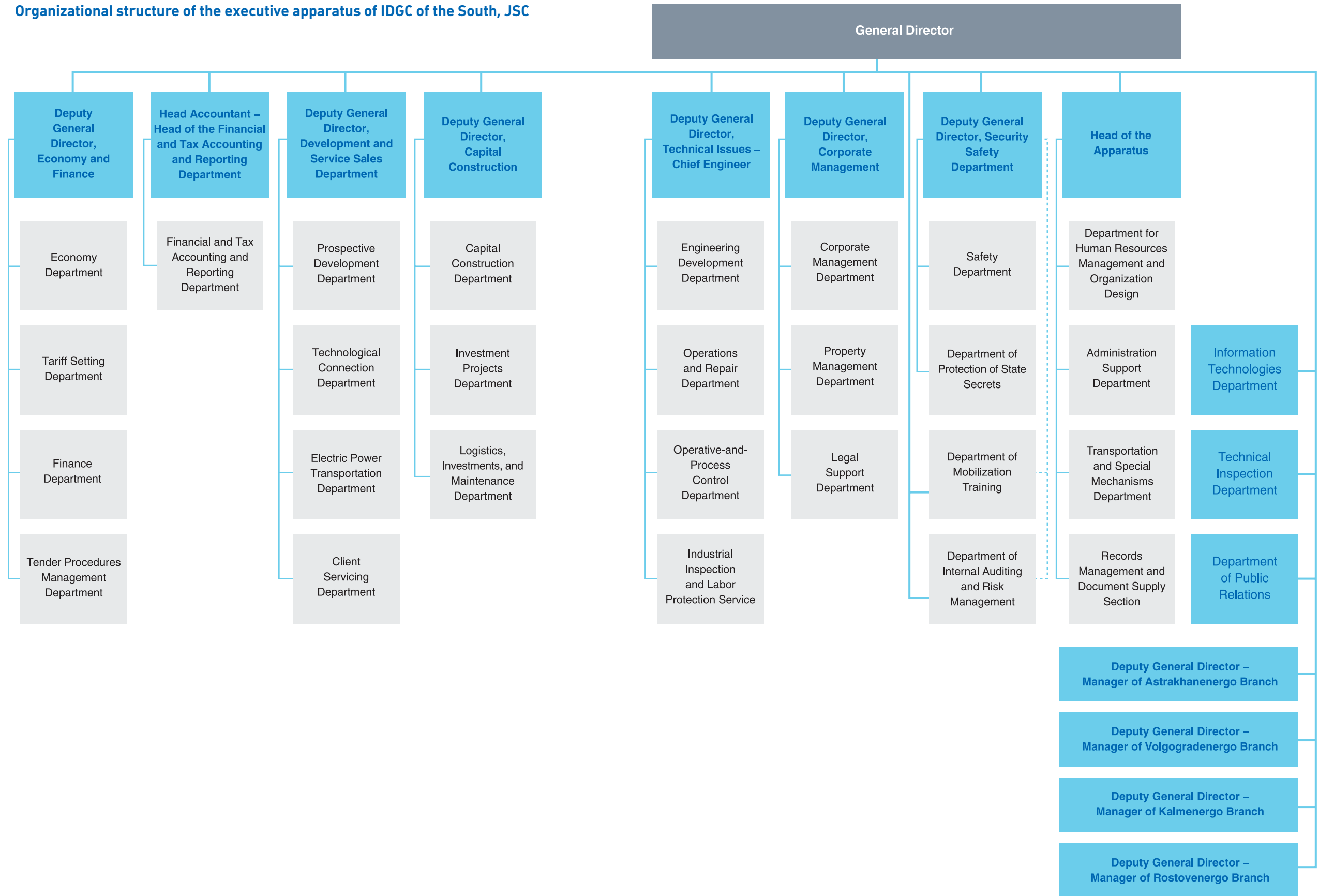
1. Astrakhanelektrosetremont, JSC.
2. Volgogradsetremont, JSC.
3. PSKh named after A. A. Grechko, JSC.
4. PSKh Sokolovskoe, JSC.
5. Energetik Recreation Camp, JSC.
6. Energoservice Yuga, JSC.

Furthermore, IDGC of the South, JSC is a participant in other commercial and non-commercial organizations, the information on participation in which is given in Appendix № 1 to this annual report.

Contact Person:

Andrey Anatolyevich Kantsurov, Deputy Head of the Department of Corporate Governance — Head of the Department for Organizing Corporate Management and Reform of IDGC of the South, JSC
tel. (861) 279-85-50, e-mail: kantsurovaa@mrsk-yuga.ru

Organizational structure of the executive apparatus of IDGC of the South, JSC



Key events of IDGC of the South, JSC for 2010

January

- The branch of IDGC of the South, JSC — Volgogradenergo began offering electricity transmission services in a full degree to Volgograd Metallurgy Plant Red October, CJSC. This took place after the plant's management signed an agreement on restructuring the plant's debts before the electricity grid company.

February

- The team of IDGC of the South, JSC won "silver" in the general team examination in the II All-Russian Winter Olympics of Energy Sector Employees of the Distribution Grid Complex.

May

- A meeting of IDGC Holding, JSC took place at the base of IDGC of the South, JSC on questions of operative-technological management of the distribution grid complex of Russia.
- IDGC of the South, JSC joined the Znamena Pobedy relay prior to the 65th anniversary of victory in World War II.
- Employees of the branch of IDGC of the South, JSC — Astrakhanenergo took part in a unique project for providing constant energy supplies for lighting of the main telecommunications object in the region and one of the main sights in the city of Astrakhan — the regional television tower.
- IDGC of the South, JSC published its social report for 2009.

June

- The annual general shareholders' meeting of IDGC of the South, JSC for 2009 took place.
- IDGC of the South, JSC organized a business meeting of the management of IDGC of the South, JSC and its managed company Kubanenergo, JSC with representatives and clients of the American company Merrill Lynch Bank of America.
- The annual general shareholders' meeting of Kubanenergo, JSC (management company — IDGC of the South, JSC) for 2009 took place.

January



February



May



RUR 1,047.2 mln.

The sum of payments made on bonds of IDGC of the South, JSC in 2010

April



August

March

- The first coupon payment on bonds of IDGC of the South, JSC for a total sum of RUR523.6 mln was made.
- The achievements of the Volgogradenergo branch of IDGC of the South, JSC were recognized at the Tenth Interregional Exhibition "Energy. Electrical Engineering. Energy Conservation." as an organization which is actively using innovation technologies in the production process.
- Specialists of the Volgogradenergo branch of IDGC of the South, JSC have fulfilled work at connecting the hydraulic power plant for technical water supply at the mining plant being installed in the Kotelnikovskiy Region of the Volgograd Oblast for exploring and developing the Gremyachinsky deposit of potassium salts, the largest deposit in terms of reserves in the European part of Russia, to the Company's electric grids.

April

- The Consortium of the Russian Institute of Directors and the rating agency Expert RA have given IDGC of the South, JSC a rating of NRKU 6+ "Well-Developed Corporate Governance Practice" (in 2009 — NRKU 5+)
- The first Olympic infrastructure object — the Rodnikovaya substation with voltage of 110 kV, took place in the city-resort of Sochi.

July

- By decision of the Board of Directors of IDGC of the South, JSC, the General Director of the Company, Sergey Alexandrovich Arkhipov was elected General Director of the Company.
- Common uncertified shares of IDGC of the South, JSC were included in the "B" quotation list on the MICEX exchange.
- A visiting session of the Control Headquarters for preparing electric power infrastructure for the 2014 Winter Olympics was held in Sochi under the management of Andrey Shishkin, deputy Minister of Energy of the Russian Federation.

August

- The Budget Committee of IDGC of the South, JSC held its first-ever meeting.
- The second coupon payment on bonds of IDGC of the South, JSC for a total sum of RUR523.6 mln was made.
- Modern teloautomatics systems were installed at the 110 kV Korobki and Oktyabrskaya substations of the branch of IDGC of the South, JSC — Volgogradenergo.
- A meeting between Anatoly Brovko, Governor of the Volgograd Oblast, and Sergey Arkhipov, General Director of IDGC of the South, JSC, took place in the Administration of the Volgograd Oblast. The meeting was devoted to a series of questions about developing the electric power grid complex in the region.
- The competition "Best in Profession — 2010 started in IDGC of the South, JSC.

September

- The annual report of IDGC of the South, JSC took second place in the nomination «Sector report “Infrastructure”» at the open competition of annual reports of joint-stock companies, organized by the administration of the Krasnodar Territory as part of the annual investment forum “Sochi-2010”.
- The ceremonial opening of the Third Olympics of employees of IDGC of the South, JSC took place in the Smena federal children’s center near Anapa.
- The IDGC of the South team came in second place at the second Olympics of employees of Holding IDGC, JSC.
- The Program of Operations for Reducing Risks of Injury to Third Parties (especially children) on electrical equipment was implemented in all branches of IDGC of the South, JSC starting from September, 2010.

November

- IDGC of the South, JSC received its passport of readiness for the fall-winter period 2010/11.
- IDGC of the South, JSC was given a special award by IDGC Holding, JSC, for implementing the pilot share issue by Kubanenergo, JSC.
- The International specialized exhibition “Electric Grids of Russia”, which was opened in the All-Russian Exhibition Center (Moscow), featured participation of IDGC of the South, JSC as part of a joint exposition of IDGC Holding, JSC. Altogether more than 400 companies and organizations from 20 countries took part in the exhibition.
- The annual report of IDGC of the South, JSC for 2009:
 - Was judged to be the best among issuers from the Southern Federal Region at the XIII annual federal competition of annual reports and websites, organized by the MICEX exchange and “Securities Market” magazine;
 - Came in first place in the nomination “Best disclosure of information in an annual report by companies with capitalization up to RUR 10 bln” at the XIII annual Federal competition of annual reports, organized by the RTS exchange.
- Igor Morozov, an employee of the branch of IDGC of the South, JSC — Rostovenergo, set a new world record at the World Kettlebell Lifting Championships in the Finnish city of Tampere.
- The contract for transferring authority of the singular executive body of Kubanenergo, JSC to the managing organization — IDGC of the South, JSC ended its term of validity.

September



October

November



October

- Certificates of conformity to international standards ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007 were received by all branches of IDGC of the South, JSC.
- Questions of financial-economic activity of subsidiary companies of IDGC of the South, JSC in 2010 were examined at a joint presence meeting of the Management Board of IDGC of the South, JSC.
- The branches of IDGC of the South, JSC — Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo, and also Kubanenergo, JSC (management company — IDGC of the South, JSC) received passports of readiness for the fall-winter period 2010/11.
- IDGC of the South, JSC presented a series of high-technology projects for developing its distribution grid complex at the international industrial forum “Infrastructure Development in Southern Russia”, which opened in Krasnodar.
- An extraordinary General Shareholders’ Meeting of Kubanenergo, JSC (management company — IDGC of the South, JSC) was held, which took the decision to make an additional issue of securities (shares), as a result of which the Company will receive more than RUR 5.9 bln.

December

- IDGC of the South, JSC was a participant in the unified exposition of IDGC Holding, JSC at the exhibition “The best — for children”, which was held under the patronage of Russian President Dmitry Medvedev.
- IDGC of the South, JSC held a compliance audit of the integrated system of quality management.
- The Federal Tariff Service approved the transition of the branch of IDGC of the South, JSC — Kalmenergo to RAB-regulation from January 1, 2011.
- IDGC of the South, JSC took part in the all-Russian seminar-meeting “Current problems of job safety in electric power companies”, which was organized in Moscow by the All-Russian electric power sector association of employers. The management of the All-Russian electric power sector association of employers noted the positive experience of IDGC of the South, JSC at organizing job safety programs. The seminar participants offered to expand IDGC of the South’s experience in the field of job safety for use in other Russian electric power companies.
- A new 100% subsidiary company of IDGC of the South, JSC was registered — Energoservice Yuga, JSC.

Events after the reporting date, in 2011

January

- Four brigades of energy workers and seven units of special-purpose machines from the branches of IDGC of the South, JSC — Volgogradenergo and Rostovenergo were sent to help energy workers in central regions of Russia, where electricity lines and towers of the electric grid network fell down due to the “frozen rain” and wet snow at the end of 2010 and the first days of 2011.
- The Board of Directors of IDGC of the South, JSC approved the investment program for 2011–2015 with a total volume of construction worth more than RUR29 bln.

February

- The professionalism of the specialists of the branch of IDGC of the South, JSC — Rostovenergo was acknowledged with a letter of gratitude from Moscow United Power Grid Company JSC for the help it provided at restoring electricity supplies to the territories that suffered as a result of natural disasters in January of this year.
- The team from IDGC of the South, JSC came in second place at the All-Russian Winter Olympics of employees of Holding IDGC, JSC.
- IDGC of the South, JSC launched a program for personnel training entitled “School of Directors of Regional Electricity Grids”, under which training of more than 100 directors of regional electric grids belonging to the Company’s branches will take place in 2011.

March

- IDGC of the South, JSC began implementation of the pilot project “Energy Efficient Regional Electricity Grids, which will be implemented in each branch of the Company on the base of one of the regions of electric grids.
- IDGC of the South, JSC established a working group for designing and implementing the Program for Innovational Development for 2011–2016.
- IDGC of the South, JSC confirmed the new organization structure of its branches.
- IDGC of the South, JSC held an expanded meeting of the Technical Board, which determined the pilot project for implementing new technical equipment for 2011.
- IDGC of the South, JSC created a special working group for preparing electric grid infrastructure of IDGC of the South, JSC for holding matches at the World Cup in Rostov-on-Don and Volgograd in 2018.

The business of IDGC of the South, JSC was planned to be unprofitable in 2010. The company had a net loss of RUR3,590 mln. The main reason for the loss in 2010 was the fulfillment of operations for reducing accounts receivable.

Due to the financial crisis in 2008–2009, and the decrease in the solvency level and bankruptcy of a number of the Company’s counteragents, accounts receivable amounted to more than RUR4 bln by the end of 2010, a sum which would be impossible to retrieve. Of this amount RUR2.5 bln was written off, and a reserve of RUR1.5 bln was formed for doubtful receivables for writing off the remaining part in 2011.

Current sales figures in natural and money terms

IDGC of the South, JSC had total revenue of RUR22,014.4 mln in 2010, which was RUR2,987 mln (15.7%) higher than the previous year. The greatest share of revenue (95.4%) came from revenue for electricity transmission:

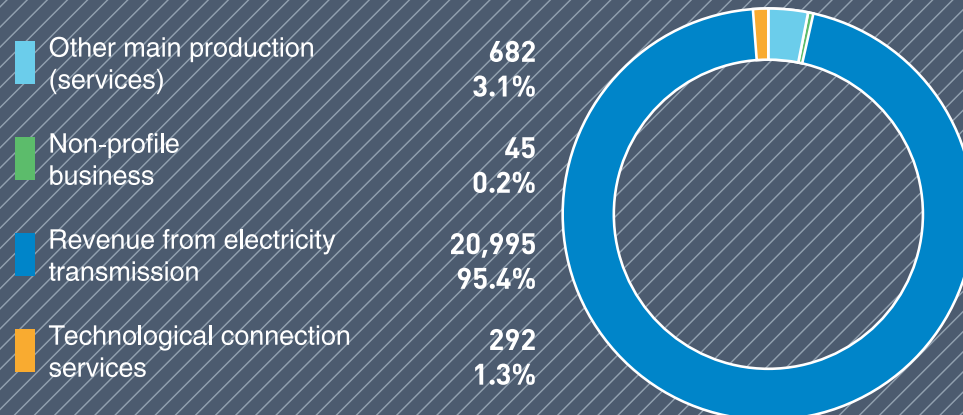
The total volume of revenue from services for electricity transmission in money terms equaled (without VAT)

Voltage class	2008*	2009	2010	Difference y-o-y
High voltage (from 110 kV)	7,358.8	9,257.9	11,398.9	2,141.0
Middle voltage 1 (35 kV)	576.9	1,001.0	1,099.0	98.0
Middle voltage 2 (20-1 kV)	920.5	2,241.1	3,479.9	1,238.8
Low voltage (0.4 kV and lower)	1,929.1	4,319.9	5,017.8	697.9

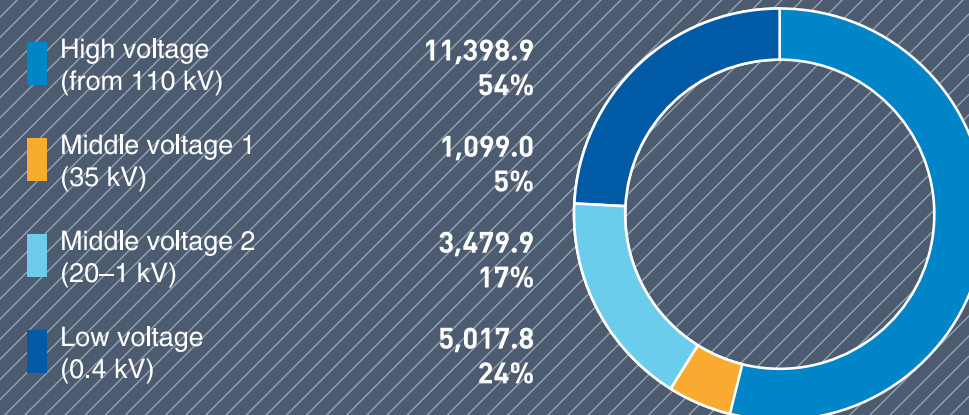
* data for 2008 is given taking into account the merger of RGCs from 31.03.08

Main business results of IDGC of the South, JSC

Structure of IDGC of the South, JSC's revenue for 2010 RUR mln / %



Structure of revenue from electricity transmission services RUR mln / %



Production indicators of IDGC of the South, JSC for 2010

- Volume of electricity taken into electric grids of branches IDGC of the South, JSC (output to grids) equaled 30,259.853 mln kWh;
- Volume of useful output to electricity consumers — 27,441.636 mln kWh;
- Consumption of electricity for its transportation through electricity grids of branches of IDGC of the South, JSC equaled 2,818.217 mln kWh or 9.31% of electricity output to grids.

Overall IDGC of the South, JSC had a greater amount of factual electricity losses in 2010 towards an increase vs. the normative values included in the tariff decisions, equaling 55.020 mln kWh or 0.18% of electricity output to grids.

The Company's main goals for 2010 and achievement of these goals

- **Increasing the Company's operating efficiency.** IDGC of the South, JSC developed and approved a Plan for financial improvement in 2010–2011 in order to achieve this goal. The plan calls for reducing controlled operating costs, reducing accounts receivable, ensuring fulfillment of revenue plans, optimizing reserves, and other measures. The company's financial result was minus RUR3,590 mln, including losses of previous years and forming a reserve for doubtful receivables of RUR4,027 mln.;
- **Reduction in accounts receivable.** As compared to the beginning of 2010, the amount of accounts receivable decreased by RUR2,423 mln, or 22%, and equaled RUR8,738 mln.

Change in core indicators for 2008–2010, in RUR mln

Indicators	2008*	2009	2010
Total revenue	13,126.8	19,027.4	22,014.4
Including:			
From electricity transmission	10,785.3	16,820.0	20,995.7
From technological connections	1,995.4	879.4	291.8
Profit from sales	1,805.9	1,794.6	2,037.1
Net profit	486.0	-1,108.9	-3,589.8
Net assets	21,397.2	20,276.2	16,675.4
Short-term liabilities	6,837.7	9,199.7	8,198.6
Long-term liabilities	7,545.2	12,076.6	13,073.1
Capital investments	4,651.8	2,847.2	1,804.0

* data for 2008 is given taking into account the merger of RGCs from 31.03.08

Total revenue for electricity transmission increased by RUR4,175.7 mln, or by 24.8% vs. 2009, which was caused, for the most part, by growth in tariffs for electricity transmission. Revenue from technological connections in 2010 continued to decrease, both due to low business activity, and to control over tariff increases by regulatory bodies and due to limitations set by normative acts.

The Company's net profit decreased to a level of minus RUR3,589.8 mln in 2010. The main reason for losses in 2010 was fulfillment of measures for reducing accounts receivable which can't be collected, and in particular writing it off and forming a reserve for doubtful receivables for writing off debt to the Company in 2011.

Altogether RUR4,027 mln was used for this business segment. That said a series of measures were implemented for reducing costs and increasing revenues as compared with the previous year.

The company's net assets decreased vs. the losses incurred in 2010. The decrease was 17.8%.

The decrease in the volume of short-term liabilities in 2010 equaled 10.9%, while the increase in long-term liabilities

was 8.3%. These changes took place due to paying off accounts payable and taking additional long-term loans for financing current activity.

The lack of profit and the decrease in revenue from technological connections were the main reasons for the decrease in investments into fixed assets in 2010. Investments are expected to grow at the beginning of 2011.

Indicators	2008*	2009	2010
Profit margin, %	16.8	12.9	9.3
Equity ratio (financial independence)	0.597	0.487	0.438
Current liquidity ratio	1.301	1.517	1.294
Quick assets ratio	1.037	1.260	1.033
Ratio of accounts receivable and payable	1.512	1.462	1.297
Ratio of own to borrowed funds	1.481	0.949	0.780

* data for 2008 is given taking into account the merger of RGCs from 31.03.08

As is seen from this table, profit margin decreased by 3.6 percentage points in 2010. The main reason for such a decrease is that tariffs for electricity transmission don't provide growth in revenue which would cover growth in economically justified costs.

As a result of the company's losses in 2010 the decrease in its autonomy ratio equaled 10.1%.

The values of current liquidity and quick assets in 2010 decreased as compared to 2009. This change was caused by a decrease in the volume of accounts receivable. The decrease in accounts receivable, in turn, was caused by the most part for writing off debts to the Company that can't be collected. Considering that the above-mentioned liquidity figures characterize

adequacy of floating capital for covering liabilities, while accounts receivable that can't be collected cannot cover liabilities, one can say that the company's current balance liquidity didn't worsen as compared with the previous year.

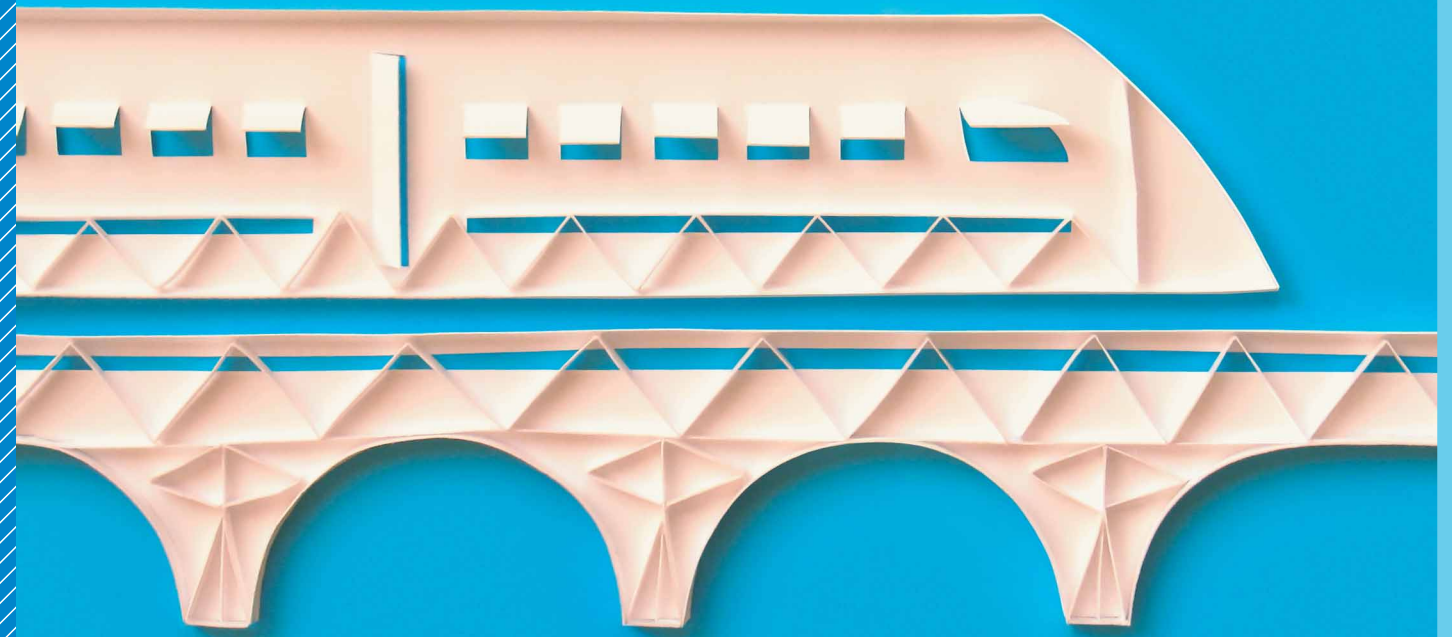
The ratio of accounts receivable and payable reflects the result of measures taken to reduce accounts receivable.

The ratio of own to borrowed funds decreased by 17.8%. The decrease in this figure is explained by two factors: the negative financial result for 2010 and an increase in the Company's credit portfolio.

Overall, despite the increase in borrowed capital and the negative financial result, IDGC of the South, JSC's finances remain at an acceptable level.

Contact person:
Denis Vladimirovich Negryoba, Head of the Economy Department,
tel: (861) 279-86-11, e-mail: negrebadv@mrsk-yuga.ru.

2. CORPORATE REPORT



2. Corporate report

IDGC of the South, JSC's Corporate Governance Code was developed

- on the basis of provisions of the Code of Corporate Conduct recommended for application by the Federal Securities Commission of Russia (Order of the Federal Securities Commission dd. 04.04.2002 № 421/p), subject to the norms of the Charter in force and other internal documents of the Company regulating the management bodies' activity, the volumes and order of the information disclosure about the Company, and also other aspects of the Company's corporate conduct;
- pursuant to the legislation of the Russian Federation, principles of corporate governance recognized in international practice, such as the Principles of Corporate Governance of the OECD (Organization for Economic Cooperation and Development) subject to the existing Russian and foreign practice of corporate governance, ethic norms, and concrete needs and conditions of the Company's activity.

with the aim

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



IDGC of the South, JSC was given the rating **NRUK 6+** on April 7, 2010

The Company has **5 committees** of the Board of Directors

IDGC of the South, JSC is the founder of **6 Companies** in which it owns 100% of the voting shares

Corporate governance

Corporate governance in the Company is implemented pursuant to the legislation of the Russian Federation in force, the Charter of IDGC of the South, JSC, internal documents which regulate the activity of management and control bodies of IDGC of the South, JSC, the Regulation on insider information of IDGC of the South, JSC, and other local normative acts.

The texts of these documents are always accessible on the Company's corporate website in the Internet at the address: http://www.mrsk-yuga.ru/corporate_management/documents.

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

IDGC of the South, JSC's corporate governance is aimed at forming a positive image of the Company in the eyes of interested parties, control and reduction of risks, supporting continual growth of the company's financial results, and successfully fulfilling IDGC of the South, JSC's business activity.

The Company Corporate Governance Code sets the **underlying principles of corporate management**:

Fairness

The Company provides shareholders the real possibility to exercise their rights related to participation in the Company. There is also the possibility for shareholders to get efficient protection should their rights be violated.

The right of shareholders to participate in the management of the joint-stock Company by taking decisions on the most important issues of the Company's activity is provided for by the legislation of the Russian Federation, and also by the Company's Charter, which sets the competence of the General

Meeting, and the method for taking decisions on issues related to the competence of the General Shareholders' Meeting of the Company.

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

Openness

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

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

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

Control over the Company's financial and economic activity

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

Control over the Company's financial and economic activity is done by the Board of Directors, the Auditing Committee, and the Company auditor.

The Auditing Committee, a special committee of the Board of Directors, was created so that the Board of Directors can be responsible for effectively controlling the Company's financial and economic activity.

To conduct internal control of the implementation order of all economic operations, the Company has established a Department of internal control and audit. Its obligation is to conduct internal control, audit, and risk management;

Accountability of the Company's management bodies to shareholders

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

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

The executive body of the Company, the General Director and Management Board, implements bona fide, reasonable and efficient management of the Company's activity so as to ensure long-term stable development and receipt by the shareholders of profit from this activity, and is accountant to the Board of Directors and shareholders of the Company.

The existing system of accountability decreases the risk of divergence in the interests of managers and shareholders;

Observing the rights of third parties

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

The Company tries to encourage active cooperation with investors, creditors and other parties concerned aimed at increasing the Company's assets and its shareholder value.

The governance bodies do everything possible to assist in the growth of professional workmanship, establish decent labour conditions for the personnel, and increase social security. All these actions of the governance bodies provide are done to increase labour productivity and establish a favourable social atmosphere among the staff.

During the 2010 reporting year, just like in the whole history of operations of IDGC of the South, the Company observed all accepted corporate governance principles, achieving a high

level of information transparency and satisfying all the legitimate claims of the parties concerned.

The report on compliance with the corporate conduct code approved by Order of the Federal Commission for the Securities Market dd. 04.04.2002 № 421/r "On the recommendation of implementing the Code of corporate conduct" for 2010, as well as the General Director's report on the Company's compliance to the Corporate Governance Code of IDGC of the South for 2010 are given in Appendices № 2 and 3 to the present report.

Information about the valuation of the Company's corporate governance

On April 07, 2010, the Consortium of the Russian Institute of Directors and the "Expert RA" rating agency assessed IDGC of the South's corporate governance at NCGS (national corporate governance scoring) 6+ ("Well-Developed Corporate Governance Practice") (in 2009 — NCGS 5+)

A company with an NCGS from 6 to 8 has low corporate governance risks. The Company observes all the requirements of the Russian legislation as concern corporate governance, and follows the majority of the recommendations of the Russian Code of Corporate Conduct and certain recommendations of world advanced corporate management practice.

One can take a look at the report on the corporate governance practice of IDGC of the South on the corporate website at the address:

http://www.mrsk-yuga.ru/corporate_management/reiting.

The Company has the potential for further growth in its rating valuation and aims for continued improvement in the future.

Awards

IDGC of the South's 2009 Annual Report won awards at various competitions of annual reports on both the federal and regional level in 2010:

- The Company's Annual Report was named the best among reports of issuers from the Southern Federal Region at the XIII annual federal competition of annual reports and website organized by the MICEX exchange and "Securities Market" magazine;

When disclosing information about the Company as a stock issuer, the Company fulfills all requirements of the legislation in effect of the Russian Federation and local standard acts, and also strives to disclose additional information about its business activity.

All information about the Company, including statements about substantial facts and affiliated entities of the Company for the whole history of operations of IDGC of the South is provided on the corporate web-site <http://www.mrsk-yuga.ru>.

The General Shareholders' Meeting of IDGC of the South approved the Charter of IDGC of the South, JSC, in its new edition in 2010 with the aim of bringing the Charter in line with the requirements of Russian legislation and improving the Company's corporate governance.

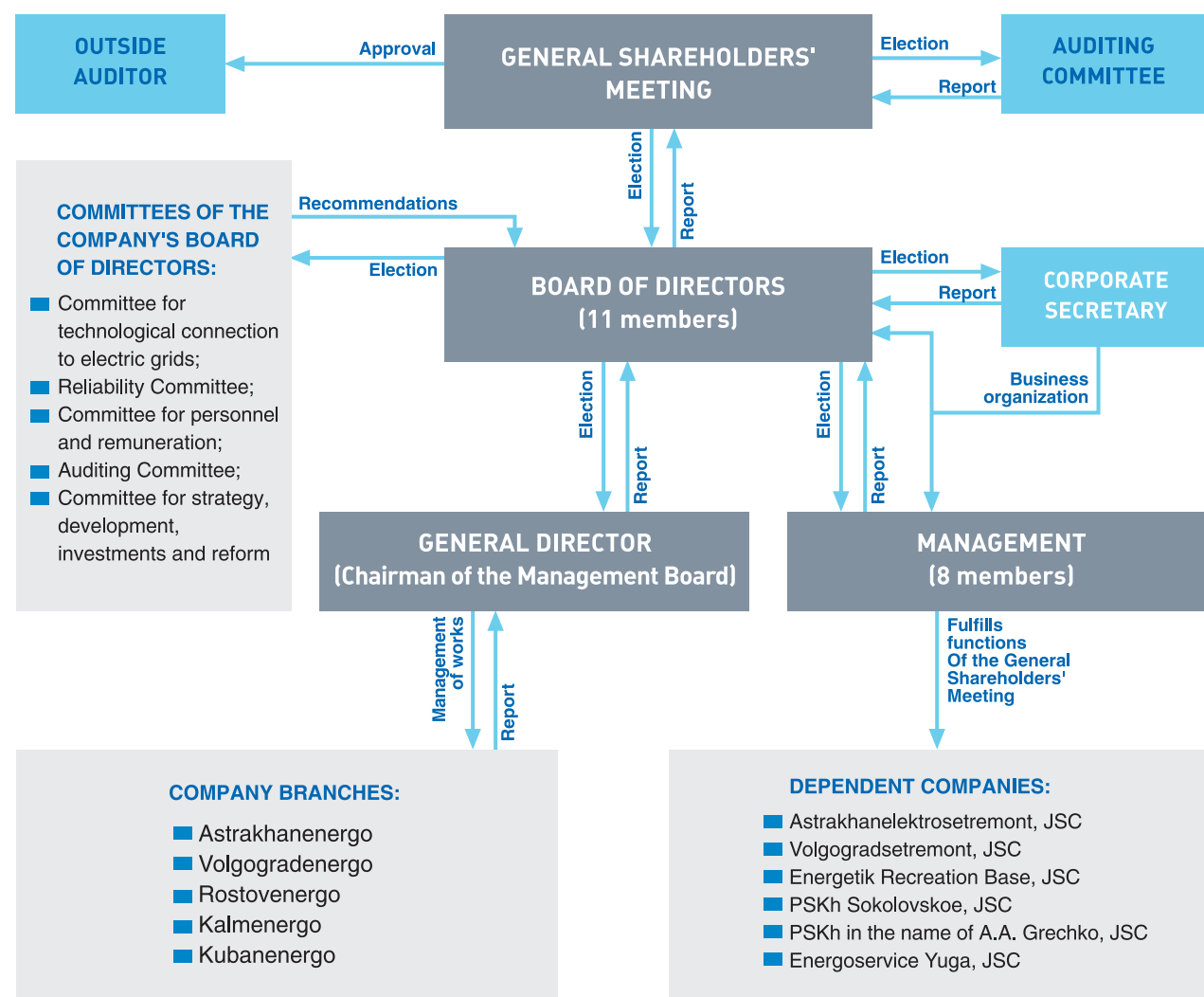
Furthermore, in the aim of fulfilling all the requirements made of issuers when including and supporting their shares in quotation lists on Russian stock exchanges, changes and amendments were made to the Regulation on the Auditing Committee and the Committee for Personnel and Remuneration in August, 2010, as concerns the status of the members of the given committees.

The work of all the Committees of the Board of Directors was fulfilled effectively throughout 2010.

The Company recognizes the importance of continuing to perfect its corporate governance practice, and will strive to include base recommendations of the Russian Corporate Governance Code, recommended for use by the Russian Federal Financial Markets Service, and aimed at increasing management efficiency, openness, and trust in shareholder relations (including conflict resolution) in its local normative acts and Charter.

- The Company's Annual Report won first prize in the nomination "Best information disclosure in an annual report among companies with capitalization up to RUR10 bln" at the 13th annual federal competition of annual reports organized by JSC RTS. The Company was given a crystal book with an inscription as a prize;
- The Company's Annual Report came in second place in the nomination "Sector Report "Infrastructure"" in the open competition of annual reports of joint stock companies in the Krasnodar Territory, organized by the Krasnodar Territory Administration as part of the annual investment forum Sochi-2010.

Management and control bodies of IDGC of the South, JSC



General shareholders' meeting of the Company

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

The Company annually holds the General Shareholders' Meeting in the term set by the Company Charter, but no earlier than in two months and no later than six months after the end of the financial year. The most important issues of the Company's activity are of competence of the General Shareholders' Meeting of the Company pursuant to the legislation of Russian Federation in force and article 10 of the Company's Charter.

The shareholders have a right to take part in the governance by the Company, first of all by way of taking decisions

on the most important issues of the Company's activity at the General Shareholders' Meeting.

The Company held one general shareholders' meeting in 2010: **the annual meeting**, which took place on June 15, 2010 (Minutes №4 dated 16.06.2010). The Company shareholders took the following decisions:

- the annual report, annual financial statements including the profit and loss statement of the Company, as well as distribution of profits and losses for the 2009 financial year were approved;
- new staffs of the Board of Directors and the Auditing Committee of the Company were elected;

- The Auditor of the Company was approved to be LLC AAF AUDITINFORM, license for conducting audit activity № E 003505 valid until 04.03.2013, issued by the Ministry of Finance of the Russian Federation, and member of the self-regulating organization of the non-commercial partnership Moscow Auditors Chamber;
- The Company Charter was approved in its new edition. One can read the full text of the resolutions of the Company's General Shareholders' Meetings at the Company's corporate website in the Internet at the address: http://www.mrsk-yuga.ru/corporate_management/five_proc/.

No extraordinary shareholders' meetings were held in the reporting year.

Procedures for calling the General Shareholders' Meeting and making proposals for questions to be included in the agenda of the General Shareholders' Meeting are set by the acting legislation of the Russian Federation, the Company Charter, and the Regulation on the method for preparing and conducting the General Shareholders' Meeting of IDGC of the South, JSC are published on the Company's corporate website in the Internet at the address:

http://www.mrsk-yuga.ru/corporate_management/proc_sozyv/.

Company Board of Directors

The General Shareholders' Meeting determines the quantitative staff of the Board of Directors of the Company and elects its members to conduct general management of the Company.

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

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

- determining the priority directions of the Company's business and its growth strategy aimed at maximum profit and increasing the Company's assets, as well as increasing its market capitalization and investment appeal;
- ensuring implementation and protection of the rights and legitimate interests of shareholders of the Company and also providing assistance at solving corporate conflicts;
- ensuring fullness, authenticity and objectiveness of information disclosed about the Company for shareholders and other parties concerned;
- establishing efficient internal control and risk management systems;
- regular evaluation of the Company's executive bodies and the work of the management staff.

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

- taking decisions on the basis of authentic information about the Company's activity;
- eliminating restrictions on shareholders' rights for participating in management of the Company, the receipt of dividends and information about the Company;
- achieving a balance of interests of different groups of shareholders and taking maximally objective decisions by the Board of Directors for the sake of interests of all the Company's shareholders.

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

In accordance with point 15.1. article 15 of the Charter of IDGC of the South, JSC, the competency of the Board of Directors includes, among other things, the following questions:

- determining the priority business directions and development strategy of the Company;

- convening the annual and extraordinary General Shareholders' Meetings of the Company, as well as to announce the date for convening a new General Shareholders' Meeting in place of the abandoned meeting due to the lack of a quorum, approving the agenda for the General Shareholders' Meeting of the Company;
- approving the Company registrar, the conditions of the contract with the registrar, as well as annulling the contract with the registrar;
- electing the General Director of the Company and terminating his authority, including taking a decision on terminating his authority ahead of schedule;
- examining reports of the General Director about the Company's business (including on his fulfillment of his responsibilities), and on fulfilling the resolutions of the General Shareholders' Meeting and the Board of Directors of the Company;
- determining the quantitative compilation of the Company's Management Board, electing members of the Company's Management Board, setting the paid remuneration and compensation that they receive, and terminating their authority ahead of schedule;
- other questions called for by the Federal Law "About joint-stock companies" and the Company Charter.

Questions relating to the competency of the Board of Directors can't be transferred for decision-taking to the executive body of the Company.

Following the best world practice of corporate governance and pursuant to the Corporate Governance Code of IDGC of the South,

JSC, the Board of Directors of the Company is constituted with independent directors.

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

The presence of independent directors in the composition of the Board of Directors of IDGC of the South, JSC, makes it possible to form an objective opinion of the Board of Directors on issues discussed. This creates greater trust of the shareholders to the Company.

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

The nominating process of candidates in the Board of Directors of the Company is established by the legislation of the Russian Federation in force and the Company's Charter, published on the Company's corporate website in the Internet at the address: http://www.mrsk-yuga.ru/corporate_management/kand_sd.

The order of convening meetings of the Board of Directors and delivering issues for the agenda of the Board of Directors is defined by the Regulations for convening and holding of meetings of the Board of Directors of the Company of IDGC of the South, JSC, published on the Company's corporate website in the Internet at the address: http://www.mrsk-yuga.ru/corporate_management/structure/.



Nikolay Nikolayevich Shvets

Chairman of the Board of Directors of IDGC of the South, JSC, General Director, member of the Board of Directors, Chairman of the Management Board of IDGC Holding, JSC

Date of birth: 1956

Citizenship: Russia

Higher education:

- All-Union Correspondence Polytechnical Institute, major in "Electricity Supplies to Industrial Plants of Cities and Agriculture, engineer-electrician;
- Military Command Krasnoznamennaya Academy of Air Force Troops named after Marshal of the Soviet Union G. K. Zhukov, major in "Command-Staff Operative-Tactical Air Force Troops";
- Military Academy of the General Staff of the Russian Air Force, major "Military-Historic Operative-Strategic";
- Has the scientific degree: candidate of economic sciences; Corresponding Member of the Academy of Sciences.

Positions held over the last 5 years:

- Assistant to the General Director of Rosoboronexport State Unitary Company;
- Member of the Board of Directors of Sarapulsky Electric Generator Plant, JSC, and Start Scientific-Production Company, JSC;
- First Deputy Chairman of the Amur Oblast Government;
- Member of the Central Counsel, member of the Bureau of the Central Counsel of the All-Russian Civic Organization "Russian Machine-Building Union";
- Vice-President of the All-Russian Sector Association of Employers "Russian Machine-Building Union";
- Chairman of the Legislative Assembly of the Amur Oblast;
- Professor of the Department "Management, Marketing, and Law" of the Far-Eastern Agrarian University (combining jobs);
- Member of the Supervisory Board of the Non-Commercial Partnership "Scientific-Technical Board of the Unified Energy System";
- Chairman of the Board of Directors of IDGC of the South, JSC, IDGC of the Center and Volga, JSC, and IDGC of the Urals, JSC;
- Chairman of the Board of Directors of MOESK, JSC, Chairman of the Board of Directors of Tyumenenergo, JSC, Yantarenergo, JSC, IDGC of the Center, JSC, and Kubanenergo, JSC;
- Member of the Supervisory Board of All-Russian Bank of Regional Development, JSC;
- Member of the Board of Directors of the Agency for Forecasting Electricity Balances, JSC.

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

Management of the Company in the 2010 reporting year was done by the Board of Directors of IDGC of the South in two compilations.

Company Board of Directors in its first compilation (term of authority from 14.09.2009 to 15.06.2010; the positions of the members of the Board of Directors are shown as of 15.06.2010):

1	Pavel Ivanovich Oakley, <i>Chairman of the Board of Directors</i>	Deputy General Director — Technical Director, Member of the Management Board of IDFC Holding, JSC
2	Alexey Yuryevich Perepyolkin, <i>Deputy Chairman of the Board of Directors</i>	Deputy General Director for Corporate Management and Ownership, Member of the Management Board of IDFC Holding, JSC
3	Sergey Vyacheslavovich Vasilyev	Head of the Department of Legal Support, Member of the Management Board of IDFC Holding, JSC
4	Alexander Ilyich Gavrilov	General Director, Chairman of the Management Board of IDGC of the South, JSC
5	Maxim Sergeyevich Ivanov	Counselor of the Director of Holding UK, Ltd., Independent Director
6	Vladimir Vasilyevich Ilyenko	General Director of the Branch SO EES ODU of the South, JSC, Independent Director
7	Alexey Viktorovich Maslov	Executive Director for Capital Construction, Member of the Management Board of RusHydro, JSC
8	Sergey Anatolyevich Mikhailov	General Director of Management-Consulting, LLC
9	Sergey Nikolaevich Popovskiy	Member of the Management Board, Representative of Market Council Noncommercial Partnership
10	Igor Vasilyevich Ptitsyn	General Director, Tolyatti Transformer, LLC, Independent Director
11	Valery Mukhamedovich Shogenov	Deputy Director of the Department of Economic Regulation and Property Relations in the fuel-energy Sector of the Ministry of Energy of the Russian Federation



Gennady Felixovich Binko

Deputy Chairman of the Board of Directors of IDGC of the South, JSC, Member of the Auditing Committee, Member of the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC, Member of the Management Board, Deputy General Director of IDGC Holding, JSC

Date of birth: 1958

Citizenship: Russia

Higher education:

- Moscow Engineering-Physics, major "Experimental Nuclear Physics";
- All-Russian Correspondence Financial-Economic Institute.

Positions held over the last 5 years:

- Deputy General Director for Marketing and Sales of OGK-6, JSC;
- Member of the Board of Directors of RAO Energy Systems of the East;
- Chairman of the Board of Directors of OESK, JSC;
- Member of the Board of Trustees of IDGC of the Northern Caucasus, JSC;
- Member of the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the Center, JSC;
- Member of the Committee for Strategy and Development, Member of the Committee for Technological Connections of the Board of Directors of Lenenergo, JSC;
- Member of the Board of Directors of Tyumenenergo, JSC;
- Chairman of the Board of Directors of NIIEE, JSC and IDGC of the Volga, JSC;
- Member of the Committee of the Board of Directors for Strategy and Development of MOESK, JSC.

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



Dmitry Olegovich Akhrimenko

Member of the Board of Directors of IDGC of the South, JSC, Member of the Auditing Committee, and Member of the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC, Deputy Head of the Department for Corporate Management and Shareholder Relations of IDGC Holding, JSC

Date of birth: 1977

Citizenship: Russia

Higher education:

- Kiev National Economic University, major in Jurisprudence;
- Russian Law Academy, major in jurisprudence;
- Diplomatic Academy of the Ministry of Internal Affairs of the RF, major in "International Relations".

Positions held over the last 5 years:

- Department Head of RAO UES of Russia, JSC;
- Member of the Board of Directors of North-West Energy Management Company, JSC, Dagestan Power Sales Company, JSC, SKB VTI, JSC, TsOR UES, JSC, TRK JSC, Tyvaenergo, JSC, and MKSM, JSC;
- Member of the Committee for Strategy and Development of the Board of Directors of IDGC of the Center and Volga, JSC.

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



Olga Valentinovna Zuikova

Member of the Board of Directors of IDGC of the South, JSC, Head of the Direction for Production Control and Labor Protection of IDGC Holding, JSC

Date of birth: 1964

Nationality: Russia

Higher education:

- Ivanov Energy Institute named after V. I. Lenin, major in "Electricity Systems".

Positions held over the last 5 years:

- Head of the Reliability and TB Department of IDGC of the Center and Northern Caucasus, JSC;
- Head of the Department of Technical Inspection of IDGC of the Center, JSC;
- Head of the Reliability Committee of the Board of Directors of IDGC of the Center, JSC;
- Chairman of the Reliability Committee of MOESK, JSC.

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



Maxim Sergeevich Ivanov

Member of the Board of Directors of IDGC of the South, JSC, Chairman of the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC, Member of the Committee for Personnel and Remuneration, Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC, Advisor to the General Director of UK Holding, Ltd.

Date of birth: 1976

Citizenship: Russia

Higher education:

- State Management Academy in the name of Sergo Ordzhonikidze, major "Economist-Energy Worker".

Positions held over the last 5 years:

- Advisor to the General Director of Moscow Plant Kristall, JSC;
- Advisor to the General Director, Head of the Department of Internal Audit of YuGK TKG-8, JSC;
- Advisor to the General Director of Promregion Holding, Ltd.;
- Advisor to the General Director of Management-Consulting, LLC;
- Member of the Reliability Committee of the Board of Directors of IDGC of the South, JSC.

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



Vladimir Vasilyevich Ilyenko

Member of the Board of Directors of IDGC of the South, JSC, General Director of the branch of SO UES, JSC ODU Yuga

Date of birth: 1950

Citizenship: Russia

Higher education:

- Krasnoyarsk Polytechnical Institute, major "Engineer-Heating Engineer".

Positions held over the last 5 years:

- General Director of the Branch of SO UES, JSC ODU Yuga.

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



Anton Mikhailovich Kislyakov

Member of the Board of Directors of IDGC of the South, JSC, Deputy Head of the Department of Legal Support of IDGC Holding, JSC

Date of birth: 1970

Citizenship: Russia

Higher education:

- Moscow State Legal Academy, major in Jurisprudence.

Positions held over the last 5 years:

- Deputy Head of the Legal Department of RAO UES of Russia, JSC;
- Member of the Board of Directors of NITs Yuga, JSC, Nedvizhimost VNIPlenergoprom, JSC.

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



Vladimir Vasilyevich Kuznetsov

Member of the Board of Directors of IDGC of the South, JSC, Head of the Center of Strategy and Development of IDGC Holding, JSC

Date of birth: 1949

Citizenship: Russia

Higher education:

- Moscow State University in the name of M. V. Lomonosov;
- Awarded the degree of Candidate of Economic Science.

Positions held over the last 5 years:

- Advisor the Governor, Head of the Department of Industry of the Administration of the Tver Oblast;
- Director of the Institute of the State University High School of Economics under the Government of the RF, VNIIVS;
- Chairman of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC;
- Member of the Committee for Strategy and Development of IDGC of the Center, JSC.

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



Sergey Anatolyevich Mikhailov

Member of the Board of Directors of IDGC of the South, JSC, Member of the Auditing Committee, Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC
General Director of Management-Consulting, LLC

Date of birth: 1957

Citizenship: Russia

Higher education:

- Dzerzhinsky Military Academy, major in "Flying Apparatuses";
- Moscow Aviation Institute, branch in the city of Lipetsk, major in "Data Processing";
- Post graduate military course of Dzerzhinsky Military Academy, major in "Weapons and Military Technologies";
- Intersector Institute of Raising Qualifications and Retraining of Managers and Specialists of the Russian Economics Academy in the name of G. V. Plekhanov, major in Finances and Credit.
- Awarded the degree: Candidate of Technical Science

Positions held over the last 5 years:

- General Director of Management-Consulting, LLC;
- General Director of Gruppa Consulting, Ltd.;
- Chairman of the Board of Non-state Pension Fund Perviy Pensionniy Fond (First Pension Fund), Non-profit organization Non-state Pension Fund Pensionniy Kapital;
- Member of the Board of Directors of RosT.S. Ltd., ASVT JSC, Lukoil Oil Company, JSC, Telepress, JSC and IDF Kapital ESP, LLC;
- Member of the Board of Directors of Football Club Spartak-Moscow, JSC; Bank Petrocommerce, JSC; Russian Mediagroup, CJSC; Kapital Management Company, Mutual Investment Funds, LLC;
- Member of the Board of Directors of Closed Joint Stock Company Promregion Holding, Globalstroy-Engineering, JSC; GSI, JSC; Oktyabr Training-Sport-and-Health-Improvement Complex, Kapital Management Company, LLC; Fimpol Publishing-and-Polygraphic Center, JSC; Prosveshcheniye Publishers, LLC; Interregional Public Organization "Association of Managers";
- Chairman of the Board of Directors of Closed Joint Stock Company Management Group; Closed Joint Stock Company Management-Centre Managing Company; National League of Managers Non-profit Partnership; Southern Generating Company — TGC-8, JSC (SGC — TGC-8, JSC), Reserve Invest Holding (Cyprus) Limited; Kapital Asset Management, CJSC, Limited Liability Company RADIO ALLIANCE; Kapital Investment Group, CJSC;
- Member of the Supervisory Council of the Open Joint Stock Company Oil Fund of Industrial Reconstruction and Development;
- Executive director of IFD Kapital, CJSC; Izvestiya Newspaper Editorial Office, JSC;
- Member of the Board of the Special-Purpose Capital Formation Fund for Support of Social Programs;
- Independent director of Open Joint Stock Company All-Russian Research, Design-and-Engineering Institute of Economy, Information and Automated Systems Control for the Fishing Industry.

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

Pavel Ivanovich Oakley

Member of the Board of Directors of IDGC of the South, JSC,
Member of the Management Board, Head of the Production Block of Inter RAO UES, JSC

Date of birth: 1970

Citizenship: Russia

Higher education:

- Omsk Institute of Engineers of Railway Transport, major in "Automation, telemechanics and communication in railway transport";
- The Academy of National Economy under the RF Government, major in "Management of company development";
- Moscow Energy Institute, Graduate Student.

Positions held over the last 5 years:

- Deputy Administrator, Chief of IDGC Governance Centre of FGC UES, JSC;
- Member of the Board of Directors of IDGC of the South, JSC, Tyumenenergo, JSC;
- Member of the Board of Directors, member of the Committee for Strategy and Development, Chairman of the Reliability Committee of IDGC of the Volga;
- Member of the Board of Directors, Member of the Auditing Committee of the Board of Directors of IDGC of the Center and Volga, JSC;
- Member of the Board of Directors of APBE Ltd.;
- Chairman of the Reliability Committee of the Board of Directors of MOESK;
- Member of the Supervisory Board of NP INVEL, and NP NTS UES;
- Member of the Board of Directors, Member of the Committee for Personnel and Remuneration, Member of the Auditing Committee of Lenenergo, JSC;
- Chairman of the Reliability Committee of the Board of Directors of Tyumenenergo, JSC;
- Chairman of the Reliability Committee of the Board of Directors of IDGC of the South, JSC;
- Member of the Reliability Committee of the Board of Directors of Lenenergo, JSC;
- Member of the Board of Directors of NIITs IDGC, JSC;
- Chairman of the Reliability Committee of Kubanenergo, JSC;
- Member of the Management Board, Deputy General Director — Technical Director of IDGC Holding, JSC;
- Member of the Management Board, Executive Director of OGK-1 (combining positions).

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



Sergey Evgenyevich Yurchuk

Member of the Board of Directors of IDGC of the South, JSC, Chairman of the Committee for Strategy, Development, Investments and Reform and the Auditing Committee Of the Board of Directors of IDGC of the South, JSC,
Financial Director of IDGC Holding, JSC

Date of birth: 1966

Citizenship: Russia

Higher education:

- Moscow State University named after M. V. Lomonosov, major in Economics

Positions held over the last 5 years:

- Director for Economy and Finance of Ship-Building Plant "Northern Wharf", JSC;
- Deputy General Director for Economy and Finance of Almaz Press, LLC;
- Member of the Board of Directors of Lenenergo, JSC;
- Member of the Board of Directors, Chairman of the Auditing Committee of the Board of Directors, member of the Committee for Personnel and Remuneration of MOESK, JSC;
- Member of the Board of Directors, member of the Committee for Strategy and Development of the Board of Directors of IDGC of the North-West, JSC;
- Member of the Auditing Committee, member of the Committee for Personnel and Remuneration of the Board of Directors of Lenenergo, JSC.

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

The Company believes that it is important to have independent directors in the Company Board of Directors. Members of the Board of Directors of IDGC of the South, JSC of the second, currently-acting compilation, having the [status of independent directors](#) in accordance with the Corporate Governance Code recommended for use by the Federal Securities Commission of Russia:

- O. V. Zuikova;
- V. V. Ilyenko;
- M. S. Ivanov;
- V. V. Kuznetsov.

All members of the Company Board of Directors gave their agreement to disclose information about themselves in this annual report.

Activity of the Board of Directors in 2010

The Company's Board of Directors held 20 meetings in the 2010 reporting year. Of them 17 meetings were held using surveys, at which 230 questions were examined.

Information about participation of the members of the Board of Directors in Board of Directors meetings held in 2010

2010 (before 15.06)	3.02	19.02	5.03	2.04	13.04	26.04	30.04	3.06	9.06	10.06	Total
A. I. Gavrilov	+	+	+	+	+	—	—	+	+	+	8
A. V. Dorofeev	+	+	+	+	+	+	+	+	+	+	10
S. S. Ezimov	+	+	+	+	+	+	+	+	+	+	10
A. V. Zimin	+	+	+	+	+	+	+	+	+	+	10
V. V. Ilyenko	+	+	+	—	—	+	+	+	+	—	7
A. V. Maslov	+	+	+	+	—	—	—	—	+	—	5
A. E. Nikulov	+	+	+	+	+	+	+	+	+	+	10
P. I. Oakley	+	+	+	+	+	+	+	+	+	+	10
I. V. Ptitsyn	+	+	+	+	+	+	+	+	+	—	9
S. N. Popovsky	+	+	+	+	—	+	+	+	+	—	8
V. M. Shogenov	—	—	+	—	—	—	—	—	—	—	1

2010 (after 15.06)	25.06	8.07	27.07	5.08	31.08	30.09	29.10	26.11	22.12	28.12	Total
N. N. Shvets	+	+	+	+	+	+	+	+	+	+	10
G. F. Binko	+	+	+	+	+	+	+	+	+	+	10
P. I. Oakley	+	+	+	+	+	+	+	+	+	—	9
D. O. Akhrimenko	+	+	+	+	+	+	+	+	+	+	10
O. V. Zuiikova	+	+	+	+	+	+	+	+	+	+	10
M. S. Ivanov	+	+	+	+	+	+	+	+	+	—	9
V. V. Ilyenko	+	+	+	+	+	+	+	+	+	—	9
A. M. Kislyakov	+	+	+	+	+	+	+	+	+	+	10
V. V. Kuznetsov	+	+	+	+	+	+	+	+	+	+	10
S. A. Mikhailov	+	+	+	+	+	+	+	+	+	—	9
S. E. Yurchuk	+	+	+	+	+	+	+	+	+	+	10

Among the most important resolutions taken by the Company's Board of Directors in 2010, the following deserve notice:

- The Regulations on paying remuneration and compensation to members of the Auditing Committee, the Committee for Personnel and Remuneration, the Reliability Committee, the Committee for Strategy, Development, Investments and Reform, and of the Committee for Technical Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC (Minutes № 39/2010 dated 05.02.2010);
- The insurance companies providing insurance to the Company in 2010 were approved (Minutes № 39/2010 dated 05.02.2010);
- The Program of operations for reducing the risk of injury in IDGC of the South, JSC for 2010 was approved (Minutes № 40/2010 dated 02.2010);
- The proposals of shareholders for adding questions to the Agenda of the Annual Shareholders Meeting and for proposing candidates for the bodies of management and control of the Company (Minutes № 41/2010 dated 05.03.2010);
- The Company business plan was approved (including the Company's investment program) for 2010 (Minutes № 42/2010 dated 05.04.2010);
- The Program of Insurance Protection of IDGC of the South, JSC for 2010 (Minutes № 44/2010 dated 28.04.2010) was approved;
- The Company's annual report for 2009 was preliminarily approved, and the annual accounting report for 2009 was examined. Recommendations for distributing the Company's profit and losses for the 2009 financial year were given, as well as for the amount of dividends on shares and the method for paying them in 2009 (Minutes № 45/2010 dated 04.05.2010).
- The General Shareholders' Meeting was offered a candidature for the Company's Auditor and the Company Charter was provided in its new edition to be approved (Minutes № 45/2010 dated 04.05.2010);

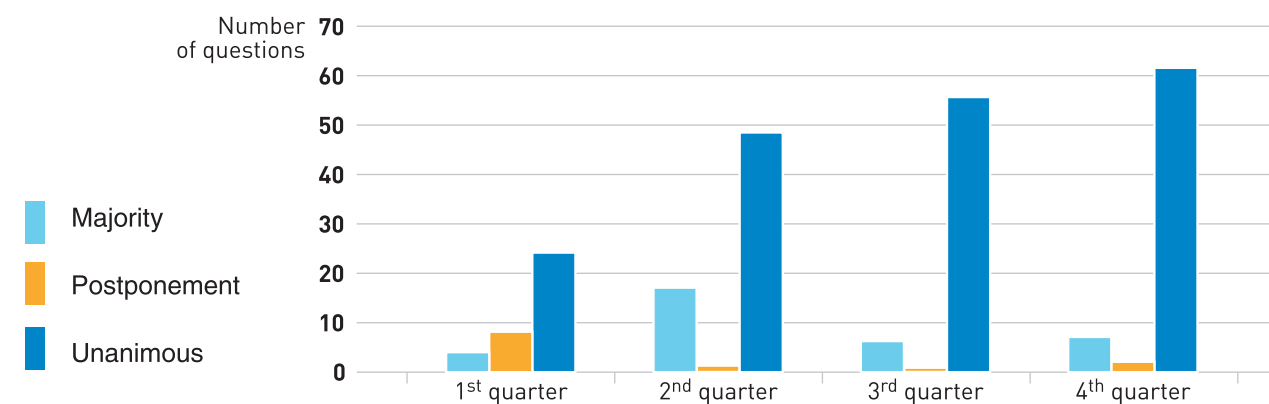
- A detailed Plan-Schedule of operations for reducing accounts receivable in the Company was approved (in the context of counteragents showing the concrete dates for fulfilling each operation and the expected result) (Minutes № 45/2010 dated 04.05.2010);
- The key performance indicators for the year and per quarter (KPI) for IDGC of the South, JSC for 2010 were approved (Minutes № 46/2010 dated 04.06.2010);
- The Risk Management Policy of IDGC of the South, JSC and the Policy of Internal Control of IDGC of the South, JSC were approved (Minutes № 47/2010 dated 11.06.2010);
- The Plan for financial improvement of IDGC of the South, JSC for 2010 — 2012 was approved (Minutes № 48/2010 dated 11.06.2010);
- Sergey Alexandrovich Arkhipov was elected as the General Director of IDGC of the South, JSC from July 09, 2010, for one year (Minutes № 50/2010 dated 08.07.2010);
- The work plan of the Board of Directors of IDGC of the South, JSC for the second half of 2010 — first half of 2011 was approved (Minutes № 51/2010 dated 30.07.2010);
- The Program for supporting and developing the personnel potential of IDGC of the South, JSC was approved (Minutes № 51/2010 dated 30.07.2010);
- The personal staffs and chairmen of the Auditing Committee, the Committee for Strategy, Development, Investments and Reform, the Committee for Personnel and Remuneration, the Reliability Committee, and the Committee for Technological Connections to Electric Grids under the Board of Directors under the Board of Directors (Minutes № 51/2010 dated 30.07.2010);
- The organization structure of the executive apparatus of IDGC of the South, JSC was approved (Minutes № 52/2010 dated 06.08.2010);
- The Regulations on the Auditing Committee and the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC in their new editions were approved (Minutes № 52/2010 dated 06.08.2010);

- The staff of the Central Tender Commission of IDGC of the South, JSC was approved (Minutes № 53/2010 dated 01.09.2010, and № 57/2010 dated 24.12.2010);
- The amount to be paid to the auditor of IDGC of the South, JSC — AAF Auditinform, CSJC — by contract for providing auditing services, was determined (for the auditing period from January 01, 2010, to December 31, 2010) to be RUR2,600,000 (Minutes № 53/2010 dated 01.09.2010);
- The Program for reducing risks of injury to third parties on equipment of IDGC of the South, JSC for 2010–2012 was approved (Minutes № 53/2010 dated 01.09.2010);
- The Plan for top priority operations to be implemented for anti-terrorism and anti-diversion defense of the Company's electric power infrastructure was approved (Minutes № 53/2010 dated 01.09.2010);
- The Regulation on dividend policy of IDGC of the South, JSC was approved in its new edition (Minutes № 53/2010 dated 01.09.2010);
- The Regulation on the method of purchasing or renting electric power infrastructure for IDGC of the South, JSC was approved (Minutes № 53/2010 dated 01.09.2010);
- The budgets of the Committees of the Board of Directors of IDGC of the South, JSC for the first and second halves of the year in 2010 were approved (Minutes № 44/2010 dated 01.09.2010; № 46/2010 dated 04.06.2010; № 47/2010 dated 11.06.2010, № 55/2010 dated 29.10.2010);
- The Company's participation in the Non-Commercial Partnership "Union of Energy Auditors and Energy Service Companies" was approved (Minutes № 55/2010 dated 29.10.2010);
- The Company decided to terminate its contract № 407/30-1143/26 dated 14.09.2007 for transferring authority of the executive body of Kubanenergo, JSC, between IDGC of the South, JSC and Kubanenergo, JSC (Minutes № 55/2010 dated 29.10.2010);
- The register of the Company's non-profile assets in its new edition was approved (Minutes № 55/2010 dated 29.10.2010);

- The Company registrar was approved to be Registrar R.O.S.T., JSC (Minutes № 56/2010 dated 29.11.2010);
- The corrected Annual Integrated Purchasing Program for the Company for 2010 for production programs to be implemented in 2011 was approved (Minutes № 56/2010 dated 29.11.2010);
- The Program for providing non-state pensions to employees of IDGC of the South, JSC for 2010 was approved (Minutes № 56/2010 dated 29.11.2010);
- The insurance company of IDGC of the South, JSC was approved to be AlfaStrakhovanie, JSC (Minutes № 56/2010 dated 29.11.2010);
- The participation of IDGC of the South, JSC in another organization by creating (establishing) Energoservice Yuga, JSC, was approved. The candidates for being elected to the post of the individual executive body and for other management and control organs of Energoservice Yuga, JSC were also approved (Minutes № 57/2010 dated 24.12.2010);
- The Program for future development of the system of electricity metering on the retail electricity market in the grids of IDGC of the South, JSC, was approved (Minutes № 57/2010 dated 24.12.2010);
- The Company business plan for 2011 (including its investment program) was approved (Minutes № 58/2010 dated 30.12.2010).

Furthermore, Board of Directors meetings also regularly examined the Company General Director's reports about various business issues of the Company and on fulfilling the resolutions taken by the Board of Directors previously, as well as questions on preliminarily approving transactions which can be approved only when complying to certain corporate procedures. The Board of Directors meetings also determined the Company's position on questions of the agenda of the Board of Directors meetings and general shareholders' meetings of the subsidiary and dependent companies of IDGC of the South, JSC.

Analysis of decisions taken by the Company Board of Directors in 2010



An analysis of the decisions taken in 2010 shows that the majority of decisions taken at the Board of Directors meetings were taken “unanimously”.

This testifies to the fact that maximally complete informational materials which have been prepared taken into consideration all sides are provided for use by the Board of Directors meetings.

Furthermore, effective interaction between the Board of Directors of the Company with the Committees which operated in 2010 made it possible to achieve this result. The questions which must be preliminarily examined by the Committees of the

Report of the Board of Directors of IDGC of the South, JSC on the results of development of priority business directions

The Board of Directors of IDGC of the South, JSC, determined the transition of two Company branches starting from 01.01.2010 to regulation of tariffs for electricity transmission services using the method of return on invested capital (RAB) to be a priority business direction. Two Company branches — Astrakhanenergo and Rostovenergo — made the transition to regulation of tariffs for electricity transmission services using the RAB method starting from 01.01.2009.

The experience of the Astrakhanenergo branch, where the pilot project for regulating tariffs using an RAB method was implemented, proved that RAB-regulation has a number of significant advantages. This progressive method of setting tariffs makes it possible to develop the power distribution complex in the region, thereby allowing potential investors to calculate their own business development more precisely.

During the reporting year the Company conducted active work at ensuring the transition to tariff regulation using the RAB method for the Kalmenergo and Volgogradenergo branches of IDGC of the South, JSC in 2011.

That said, the transition to RAB-regulation of the Volgogradenergo, JSC branch of IDGC of the South, JSC didn't take place in 2010. It was decided by the meeting of the Management Board for Regional Tariffs of the Volgograd Region Administration on December 22, 2010, to regulate tariffs of the Volgogradenergo, JSC branch of IDGC of the South, JSC in 2011–2013 using the method of long-term tariff indexation. The main reasons for taking the decision in favor of this method were:

- Significant growth in tariffs for electricity transmission services in 2010 (tariffs increased by 2.2 times for some voltage levels);
- The lack of a regional integrated program reflecting the needs for investment development of the entire Volgograd Oblast.

The Board of Directors approved and implemented the Plan for top priority operations to be implemented for anti-terrorism and anti-sabotage defense of the electric power infrastructure of IDGC of the South, JSC in the aim of increasing the level of anti-terror and anti-sabotage protection of the Company's electric grids in the reporting year. The plan of operations calls

Board of Directors are carefully worked on and studied at the Committees' meetings, thanks to which the Company's Board of Directors receives comprehensive recommendations, including ones which present particular opinions of the members of the Committees of the Company's Board of Directors.

The full version of the decisions taken by the Board of Directors of IDGC of the South, JSC in 2009, as well as for the whole period of the Company's operations, are available on the Company's website in the Internet at the address: http://www.mrsk-yuga.ru/corporate_management/resh_sov_direct/.

for using organizational and administrative-regime measures, a method of interaction with law enforcement bodies, and practical implementation of the “Concept of Ensuring Anti-Terrorist Protection of Electric Grid Infrastructure”, as well as additional measures for strengthening physical and engineering-technical defense of energy infrastructure.

The Company Board of Directors determined conducting work at legalizing ownership rights to real estate property, and legalizing/re-legalizing rights for using land plots in the period of 2011–2014 to be one of the key business directions of IDGC of the South, JSC, considering the work being done at preparing information on the borders of security zones of electric grid infrastructure.

The Company developed and implemented a Program for works of IDGC of the South, JSC at legalizing ownership rights to real estate property, and legalizing/re-legalizing rights for using land plots in the period of 2011–2014 considering the work being done at preparing information on the borders of security zones of electric grid infrastructure showing the term and costs at fulfilling these works to be a key business direction.

Information about payment of remuneration (expense compensation) to members of the Board of Directors

Pursuant to point 2 of article 64 of the Federal Law “On joint-stock companies” a decision about the payment of remuneration to members of the Board of Directors of the Company can be taken only by the General Shareholders' Meeting. The Regulation on payment of remuneration and compensation to members of the Board of Directors of IDGC of the South, JSC, approved by decision of the annual General Shareholders' Meeting of the Company on 30.05.2008 (Minutes dd. 04.06.2008 № 1) is in force in the Company.

The remuneration paid out to the members of the Board of Directors of the Company depends on the Company's business results. Figures of the Company's activity, such as net profit of the Company and the Company's market capitalization, are used when paying remuneration, as according to the data of the annual financial statements.

Pursuant to point 4.1 of the Regulations for the payment of remuneration and compensation to the members of the Board of Directors of IDGC of the South, JSC, a member of the Board

of Directors is paid 8 (eight) minimal monthly tariff rates of a first class workman for participation in a meeting of the Board of Directors held in absentee form. This amount is defined by the sector tariff agreement in the power sector of the Russian Federation (hereafter referred to as the Agreement) on the day of the meeting of the Board of Directors of the Company subject to the indexation defined by the Agreement, within one month after the meeting of the Board of Directors of the Company is held.

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

The amount of remuneration paid out to the Chairman (deputy Chairman) of the Board of Directors of the Company for each meeting at which he fulfilled the functions of Chairman of

the Board of Directors is increased by 50% pursuant to point 4.1 of the given Regulation.

The average amount of remuneration paid to a member of the Company Board of Directors for participating in one meeting held in absentee form in 2010 equaled RUR32,004 (including personal income tax of 13%).

The average amount of remuneration paid to a member of the Company Board of Directors for participating in one meeting held in joint presence in 2010 equaled RUR40,005 including personal income tax of 13%.

The total sum of remuneration paid to the members of the Board of Directors of the Company for 2010 amounts to RUR6,815,049.

Data about training of members of the Board of Directors at the Company's expense

No training of members of the Company's Board of Directors was held in 2010.

Corporate Secretary of the Company

A Corporate Secretary of the Company is elected by the Company Board of Directors to ensure that the Company complies to the order for preparing and conducting the General Shareholders' Meeting, Board of Directors meetings, and to ensure effective interaction between the Board of Directors, the committees of the Board of Directors, the Auditing Committee, the Company Auditor, the executive bodies and the executive apparatus of the Company.

The Corporate Secretary acts in accordance with the Federal Law “On joint-stock companies”, other normative acts of the Russian Federation, the Charter of IDGC of the South, JSC and

other internal documents, and the Regulations for a Corporate Secretary of the Board of Directors of IDGC of the South, JSC in its new edition, approved by decision of the Board of Directors of the Company (Minutes №34/2009 dated 14.09.2009).

The Corporate Secretary is accountable to the Company Board of Directors.

The functions of the Corporate Secretary, elected on 20.10.2009 by the Company Board of Directors (Minutes №35/2009 dated 23.10.2009) and re-elected on 25.06.2010 by the Company Board of Directors (Minutes №49/2010 dated 28.06.2010), were fulfilled in the 2010 reporting year by:

Andrey Anatolyevich Kantsurov

*Corporate Secretary of the Company,
Deputy Head of the Department of Corporate Governance — Head of the Department for Organizing Corporate Management and Reform of IDGC of the South, JSC*

Date of birth: 1974

Citizenship: Russia

Higher education:

- Kuban State University, major in “Science of Law”.

Positions held over the last 5 years:

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

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

The Company's Corporate Secretary is paid in the way, in the amount, and under the conditions determined by the Regulation on the Corporate Secretary of IDGC of the South, JSC and the contract for fulfilling the responsibilities of the Corporate Secretary.

Committees of the Board of Directors of IDGC of the South, JSC

In order to additionally work on questions that are part of the sphere of competency of the Board of Directors, or which are studied by the Board of Directors in the procedure for control over the activity of the executive organ of the Company, and to additionally work on necessary recommendations to the Board of Directors and executive organs of the Company, the following Committees of the Board of Directors of the Company which were established in 2009 were active throughout 2010:

1. Committee for Technological Connections to Electric Grids;
2. Auditing Committee;
3. Committee for Personnel and Remuneration;
4. Reliability Committee;
5. Committee for Strategy, Development, Investments and Reform.

There were 40 meetings of committees of the Board of Directors of the Company held in 2010, at which more than 100 questions were examined. Altogether 57 recommendations were formulated and presented to the Company's Board of Directors in the reporting year.

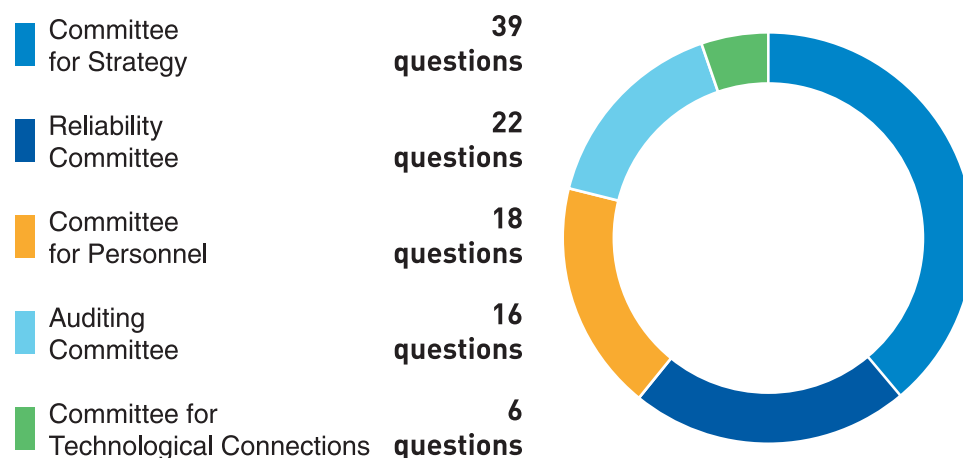
In accordance with the regulations approved on the committees, the members of the committees are elected for a term until the first meeting of the Company Board of Directors in its new compilation.

The Secretaries of the Committees are elected at committee meetings.

The authority of any member of the committee can be terminated ahead of schedule by resolution of the Board of Directors of the Company, made by a majority of votes of the members of the Board of Directors of the Company out of the total number of votes.

The Committees fulfilled their work under the management of two compilations of members in the 2010 reporting year.

Activity of the Committees of the Board of Directors in 2010



Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC

The main goal of the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC is to ensure openness and non-discriminatory access to the Company's services for technological connections of consumers to electric grids.

In accordance with the Regulation on the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC, the number of members

in the committee is decided by the Board of Directors, and will contain no less than 5 people.

The first compilation of the Committee was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 01.12.2009 (Minutes № 37/2009 dated 04.12.2009) and acted until 25.06.2010 in the following staff: Maxim Sergeevich Ivanov (Committee Chairman, member of the Board of Directors of IDGC of the South, JSC), Sergey Anatolyevich Antipov, Vitaly Vasilevich Brizhan, Gennady Felixovich Binko, Vyacheslav Yuryevich Kostetsky, Sergey Nikolayevich Popovsky (who was also a member of the Board of Directors of IDGC of the South, JSC) and Konsantin Yuryevich Petukhov.

The current staff of the Committee for Technological Connections to Electric Grids was elected at the Board of Directors meeting of IDGC of the South, JSC on 27.07.2010 (Minutes № 51/2010 dated 30.07.2010):

This Committee is chaired by Maxim Sergeevich Ivanov, one of the independent directors of IDGC of the South, JSC.

1	Maksim Sergeevich Ivanov, Chairman of the Committee, member of the Board of Directors of IDGC of the South, JSC	Adviser of the General Director of Management Consulting, LLC
2	Gennady Felixovich Binko, Deputy Chairman, member of the Board of Directors of IDGC of the South, JSC	Deputy General Director of IDGC Holding, JSC
3	Vitaly Vasilevich Brizhan	Deputy General Director for Corporate governance of IDGC of the South, JSC
4	Vyacheslav Yuryevich Kostetsky	Deputy General Director for Development and Service Sales of IDGC of the South, JSC (until 21.09.2010)
5	Yury Aikazovich Stepanyan	Director of the branch of SO UES Kubanskoe RDU, JSC

Two meetings of the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC were held in the reporting year (all in absentee form) at which 5 questions were analyzed.

Among the **most important decisions** taken by the Commit-

tee in 2010, one can point out the decision on the monitoring of the Company's results on questions of technical connection of consumers to electricity distribution grids, including contract work and general statistics of connections taking various groups of consumers into account (Minutes № 2 dated 21.12.2010).

Auditing Committee of the Board of Directors of IDGC of the South, JSC

The main task of the committee is to develop and provide recommendations (opinions) to the Board of Directors of the Company as concerns auditing and reporting of the Company.

In accordance with the Regulations of the Auditing Committee of the Board of Directors of IDGC of the South, JSC, in its new edition approved by resolution of the Board of Directors of the Company (Minutes № 52/2010 dated 06.08.2010), the

number of members of the committee is determined by resolution of the Board of Directors in an amount no less than 3 people from among current members of the Board of Directors.

The first staff of the Committee was elected at the meeting of the Board of Directors of IDGC of the South, JSC 01.12.2009 (Minutes № 37/2009 dated 04.12.2009) and acted until 25.06.2010 in the following staff: Alexey Yuryevich Perepyolkin (Committee Chairman), Sergey Vyacheslavovich Vasilev, and Sergey Anatolyevich Mikhailov. All members of the committee are members of the Company's Board of Directors.

The acting personal staff of the Auditing Committee elected at the meeting of the Board of Directors of IDGC of the South, JSC 27.07.2010 (Minutes № 51/2010 dated 30.07.2010):

1	Sergey Evgenyevich Yurchuk, Committee Chairman, member of the Board of Directors of IDGC of the South, JSC	Financial Director of IDGC Holding, JSC
2	Gennady Felixovich Binko, Deputy Chairman, member of the Board of Directors of IDGC of the South, JSC	Deputy General Director of IDGC Holding, JSC
3	Dmitry Olegovich Akhrimenko, Member of the Board of Directors of IDGC of the South, JSC	Deputy Head of the Department of Corporate Governance and Shareholder Relations of IDGC Holding, JSC
4	Sergey Anatolyevich Mikhailov, member of the Board of Directors of IDGC of the South, JSC	General Director of Management-Consulting, LLC

Four meetings of the Auditing Committee of the Board of Directors of IDGC of the South, JSC were held in the reporting year (3 in absentee form, 1 in joint presence), at which more than 15 questions were examined.

Among the **most important decisions** taken by the Committee in 2010, one can point out the following:

- Information about receiving a positive auditor's opinion for the Company's accounting (financial) reporting for 2009,

Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC

The committee's task is to develop and present recommendations (opinions) to the Board of Directors of the Company on the following activity:

- Develop the principles and criteria for determining the remuneration of members of the Board of Directors of the Company, members of the collective executive body, and the person fulfilling the functions of a personal executive body of the Company, including the management organization or manager;
- Determine significant conditions of the contracts with members of the collective executive organ and the person fulfilling the functions of a personal executive body of the Company;

The acting personal staff of the the Committee for Personnel and Remuneration elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2010 (Minutes № 51/2010 dated 30.07.2010):

1	Viktor Evgenyevich Lutskovich, Committee Chairman	Deputy Head of the Department — Head of the Department for Remuneration of Labor and Motivation of IDGC Holding, JSC
2	Natalia Ilyinichna Erpsher, Deputy Chairwoman	Head of the Office of Organizational Development of IDGC Holding, JSC
3	Dmitry Olegovich Akhrimenko, Member of the Board of Directors of IDGC of the South, JSC	Deputy Head of the Department of Corporate Governance and Shareholder Relations of IDGC Holding, JSC
4	Pavel Nikolayevich Gritsenko	Head of the Human Resources Management Department and Organizational Design of IDGC of the South, JSC
5	Maksim Sergeevich Ivanov, Member of the Board of Directors of IDGC of the South, JSC, Independent Director	Adviser of the General Director of Management Consulting, LLC

The Committee held 11 meetings in the reporting year (all in absentee form), at which more than 15 questions were examined. Altogether more than 12 recommendations were formulated and given to the Board of Directors of the Company.

These included questions of preliminary acceptance of the candidatures for positions set by the Board of Directors of the Company, making changes to the list of positions in the Company's executive apparatus, agreeing on candidatures which are

prepared by the auditor Nexia Pacholi LLC » (Minutes № 1 dated 23.04.2010) was taken into account;

- The Regulations on preparing questions to be examined at the meetings of the Auditing Committee of the Board of Directors of IDGC of the South, JSC were approved (Minutes № 2 dated 08.12.2010);
- The project of the Department of Internal Control and Risk Management of the Company in its new edition was examined (Minutes № 2 dated 08.12.2010).

- Determining the criteria for choosing candidates to be members of the Board of Directors of the Company, members of the collective executive organ of the Company, and for the position of personal executive body of the Company;

The Board of Directors meeting of on 05.08.2010 approved the Provision on the Committee for Personnel and Remuneration in its new edition (Minutes 52/2010 dated 06.08.2010), in accordance with which the Committee's staff is made up of no less than 3 (three) people.

The first staff of the Committee was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 01.12.2009 (Minutes № 37/2009 dated 04.12.2009) and acted until 25.06.2010 in the following staff: Andrey Valeryevich Chigrin (Committee Chairman), Viktor Evgenyevich Lutskovich, Pavel Nikolayevich Gritsenko, Maxim Sergeevich Ivanov (member of the Board of Directors of IDGC of the South, JSC) and Vladimir Nikolayevich Kopanov.

considered part of the competency of the Board of Directors of the Company, terminating authority, and electing members of the Company's Management Board.

The members of the Committee made a recommendation to the Board of Directors of the Company on 22.06.2010 on the question of appointing a person to be acting general director of IDGC of the South, JSC (Minutes № 6 dated 22.06.2010).

Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC

The task of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC is to develop and present recommendations (opinions) to the Board of Directors of the Company on the following directions of the Board of Directors:

- Determining the priority directions, strategic goals and main principles of strategic development of the Company;
- Increasing the investment attractiveness of the Company, improving investment activity and taking justified investment decisions;
- Controlling the implementation of approved programs, projects and the reform process of the Company.

In accordance with the Regulations on the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC, the number of members of the committee is determined by resolution of the Board of Directors in an amount no less than 3 people.

The first staff of the Committee was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 01.12.2009 (Minutes № 37/2009 dated 04.12.2009) and acted until 25.06.2010 in the following staff: Arman Mushegovich Airapetyan (Chairman and member of the Committee until 19.02.2010), Vladimir Vasilyevich Kuznetsov (Chairman and member of the Committee from 19.02.2010), Dmitry Olegovich Akhrimenko, Svetlana Alexandrovna Balaeva, Maxim Sergeevich Ivanov (member of the Board of Directors of IDGC of the South, JSC, independent director), Marina Alexandrovna Lavrova, Igor Anatolyevich Lenev, and Marina Gennadyevna Tikhonova.

The acting personal staff of the Committee for Strategy, Development, Investments and Reform elected at the meeting of the Board of Directors of IDGC of the South, JSC on 27.07.2010 (Minutes № 51/2010 dated 30.07.2010):

1	Sergey Evgenyevich Yurchuk, Committee Chairman, member of the Board of Directors of IDGC of the South, JSC	Financial Director of IDGC Holding, JSC
2	Sergey Nikolayevich Lapin, Deputy Chairman	First Deputy Head of the Center for Strategy and Development of IDGC Holding, JSC
3	Maksim Sergeevich Ivanov, Member of the Board of Directors of IDGC of the South, JSC, Independent Director	Adviser of the General Director of Management Consulting, LLC
4	Vladimir Vyacheslavovich Inozemtsev	Head of the Department of Transportation of Electric Power and Electricity Savings of IDGC Holding, JSC
5	Anna Yuryeva Katina	Head of the Department of Analysis and Control of Corporate Governance of the Department of Corporate Governance and Shareholder Relations of IDGC Holding, JSC
6	Gennady Olegovich Martsinovsky	Head of the Department of Capital Construction of IDGC Holding, JSC
7	Sergey Anatolyevich Mikhailov, Member of the Board of Directors of IDGC of the South, JSC	General Director of Management-Consulting, LLC
8	Svetlana Sergeevna Solomatina	Head expert of the Center for Strategy and Development of IDGC Holding, JSC

The Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC held 16 meetings in 2010 (14 in absentee form, 2 in joint presence), at which more than 35 questions were examined. Altogether more than 30 recommendations were formulated and given to the Board of Directors of the Company.

Short description of the most important questions on which recommendations were made to the Board of Directors of the Company in 2010:

- On approving the business plan (including the investment program) of the Company for 2010 (Minutes №5 dated 31.03.2010);
- On the participation of IDGC of the South, JSC in the Market Council Non-Commercial Partnership (Minutes №6 dated 20.04.2010);
- On approving the Regulations on Dividend Policy of IDGC of the South, JSC in its new edition (Minutes №10 dated 25.08.2010);
- On priority business directions of the Company for legalizing rights to real estate property, legalizing/re-legalizing rights to using land in the period 2011–2014 taking into consideration work done at preparing information about the borders of protection zones of electric grid infrastructure (Minutes №11 dated 23.09.2010);
- On the participation of IDGC of the South, JSC in the Non-Commercial Partnership Union of Energy Auditors and Energy Service Companies (Minutes №12 dated 26.10.2010);
- On approving the corrected Annual Integrated Purchasing Program of the Company for 2010 for production programs in 2011 (Minutes №13 dated 22.11.2010);
- On priority business directions of the Company: on conducting purchasing procedures for placing long-term contracts for supplying electric energy production (Minutes №14 dated 23.11.2010);
- On the participation of IDGC of the South, JSC in Energo-service Yuga, JSC by way of creation (establishment) (Minutes №15 dated 16.12.2010);
- On approving the Program for future development of the system of electric energy metering on the retail power market in the grids of IDGC of the South, JSC (Minutes №15 dated 16.12.2010);
- On approving the business plan (including the investment program) of the Company for 2011 (Minutes №16 dated 21.11.2010);
- On approving the target values and quarterly key performance indicators (KPI) of IDGC of the South, JSC for 2011 (Minutes №17 dated 22.11.2010).

Reliability Committee of the Board of Directors of IDGC of the South, JSC

The task of the Reliability Committee of the Board of Directors of IDGC of the South, JSC is to develop and present recommendations (opinions) to the Board of Directors of the Company on the following activities of the Board of Directors:

- Expert opinion of investment programs and plans for repairs of energy objects, analysis of their fulfillment from the point of view fulfilling the requirements of integrated reliability;
- Control and appraisal of the work of technical services of the Company as concerns fulfilling integrated reliability of the work of grid equipment and objects, as well as to provide a normal state of fixed assets and to provide information about forecasted risks of reliability of their functioning;

- Informing the Board of Directors of the Company quarterly about the state of main fixed assets of the Company's energy objects.

The first staff of the Committee was elected at the meeting of the Board of Directors of IDGC of the South, JSC on 01.12.2009 (Minutes №37/2009 dated 04.12.2009) and acted until 25.06.2010 in the following personal staff: Pavel Ivanovich Oakley (Committee Chairman, member of the Board of Directors of IDGC of the South, JSC), Maxim Sergeevich Ivanov (member of the Board of Directors of IDGC of the South, JSC, independent director), Denis Vladimirovich Negryoba, Sergey Vasilyevich Podlutsky, Sergey Anatolyevich Sysoev, Heorgy Akhmedovich Sultanov, Yury Aikazovich Stepanyan.



The acting personal staff of the Reliability Committee was elected at the Board of Directors meeting of IDGC of the South, JSC on 27.07.2010 (Minutes №51/2010 dated 30.07.2010):

1	Sergey Vladimirovich Shpilevoy, Committee Chairman	Deputy Head of the Direction for Production Control and Labor Safety of IDGC Holding, JSC
2	Georgy Akhmedovich Sultanov, Deputy Chairman	General Director of Kubanenergo, JSC (since 01.12.2010)
3	Sergey Vladimirovich Anatsky	Head of the Department of Operation and Repairs of IDGC of the South, JSC (until 30.11.2010)
4	Sergey Anatolyevich Antipov	Firest Deputy Director — Head Dispatcher of the Branch of SO UES Kubanskoe RDU, JSC
5	Pavel Vladimirovich Ilyushin	Deputy Chairman of the Department of Organization of Operation and Maintenance Repairs of IDGC Holding, JSC
6	Sergey Vasilyevich Podlutsky	Head of the Department of Analysis of External Production Resources of the Department of Investments of IDGC Holding, JSC
7	Sergey Anatolyevich Sysoev	Head of the Department of Operative-Technological Management of IDGC of the South, JSC

The Reliability Committee of the Board of Directors of IDGC of the South, JSC held 7 meetings in 2010 (all in absentee form), at which more than 20 questions were examined. More than 10 recommendations were made to the Board of Directors of the Company.

Short description of the most important questions on which recommendations were made to the Board of Directors of the Company in 2010:

- On approving the Program of operations for reducing the risk of injury in IDGC of the South, JSC for 2010 (Minutes №1 dated 12.02.2010);
- On approving the Program of operations for reducing the risk of injury to third parties on equipment of IDGC of the South, JSC for 2010-2012 (Minutes №3 dated 13.08.2010);
- On approving the Regulations on the order for purchasing and renting energy infrastructure property by IDGC of the South, JSC (Minutes №3 dated 13.08.2010).
Furthermore, the members of the Reliability Committee pre-

pared information about the current state of the Company's fixed assets each quarter for the Board of Directors.

All Committees of the Board of Directors acted on the basis of approved Work Plans for 2010.

Over the course of the reporting period the Chairpeople and members of the Committees held regular working meetings with the Company's top managers, and with heads of structural subdivisions of the executive apparatus of the Company which are involved in the process of business planning and strategy development of IDGC of the South, JSC.

External experts were invited to joint presence meetings of the Committees.

All members of the Committees gave their agreement to disclose information about them in this annual report.

Information about remuneration (compensation of costs) to members of the Board of Directors

The Regulations on paying remuneration and compensation to members of the Committees of the Board of Directors of IDGC of the South, JSC in 2010 were approved at the meeting of the Board of Directors of IDGC of the South, JSC for all committees of the Board of Directors (Minutes №39/2010 dated 05.02.2010).

As per the above-mentioned Regulations, members of the

committees of the Board of Directors are paid the equivalent of 2 (two) minimal tariff wages of a first class worker (from hereon — MTWs) for participation in a meeting of the committee of the Board of Directors held in joint presence as defined by the sector tariff agreement in the power sector of the Russian Federation on the day of the meeting of the Board of Directors of the Company within 30 (thirty) calendar days after the meeting is held.

For participation in committee meetings held in absentee form, members are paid the equivalent of 1 (one) MTW.

The average amount of remuneration paid to a member of the Board of Directors for participating in one meeting in the form of joint presence in 2010 equaled RUR 8,001 (including personal income tax of 13%).

The average amount of remuneration paid to a member of the Board of Directors for participating in one meeting in absentee form in 2010 equaled RUR 4,005 (including personal income tax of 13%).

The remuneration paid to the Committee Chairman increases by 50%.

Executive bodies of IDGC of the South, JSC

In accordance with item 21.1. of article 21 of the Company Charter, the daily activity of the Company is conducted by the individual executive body — the General Director, and the collegial executive body — the Management Board, who are accountable to the General Shareholders Meeting and the Board of Directors of the Company.

Management Board of IDGC of the South, JSC

The Management Board of the Company is a collective executive body of the Company responsible for practical implementation of the goals, development strategy and policy of the Company. In accordance with the Charter of IDGC of the South, JSC, the General Director of the Company fulfills the functions of the Chairman of the Management Board of the Company.

The amount of remuneration paid to the secretary of the Committee of the Board of Directors for each meeting in the form of joint presence is equal to 1 (one) MTW as of the day the Committee meeting is held, and 0.5 MTW for a meeting held in absentee form.

One can read the full texts of the Regulations on Committees, the Regulations on paying remuneration and compensation to the members of committees acting in personal staffs, as well as the decisions taken at the committee meetings on the corporate website of IDGC of the South, JSC at the address: http://www.mrsk-yuga.ru/corporate_management/kom_sov_direct.

The Management Board of the Company performs its activity in the interests of the Company, following the resolutions of the General Shareholders' Meeting and the Board of Directors of the Company, and acts in accordance with the legislation of the Russian Federation, the Charter of IDGC of the South, JSC, and the Regulations on the Management Board of IDGC of the South, JSC, approved by resolution of the General Shareholders' Meeting of the Company (Minutes № 1829pr/7 dated 28.02.2008) and other internal documents of the Company.

The main tasks of the Management Board of the Company are:

- To ensure that the rights and legal interests of the Company's shareholders are followed;
- Development of recommendations for the development strategy of the Company;
- Fulfillment of the Company's financial-economic policy, development of resolutions on the most important questions of the Company's current financial activity and coordination of the work of its structural subdivisions;
- Increasing the efficiency of the system of internal control and risk monitoring;
- Ensuring the achievement of high rates of return on the Company's assets and maximum profit from the Company's activity.

The competency of the Management Board of the Company includes questions of the Company's activity in accordance with the acting legislation of the Russian Federation and article 22 of the Company Charter.

In accordance with sub-item 5 of item 22.2. of article 22 of the Company Charter, the Management Board of the Company takes decisions on questions which are part of the competency

of the high management bodies — the General Shareholders' Meetings — of companies in which IDGC of the South, JSC owns 100 percent of charter capital.

The method of preparation for and conducting meetings of the Management Board of the Company is regulated by the acting legislation of the Russian Federation, the Company Charter, and the Regulations on the Management Board of IDGC of the South, JSC.

Determining the number of members of the Management Board of the Company, electing members of the Management Board of the Company, setting the remuneration and compensation paid to these members, and annulling their authority ahead of time are done by decision of the Board of Directors of the Company, with the exception of cases foreseen by federal legislation and the Company Charter.

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

The number of members and composition of the Management Board of the Company was approved at the meeting of the Board of Directors of the Company on May 19, 2008, (Minutes № 13/2008 dd. 22.05.2008).



Staff of the Management Board of IDGC of the South, JSC as of 31.12.2010



Sergey Alexandrovich Arkhipov

Chairman of the Management Board of IDGC of the South, JSC from 09.07.2010
General Director of IDGC of the South, JSC

Date of birth: 1967
Citizenship: Russia

Higher education:

- Alma-Ati Energy Institute, major in Electric Energy Systems and Grids;
- Professional requalification in the Academy of National Economy under the Russian Government in the program: "Management of Company Development";
- Federal State Education Institution of Additional Professional Education Institute of Advanced Training of Managers and Specialists in the Fuel and Energy Complex on the topic "Organizing Protection of State Secrets".

Positions held over the last 5 years:

- Deputy General Director for Sales of Heat and Electrical Energy of Khabarovskenergo, JSC;
- Executive Director, General Director of Energosbyt Rostovenergo, JSC;
- Managing Director of Rostovenergo, JSC, Deputy General Director — Managing Director of Rostovenergo, JSC of IDGC of the Center and Northern Caucasus, JSC;
- Deputy General Director — Managing Director of Rostovenergo, JSC of IDGC of the South, JSC;
- Acting First Deputy of the General Director for Economics and Finance, First Deputy General Director of YuKG TGC-8, JSC;
- Executive Director of Smolenskenergo, JSC, Deputy General Director — Director of the branch of IDGC of the Center, JSC — Smolenskenergo, First Deputy General Director of IDGC of the Center, JSC;
- Chairman of the Management Board of Kubanenergo, JSC.

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

Vitaly Vasilyevich Brizhan

Deputy Chairman of the Management Board from 24.11.2010, Member of the Management Board of IDGC of the South, JSC from 22.05.2008, Member of the Committee for Technological Connections to Electric Grids under the Board of Directors of IDGC of the South, JSC,
Deputy General Director for Corporate Governance of IDGC of the South, JSC

Date of birth: 1974
Citizenship: Russia

Higher Education:

- Kuban State University, Law Department;
- Kuban State University, Economics Department.

Positions held over the last 5 years:

- Deputy General Director for Gas Sales and Consumer Relations of Krasnodargorgaz, JSC;
- Deputy General Director Legal Groundwork and Corporate Relations of Kubanenergo, JSC;
- Member of the Management Board of Kubanenergo, JSC;
- Member of the Boards of Directors of Rostovenergo, JSC, Kubanenergo, JSC;
- Member of the Board of Directors of Volgogradsetremont, JSC;
- Acting General Director, Chairman of the Management Board of IDGC of the South, JSC;
- Director of the branch of IDGC of the South, JSC — Kubanenergo (combining jobs);
- Chairman of the Board of Directors of PSKh named after A. A. Grechko, JSC, PSKh Sokolovskoe, JSC.

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



Pavel Evgenyevich Akilin

Member of the Management Board of IDGC of the South, JSC from 24.12.2010
Deputy General Director for Economics and Finance of IDGC of the South, JSC

Date of birth: 1975
Citizenship: Russia

Higher education:

- Izhevsk State Technical University, major in Economics and Management

Positions held over the last 5 years:

- Deputy General Director for Economics of Udmurtenergo, AO;
- Deputy Director for Economics, Deputy Director for Economics and Finance of the Upper Volga branch of IDGC of the Center and Northern Caucasus, JSC;
- Deputy General Director for Economics of Lenenergo, JSC;
- Deputy General Director for Economics of Pavlovenergo, LLC;
- Deputy Director for Economics and Finance of the Tverenergo branch of IDGC of the Center, JSC;
- Director for Economics of IDGC of the Center, JSC.

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



Vitaly Valeryevich Ivanov

Member of the Management Board of IDGC of the South, JSC from 24.12.2010
Deputy General Director for Technical Issues — Head Engineer of IDGC of the South, JSC

Date of birth: 1970
Citizenship: Russia

Higher Education:

- Omsk Institute of Engineers of Railway Transportation, major in Automatics, Telemechanics and Communications on Railway Transportation;
- Academy of National Economy under the Russian Government, major in Management of Company Development.

Positions held over the last 5 years:

- Technical Director, Structural sub-division Northern Electrical Grids of the Elektrosetevoe Company of AK Omskenergo, JSC;
- Deputy Technical Director of AK Omskenergo, JSC;
- Deputy General Director for Technical Issues — Head Engineer of IDGC of Siberia, JSC;
- Adviser of the Apparatus of the General Director of Holding IDGC, JSC.

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



Alexander Vladimirovich Vosmirko

Member of the Management Board of IDGC of the South, JSC from 01.09.2010
Deputy General Director for Safety and Control of IDGC of the South, JSC

Date of birth: 1959
Citizenship: Russia

Higher Education:

- Higher KGB USSR School in the name of K. E. Voroshilov, major in Military-Politics, qualification "Officer with higher military-political education";
- Military-Political Order of Lenin and the October Revolution Red Flag Academy named after V. I. Lenin, major in Military-Politics, qualification: "Officer with higher military-political education, teacher of history";
- North-Caucasus Academy of State Service, major in Jurisprudence, qualification: lawyer.
- Additional education: Professional retraining in the North-Caucasus Academy of State Service in the field of "Jurisprudence with the right to work in the sphere of criminal legal relations".

Positions held over the last 5 years:

- Head expert, Representative of the Representative Office of Rosoboronexport in the Krasnodar Territory;
- Head of the Representative Office of Rostechologies State Corporation in the Krasnodar Territory;
- Acting Deputy General Director for Safety and Control of IDGC of the South, JSC.

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



Vladimir Nikolayevich Kopanev

Member of the Management Board of IDGC of the South, JSC from 22.05.2008,
Head of the Apparatus of IDGC of the South, JSC

Date of birth: 1954

Citizenship: Russia

Higher Education:

- Kuban State University, major in Industrial Planning.

Positions held over the last 5 years:

- Assistant to the Deputy Head of the Krasnodar Territory Administration, given the qualification category of advisor of the Krasnodar Territory of the 3rd class of the Krasnodar Territory Administration;
- Director of Corporate Sales Management of the Head Management for the Krasnodar Territory of RGS-Yug, LLC;
- Advisor to the General Director, Deputy General Director for work with Personnel, Government Bodies and the Media of Kubanenergo, JSC;
- Member of the Management Board of Kubanenergo, JSC, Chairman of the Board of Directors of Kalmenergo, JSC, Kalmenergosbyt, JSC;
- Deputy General Director for Safety and Controlling of IDGC of the South, JSC;
- Member of the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC;
- Chairman of the Board of Directors of Energetik Energetik Recreation Camp, JSC.

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

Konstantin Fyodorovich Kushnarev

Member of the Management Board of IDGC of the South, JSC from 05.02.2010
Deputy General Director — Director of the Rostovenergo branch of IDGC of the South, JSC

Date of birth: 1969

Citizenship: Russia

Higher education:

- Don State Technical University, major in Machine-Building Technology;
- North-Caucases Academy of State Service, major in World Economy.

Positions held over the last 5 years:

- Executive Director of Energosbyt Rostovenergo, JSC
- Deputy Director for Economics and Finance, Southern branch of IDGC of the Center and Northern Caucuses, JSC;
- Deputy General Director for Technological Connections of Rostovenergo, JSC;
- Director of YugEnergoInvest, JSC;
- Director for Investments and Development, Executive Director of Pokrovsky Group, Ltd.;
- Member of the Board of Directors of Yugenergoservice, Ltd.;
- Member of the Board of Directors of Inprom, JSC.

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

Grigory Grigoryevich Savin

Member of the Management Board of IDGC of the South, JSC from 22.05.2008
Head Accountant-Head of the Department of Accounting and Financial Reporting of IDGC of the South, JSC

Date of birth: 1952

Citizenship: Russia

Higher Education:

- All-Union Correspondence Financial-Economic Institute, Moscow, major in Economics of Labor.

Positions held over the last 5 years:

- Head of the Department of Economic Analysis, Accounting and Information, State Advisor of the Krasnodar Territory of the third class, Head of the Department for Management of the Economy and Sector Development in the Fuel and Energy Complex, Head of the Department of Economic Analysis and Accounting of the Department for Issues of the Fuel and Energy Complex of the Krasnodar Territory;
- Member of the Board of Directors of OK Plamya, JSC, P/o Energetik, JSC;
- Head Accountant of IDGC of the South, JSC;
- Head Accountant of Kubanenergo, JSC;
- Member of the Management Board of Kubanenergo, JSC.

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



Activity of the Management Board in 2010

The Management Board held 11 meetings in the 2010 reporting year (of them 6 meetings were in joint presence form), at which 33 questions were examined.

Member of the Management Board	Number of times participating in meeting joint presence / absentee	Period of authority
Timur Ulyumdzhevich Alaev	2/3	From 09.02.2009 to 31.08.2010
Sergey Alexandrovich Arkhipov	4/3	From 09.07.2010 to the present
Pavel Evgenyevich Akilin	0/0	From 24.12.2010 to the present
Vitaly Vasilyevich Brizhan	6/4	From 22.05.2008 to the present
Alexander Vladimirovich Vosmirko	2/2	From 01.09.2010 to the present
Alexander Ilyich Gavrilov	0/1	From 22.06.2007 to 27.06.2010
Lyudmila Alexeyevna Golovakha	2/3	From 28.11.2008 to 31.08.2010
Pavel Viktorovich Goncharov	1/1	From 26.04.2010 to 31.08.2010
Vitaly Valeryevich Ivanov	0/0	From 24.12.2010 to the present
Vladimir Nikolayevich Kopanev	5/5	From 22.05.2008 to the present
Vyacheslav Yuryevich Kostetsky	3/2	From 19.05.2008 to 29.10.2010
Konstantin Fyodorovich Kushnarev	4/5	From 05.02.2010 to the present
Igor Anatolyevich Lunev	2/3	From 19.05.2008 to 31.08.2010
Dmitry Vladimirovich Pestov	2/3	From 19.05.2008 to 31.08.2010
Grigory Grigoryevich Savin	5/5	From 22.05.2008 to the present
Sergey Vladimirovich Skorikov	0/0	From 19.05.2008 to 03.02.2010
Georgy Akhmedovich Sultanov	4/4	From 19.05.2008 to 22.12.2010
Vitaly Nikolayevich Trunin	2/3	From 23.12.2009 to 31.08.2010

Among the most important decisions made by the Management Board of the Company in 2010, one can note the following:

- On examining the reports of the deputies of the General Director — directors of branches of IDGC of the South, JSC — Astrakhanenergo, Volgogradenergo, Kalmenergo, and Rostovenergo on fulfilling the Order to IDGC of the South, JSC № 257 dated 14.09.2009 “On paying off indebtedness for electricity transmission”: operations conducted in quarter IV of 2009, and report on operations fulfilled in January-February 2010 (Minutes № 34, meeting on 18.03.2010);
- On fulfilling the task given by the Management Board dated 09.06.2009 — on eliminating violations found as a result of integrated checks of the financial-economic activity of branches of IDGC of the South, JSC and Kubanenergo, JSC (managed company) in 2008 (Minutes № 34, meeting on 18.03.2010);
- On signing a contract for fulfilling technological connection between IDGC of the South, JSC and Uglegorsk-Cement, CJSC (Minutes № 36, meeting on 16.04.2010);
- On examining the reports of deputies of the General Director of the Company on the results of work for the first half of 2010 (Minutes № 39, meeting on 12.08.2010).
- Results of financial-economic activity of the Company for the first 9 months of 2010. Tasks for the 4th quarter of 2010 (Minutes № 44, meeting on 24.11.2010).

Furthermore, the Management Board examined questions which are the competency of the high management bodies of companies of which 100 percent of Charter capital belongs to IDGC of the South, JSC. The Management Board also systematically examined reports on fulfilling decisions taken earlier.

All members of the Management Board of the Company gave their agreement to disclose information about them in this annual report.

Information on remuneration (compensation of costs) to members of the Management Board

In accordance with sub-item 13 of item 15.1 of article 15 of the Company Charter, the resolution on setting remuneration and compensation to members of the Management Board is related to the competency of the Board of Directors of the Company.

Starting from the date of foundation of the Management Board of IDGC of the South, JSC (19.05.2008) the members of the Management Board of the Company are paid a monthly wage equal to 5 (five) minimum monthly tariff rates of a worker of the first level, set by the sector tariff agreement in the electricity sector of the Russian Federation for fulfilling their authority.

The members of the Management Board of the Company are the top managers of the Company.

In accordance with work contracts reached between the Company and the members of the Management Board, payments are made to members of the Management Board in a size and amount set by the Resolution "On material stimulation of top managers of IDGC of the South, JSC" in its new edition, approved by resolution of the Board of Directors (Minutes № 13/2008 dd. 22.05.2008) and in accordance with changes, approved by resolution of the Board of Directors (Minutes № 36/2009 dd. 10.11.2009).

Motivation of members of the Management Board is done:

- With payment of a monthly wage equal to 5 (five) minimum monthly tariff rates of a worker of the first level, set by the sector tariff agreement in the electricity sector of the Russian Federation;

General Director

The General Director is elected to his position by the Board of Directors of the Company and is the individual executive body of the Company and the Chairman of the Management Board.

The rights and obligations of the General Director are set by the legislation of the Russian Federation, the Company Charter, and the work contract between the Company and the General Director.

In accordance with point 23.2 article 23 of the Company's Charter the General Director's competency includes questions of managing the current business activity of the Company, excluding questions which are the competency of the General Shareholders' Meeting, the Board of Directors and the Management Board.

- With payment to members of the Management Board of quarterly and yearly remuneration for fulfilling key performance indicators as top managers.

Based on the resolutions of the Board of Directors of IDGC of the South, JSC (Minutes № 13/2008 dd. 22.05.2008, and Minutes № 20/2008 dd. 28.11.2008), as well as in accordance with article 21 of the Charter of IDGC of the South, JSC and articles 15 and 57 of the Labor Code of the Russian Federation, additional agreements to the working contracts on fulfilling the authority as a member of the collective body of the Company — the Management Board — were reached.

Based on the decisions of the Board of Directors of IDGC of the South, JSC (Minutes dated 22.05.2008 № 13/2008, Minutes dated 01.12.2008 № 20/2008, Minutes dated 11.02.2009 № 22/2009, Minutes dated 25.12.2009 № 38/2009, Minutes dated 05.02.2010 № 39/2010, Minutes dated 28.04.2010 № 44/2010, Minutes dated 28.06.2010 № 49/2010, Minutes dated 08.07.2010 № 50/2010, Minutes dated 01.09.2010 № 53/2010, Minutes dated 29.10.2010 № 55/2010, Minutes dated 24.12.2010 № 57/2010) on determining the quantitative staff of the Management Board of the Company and electing members of the Company's Management Board, as well as in accordance with article 21 of the Charter of IDGC of the South, JSC and articles 15 and 57 of the Labor Code of the Russian Federation, additional agreements to the working contracts on fulfilling the authority as a member of the collective body of the Company — the Management Board — were reached.

The total sum of remuneration paid to members of the Management Board of IDGC of the South, JSC for 2010 equaled RUR 2,349,550 (including personal income tax of 13%).

The General Director conducts management over the Company's business in accordance with the resolutions of the General Shareholders' Meeting, the Board of Directors and the Management Board, taken in accordance with their competencies.

The General Director acts in the interests of the Company rationally and conscientiously when executing his rights and fulfilling his obligations.

Since the date of foundation of IDGC of the South, JSC until 27.06.2010, the General Director of the Company was Alexander Ilyich Gavrillov, elected by decision of the only founder of IDGC of the South, JSC — RAO UES of Russia, JSC (order of RAO UES of Russia, JSC dated 22.06.2007, № 192p):



Alexander Ilyich Gavrillov

General Director of IDGC of the South, JSC from 22.06.2007 to 27.06.2010.

Date of birth: 1973

Citizenship: Russia

Higher education:

- Kuban State University, major in Bookkeeping and audit (economist), (1990–1995);
- Kuban State Technological University, major in "Development and operation of oil and gas fields" (engineer), (2000–2006);
- State educational institution State Academy of Professional Preparation and Qualification Improvement.
- Was awarded the academic degree of doctor of economic sciences.

Positions held over the last 5 years:

- Deputy Chief of the Administration of the Krasnodar Territory for Industry, Transport and Power, Actual State Adviser (the 3d class) of Krasnodar Territory of the Administration of the Krasnodar Territory;
- Deputy General Director for Development of Krasnodarenergo, JSC;
- Executive Director of Kubanenergo, JSC;
- General Director, Chairman of the Management Board, member of the Board of Directors of Kubanenergo, JSC;
- Member of the Board of Directors of Volgogradenergo, JSC;
- Chairman of the Board of Directors of OK Plamy, Krasnodarenergo, JSC, and Rostovenergo, JSC;
- General Director, Chairman of the Management Board, IDGC of the South, JSC.
- Member of the Board of Directors, Chairman of the Management Board, IDGC of the South, JSC.

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

Due to the termination of the work contract with General Director A. I. Gavrillov on 27.06.2010, it was decided by resolution of the Board of Directors of the Company (Minutes dated 28.06.2010 № 49/2010) that the acting General Director of IDGC of the South, JSC was appointed:

Vitaly Vasilyevich Brizhan

Acting General Director of IDGC of the South, JSC from 28.06.2010 to 08.07.2010.

Personal data about Mr. Brizhan is contained in the section "Management Board of IDGC of the South, JSC as of 31.12.2010" in this report.

It was decided by resolution of the Board of Directors of the Company on 08.07.2010 (Minutes dated 08.07.2010 № 50/2010) that the General Director of IDGC of the South, JSC was appointed elected:

Sergey Alexandrovich Arkhipov

Chairman of the Management Board of the South, JSC

General Director of IDGC of the South, JSC from 09.07.2010

Personal data about Mr. Arkhipov is contained in the section "Management Board of IDGC of the South, JSC" in this report.

The results of management decisions for the main business fields of the Company, taken by the Company's General Director in 2010, are reflected in the according sections of this annual report.

Information about remuneration of the General Director

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

In addition, the General Director is issued material remuneration as a member of the Board of Directors (in the case that he is elected to the Board of Directors) and Chairman of the Management Board.

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

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

Bonuses were paid out to the General Director in 2010 following the results of implementation of key performance indicators approved by the Board of Directors of the Company for reported periods.

Operations conducted by the Company in relation to Kubanenergo, JSC

In accordance with the Program for construction of Olympic infrastructure and development of the city of Sochi as a mountain resort (the Program), approved by order of the Russian Government dated 29.12.2007 №991 (with the ensuing amendments and additions), Kubanenergo, JSC is a responsible executor of construction and reconstruction of a series of electric power infrastructure objects.

In order to receive cash funds for implementing projects of the Program under the management of the managing organization of the Company — IDGC of the South, JSC — procedures were executed with two additional share issues of Kubanenergo, JSC.

On 12.10.2010 the Federal Financial Markets Service registered the report on the results of the first additional share issue of ordinary nominal non-documented shares of Kubanenergo, JSC, by which Kubanenergo, JSC received RUR7.5 bln, including more than RUR2.6 bln of federal budget money.

The state registration of a second additional share issue of Kubanenergo, JSC took place in 2010, as per which cash funds of RUR2.4 bln was received from IDGC Holding, JSC.

Information about interested-party transactions

In accordance with the requirements of the Federal Law “On joint-stock companies”, the Company Board of Directors approved 39 interested-party transactions in 2010.

The list of interested-party transactions approved by the Board of Directors and conducted by IDGC of the South, JSC in 2010 is given in Appendix №4 to this report.

Information about large transactions

The Company didn't conduct any large transactions in 2010 which require preliminary approval by the Board of Directors or the General Shareholders' Meeting of the Company in accordance with the Federal Law “On joint-stock companies”.

Corporate management over subsidiary and dependent companies of IDGC of the South, JSC

At present IDGC of the South, JSC is the founder of six companies in which it owns 100% of voting shares in each:

- Astrakhanelectrosetremont, JSC;
- Volgogradsetremont, JSC;
- PSKh named after Grechko, JSC;
- PSKh Sokolovskoe, JSC;
- Energetik Recreation Camp, JSC;
- Energoservice Yuga, JSC.

The corporate management of IDGC of the South, JSC over its subsidiary and dependent companies (SDC) is based on principles determined by Corporate Governance Code of the Federal Securities Commission of Russia, recommended by order of the Federal Securities Commission of Russia dated 04.04.2002 №421/p.

IDGC of the South, JSC conducts its corporate management over SDCs through its representatives in the management bodies of the SDCs, following the acting legislation of the Russian Federation, the Charters of IDGC of the South, JSC and SDCs and the Order for Interaction of IDGC of the South, JSC with companies the shares of which are owned by IDGC of the South, JSC (the Order), set by the Company Board of Directors (Minutes №24/2009 dated 10.03.2009).

In accordance with the Order, the Board of Directors of IDGC of the South, JSC determines the Company's position on the agendas of general shareholders' meetings and meetings of the Board of Directors of SDCs (including giving Company representatives the task of taking or not taking part in voting on agenda questions, and to vote on resolutions “for”, “against”, or “abstain”):

- On determining the agenda of the general shareholders' meeting (participants) of SDCs;
- On reorganization or liquidation of SDCs;
- On determining the quantitative compilation of the board of directors of SDCs, nominating and electing its members and terminating their authority ahead of schedule;
- On determining the quantity, nominal cost, and category (type) of shares of SDCs and the rights provided by these shares;
- On increasing the charter capital of SDCs by way of increasing the nominal value of shares or by placing additional shares;
- On approving large transactions conducted by SDCs;
- On the participation of SDCs in other organizations.

The Board of Directors of IDGC of the South, JSC also determines the Company's position on questions of approving the business plan (the corrected business plan) of SDCs, reports on fulfilling the business plans of SDCs, distributing profit and losses at the end of the financial year, and on recommendations for the amount of dividends to be paid on shares and the method for paying them.

Disclosure of information about SDCs is done on the corporate website of IDGC of the South, JSC in the Internet at the address: http://www.mrsk-yuga.ru/corporate_management/doch_zavisimye/.

Contact person:

Natalya Olegovna Bondar,
Head of the Department of Corporate Management,
tel. (861) 279-86-35, e-mail: bondarno@mrsk-yuga.ru.

Control over the financial-economic activity of IDGC of the South, JSC

Auditing Committee — control body of IDGC of the South, JSC

In order to fulfill control over the financial-economic activity of the Company, the General Shareholders Meeting elects the Auditing Committee of the Company.

The Auditing Committee of the Company is a constantly functioning body of an internal control of the Company's financial and economic activity, which fulfills regular control over the Company's financial-economic activity as concerns adhering to the requirements of Russian legislation, the Charter and internal documents of the Company.

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

The Auditing Committee acts in the interests of the Company's shareholders and is accountable to the General Shareholders' Meeting of the Company in its activity.

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

The Auditing Committee is elected at the annual General Shareholders' Meeting for a term to the next annual General Shareholders' Meeting in a staff of five people. In the case that the Auditing Committee is elected at the Extraordinary General Shareholders'

Meeting of the Company, the members of Auditing Committee are considered to be elected until the holding of the Annual General Shareholders' Meeting of the Company.

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

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

The Auditing Committee implements its activity in the form of scheduled and non-scheduled checks, after which it writes opinions (acts), which are documents of internal control of the Company.

The Auditing Committee conducted control over the Company's financial-economic activity in 2010 in two callings.

The Auditing Committee of the Company of the first calling was elected by resolution of the annual General Shareholders' Meeting of IDGC of the South, JSC on 19.06.2009 (Minutes №2 dated 22.06.2009) in the following personal staff (data given as of 31.12.2009):

1	Lyudmila Dmitryevna Kormushkina, Chairwoman of the Auditing Committee	Head of the Department of Internal Auditing of IDGC Holding, JSC
2	Lyudmila Romanovna Matyunina	First Deputy Head of the Department of Internal Audit of IDGC Holding, JSC
3	Irina Vasilyevna Mikhno	Deputy Head of Department — Head of the Division of the Department of Internal Audit of IDGC Holding, JSC
4	Maria Dmitryevna Stepanova	Head of the Division of the Department of Corporate Management and Shareholder Relations of IDGC Holding, JSC
5	Igor Vladimirovich Shmakov	Head of the Department of Internal Check and Audit, IDGC of the South, JSC



The Auditing Committee of the Company of the second calling was elected by resolution of the annual General Shareholders' Meeting of IDGC of the South, JSC on 15.06.2010 (Minutes № 4 dated 16.06.2010) in the following personal staff (data given as of 31.12.2010):

<p>Izumrud Aligadzhievna Alimuradova (Chairwoman)</p>	<p>Date of birth: 1971 Citizenship: Russian Federation Higher Education: ■ Economics, Dagestan State University named after Lenin. Positions held over the last 5 years: ■ Director of Development of Energoconsulting, LLC; ■ Head of the Department of Internal Audit and Risk Management of IDGC Holding, JSC. The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none</p>
<p>Vladimir Nikolayevich Arkhipov</p>	<p>Date of birth: 1956 Citizenship: Russian Federation Higher Education: ■ Higher technical, Novosibirsk Electrotechnical Communications Institute. Positions held over the last 5 years: ■ General Director of Rustel, CJSC; ■ First Deputy Head of the Safety Department of IDGC Holding, JSC. The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none</p>
<p>Maria Dmitriyevna Stepanova</p>	<p>Date of birth: 1982 Citizenship: Russian Federation Higher Education: ■ Moscow State University named after M. V. Lomonosov. Positions held over the last 5 years: ■ Chief Expert of the Department of Shareholders Cooperation and Liquidity Maintenance, RAO UES of Russia, JSC; ■ Head of the Department of Shareholders Cooperation of the Department of Corporate Governance and Shareholders Cooperation of IDGC Holding, JSC. The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none</p>
<p>Galina Ivanovna Meshalova</p>	<p>Date of birth: 1957 Citizenship: Russian Federation Higher Education: ■ Higher economic, North-Ossetia State University, Vladikavkaz. Positions held over the last 5 years: ■ Head Specialist of the Department of Management Consulting of Energoconsulting, LLC; ■ Head Expert of the Division of Investment Activity of the Department of Internal Audit and Risk Management of IDGC Holding, JSC. The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none</p>
<p>Irina Alexandrovna Filippova</p>	<p>Date of birth: 1958 Citizenship: Russian Federation Higher Education: ■ Higher economic, Ryazan Agricultural Institute named after Prof. Kostychev. Positions held over the last 5 years: ■ Head Expert-Head Specialist of Energoconsulting, LLC; ■ Head Expert of the Division of Organizing and Conducting Audits of the Department of Internal Audit and Risk Management of IDGC Holding, JSC. The number of shares of IDGC of the South, JSC and shares of subsidiary/dependent entities of IDGC of the South, JSC, owned by the person: none</p>

Auditing Committee Activities in 2010

Six meetings of the Auditing Committee of IDGC of the South, JSC were held in 2010.

Among the key questions examined by the Auditing Committee of the Company in 2010, the following deserve mention:

- 16.04.2010 (Minutes № 3 dated 16.04.2010) on conducting an integrated check of the financial-economic activity of IDGC of the South, JSC for 2009, on hiring experts-specialists to conduct an integrated audit, and on paying compensation to specialists (experts) hired by the Auditing Committee;
- 16.04.2010 (Minutes № 4 dated 16.04.2010) on approving the Opinion of the Auditing Committee on confirming the accuracy of the reporting of IDGC of the South, JSC for 2009;
- 20.05.2010 (Minutes № 5 dated 20.05.2010) on prolonging the term of conducting the integrated audit of financial-economic activity of IDGC of the South, JSC for 2009.

As per to the Charter of the Company and the Regulation on the Auditing Committee of IDGC of the South, JSC, the Auditing Committee conducted the audit (check) of the 2009 annual financial reporting in the period from February to April, 2010.

According to the results of the audit:

- Decisions on questions of financial-economic activity by the Management Board and the Board of Directors of the Company in 2009 were taken in accordance with the acting legislation of the Russian Federation and the Charter of the Company;
- The 2009 financial statements truly reflect the financial state of the Company and the results of its finances and business operations in 2009;
- the Company Annual Report for 2009 in its key points that are stipulated by law, contains trustworthy data.

The Audit results, as well as the Minutes of the meetings of the Auditing Committee for the whole period of the Company's activity are published on the corporate website of IDGC of the South, JSC in the Internet at the address:

http://www.mrsk-yuga.ru/corporate_management/revision/.

Remuneration (reimbursement of expenses) information to the members of the Auditing Committee

Remuneration and (or) reimbursement of expenses to the members of the Auditing Committee of the Company is carried out in accordance with the Regulation on remuneration and (or) reimbursement of expenses to the members of the Auditing Committee of IDGC of the South, JSC in its new draft (hereinafter referred to as Regulation), approved on 30.05.2008 by the Resolution of the General Shareholders' Meeting of IDGC of the South, JSC (Minutes № 1 dd. 04.06.2008).

In accordance with the given Regulation, for participation in every finance and business operations audit, a member of the Auditing Committee receives remuneration in a single payment equivalent to five minimal monthly tariff basic rates of a first-grade worker, inclusive of indexation stated by the industry tariff agreement in the energy sector of the RF.

For every finance and business operations audit a member of the Auditing Committee of the Company can receive additional remuneration not exceeding twenty minimal monthly tariff basic rates of a first-grade worker, inclusive of indexation stated by the industry tariff agreement in the energy sector of the RF.

Members of the Auditing Committee receive reimbursement of expenses connected with participation in meetings of the Auditing Committee of the Company and in audits, according to travel expenses reimbursement rates as of the date of the meeting or audit.

The total sum of the remuneration paid to the members of the Auditing Committee of IDGC of the South, JSC in 2010 equaled RUR 725,306 (of them remuneration equaled RUR 49,888, and compensation equaled RUR 675,418).

The full text of the Regulation on the Auditing Committee of IDGC of the South, JSC is published on the corporate site of the Company in the Internet at the address:

http://www.mrsk-yuga.ru/corporate_management/documents/.

Company Auditor

For auditing and confirming the annual financial reporting of the Company, the General Shareholders' Meeting approves the Company Auditor each year, in accordance with articles 47, 48, 54 and 88 of the Federal Law "On shareholders' companies", (sub-item 11) of point 10.2. article 10, point 11.1. of article 11, point 24.8. of article 24 of the Charter of IDGC of the South, JSC.

Criteria and method for selecting the Auditor

The federal law "On joint-stock companies" does not state the term and the order of auditor nomination to enlist him/her for voting on being commissioned as the auditor of the Company, neither does it give the shareholders the right to nominate the auditor.

Due to this, nominees for auditor for commissioning at the Annual General Shareholders' Meeting are identified by the Board of Directors of the Company while discussing the issues on preparation and execution of the Annual General Shareholders' Meeting.

Auditor nomination, their qualification, work quality and conforming to the requirement of independence, presentation of auditor nominees to the Board of Directors, and resolutions on the auditor nominees from third parties are part of the competency of the Auditing Committee of the Board of Directors of the Company.

Election of an auditor of the Company is carried out according to the results of an open competition held by the Company or its representative body, in accordance with the Regulation on the order of regulated purchasing of goods, works or services for the needs of IDGC of the South, JSC, approved by the resolution of the Board of Directors (Minutes № 12/2008 dd. 18.04.2008).

The auditor of IDGC of the South, JSC carries out a finance and business operations audit of the issuer in accordance with the RF law requirements, on the basis of an agreement signed with him/her.

In order to carry out financial statements audit of IDGC of the South, JSC for 2010 the Board of Directors of the Company recommended (Minutes № 45/2010 dated 04.05.2010) and approved on 15 June, 2010 by resolution of the Annual General Shareholders' Meeting of the Company (Minutes № 4 dated 16 June, 2010) the auditor of the Company as being AAF AUDITINFORM, CJSC.

AAF AUDITINFORM, CJSC is licensed to carry out auditor activities by license # E 003505 dated 04.03.2003 valid until 04.03.2013, issued by the Finance Ministry of the RF.

The Company Auditor is a member of the following organizations:

- Non-Commerical Partnership Moscow Auditing Chamber
- Auditing Community of Russia.

V. M. Borisov, the General Director of AAF AUDITINFORM, CJSC, since 2001, is the Chairman of the Committee of the Moscow Auditing Chamber for rules and standards of auditing activity.

AAF AUDITINFORM, CJSC signed a contract for insurance of its professional liability № Г27-1138510/1/s7-111-00K dated 03.06.2010 valid from 01.07.2010 to 30.06.2011 with ROSNO, JSC.

There are no factors which can influence the independence of the issuer's auditor, nor are there any significant interests connecting the auditor (personnel of the auditor) with the issuer (personnel of the issuer).

Method for determining the amount of remuneration to the auditor

In accordance with paragraph 24.9 of article 24 of the Charter of IDGC of the South, JSC, the auditor's remuneration is defined by the Board of Directors of the Company.

The cost of the services and the method of payment for the auditor's services is stated in the agreement signed between the Company and the auditor.

The cost of services of the auditor of IDGC of the South, JSC — AAF AUDITINFORM, CJSC — for auditing the Company's accounting (financial) reporting for 2010 was determined by resolution of the Board of Directors of IDGC of the South, JSC (Minutes dated 01.09.2010 № 53/2010) to be RUR2,600,000, including VAT of 18%.

No special auditing tasks were undertaken in the reporting year.

Auditor's contact information:

Full name:	Closed joint-stock company SHAREHOLDERS' AUDITING FIRM AUDITINFORM
Short name:	AAF AUDITINFORM, CJSC
Location of the auditing organization:	129164, Moscow, Ul. Yaroslavskaya, 4
Contact telephone:	(495) 933-8165
Fax:	(495) 933-8165
E-mail address:	auditinform@auditinform.ru

Internal audit system of the Company

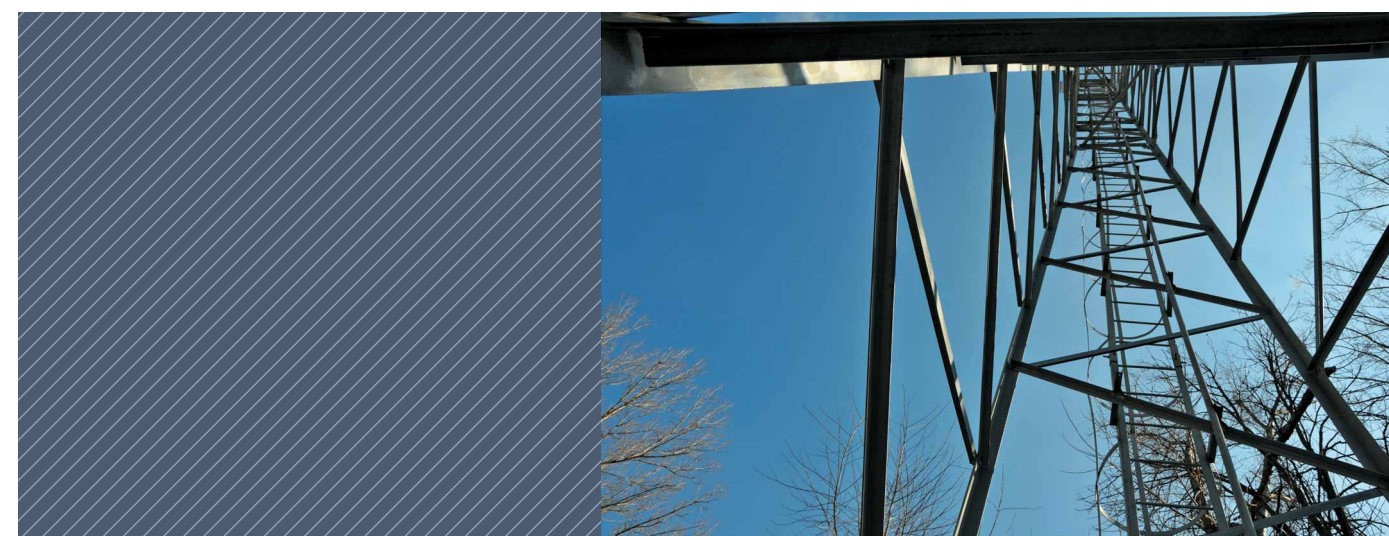
Improvement of the system of internal audit and risk management (from hereon — IARM) ensures that the management bodies of the Company can take the most effective and economically justified decisions, increase the transparency and effectiveness of management, investment attractiveness, and fulfill regulators' requirements.

The functioning of IARM makes it possible to build a constantly acting and formalized process of identification, evaluation, and risk management for the Company and determine the priorities of the significance of operations for risk management. IARM calls for including all structural subdivisions of the

Company in the process of risk management. The methodological and coordinating functions are placed on the department of internal audit and risk management.

In order to determine the development strategy for IARM, the Board of Directors of the Company approved the Policy of Internal Control and the Policy of Risk Management (Minutes of the Board of Directors meeting dated 11.06.2010 № 47/2010).

Presently the Company is conducting work at standardizing its control environment and risks of key business processes. The Company identifies risks each quarter, evaluates these risks, and monitors operations at managing them, as a result of which the company forms its report on key risks of the Company and its register of key risks.



Risk management

Due to the fact that the Company is currently conducting business only on the domestic market of the Russian Federation, and doesn't plan to enter external markets, the given risks are viewed only as concerns the domestic market.

The most important groups of risks which can influence the execution of the Company's planned results are:

Strategical risks

Risks connected to developing, implementing and monitoring the Company's strategy include country risks; regional risks; sector risks; and risks connected to not fulfilling the Company's strategic goals.

Country risks

The stability of the Russian economy is largely dependent on the progress of economic reform, the development of legal, tax, and administrative infrastructure, as well as on the effectiveness of the measures taken by the Russian government in the sphere of finances and money-credit policy.

A risk factor which has a definite influence on IDGC of the South, JSC, is the possible worsening of the economic situation in the country and the region where the Company operates by affecting the purchasing ability of the Company's consumers.

The likelihood of risks in a change in the current political direction of the country's leadership, which could lead to consequences for the sector as a whole, is viewed as low.

The Company is not able to influence country risks, however planning of the Company's activity is done based on the possibility that these risks can become reality. The Company carries out close interaction with state regulating bodies and other organizations with the aim of creating conditions for developing the sector and the Russian economy as a whole.

Regional risks

IDGC of the South, JSC is the largest interregional power distribution company operating on the territory of the Astrakhan, Volgograd, and Rostov Oblasts, and the Republic of Kalmykia.

The regions where IDGC of the South, JSC conducts its production are politically stable, and there is practically no risk of military conflicts or emergencies arising in them. That said the proximity of regions on whose territory there continue to be risks of terrorist attacks leads to risks of violating the energy supply due to terrorist acts. In order to minimize this risk, the Company is taking measures to ensure physical protection of infrastructure.

The social situation in these regions is characterized as calm, without any ethnic conflicts, which makes it possible to do business in these regions with minimal social and political risks.

In the case of destabilization of the political and economic situation in Russia or in an individual region, the Company will take anti-crisis management measures in order to reduce the negative influence of the situation on IDGC of the South, JSC as much as possible, including implementing the program of loss management.

The geographical particularities of the regions where the Company operates lead to a small likelihood of risks connected to the danger of natural disasters and the negative influence of climatic-natural conditions, as a result of which there may be material damage to the population, communal utilities and the social sphere, transportation, and heat and electricity consumers. In order to compensate the damage from the influence of natural disasters, the Company has signed contracts for property insurance, and also conducts preparatory operations and makes reserves of material-technical resources, and designs special anti-crisis programs.

Sector risks

The greatest changes in the power distribution sector are connected to electric power reform, which has continued over the last several years. That said, a decrease in economic growth, and, as a result, a decrease in demand for electric power have worsened the situation in the sector and are a risk factor for the Company. Furthermore, the lack of plans for economic development showing the change in electricity consumption for a fixed period in several subjects of the Russian Federation and municipalities have a negative influence on financial results.

The lack of a developed mechanism of functioning of the retail electricity market is a factor capable of leading to conflicts over contracts for providing services to consumers and further adjustment of disputes in favor of the counteragent, which leads to growth in accounts receivable for the Company's services for electricity distribution. In order to minimize this risk, IDGC of the South, JSC performs an analysis of the reasons for disputes when agreeing on the volume of electricity distributed, develops

short-term plans for eliminating the reasons of such conflicts with consumers, the result of which are disputes over the volume of electricity distributed, and also develops its court experience, and creates positive precedents.

The lack of precise regulation of relations on the legislative level between distribution grid companies and FGC UES JSC as concerns contracts for "last mile" rentals leads to a decrease in the volume of services provided due to annulling the above-mentioned contracts. Despite the legislatively-set right to sign contracts for renting electric grid infrastructure between FGC UES JSC and IDGC of the South, JSC, there is no method of agreeing on these contracts with the Ministry of Energy of the Russian Federation. In order to minimize this risk, control over complying to the conditions of contracts with FGC UES JSC is conducted, control over providing documentation on prolonging "last mile" rental contracts on time, monitoring of output into grids for "last mile" consumers under a breakdown of branches of IDGC of the South, JSC, and analysis of changes regarding the relative amount of electricity losses.

Regulatory risks

Risks connected to tariff and sector regulation of the business of IDGC of the South, JSC, in accordance with which the regulator holds back growth in tariffs and doesn't accept the announced costs to be approved, are regulatory risks.

The main factors of regulatory risks are:

- free price setting on the wholesale electricity market (capacity), where electric power (capacity) is bought in the aim of compensating technological losses (loss) of electric power in the process of distributing electricity over grids;
- the Federal Tariff Service not including maximum tariffs on electricity distribution services, the cost of translating prices of the wholesale electricity and capacity market (WECM) into the retail market, and, as a result, not accounting for these funds in the tariff for electricity distribution;
- The position of the Russian Government on holding back growth in tariffs for consumers;
- Incorrect planning by consumers of their own consumption volumes for the next period of regulation;
- Violating the balance of production and consumption of electric power by participants of the wholesale market;
- Not complying to the requirements of the united policy in the field of electric power metering and legislation;

- Refusal of compensating costs on the part of the regulator for fulfilling the installment and replacement of metering tools in the future period of tariff regulation when executing Federal Law №261 FZ "On saving energy and raising energy effectiveness and on making changes to certain legislative acts of the Russian Federation";
- The regulators' actions (REK, RST) in the interests of the customer, leading to unjustified lowering of payment for technological connection;
- Unjustified decrease in the amount of investment costs, incorrect use of coefficients of indexation when setting tariffs.

In order to lower the negative effects and conditions which influence the Company's business, the Company conducts a series of measures aimed at minimizing the above-mentioned factors:

- Once sums are decided upon at the federal level for lost income due to the use of unregulated prices, to hold negotiations with regional regulators about taking these losses into account for the grid organization in the following regulation period;
- To form and present proposals to the bodies of state control over tariffs for the technological cost of electric power/capacity taking into account the change in effective output with the aim of forming a Summary Forecast Balance of production and supplies of electric power for the next year;
- Developing a Program for raising energy efficiency and agreeing on its with Representatives of regions;
- Work with the regional regulator for defending the position on the need for greater growth in costs of the Company as a system-forming company of the region;
- Providing additional justifying materials to regulating bodies (RST of regions) which confirm the cost of individual connection;
- Preliminary holding an agreement meeting (before submitting the tariff bid) including the customer and representatives of the Regional Tariff Services of region, MES, RDU, and ministries that work with the energy sector, with the aim of minimizing the decrease in the bid individual tariff.

Being the subject of a natural monopoly, the Company is open to risks that it will violate the anti-monopoly legislation as concerns electricity transmission services and when offering technological connection services. In order to reduce this risk the Company fulfills the following operations:

- Control over fulfilling customer bids and appeals;
- Control over the terms for providing information which must be disclosed in accordance with the legislation of the Russian Federation on securities, to the subdivision which fulfills this disclosure;
- Monitoring of financial-economic events;
- Control over the publication of messages in the newswire of the information agency and on the corporate website.

Financial risks

IDGC of the South, JSC, as well as other business entities, has the following risks:

- Currency, interest risks;
- Inflation risks;
- Risks connected to counteragents not fulfilling their liabilities;
- Risks of not fulfilling liabilities for implementing investment objects.

Currency, interest risks

Due to a decrease in electric power consumption, the Company has been forced to borrow money from financial institutions, since it needs long-term and inexpensive credit for investment projects, the majority of which are ready to be fulfilled or in the stage of implementation. Thus the Company has risks connected to a change in interest rates on credits and loans.

In order to minimize costs for serving its debt portfolio, the Company strives to use loans and credits with a fixed interest rate, and to choose financial organizations for providing financial services by holding an open, one-stage tender or an open auction in accordance with the procedures set by the legislation of the Russian Federation, and to conduct constant monitoring of the market of borrowed capital, and, if possible, to restructure its debt. Hedging as an instrument of managing financial risks is not used by the Company.

IDGC of the South, JSC conducts its business on the territory of the Russian Federation, doesn't have any investments in foreign companies, the value of net assets of which is at risk of change in currency values, and doesn't have income or costs expressed in foreign currency. Contracts for supplying goods and services are nominated in Russian rubles, however IDGC of the South, JSC has a practice of purchasing equipment and

goods made abroad, which leads to the likelihood of changes in exchange rates having an influence on the costs of goods nominated in rubles. Nevertheless, due to the low share of import in the Company's annual integrated purchasing program, risks connected to significant fluctuations in exchange rates aren't factors of direct influence on the Company's financial results, and are considered to be insignificant.

Inflation risks

The risk of significant growth in inflation can arise in the case that the cash income received by IDGC of the South, JSC loses its value from the point of view of real purchasing power and devaluation of accounts receivable.

In the case of significant growth in inflation, the Company purposely pays special attention to an increase in the turnover of working assets, first of all by reducing reserves, and also reviews its existing contract relations with consumers with the aim of reducing accounts receivable.

Risks of counteragents not fulfilling their liabilities

The risk of signing contracts with unprincipled or insolvent partners, expressed by signing contracts for purchasing resources or for providing services with suppliers (counteragents) who don't have the right to take on such contracts or can't fulfill their liabilities due to their difficult financial position is considered by the Company to be insignificant. The Company checks the reliability of its counteragents on a continual basis at the stage of choosing tender winners and at the stage of signing contracts.

Risks of non-fulfillment of liabilities for implementing investment objects

In order to ensure the necessary level of renewing fixed assets, the proper work of grids, and also so as to renew the fund of electric grid infrastructure, the Company makes investments in the form of capital investments, as a result of which risks arise for not complying to the term of implementing the investment object.

In order to minimize risks, the Company performs the following operations:

- Organizing timely correction of the investment program;
- Re-distributing funds received from savings as a result of tender procedures to other objects of the investment program;

- Control over fulfilling tender procedures for objects of the investment program on time;
- Control over the terms of signing contracts;
- Control over the progress of construction.

Operational and technological risks

Of the group of risks connected to ensuring safety of use of infrastructure, energy efficiency, and reliability, the following can be mentioned:

- Systemic violations connected to ensuring safety of use of production infrastructure and reliability;
- Risk of a transition to work with forced overflow;
- Risk of a significant increase in the load on capacity above the planned level due to natural disasters.

The Company's actions for lowering these risks:

- Making an analysis of the situations with the aim of foreseeing such risks when fulfilling the company's production program and taking measures of defense from their influence;
- Forming a diagnostical park of measurement tools with analysis of data through SAP;
- Commercial insurance of property, dangerous production objects, transportation means, civil liability, and insurance of personnel from accidents and illness;
- Control over the method of collecting documents and compensating losses by the insurance company after insurance cases;
- Quality planning of repairs and on-time monitoring of their fulfillment;
- Holding operations at increasing the reliability of the energy system, including through constant refilling of fuel reserves, parts, and materials.

Risks connected to personnel management

At present the risk of a deficit in qualified production personnel is insignificant. The Company has a system of work with personnel reserves taking into account business appraisal and the constant system of personnel training. The Company has developed a program for attracting, adapting, and keeping young specialists on the job.

Risks of purchasing activity and logistics

The lack of a competitive environment in certain regions of the Company, the limited number of bids and the improper presentation of requirements for purchasing leads to violating the term for fulfilling the annual integrated purchasing plan, and holding repeat tenders due to a lack of demand.

In order to increase the effectiveness of purchasing activity and reducing the influence of these risks, the Company fulfills the following operations:

- In order to minimize costs, holds centralized purchasing of goods for the Company's needs;
- Performs control over the formation of lots in the annual integrated purchasing program, excluding limiting competition among participants of purchasing procedures and repeating purchases;
- Performs control over the term for providing technical requirements, and forming the maximum cost of the purchase.

Legal risks

Legal risks can be caused by the specificity of the acting legislation and the court system, which is expressed, in part, in the various court practice on one and the same question, and in various interpretations of legislation in general, and collisions of legal norms, as a result of which there is a risk of subjective and random appraisal by court bodies of facts.

Risks connected to changes in the tax, environmental protection legislation, customs and currency regulation

Risks, in particular those connected with ambiguous interpretations of tax legislation norms, are capable of leading to incorrect taxation and payment of taxes, as a result of which there may be fines on the part of tax bodies. In order to decrease these risks, work is constantly done on legitimate improvement of the methodology for calculating the tax base for various taxes and control over their accordance to acting legislation.

At the same time one can't exclude the risk of a change in the tax legislation as concerns an increase in tax rates and/or changes in the method and term of paying taxes, which can lead to less net profit for the Company, as well as to a decrease in the amount of dividends paid.

In the case of making changes to the existing method and conditions of taxation, the Company expects to plan its financial activity in accordance with these changes.

A change in requirements for licensing the Company's core business can lead to an increase in the term needed to prepare documents necessary for prolonging the term of licenses, as well as to the need to accord to these requirements. However, overall the risk is insignificant, besides those cases when prolonging licenses will be covered by requirements that the Company can't accord to, or will entail extreme costs, which may lead to elimination of this business type.

Changes in currency and customs legislation of the Russian Federation won't have an effect on the Company, and, likewise, won't lead to any legal risks.

Tax risks

Considering that there are no special tax regimes for the business led by IDGC of the South, JSC, and that the Company doesn't have overdue taxes at all levels, the Company's tax risks are minimal.

The Company doesn't expect any significant risks in the short term related to changes in the tax legislation, or with changes in civil legislation.

The Company builds its business on following norms of the acting legislation of the Russian Federation, and constantly monitors changes in the legislation.

Corporate governance risks

Risk of a decrease in the rating of corporate governance

The sources of this risk are the following internal factors:

- The Company doesn't follow the requirements of internal documents about management bodies, the contents of internal documents, fulfilling corporate procedures, and disclosing information;
- Approving changes and new editions of internal documents which damage the Company's corporate governance as compared with the current editions.

The Company implements the following operations so as to reduce this risk:

- Analysis of internal documents of the Company for complying to acting legislation and modern practice of corporate governance, preparing changes to internal documents that improve the practice of corporate governance in IDGC of the South, JSC;
- Control over fulfilling corporate procedures, analyzing the status of candidatures for the Company's management bodies;
- Increasing information transparency, improving the corporate website;
- Studying and using recommendations of ratings agencies.

Risk of delisting

The sources of this risk are the following factors:

- External factor — the liquidity crisis on stock markets, as a result of which the average monthly trading volume has decreased to less than RUR3 mln.;
- Internal factor — the Company doesn't satisfy the requirements of the trade organizer on the securities market for management bodies, internal documents, and corporate procedures;
- Internal factor — not fulfilling the requirements of Russian legislation for the method and term of disclosing information.

The following operations are done to reduce this risk:

- A contract was reached for market making services on the MICEX Exchange with Unikom Partner, LLC, and constant monitoring of its functions is done;
- Control over timely presentation of information by the trade organizer on the securities market;
- Analysis of internal documents of the Company and the status of candidates for management bodies of the Company that they suit the requirements of the trade organizer on the securities market;
- Control over fulfilling separate corporate procedures.

Activity of the Department of Internal Audit and Risk Management of IDGC of the South, JSC in 2010

In 2010 in accordance with the plan-schedule of work of the Department of Internal Audit and Risk Management of IDGC of the South, JSC, 23 audits were held:

- Integrated audits of the four branches of the Company and Kubanenergo, JSC;
- Audits of the production department Northern Electric Grids of the branch of IDGC of the South, JSC — Rostovenergo, and the branch of Kubanenergo, JSC — Sochi Electric Grids;
- Thematic audit in Kubanenergo, JSC, in the branches of IDGC of the South, JSC — Volgogradenergo, Rostovenergo, Astrakhanenergo;
- Revision audit of IDGC of the South, JSC and its SDCs, and Kubanenergo, JSC.

Audits of the business activity of the branches and structural subdivisions of the Company and its SDCs, and Kubanenergo, JSC were done for the following directions:

- analysis of the system of internal control in branches and structural subdivisions of the Company and its SDCs;
- organization of security of assets, effectiveness of use of the Company's property;
- purchasing activity;
- accounts receivable and payable;
- capital construction and repairs;
- technological connections;
- analysis of contracts for providing consulting services;
- appraisal of the effectiveness of managing the Company cash funds;
- analysis of the financial activity management effectiveness of the Company's SDCs.

The Department of Internal Audit and Risk Management of IDGC of the South, JSC undertakes constant monitoring of fulfillment of plans of operations for eliminating violations and shortcomings found as a result of audits of the Company by analyzing reports about fulfilling plans of operations and the according documents.

During later audits control over factual elimination of the violations is done.

Besides checking business, the Department of Internal Audit and Risk Management of IDGC of the South, JSC also undertakes constant preventative control:

- participation in meetings of the central tender commission of the Company;
- participation in meetings of the commission for work with accounts receivable;
- participation in the work of the commission for holding integrated audits;
- analysis of materials given to the Management Board and Board of Directors of the Company and SDCs;
- reconciliation of standards and other local normative acts.

Contact persons:

Igor Vladimirovich Shmakov, Head of the Department of Internal Audit and Risk Management
tel. (861) 279-85-66, e-mail: shmakoviv@mrsk-yuga.ru;

Anna Vladimirovna Romanenko,
Deputy Head of the Department of Internal Audit and Risk Management — Head of the Service of Internal Audit
tel. (861) 279-85-76, e-mail: romanenkoav@mrsk-yuga.ru.

Natalia Olegovna Bondar,
Head of the Department of Corporate Governance
tel. (861) 279-86-35, e-mail: bondarno@mrsk-yuga.ru

Andrey Anatolyevich Kantsurov,
Deputy head of the Department of Corporate Management — Head of the Department of Organization of Corporate Governance and Reform
tel. (861) 279-85-50, e-mail: kantsurovaa@mrsk-yuga.ru

Anna Ivanovna Yurchenko,
Head of the Department for Work with Securities and Shareholders of the Department of Corporate Governance
tel. (861) 279-85-38, e-mail: yurchenkoai@mrsk-yuga.ru

Legal support of the Company's business

Legal support of the Company's business is done for the following directions:

- Legal support of the Company's financial activity.
- Claim work.
- Organizational-methodological support of the business of branches.

Legal support of the Company's financial activity includes legal expertise of civil-legal contracts, orders, instructions, regulations, provisions, and other local normative acts, preparing legal opinions on questions of the Company's business, and developing and reconciling typical forms of business contracts, other documents, etc.

As part of claim work, the Company interests are protected timely and effectively, both before going to court and as part of court procedures. The effectiveness of this business direction is ensured by clear regulation by local normative acts approved by the Company, the actions of all services and subdivisions in the case of conflict situations with the Company's counteragents, state bodies, and municipal bodies.

Organizational-methodological support of the business of branches has the goal of achieving uniformity of enforcement of the law in all branches of the Company, providing a unified method and principles for legal support, and forming a unified legal position of all branches on legal disputes which the Company is participating in. These goals are achieved by collecting and analyzing report data on branches, building a position of the Company, and implementing in the branches on questions of enforcement of the law, control over fulfilling organizational documents, and written orders on questions of legal support of the Company's business.

Information about court cases for 2010 which could have a significant effect on the Company's business

Volgogradenergosbyt, JSC made a claim on compensating the cost of losses of electric power in grids belonging to the issuer, arising during the process of providing services for electric power transmission for a sum of RUR 1,060,486,008.21.

By ruling of the Arbitrage Court of the Volgograd Oblast dated 05.11.2009, the claim was not satisfied.

At present the case is being examined by the Twelfth Arbitrage Appellation Court. The case has been delayed due to an expertise being requested. In the case that it is decided to reject the decision of the court of first instance, and to satisfy the claim, the court ruling will become valid and will require fulfillment.

Fulfilling this court act may have a significant effect on the issuer's financial status.

Sibirsko-Uralskaya Aluminum Company was made a claim of RUR 149,748,306.08 for unjust enrichment.

By Order of the Arbitrage Court of the Volgograd Oblast dated 15.02.2010 the claim was satisfied.

By Order of the Twelfth Arbitrage Appellation Court dated 24.05.2010, the ruling was left without change, and the appellation complaint of IDGC of the South, JSC was not satisfied.

By Order of the Federal Arbitrage Court of the Volga Region, the court acts taken were left without change. The court act has been fulfilled to the complete degree.

Contact person:

Mikhail Yuryevich Reshetnikov, Head of the Legal Department, tel. (861) 279-87-11, e-mail: reshetnikovmyu@mrsk-yuga.ru

Property management

IDGC of the South, JSC has 26,823 land plots in use, with a total area of 1,885.78 ha, of which:

- 83 land plots are owned, with a total area of 0.91 ha;
- 13,579 land plots are rented, with a total area of 1,021.06 ha;
- 12,880 land plots are held in constant (termless) use, with an area of 689.18 ha.
- The rights aren't determined to 281 land plots, with an area of 172.23 ha.

Contact person:

Mikhail Yuryevich Fadeyev, Head of the Department of Property Management tel. (861) 279-76-88, e-mail: fadeevmu@mrsk-yuga.ru

Information on land plots of IDGC of the South, JSC as of 31.12.2010

№	Types of land plots	Total quantity and area of land plots		Of them:											
		quantity	Ha	Bought on the reporting date		Taken into rent (sub-rental) on the reporting date		By right of constant (termless) use on the reporting date		Right not determined on the reporting date		Servitude is legalized on the reporting date		Of them:	
				quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha
For the Astrakhanenergo branch of IDGC of the South, JSC															
1.1	Land plots under power plant infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2	Land plots under boiler infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Land plots under substation infrastructure	151	64.05	—	—	151	64.05	—	—	—	—	—	—	151	64.05
	including:														
1.3	under SS 220 kV and higher	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	under SS 110 kV	90	51.77	—	—	90	51.77	—	—	—	—	—	—	90	51.77
	under SS 35 kV and less	61	12.28	—	—	61	12.28	—	—	—	—	—	—	61	12.28
1.4	Land plots under OL 220 kV and higher	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Land plots under OL 110 kV and less	325	156.06	81	0.52	211	28.96	3	6.1	30	122.48	—	—	292	29.48
	including:														
1.5	under OL 110 kV	147	20.570	—	—	147	20.570	—	—	—	—	—	—	147	20.57
	under OL 35 kV	64	8.390	—	—	64	8.390	—	—	—	—	—	—	64	8.39
	under OL 0.4/6/10 kV	114	127.1	81	0.52	—	—	3	6.1	30	122.48	—	—	81	0.52
1.6	Land plots under thermal power grid infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.7	Land plots under other infrastructure	21	17.759	—	—	21	17.07	—	—	—	—	—	—	21	17.759
	TOTAL:	497	393.929	81	0.52	383	107.490	3	6.1	30	122.48	—	—	756	140.769
For the Volgogradenergo branch of IDGC of the South, JSC															
2.1	Land plots under power plant infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2	Land plots under boiler infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Land plots under substation infrastructure	445	145.75	—	—	127	30.01	316	115.43	2	0.31	—	—	438	145.27
	including:														
2.3	under SS 220 kV and higher	2	5.26	—	—	—	—	2	5.26	—	—	—	—	2	5.26
	under SS 110 kV	271	119.44	—	—	76	25.77	194	93.40	1	0.27	—	—	270	119.14
	under SS 35 kV and less	172	21.04	—	—	51	4.24	120	16.77	1	0.03	—	—	166	20.87

№	Types of land plots	Total quantity and area of land plots		Of them:										Of them:	
				Bought on the reporting date		Taken into rent (sub-rental) on the reporting date		By right of constant (termless) use on the reporting date		Right not determined on the reporting date		Servitude is legalized on the reporting date			
		quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha
2.4	Land plots under OL 220 kV and higher	6	1.23	—	—	1	0.30	5	0.93	—	—	—	—	6	1.23
	Land plots under OL 110 kV and less	2,816	333.30	—	—	1,115	141.19	1,553	173.54	148	18.58	—	—	2,648	311.40
	including:														
2.5	under OL 110 kV	425	58.10	—	—	158	22.36	218	28.85	49	6.90	—	—	379	50.94
	under OL 35 kV	228	27.15	—	—	101	11.58	116	14.56	11	1.01	—	—	217	26.09
	under OL 0.4/6/10 kV	2,163	248.05	—	—	856	107.25	1,219	130.13	88	10.67	—	—	2,052	234.37
2.6	Land plots under thermal power grid infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.7	Land plots under other infrastructure	115	88.15	—	—	62	40.31	49	44.91	4	2.93	—	—	109	83.06
	TOTAL:	3,382	568.43	—	—	1,305	211.81	1,923	334.81	154	21.81	—	—	3,201	540.96

For the Kalmenergo branch of IDGC of the South, JSC

3.1	Land plots under power plant infrastructure	1	3.594	—	—	1	3.594	—	—	—	—	—	—	1	3.594
3.2	Land plots under boiler infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Land plots under substation infrastructure	119	51.909	—	—	56	31.002	61	20.226	2	0.68	—	—	117	51.229
	including:														
3.3	under SS 220 kV and higher	2	7.592	—	—	2	7.592	—	—	—	—	—	—	2	7.592
	under SS 110 kV	48	28.399	—	—	25	16.859	23	11.54	—	—	—	—	48	28.399
	under SS 35 kV and less	69	15.917	—	—	29	6.551	40	8.686	2	0.68	—	—	67	15.237
3.4	Land plots under OL 220 kV and higher	8	1.693	—	—	3	0.450	5	1.243	—	—	—	—	8	1.693
	Land plots under OL 110 kV and less	18,979	46.418	—	—	9,236	14.765	9,735	30.064	8	0.457	—	—	18,971	45.961
	including:														
3.5	under OL 110 kV	4,877	21.719	—	—	1,625	7.135	3,248	14.234	4	0.350	—	—	4,873	21.369
	under OL 35 kV	14,102	24.699	—	—	7,611	7.63	6,487	15.83	4	0.107	—	—	14,098	24.592
	under OL 0.4/6/10 kV	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3.6	Land plots under thermal power grid infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3.7	Land plots under other infrastructure	94	72.7	—	—	25	62.917	25	5.582	44	4.200	—	—	50	68.499
	TOTAL:	19,201	176.316	—	—	9,321	112.730	9,826	57.116	54	5.337	—	—	19,147	170.979

№	Types of land plots	Total quantity and area of land plots		Of them:										Of them:	
				Bought on the reporting date		Taken into rent (sub-rental) on the reporting date		By right of constant (termless) use on the reporting date		Right not determined on the reporting date		Servitude is legalized on the reporting date			
		quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha	quantity	Ha

For the Rostovergo branch of IDGC of the South, JSC

4.1	Land plots under power plant infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4.2	Land plots under boiler infrastructure	1	0.0751	—	—	1	0.0751	—	—	—	—	—	—	1	0.0751
	Land plots under substation infrastructure	796	231.758	1	0.294	744	206.305	49	24.223	2	0.935	—	—	785	227.532
	including:														
4.3	under SS 220 kV and higher	3	12.365	—	—	2	7.884	1	4.481	—	—	—	—	3	12.365
	under SS 110 kV	246	167.466	1	0.294	231	150.778	13	15.543	1	0.85	—	—	241	164.186
	under SS 35 kV and less	547	51.926	—	—	511	47.642	35	4.199	1	0.085	—	—	541	50.98
4.4	Land plots under OL 220 kV and higher	8	2.41	—	—	7	2.24	1	0.17	—	—	—	—	8	2.41
	Land plots under OL 110 kV and less	2,729	437.782	—	—	1,643	275.47	1,053	141.616	33	20.695	—	—	1,838	248.859
	including:														
4.5	under OL 110 kV	457	53.57	—	—	416	49.602	36	3.632	5	0.336	—	—	419	49.693
	under OL 35 kV	880	76.331	—	—	674	50.651	194	10.658	12	15.022	—	—	793	70.859
	under OL 0.4/6/10 kV	1,392	307.88	—	—	553	175.216	823	127.326	16	5.337	—	—	626	128.306
4.6	Land plots under thermal power grid infrastructure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4.7	Land plots under other infrastructure	209	231.141	1	0.092	175	104.937	25	125.143	8	0.967	—	—	204	227.650
	TOTAL:	3,743	903.167	2	0.387	2,570	589.028	1,128	291.153	43	22.598	—	—	2,836	706.527
	TOTAL:	26,823	1,885.78	83	0.91	13,579	1,021.06	12,880	689.180	281	172.23	—	—	25,648	1,529.76

Information on the structure of the property complex and its changes

N ^o	Name	Physical values: For OL, cable grids — length of chains (km); For SS, other Assets — quantity (units)	At the beginning of the reporting period Balance value (RUR thou)	Depreciation for 2010 (RUR thou)	Added during the reporting period (RUR thou)	Eliminated during the reporting period (RUR thou)	At the end of the reporting period Balance value (RUR thou)
I	II	III	IV	V	VI	VII	VIII
1	Assets belonging to electric power grid infrastructure, including:	—	20,655,785.00	1,699,580.00	1,308,777.00	11,866.00	20,253,116.00
1.1	OL 220 kV and higher	645.50	111,871.00	3,860.00	0.00	0.00	108,011.00
1.2	OL 110 kV	18,648.90	4,126,379.00	209,433.00	204,828.00	5.00	4,121,769.00
1.3	OL 35 kV	11,880.18	1,554,355.00	74,319.00	6,298.00	0.00	1,486,334.00
1.4	OL 10 kV and lower	128,700.78	6,643,334.00	643,602.00	252,352.00	3,707.00	6,248,377.00
1.5	SS 220 kV and higher	4.00	18,841.00	3,449.00	0.00	0.00	15,392.00
1.6	SS 110 kV	636.00	3,564,449.00	298,893.00	460,664.00	3,271.00	3,722,949.00
1.7	SS 35 kV	577.00	649,781.00	189,157.00	3,574.00	0.00	464,198.00
1.8	SS 10 kV and lower	30,639.00	913,650.00	65,970.00	49,749.00	1,153.00	896,276.00
1.9	Cable grids (all voltage classes)	1,747.52	1,326,506.00	66,454.00	194,076.00	0.00	1,454,128.00
1.10	Other Assets meant for electrical grids	1,264.00	1,746,619.00	144,443.00	137,236.00	3,730.00	1,735,682.00
2	Non-profile Assets entered in the "Register of non-profile assets"	47.00	105,227.00	1,794.00	0.00	56.00	103,377.00
3	Other Assets (p.3 = p.4 – p.2 – p.1)	—	4,711,468.00	530,231.00	345,874.00	16,712.00	4,510,399.00
4	Fixed Assets (120 line of the accounting balance)	65,202.00	25,472,480.00	2,231,605.00	1,654,651.00	28,634.00	24,866,892.00
5	Rented Assets relating to electric power grid infrastructure, including:	—	590,890.00	0.00	141,688.00	32,808.00	699,770.00
5.1	OL 220 kV and higher	0.00	0.00	0.00	0.00	0.00	0.00
5.2	OL 110 kV	1.00	1,811.00	0.00	0.00	1,811.00	0.00
5.3	OL 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.4	OL 10 kV and lower	491.17	42,813.00	0.00	34,081.00	18,202.00	58,692.00
5.5	SS 220 kV and higher	0.00	0.00	0.00	0.00	0.00	0.00
5.6	SS 110 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.7	SS 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
5.8	SS 10 kV and lower	285.00	13,231.00	0.00	12,187.00	4,773.00	20,645.00
5.9	Cable grids (all voltage classes)	320.37	24,046.00	0.00	928.00	213.00	24,761.00
5.10	Other rented Assets meant for serving electrical contacts	544.00	508,989.00	0.00	94,492.00	7,809.00	595,672.00
6	Other rented Assets	1,793.00	4,089,802.00	182,843.00	152,221.00	79,989.00	4,344,877.00
7	Assets used under leasing agreements relating to electric power grid infrastructure, including:	0.00	65,369.00	0.00	0.00	0.00	65,369.00
7.1	OL 220 kV and higher	0.00	0.00	0.00	0.00	0.00	0.00
7.2	OL 110 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.3	OL 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.4	OL 10 kV and lower	0.00	0.00	0.00	0.00	0.00	0.00
7.5	SS 220 kV and higher	0.00	0.00	0.00	0.00	0.00	0.00

N ^o	Name	Physical values: For OL, cable grids — length of chains (km); For SS, other Assets — quantity (units)	At the beginning of the reporting period Balance value (RUR thou)	Depreciation for 2010 (RUR thou)	Added during the reporting period (RUR thou)	Eliminated during the reporting period (RUR thou)	At the end of the reporting period Balance value (RUR thou)
I	II	III	IV	V	VI	VII	VIII
7.6	SS 110 kV	0.00	65,369.00	0.00	0.00	0.00	65,369.00
7.7	SS 35 kV	0.00	0.00	0.00	0.00	0.00	0.00
7.8	SS 10 kV and lower	0.00	0.00	0.00	0.00	0.00	0.00
7.9	Cable grids (all voltage classes)	0.00	0.00	0.00	0.00	0.00	0.00
8	Other Assets used under leasing contracts meant for serving electrical contacts	0.00	0.00	0.00	0.00	0.00	0.00
9	Other Assets used under leasing contracts	8.00	100,586.00	17,180.00	0.00	58,185.00	25,221.00
10	Total rented assets, including under leasing (line 910 of the accounting balance) (p.10= p.5 + p.6 + p.7 + p.8 + p.9)	—	4,846,647.00	165,663.00	293,909.00	170,982.00	5,135,237.00
11	TOTAL (p.11 = p.4 + p.10)	—	29,878,497.00	2,186,245.00	1,921,289.00	193,000.00	29,420,541.00

Explanations

1. Receipt of assets 1,654,651 t.r., of them:

- construction 1,403,270 t.r.
- purchasing 175,659 t.r.
- other (including leasing) 75,722 t.r.

2. Retirement of assets 28,634 t.r.

- sales 0 rubles.
- written off 6,212 t.r.
- other 22,422 t.r.

3. Contracts reached for property rental:

- Astrakhanelectrosetremont, JSC contract dated 29.11.2010 №49-12-196 for a sum of 7,988.8 thou rub.;
- Adminstans of Komsomolskaya SMO contract dated 29.01.2010 №28 for a sum of 20,804 thou rub.;
- Administration M. Derbetovsky SMO contract dated 30.04.10 №137 for a sum of 4,453 thou rub.;
- Administration of Ts. Amansky SMO contract dated 01.03.2010 №54 for a sum of 3,988 thou rub.;
- D. Yu. Mukhin contract dated 04.05.2010 №165 for a sum of 270 thou rub.;
- SPK Stepnoy contract dated 04.05.2010 №164 for a sum of 63 thou rub.;
- SPK Stepnoy contract dated 04.05.2010 №163 for a sum of 100 thou rub.;
- FGUP Chapchaeva additional agreement to the contract from 25.10.04 №Ф-04-158 for a sum of 72 thou rub.;
- GUP Sarpa additional agreement №1 to the contract dated 26.07.2005 №Ф-04-153 for a sum of 91 thou rub.;
- For the period of construction with UFK for the RO (Minimushestvo), contracts dated 20.05.2010 №107394-107398, 107400 for a sum of RUR81,829 thou rub.;
- IP T. M. Divin contract dated 13.12.2009 №79172 for a sum of 1,080 thou rub.;

- ZAO Business Center contract dated 01.01.2010 №79756 for a sum of 126 thou rub.;
- S. M. Kalmykov contract dated 01.01.2010 №79882 for a sum of 397 thou rub.;
- IP S. B. Vyborny contract dated 01.01.2010 №79702 for a sum of 323 thou rub.;
- IP V. P. Melnik contract dated 01.03.2010 №86740 for a sum of 132 thou rub.

- IP S. B. Vyborny contract dated 01.01.2010 №79702 for a sum of 323 thou rub.;
- IP V. P. Melnik contract dated 01.03.2010 №86740 for a sum of 132 thou rub.

- IP V. P. Melnik contract dated 01.03.2010 №86740 for a sum of 132 thou rub.

- IP V. P. Melnik contract dated 01.03.2010 №86740 for a sum of 132 thou rub.

4. Termination of contracts for renting property:

- Administration of Lagansky PMO RK contract dated 05.10.2009 №35-И for a sum of 10,524 thou rub due to a buy-out;
- GUP Sarpa additional agreement №1 to the contract dated 26.07.2005 №Ф-04-153 for a sum of 91 thou rub. due to a buy-out;
- FGUP Chapchaeva additional agreement to the contract from 25.10.04 №Ф-04-158 for a sum of 72 thou rub. due to a buy-out;
- Piramida LLC contract №75679/09 dated 25.09.2009 for a sum of 893 thou rub. by joint agreement of the parties;
- IP T. M. Divin contract dated 13.12.2009 №79172 for a sum of 1,080 thou rub.;
- Gazservice LLC contract dated 01.01.2009 №75680 for a sum of 45 thou rub.;
- Business Center, Ltd. contract dated 01.01.2009 №75681 for a sum of 126 thou rub.;
- S. M. Kalmykov contract dated 01.01.2010 №79882 for a sum of 397 thou rub.;
- S. M. Kalmykov contract dated 01.01.2009 №75684 for a sum of 272 thou rub.

Used for automobile transportation means under leasing contracts 2,642 thou rub.

Retirement of assets due to the end of the contract for leasing 98,768 thou rub.

Change in the cadastral value and receiving new cadastral passports 79 thou rub.

3. SHARE CAPITAL AND THE MARKET FOR THE COMPANY'S EQUITIES



3. Share capital and the market for the Company's equities

Rights provided by Company shares (in accordance with article 6 of the Charter of JSC IDGC of the South)

Each ordinary share of the Company gives its owner an equal amount of rights. Shareholders-owners of ordinary shares of the Company have the right:

- to participate personally or through their representative in the General Shareholders Meeting of the Company with the right to vote on all questions of its competency;
- to make proposals for the agenda of the general meeting in the order called for by the legislation of the Russian Federation and the Charter;
- to get information about the Company's activity and to get acquainted with documents about the Company in accordance with article 91 of the Federal law "On Shareholder Companies" and with other normative legal acts and the Company Charter;



The Company's shares were transferred to the "B" quotation list on the Micex exchange on July 16, 2010

RUR 3,459.16 mln
in trading of the Company's shares was done in 2010

Share capital

History of the company's share capital

As of 28.06.2007 (the date of the state registration of IDGC of the South, JSC) the Company's authorized capital equaled 10,000,000 rubles and was divided into 100,000,000 ordinary shares with a nominal value of 10 kopecks each.

On 31.03.2008, as a result of the reorganization of the Company in the form of a merger of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC to the Company, the number of shares in the Company increased to 49,811,096,064 shares thanks to the conversion of shares of the merged companies.

As of 31.12.2009, the Company's authorized capital equaled 4,981,109,606 rub. 40 kop., and was divided into 49,811,096,064 ordinary shares with a nominal value of 10 kopecks each. The Company has not issued any preferred shares.

- to received dividends provided by the Company;
- to get first rights to buy Company shares issued through subscription to additional shares and securities emissions converted into shares in an amount proportional to the number of ordinary shares belonging to them, in cases provided for by legislation of the Russian Federation;
- to receive part of the Company's property in the case that the Company is liquidated;
- to fulfill other rights provided for by Russian Legislation and the Company Charter.

The number of stated shares is 31,078,103,936 shares.

Ordinary shares stated by the Company for placement give their owners rights provided for by p.6.2. art. 6 of the Charter of JSC IDGC of the South.

Share issues of the Company

№	State registration number of the issue	Amount, RUR	Share category	Quantity, shares	Nominal value, RUR
First share issue					
1	1-01-34956-E dd. 20.09.2007	10,000,000	Ordinary	100,000,000	0.1
Additional share issues					
2	1-01-34956-E-001D dd. 20.03.2008	228,296,779.1	Ordinary	2,282,967,791	0.1
3	1-01-34956-E-002D dd. 20.03.2008	1,620,347,283.7	Ordinary	16,203,472,837	0.1
4	1-01-34956-E-003D dd. 20.03.2008	439,059,322.3	Ordinary	4,390,593,223	0.1
5	1-01-34956-E-004D dd. 20.03.2008	2,029,712,678.4	Ordinary	20,297,126,784	0.1
6	1-01-34956-E-005D dd. 20.03.2008	192,111,155	Ordinary	1,921,111,550	0.1
7	1-01-34956-E-006D dd. 20.03.2008	461,582,387.9	Ordinary	4,615,823,879	0.1
TOTAL:				49,811,096,064	

Note: In accordance with the notification of the Federal Financial Markets Service of Russia dd. 12.08.2008 №08-EK -03/17099, annulment of individual numbers (codes) of additional shares issues was done; the united issue was given the state registration number 1-01-34956-E dd. 20.09.2007.

Structure of share capital

As of 28.06.2007, 100% of the shares belonged to the single founder of the Company — RAO UES of Russia, JSC.

On 31.03.2008, as a result of the reorganization of the Company in the form of a merger of Astrakhanenergo, JSC, Volgogradenergo, JSC, Kalmenergo, JSC and Rostovenergo, JSC to the Company, the shareholders of shares in the merged

companies became owners of Company shares if they did not use their right to sell back their shares to the Company under the reorganization of the merged companies.

Starting from 01.07.2008, as a result of the reorganization of RAO UES, JSC, IDGC Holding has become the owner of this company's shares in the Company.

The following changes took place in the company's share capital structure in 2010 (showing the dates when the Company learned about these changes):

№	Date	Event	Share in authorized capital, %		Owner name
			Before changes	After changes	
1	07.05.2010	Retirement	5.15	0	AGANA Management Company Ltd. Management of the closed mutual fund of mixed investments "Strategic Assets" under management by AGANA Management Company Ltd.
2	07.05.2010	Change in the share of authorized capital	5.08	Less than 2%	Renaissance Securities (Cyprus) Limited
3	07.05.2010	Change in the share of authorized capital	21.15	21.36	Management-Consulting («D.U.») (closed mutual fund «Resource»)
4	07.05.2010	Inclusion	0	2.79	Quorum Fund Limited

As of 31.12.2010 the total number of entities registered in the Company register equaled 9,319.

Structure of share capital on 31.12.2010

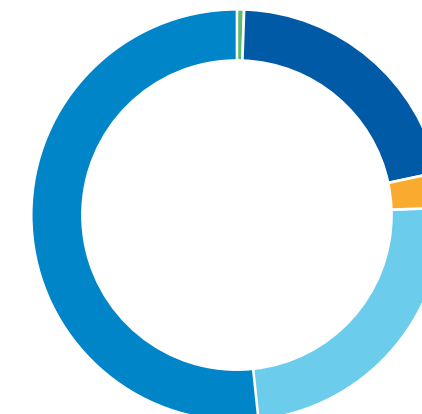
Type of registered entity	Number of Company shareholders	Number of shares	Share in authorized capital, %
Private individuals	9,223	1,533,027,043	3.08
Including non-residents	41	10,653,552	0.02
Legal entities	83	71,901,648	0.14
Including non-residents	11	21,112,205	0.04
State	1	69,125,536	0.14
Nominal holders	12	48,137,041,837	96.64
TOTAL:	9,319	49,811,096,064	100

Structure of share capital as of 07.05.2010 date of compilation of the list of entities with the right to take part in the extraordinary General Shareholders Meeting)

Type of registered entity	Number of Company shareholders	Number of shares	Share in authorized capital, %
Private individuals	11,820	4,034,271,138	8.10
Including non-residents	42	10,536,908	0.02
Legal entities	384	45,702,402,073	91.75
Including non-residents	124	7,929,682,804	15.92
State	1	69,125,536	0.14
Nominal holders who didn't disclose information about their clients	4	5,297,317	0.01
TOTAL:	12,209	49,811,096,064	100

Composition of the shareholders of IDGC of the South, JSC as of 07.05.2010 (on the last date of the closing of the register of owners of nominal shares)

State share	0.14 %
Management-Consulting ("D.U.") (closed mutual fund "Resource")	21.36 %
Quorum Fund Limited	2.79 %
Other shareholders	24.06 %
Holding IDGC, JSC	51.66 %



The Company got approval from shareholders of IDGC of the South, JSC to disclose information about shareholdings of the Company's stocks from 2% to 5%.

The Company management is not aware of the existence of any shareholdings exceeding 2% other than those that are already disclosed.

There are no Company shares held in cross ownership.

Circulation of shares on the stock market

Starting from 03.07.2008, the Company shares have been circulated on trading floors of the following trading organizers:

- RTS, JSC (125009, Moscow, 4/7, str. 1, Ul. Vozdvizhenka) — without undergoing the listing procedure in two sections — “T+0” (ticker MRKYG) and “Classical market” (ticker MRKY);
- FB MICEX, ZAO (125009, Moscow, 13, Bolshoy Kislovsky Per.) — on 16.07.2010 the Company’s shares were transferred from the list of off-list securities to Quote list “B” (ticker — MRKA).
ISIN code: RU000A0JPPG8.

Information about the market maker

Full name: Universal Investment Company Partner, LLC

Shortened name: Unicom Partner, LLC

License for fulfilling dealer activity № 166-05957-010000

dd. April 19, 2002, without a limit on the term of validity, given by the Federal Commission for the Securities Market.

Location: Russian Federation, Yekaterinburg, Krasnoarmeyskaya Ul., 78a

Postal address: Russian Federation, 620026, Yekaterinburg, Krasnoarmeyskaya Ul., 78a

Telephone: (343) 379-41-65

Fax: (343) 379-41-66

Website: <http://www.unicompartner.ru>

Market-Makers

On 24.12.2009 a contract was signed for providing market-maker services on FB MICEX, ZAO with Universal Investment Company Partner, LLC (Unikom Partner, LLC), acting in the reporting year.

Parameters of support for Two-sided quotations:

- Spread of the two-sided quotation (factual spread) as a percentage, not more than 3%;
- Minimal acceptable volume of offers, no less than 300,000 rub.;
- Total sum of transactions reached with securities as part of fulfilling the Market maker’s obligations over the course of one trading day in main trading, at which point the Market maker has the right to support only one-sided trading for buying or selling securities, no less than 2,100,000 rub.

Starting from the date of the beginning of the contract, the market-maker has fulfilled servicing of the circulation of equities by presenting and constantly supporting the market-maker offer.

Shares of IDGC of the South, JSC demonstrated a significant increase in liquidity as compared with the previous by 6 times; according to FB MICEX data, the turnover of the Company’s shares out of the total numbers of shares placed in 2009 equaled 5.5%, and in 2010 — 32%.

IDGC of the South, JSC shares completely fulfill the requirements made by the organizer of trade for support in the “B” quotation list of ZAO FB MICEX.

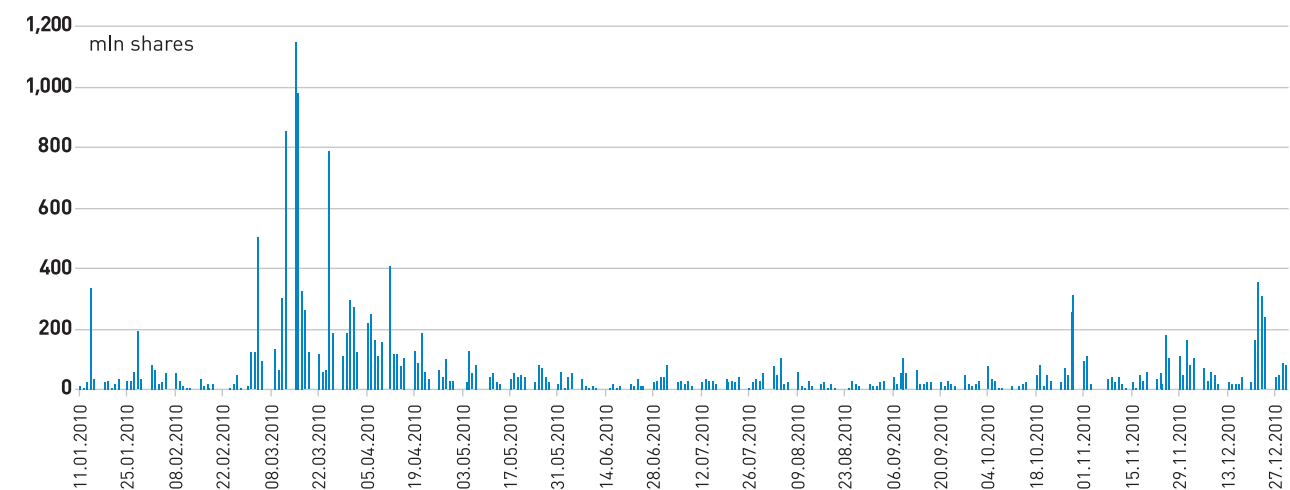
Quotations and trading volume in 2010 (data given for the period from 01.01.2010 to 31.12.2010)

Trade organizer	Volume, mln shares (market and address transactions)	Volume, RUR mln (market and address transactions)	Number of market and address transactions, units	Transaction prices				Change in price for the reporting year, %
				First	Maximum	Minimum	Last	
In rubles								
MICEX	18,560.92	3,459.16	126,921	0.17920	0.2621	0.1136	0.1794	-0.39
RTS (T+0)	5.06	0.9	14	0.18	0.196	0.17	0.1801	0.06
In US dollars								
RTS (Classical market)	183.03	1.2518	21	0.0065	0.0081	0.0055	0.0058	-10.77

The greatest trading activity can be seen on the FB MICEX, ZAO — in 2010 there was a total volume of trading with Company shares for 3,459.16 mln.rub. The peak values of trading volume were reached in March of 2010 and equaled 869.92 mln.rub.

The lowest trading activity took place in June of 2010 (the volume of transactions made equaled 75.41 mln.rub.).

Change in price of IDGC of the South shares, the MICEX Index, and the MICEX-Energy index in 2010 (based on data from the MICEX exchange)



Change in market capitalization of the Company showed an insignificant decrease in the reporting year — according to data from FB MICEX this change was 0.39%.

According to FB MICEX data the company’s market capitalization as of 31.12.2010 equaled 8,831,507,332.14 rubles.

In 2011 the Company plans to hold a number of events which are capable of having a favorable influence on market capitalization.

Company strategy for increasing the attractiveness of Company shares for Russian and foreign investors

A Department of Corporate Management has been created within the organizational structure of the executive apparatus of the Company. This apparatus is responsible, among other things, for work with shareholders, analysts, potential investors, and other interested parties (Investor Relations). Its aims are:

- to perfect information policy;
- to organize presentation of the necessary reporting to the target audience — shareholders, regulating bodies, stock markets, etc.;
- forming and maintaining relations with the investment community, including with the aim of providing better information

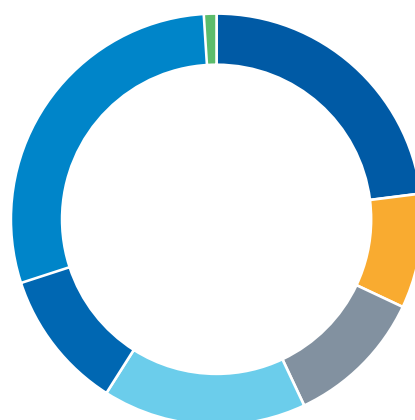
to parties interested in the Company, including:

- identifying the Company’s final beneficiaries;
- creation and regular updating of a list of analysts and representatives of the investment community;
- study of the needs of interested parties;
- collection of information about the activity of the other companies in the electricity transmission sector, making a comparative analysis;
- positioning of the Company in the eyes of investors and analysts;
- analysis of the opinions of analysts and investors about the Company’s growth prospects.

IDGC of the South, JSC supports close contact with analysts from investment companies and banks, including ATON, LLC, Troika Dialog, Oktrytie LLC, FINAM IC, Goldman Sachs International, Morgan Stanley, Deutsche Bank and others.

Statistics on analysts' requests concerning information about IDGC of the South, JSC in 2010

RAB	23%
Investments	9%
Corporate management	11%
Production	16%
Tariffs	11%
Finances	29%
Legal issues	1%



Disclosure of information

The Company fulfills all requirements for disclosing information set by the legislation of the Russian Federation, as well as internal local normative acts, ensuring a high level of informational transparency. Shareholders, investors and other interested parties receive information from the Company which is sufficient for these parties to take decisions as concerns the Company's shares.

Furthermore, during the reporting year the Company prepared quarterly informational bulletins, placed them on its corporate web-site, and distributed them to analysts, shareholder representatives, and the investment community. These bulletins included:

- a survey of key news;
- resolutions taken by the Company management bodies;
- surveys of the stock market;
- information about production activity;
- financial-economic indicators.

The corporate web-site of the Company provides the opportunity for feedback from representatives of shareholders, the investment community, analysts and other interested parties with IDGC of the South, JSC as an additional channel for

In accordance with the Regulations on disclosing information by issuers of securities, approved by Decree of the Federal Financial Markets Service dated 10 October, 2006 № 06-117/pz-n, the Company disclosed the following information in the reporting year:

- Information about significant facts — 22;
- Information about data than can have a significant influence on the Company's share price — 20;
- Press releases about decisions taken by the management bodies — 2.

receiving current information on the financial-economic activity of the Company.

The following contracts operated in 2010 to make it more convenient for readers of the Company web-site to get analytical information about trading of IDGC of the South, JSC stocks:

- with Capital Logika, LLC, which provides services for updating the corporate website of the Company with information about the results of trading of the Company's stocks, including:
 - an informer which broadcasts quotes of IDGC of the South, JSC stocks (RTS, MICEX) and the values of the main stock exchanges (RTS Index, RTSeu, MICEX Index, MICEX Power Index) with a 15-minute time lag (in accordance with the trade organizer's requirements) — <http://www.mrsk-yuga.ru/>;

- WAP-version of the informer, which broadcasts quotes of IDGC of the South, JSC stocks (RTS, MICEX) and the values of the main stock exchanges (RTS Index, RTSeu, MICEX Index, MICEX Power Index) with a 15-minute time lag (in accordance with the trade organizer's requirements) — <http://www.mrsk-yuga.ru/>;
- graphic instruments which reflect the change in stock quotes of IDGC of the South, JSC (RTS, MICEX), and the main stock exchanges (RTS Index, RTSeu, MICEX Index, MICEX Power Index, DJ RusIndex Titans 10) + the volumes of trading in IDGC of the South, JSC stocks (RTS, MICEX) — <http://www.mrsk-yuga.ru/stock/securities/>;

- graphic instruments which reflect the change in quotes and yield on bonds of IDGC of the South (MICEX) — http://www.mrsk-yuga.ru/stock/release_action/oblig/;
- With the Institute of Corporate Management, JSC for providing qualified services for preparing stock market surveys. Analytical surveys are published each week on the corporate web-site — http://www.mrsk-yuga.ru/stock/securities/analit_obz/.

The Company has an English version of its corporate website with the aim of providing information on its business to foreign shareholders and investors.

Work with shareholders

The Company pays special attention to making it convenient for shareholders of IDGC of the South, JSC to fulfill their rights in relation to the shares they own, and makes every effort to improve the quality of service and information available to shareholders.

In the aim of simplifying the procedure for communication between the Company shareholders and the Company Registrar, a contract was signed with the Company registrar — CMD, JSC — on establishing transfer-agent relations in 2009. In accordance with this contract IDGC of the South, JSC shareholders were met in the cities of Astrakhan and Volgograd.

In order to minimize potential negative consequences when fulfilling the Company's liabilities for this contract, IDGC of the South, JSC hired notaries for checking the authenticity of the signatures of its shareholders at its own cost.

This contract was valid until 17.12.2010 and was terminated due to the Company terminating its contract with CMD, JSC for leading and keeping the register of nominal shareholders in the Company.

The Company's new registrar, Registrar R.O.S.T., JSC, starting leading the Company's register of shareholders starting from 18.12.2010.

Transfer-Agency points were opened at the locations of IDGC of the South, JSC branches Astrakhanenergo and Rostovenergo on 22.12.2010, with the aim of improving servicing in these areas.

Shareholders living in the district served by IDGC of the South, JSC branch Volgogradenergo are served in the Registrar R.O.S.T., JSC subdivision in Volgograd.

The Company plans to fulfill a series of events aimed at increasing the investment attractiveness of its shares for potential investors and its market capitalization in 2011, including:

- Increasing openness — the Company will aim to disclose additional information about its business which isn't required to be disclosed in accordance with the requirements of the acting legislation of the Russian Federation and local normative acts;
- Perfecting the process of disclosing information about the Company, including by perfecting the corporate web-site;
- Holding public events based on facts of expected or completed global corporate events in the life of the Company;
- Improving the quality of investor relations by making the Company's informational reports more specific.

Furthermore, the Company aims to increase its financial stability and achieve high financial results allowing the Company to raise the dividend yields on its shares.

Issuing activity

The Company did not issue any shares in the reporting year.

Information about the registrar

Until 17.12.2010 the registry of company shareholders was led by CMD, JSC (Moscow, license № 10-000-1-00255, given by the Russian Federal Securities Commission dated 13.09.2002).

On 31.08.2010 the Board of Directors of IDGC of the South, JSC decided to terminate the contract with CMD, JSC (minutes dated 03.09.2010 № 53/2010), for which:

- from 17.12.2010 the contract for leading and keeping the registry of shareholders № CMD/IDGC-№1 dated 25 December, 2007 with CMD, JSC was terminated;

- based on the results of an open tender for choosing a registrar, after preliminary approval by the Board of Directors of IDGC of the South, JSC, a contract was signed on 02.12.2010 with Registrator R.O.S.T., JSC. From 18.12.2010 Registrator R.O.S.T., JSC, began fulfilling its functions as the Company registrar. The Company shareholders were informed about the procedure for changing the registrar and the beginning of work in the order and in the term set by Russian legislation.

Information about the registrar

Full name: Open joint-stock company Registrator R.O.S.T.

Short name: Registrator R.O.S.T., JSC

License for fulfilling activity at leading shareholder registries: № 10-000-1-00264, issued 03.12.2002 by the Federal Financial Markets Commission.

Location: Moscow, 18, b. 13, Ul. Stromkyna.

Postal address: 107996, 18, Ul. Stromkyna, p.o. box 9.

Telephone: (495) 771-73-35.

Fax: (495) 771-73-34.

E-mail address: rost@rost.ru

Contact information about the Registrar's subdivision in Volgograd:

Full name: Subdivision of Registrator R.O.S.T., JSC in Volgograd.

Location and postal address: 400033, Russian Federation, Volgograd, 9, Ul. Bogomoltsa, (3rd floor).

Telephone: (8442) 70-66-00

E-mail address: volgograd@mail.rost.ru

Information about transfer-agents of the Registrar serving the Company's shareholders

In Rostov-on-Don:

Full name: Rostov branch of the closed joint-stock company Moscow Fund Center (MFC ZAO)

Location and postal address: 390027, Russian Federation, Rostov-on-Don, 5/9 Ul. 1-aya Mayskaya

Telephone: (8632) 51-34-50

E-mail address: mfc-rnd@donpac.ru

In Astrakhan:

Full name: Deposit-Akhuba branch of the closed joint-stock company Professional Registration Center (PRC ZAO).

Location and postal address: 414004, Astrakhan, Ul. Sofiya Perovskiy, 94/1a

Telephone: (8512) 49-69-12

E-mail address: astrakhan@profr.ru

Information on payment to the registrar

CMD JSC was paid 1,749,604.23 rub. in the reporting year, of which:

- for providing services for leading and keeping the registry of Company shareholders — 680,661.94 rub.;
- for providing information through the WEB-portal — 13,280.65 rub.;
- for providing services for preparing and holding the general shareholders' meeting — 937,861.64 rub.;
- costs connected to transferring information from the shareholders' registry to the new registrar — 117,800 rub.

No payments were made to Registrator R.O.S.T., JSC in the reporting year.

Contact persons:

Natalya Olegovna Bondar, Head of the Department of Corporate Management.

Tel. (861) 279-86-35, e-mail: bondarno@mrsk-yuga.ru

Anna Ivanovna Yurchenko, Head of the Department for Work with Securities and Shareholders of the Department of Corporate Management.

Tel. (861) 279-85-38, e-mail: yurchenkoai@mrsk-yuga.ru

IDGC of the South, JSC bonds

Presently IDGC of the South has Series 02 bonds in circulation.

Bond issues of the Company

№	State registration number of the issue	Volume, RUR	Bond category	Quantity, units	Nominal value, RUR
1	4-01-34956-E dated 12.03.2008	3,000,000,000	Non-convertible documentary to the bearer with obligatory centralized storage	3,000,000	1,000
2	4-02-34956-E dated 16.12.2008	6,000,000,000	Non-convertible documentary to the bearer with obligatory centralized storage	6,000,000	1,000
TOTAL:				9,000,000	

Note: In accordance with the notice of the Russian Federal Financial Markets Service dated 17.12.2009 №09-CX-03/29474, the Company bond issue № 4-01-34956-E dated 12.03.2008 was annulled due to the fact that not a single paper was placed.

The placement of series 02 bonds took place through an open subscription on September 1, 2009, in the full volume for a sum of RUR 6,000,000,000 with a pay-off date on the 1,820th day from the beginning of placement. By decision of the Board of Directors of the Company, the term of validity of the public irrevocable offer was set at 4 coupon periods, with interest from the 1st to the 4th coupon equal to 17.5% annually.

The Company paid the following interest on its bonds in 2010:

№	Coupon number	Payment date	Sum of interest paid, RUR
1	First	02.03.2010	523,560,000
2	Second	31.08.2010	523,560,000
TOTAL:			1,047,120,000

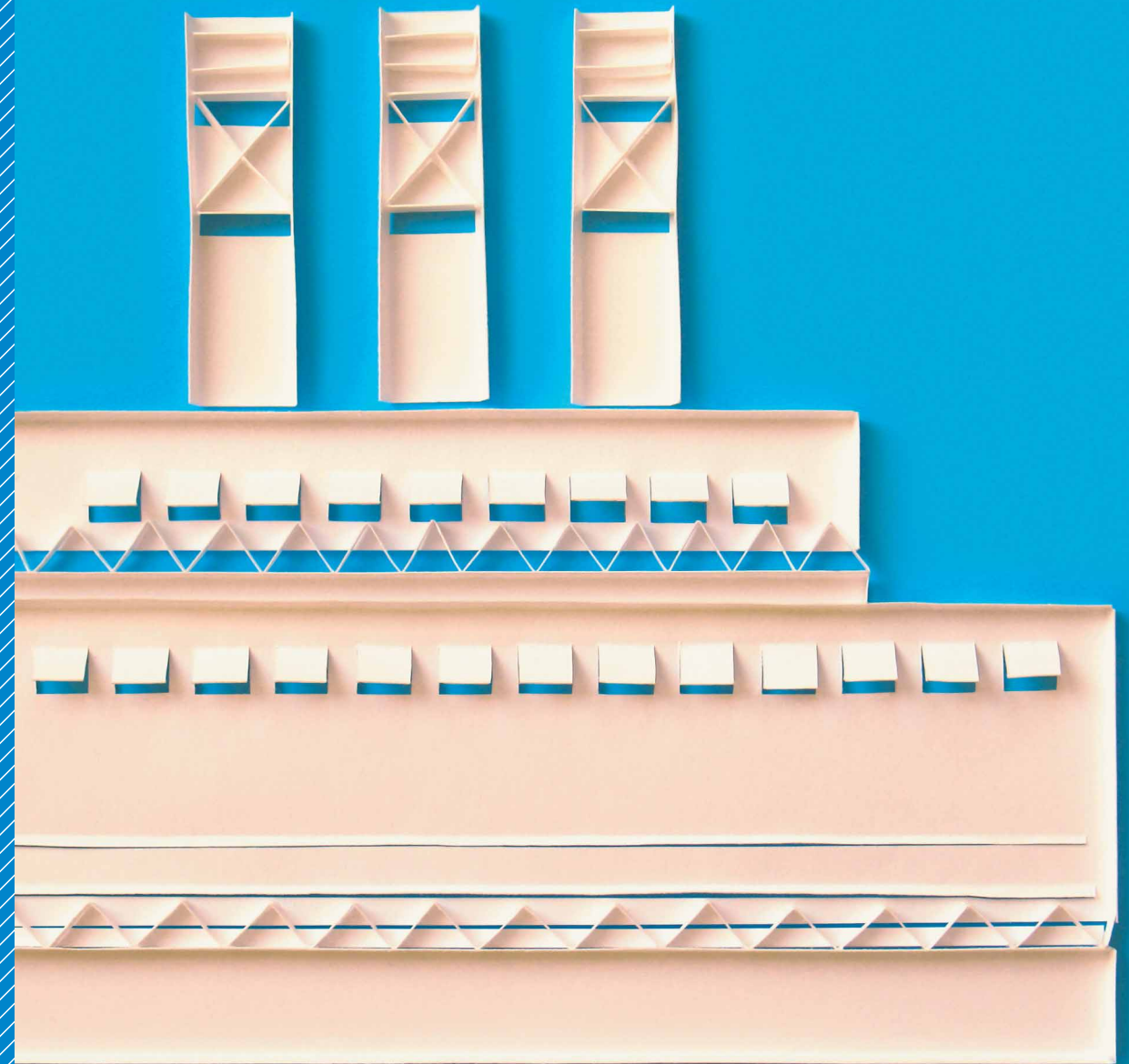
The Company signed a contract with the MICEX exchange on August 11, 2010, to transfer series 02 bonds to the "B" Quotation List with the aim of supporting the issue.

Contact persons:

Dmitry Olegovich Permyakov, Director of the Department of Finances.
tel. (861) 279-85-77, e-mail: permyakovdu@mrsk-yuga.ru.

Yulia Vladimirovna Kozlova, Head of the Department of Corporate Finances.
tel. (861) 279-87-15, e-mail: kozlovauv@mrsk-yuga.ru.

4. OPERATING REPORT



4. Operating report

Under order №208-e of the Russian Federation dated 16 June, 2008, IDGC of the South, JSC is included in the register of natural monopolies in the fuel and energy industry that are regulated and controlled by the state through imposing of tariffs on electricity transmission and technological connection of consumers to IDGC of the South, JSC networks.



30.26 bln kWh
of electricity output to grids
in 2010

RUR 24,775 mln
(with VAT)
Revenue from electricity
transmission services in 2010

RUR 675.5 mln
Expenditures on repairs
of electricity grids

Main business fields of the Company

IDGC of the South, JSC unites distribution network systems of the subjects of the Southern Federal District of the Russian Federation: the Republic of Kalmykia, and the Astrakhanskaya, Volgogradskaya, and Rostovskaya Oblasts, and executes the following main business activities:

- paid services in electric energy transmission through execution of organizationally and technologically integrated actions, including operative technological management;
- rendering of services for technological connection of power receivers (power installations) of legal and physical entities to the Company electric networks;
- maintenance and repair activities.

Besides the abovementioned chief activities, IDGC of the South, JSC executed the functions of sole executive body of Kubanenergo, JSC until December 1, 2010 in compliance with Contract № 407/30-1143 as of 14 September, 2007, between IDGC of the South, JSC and Kubanenergo, JSC based on the resolutions of General Meeting of "Kubanenergo" JSC Shareholders (Minutes № 21 as of 31 August, 2007) and "Kubanenergo" JSC Board of Directors (Minutes № 43/2007 as of 10 September, 2007).

Key industrial indicators of IDGC of the South, JSC

Indicators of electric energy transmission through the Company's networks

Altogether in the 2010 reporting year IDGC of the South, JSC had electricity output of RUR30 bln, 260 mln kWh., while useful output equaled RUR27 bln, 442 mln kWh. Factual losses when transporting electricity were at the level of 2 bln, 818 mln kWh or 9.31 % of output to grids, including for the branches

Branch name	Output to grids, Mln kWh	Useful output to grids, mln kWh	Factual losses	
			mln kWh	%
Astrakhanenergo	3,800.1	3,109.4	690.6	18.17
Volgogradenergo	12,366.7	11,496.0	870.7	7.04
Rostovenergo	13,616.5	12,458.8	1,157.6	8.50
Kalmenergo	476.6	377.3	99.3	20.83
TOTAL for IDGC of the South, JSC	30,259.9	27,441.6	2,818.2	9.31

The volume of services provided by the Company for transmitting electric power decreased in 2010 as compared to 2009 by 2 bln. 72 mln kWh. or — 7.1%, including for branches

Branch name	Volume of electricity transmission services, mln kWh			
	2009	2010	Change	
			mln kWh.	%
Astrakhanenergo	2,962.70	3,099.21	136.51	4.6
Volgogradenergo	13,778.20	11,362.78	-2,415.42	-17.5
Rostovenergo	12,112.50	12,309.64	197.14	1.6
Kalmenergo	368.20	377.35	9.15	2.5
TOTAL for IDGC of the South, JSC	29,221.60	27,148.98	-2,072.62	-7.1

The greatest percentage decrease in the volume of services provided in 2010 as compared to 2009 was in the branch of IDGC of the South, JSC — Volgogradenergo (-17.5%), which was caused by loss of "last mile" customers — Volzhsky Abrasive Plant, JSC, and SUAL branch VgAZ SUAL, JSC, who signed direct contracts with FGC UES, JSC.

Factual losses of electric power in 2010 as compared to factual losses for 2009 increased by 0.16%

Name of the branch of IDGC of the South, JSC	Fact 2009*		Fact 2010		Change	
	Mln kWh	%	mln kWh	%	mln kWh	%
Astrakhanenergo	628.5	17.50	690.6	18.17	+25.6	+0.67
Volgogradenergo	845.2	7.16	870.7	7.04	-14.9	-0.12
Rostovenergo	1,107.0	8.30	1,157.6	8.50	+27.2	+0.20
Kalmenergo	90.2	19.68	99.3	20.83	+5.5	+1.15
TOTAL for IDGC of the South, JSC	2,670.9	9.15	2,818.2	9.31	+ 49.1	+ 0.16

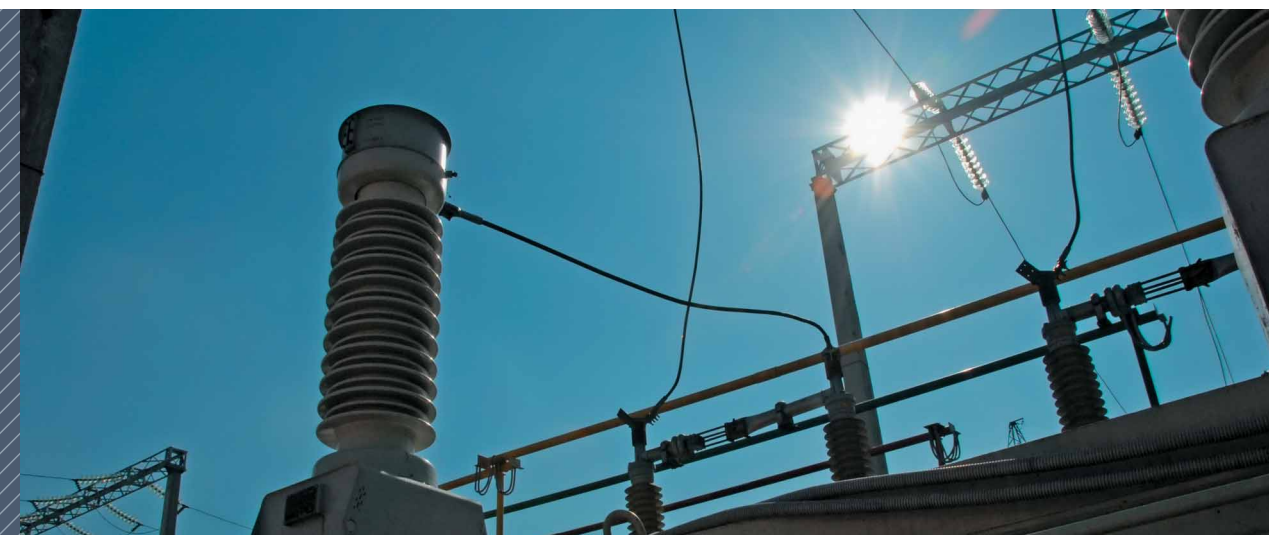
* Factual losses of electric power in 2009 are shown in comparable conditions to 2010, in other words without taking into account volumes for the branch of IDGC of the South, JSC — Volgogradenergo for "last mile" customers Volzhsky Abrasive Plant, JSC, and SUAL branch VgAZ SUAL, JSC, who signed direct contracts with FGC UES, JSC.

The increase in the level of losses of electric power as compared to 2009 in the Astrakhanenergo branch by 0.67% was caused by significant growth in electric power output to the branch's network in the 3rd quarter of 2010 (by 17% as compared with 2009), and, as a result, the according growth of the operating component of technological losses.

Exceeding the 2009 level of losses in 2010 by 0.20% in the Rostovenergo branch was connected with a transition starting from 01.07.2010 of the large "last mile" consumer Energoprom-NEZ, JSC (total volume of electricity consump-

tion of 340.0 mln kWh) to a direct contract for services with FGC UES, JSC.

The reason for exceeding the 2009 level of losses in 2010 in Kalmenergo by 1.15% was integration starting from 01.01.2010 of the distribution grids of the city of Lagan, from 01.02.2010 of the distribution grids of the city of Komsomolsky, from 01.03.2010 of the distribution grids of the city of Tsagan-Aman, and the town of Malie Derbety. As a result, along with losses in the branch's own distribution grids, there were also losses in integrated grids, including extra-norm losses, in 2010.



Fulfillment by the Company of the business plan as concerns the level of electric power losses for its transportation in 2010

Branch name	Plan for 2010		Fact for 2010		Change	
	mln kWh	%	mln kWh	%	mln kWh	%
Astrakhanenergo	646.9	17.50	690.6	18.17	+25.6	+0.67
Volgogradenergo	911.8	7.36	870.7	7.04	-39.5	-0.32
Rostovenergo	1,150.9	8.50	1,157.6	8.50	-0.2	0.00
Kalmenergo	101.2	21.78	99.3	20.83	-4.5	-0.95
TOTAL for IDGC of the South, JSC	2,810.8	9.35	2,818.2	9.31	-9.6	-0.04

The reason for greater factual losses of electric power in the network of the branch of IDGC of the South, JSC — Astrakhanenergo in 2010 than the approved losses in the business plan is expressed above.

Structure of the energy saving program

Target indicators taken by branches of IDGC of the South, JSC in 2010 in the field of energy saving and increasing energy efficiency in accordance with the programs:

- electric power losses;
- consumption of resources for economic needs;
- implementation of measuring of economic needs;
- implementation of tools for measuring electric power on the retail market.

Values of target indicators for 2010

Name of the branch of IDGC of the South, JSC	Electricity losses, %		Consumption of resources for economic needs, RUR mln with VAT		Implementation of measuring of economic needs, %		Implementation of tools for measuring electric power on the retail market, %	
	Plan	Fact	Plan	Fact	Plan	Fact	Plan	Fact
	Astrakhanenergo	17.50	18.17	63.86	56.28	100	100	51
Volgogradenergo	7.36	7.04	96.66	96.43	100	100	95.5	95.5
Kalmenergo	21.78	20.83	10.07	9.48	100	100	100	100
Rostovenergo	8.50	8.50	107.56	98.12	100	100	98	98

Fulfillment of the program of measures for energy saving

Operations for reducing electric power losses during transmission	Plan	Fact
Decrease in electric power losses, mln kWh	35.787	51.393
Effect achieved, RUR thou		78,077.4
Sales costs, RUR thou		246,533.4

Consumption of energy resources for production and economic needs (taking into account supply points to tenants)

№	Name	Unit of measurement	2010	
			Plan	Fact
1	Energy resources distributed on the basis of supply contracts (purchase and sale) Total	RUR thou	403,469.1	405,423.2
1.1	Electric power	RUR thou	183,064	179,766
		thou kWh	67,282	60,310
1.2	Thermal energy	RUR thou	13,108	13,219
		thou Gcal	42.3	42.4
1.3	Cold water	RUR thou.	8,192	8,444
		thou m ³	366	388
1.4	Hot water supplies	RUR thou	4,046	4,015
		thou m ³	53	52
1.5	Natural gas	RUR thou	3,181	2,988
		thou m ³	1,054	1,016
1.6	Petroleum (gasoline, diesel fuel)	RUR thou	191,878.1	196,991.2
		thou l.	9,593.9	9,849.5

Implementation of tools for measuring supply points for production and economic needs

The Company had 100% implementation of tools for measuring supply points of energy resources for production and economic needs in 2010.

Energy resource	Total supply points, units	Ensured measuring, units	Including those implemented in 2010, units
Supply points total	899	899	322
Electric power	568	568	242
Thermal power	30	30	11
Cold water supplies	257	257	60
Hot water supplies	10	10	1
Natural gas	34	34	8

Financial means for organizing measurement of energy resources (reclamation RUR thou without VAT): Astrakhanenergo — 425.25; Volgogradenergo — 1,981; Kalmenergo — 154; Rostovenergo — 1,220.12.

Operations for reducing electric power losses

IDGC of the South, JSC implements a number of measures aimed at optimizing (reducing) the level of electricity losses as one of its priority business directions. As a result of these measures conducted in 2010 the sum effect of losses of power to grids of IDGC of the South, JSC equaled 51.39 mln kWh.

Altogether for operations carried out at reducing commercial losses, the effect equaled 26.83 mln kWh. The reduction in technical losses thanks to fulfilling organizational operations equaled 16.10 mln kWh, thanks to technical measures —

3.96 mln kWh, and thanks to operations for improving the measurement system — 4.50 mln kWh.

The total economic effect from implementing operations at optimizing losses of electric power in 2010 equaled RUR 78.1 mln, while costs for implementing measures were RUR 246.5 mln., with a payback period of 3 years.

The factual effect from fulfilling the complex of measures for optimizing electric power losses equaled 144% of the planned value for 2010.

Main operations for reducing electricity losses in 2010 are shown in the table:

Operation name	Reduction of losses, mln kWh
Operations for reducing technical losses of electric power	20.064
Replacement of overhead electric lines	3.155
Replacing overladen/underused transformers	0.172
Turning off transformers at 2 transformer substations and at substations with seasonal loads	13.206
Balancing out phase loads in grids of 0.4 kV	1.128
Regulating reactive capacity in nodes of the distribution grid	0.581
Replacement of offshoots from OL 0.4 kV to buildings	0.056
Reducing the use of electricity for own needs of substations	1.766
Operations for improving the metering system	4.499
Operations for reducing commercial losses of electric power (finding unmetered electric power as the result of holding raids)	26.830

Under the program of operations for optimizing electric power losses in 2010, the Company implemented the following measures for modernization (improvement) of the system of electric power metering and fulfilling tasks for contracts for electric power distribution:

- Fulfillment of the Program for perspective development of metering systems of the retail electric power market. This Program was agreed on with IDGC Holding, JSC, and was approved at the Board of Directors meeting of IDGC of the South, JSC (Minutes №57/2010 dated 24.12.2010). More than 12,000 tools for commercial metering were implemented and replaced in 2010.
- Organization of the system of technical metering of electric power at energy centers of IDGCs. Additional points of technical metering were installed with the aim of making detailed analysis of the reasons for higher power losses, their localization, and preventing them. Altogether more than 45,600 metering devices were installed in 2010.
- Replacing offshoots of OL 0.4 kV to buildings. Over the course of 2010 a total of 7,037 units of offshoots of OL 0.4 kV to buildings were replaced, made with naked wire to an isolated self-holding wire (SHW). Altogether this operation led to a drop in electric power losses of 55,800 kWh in 2010.

- Lowering control indicators from metering stations of electric power. The personnel of IDGC of the South, JSC visits consumers each month to check the volumes of services provided for electricity transmission and takes control indicators from electricity meters installed in legal entities. Altogether more than 1.23 mln supply points have been installed by IDGC of the South, JSC in its operating zone for individual consumers, and more than 0.1 mln for legal entities. The IDGC fulfilled operations for taking meter readings with the following periodicity in 2010: for individual consumer — 1 time per quarter (more than 296,000 metering points per month); for legal entities — for meters at the consumer's property — 1 time per quarter (more than 36,000 meter points per month). The company conducted more than 3.9 mln checks of taking proper readings and the correctness of information provided for meter readings.
- Technical check of electricity metering complexes. Over the course of 2010 the company conducted technical (instrumental) checks of more than 398,000 metering complexes. These checks revealed unaccounted for electricity consumption (contractless and unmetered) for 57.1 mln kWh.

Information about acts made on unmetered electricity use

	Acts written		Included in useful output		Paid by power supply companies for electricity transmission
	units	Thou kWh	Units	Thou kWh	RUR thou
Total	5,690	32,880	5,355	26,830	32,984
For legal entities	1,176	25,489	1,079	20,403	26,019
For individuals	4,514	7,391	4,276	6,427	6,965

Information about acts made on contractless electricity consumption

	Acts written			Paid on acts		Claims made		Won in court	
	units	Thou kWh	RUR thou	Thou kWh	RUR thou	units	RUR thou	units	RUR thou
Total	2,595	24,181	61,159	13,456	35,043	576	44,901	237	18,785
For legal entities	932	16,450	45,560	10,364	29,373	128	27,799	53	11,612
For individuals	1,663	7,731	15,599	3,092	5,670	448	17,102	184	7,173

Revenue from the volume of electricity transmission services provided by IDGC of the South, JSC over grids of IDGC JSV for 2010 — 24 bln. 775 mln. rub. with VAT, including for the branches

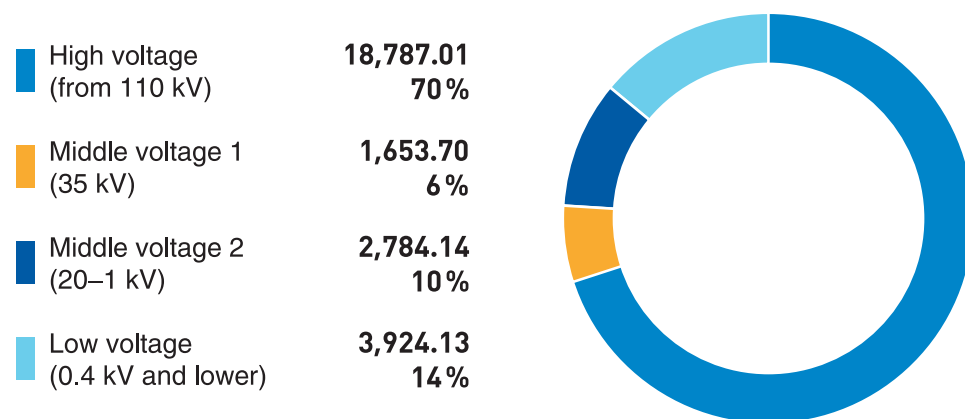
Branch name/ IDGC	Approved business plan			Fact		
	Volume of services provided, mln kWh	Revenue including VAT, RUR mln	Average tariff, without VAT, RUR/kWh	Volume of services provided, mln kWh	Revenue including VAT, RUR mln	Average tariff, without VAT, RUR/kWh
Astrakhanenergo	3,038.52	3,488.78	0.99	3,099.21	3,557.90	0.99
Volgogradenergo	11,284.27	9,504.96	0.73	11,362.78	9,480.41	0.72
Rostovenergo	12,260.76	11,293.08	0.79	12,309.64	11,151.52	0.78
Kalmenergo	363.41	566.09	1.34	377.35	585.07	1.33
TOTAL for IDGC	26,946.96	24,852.91	0.80	27,148.98	24,774.90	0.79

The decrease in revenue from electricity transmission services took place in the branches of IDGC of the South, JSC — Volgogradenergo and Rostovenergo was caused by the following reasons:

- a change in the structure of boiler useful output due to redistribution by voltage ranges with an increase in the share of the volume of output for the range with a lower boiler tariff;
- growth in useful output by adjacent grid companies, calculated for the individual tariff with a low rate for compensation of losses.

Revenue structure for electricity transmission services

Structure of revenue for electricity transmission services in 2010 in physical terms, mln kWh/%



That said the yearly change in revenue from electricity transmission services has a growth tendency:

Branch name	Revenue, RUR mln with VAT		
	2009	2010	%
Astrakhanenergo	2,711.8	3,557.9	31.2
Volgogradenergo	7,055.1	9,480.4	34.4
Rostovenergo	9,596.2	11,151.5	16.2
Kalmenergo	484.5	585.1	20.8
TOTAL for IDGC of the South, JSC	19,847.6	24,774.9	24.8

Growth in the cost of electricity transmission services in 2010 as compared with 2009 was caused by natural growth in tariffs.

Indebtedness of consumers before the grid company for providing electricity transmission services and indebtedness of grid company for purchasing electricity so as to compensate losses

The indebtedness of consumers before the grid company for providing electricity transmission services equaled RUR 6 bln. 945 mln. as of 31.12.2010, including disputable indebtedness of RUR 1 bln. 955 mln.

Growth by the end of the year equaled RUR 799 mln.

The largest share in the structure of accounts receivable belong to electric power sales companies and large consumers: Volgogradenergosbyt, JSC, Energosbyt Rostovenergo, LLC, Nizhnovatomenergosbyt, Central Power Sales Company, CJSC, VMES MUP, and VMZ Krasny Oktyabr, JSC.

The indebtedness of the grid company for purchasing electric power so as to compensate losses in 31.12.2010 amounted

to RUR 101 mln, which is lower than the value at the beginning of the year of RUR 179.8 mln.

In order to decrease accounts receivable and avoid violating contract conditions for payment by counterparties, the company is actively leading work at making claims in accordance with the "Regulation on the method for carrying out claim work" in IDGC of the South, JSC. The company is also conducting procedures for implementing a regime of limited electricity consumption.

Furthermore, the company is holding meetings with counterparties at solving the existing differences, as a result of which Minutes of conflict resolution are being signed. Otherwise conflicts are reviewed in court.

Comparative change in accounts receivable/payable of branches of IDGC of the South, JSC 2009–2010, RUR mln

Name of the branch/ IDGC	Accounts receivable				Accounts payable			
	Indebtedness of consumers for electricity transmission services at the beginning of 2010, RUR mln., including VAT		Indebtedness of consumers for electricity transmission services at the end of 2010, RUR mln., including VAT		Indebtedness of the grid company for purchasing electricity to compensate for losses at the beginning of 2010, RUR mln., including VAT		Indebtedness of the grid company for purchasing electricity to compensate for losses at the end of 2010, RUR mln., including VAT	
	Total	Including disputable	Total	Including disputable	Taken into account by the grid company	Not taken into account by the grid company (disputable losses)	Taken into account by the grid company	Not taken into account by the grid company (disputable losses)
Astrakhanenergo	644.9	195.6	414.5	195.6	18.3	287.3	-11.1	305.4
Volgogradenergo	3,826.9	2,294.6	4,330.5	1,591.6	185.7	989.2	80.0	1,010.9
Rostovenergo	1,460.3	548.8	1,879.2	168.0	64.2	46.5	15.3	114.5
Kalmenergo	214.4	0	320.9	0	12.7	0	16.9	0
TOTAL for IDGC of the South, JSC	6,146.5	3,038.9	6,945.1	1,955.2	280.9	1,323.0	101.12	1,430.8

Information on introducing partial and complete limitations on electricity consumption for consumers who didn't pay their bills on bids of energy sales companies

Power Sales Company (PSC)	Quantity of applications from PSC		Not fulfilled by the grid company									Annulment of PSC
	Fulfilled	units	units	Including due to				«dummy» trips of a brigade without fulfilling limitations			Units	
				Lack of technical capability of cut off	Objects related to the "List..." Appendix № 6 PP RF № 530 dated 31.08.2009	Lack of act of emergency defense	Connection to grids of other owners	total, units	Through the fault of the DGC	Through the fault of the PSC		
1	2	3	4	5	6	7	8	9	10	11	12	13
Volgogradenergosbyt, JSC	4,492	2,967	14	5	0	0	1	8	0	1	7	1,511
Rusenergosbyt, JSC	5	4	0	0	0	0	0	0	0	0	0	1
Wholesale Electricity Company	9	8	1	0	0	0	0	1	0	0	1	0
Branch of IDGC of the South, JSC — Volgogradenergo	4,506	2,979	15	5	0	0	1	9	0	1	8	1,512
Energosbyt Rostovenergo, JSC	2,919	1,337	68	6	0	0	23	39	0	3	36	1,514
Donenergosbyt, LLC	4	0	4	0	0	0	0	4	0	0	4	0
Nizhnovatomenergosbyt, JSC	4	0	4	0	0	0	0	4	0	0	4	0
Branch of IDGC of the South, JSC — Rostovenergo	2,927	1,337	76	6	0	0	23	47	0	3	44	1,514
Branch of IDGC of the South, JSC — Kalmenergo	6,363	1,306	0	0	0	0	0	0	0	0	0	5,057
Branch of IDGC of the South, JSC — Astrakhanenergo	8,707	5,575	334	10	0	0	30	294	41	65	188	2,798
IDGC of the South, JSC	22,503	11,197	425	21	0	0	54	350	41	69	240	10,881

Payments by contract of sales services of FGC UES, JSC

The Company received services for a sum of 5,934 mln rubles including VAT in 2010 by contract for providing electric power from the unified national (all-Russian) electric grid of FGC UES, JSC, including for "last mile" objects of RUR 1,002 mln.

Due to lack of payment by energy sales companies and other consumers for electricity transmission services before IDGC of the South, JSC, the latter doesn't have the possibility to fulfill its contract liabilities in the full degree before FGC UES, JSC: as of 31.12.2010 indebtedness equaled RUR 2,880 mln.

Particularities of RAB-regulation

The transition to RAB-regulation is called for by the following normative legal acts:

- Federal law "On electric power" dated 26.03.2003 № 35-FZ;
- "Bases for price setting as concerns thermal and electric power", approved by Decree of the Government of the Russian Federation dated 26.02.2004 № 109;
- Methodological Instructions for setting tariffs using the RAB method, approved by Decree of the Federal Tariff Service of Russia dated 26.06.2008 № 231-э;
- The method of reconciliation of proposals of executive power bodies of subjects of the Russian Federation by the Federal Tariff Service in the field of regulating tariffs concerning the transition to tariff regulation using the RAB method, as well as decisions on prolonging the term of validity of the first three-year long-term period of regulation, approved by Decree of the Federal Tariff Service dated 18.08.2010 № 183-э/1.

Branch of IDGC of the South, JSC — Kalmenergo transferred to RAB from 01.01.2011. The long-term parameters of regulation for a five-year period (2011–2015) were approved.

Branch of IDGC of the South, JSC — Volgogradenergo: The Management of Regional Tariffs of the Volgogradskaya Oblast took a decision on regulation for 2011–2013 using the method of long-term indexation.

Main reasons for taking decisions in favor of indexation:

- significant growth in tariffs for electricity transmission services in 2010 (the tariff increased by 2.2 times for several levels of tariff voltage);
- lack of a regional integrated program reflecting the need for investment development of the Volgogradskaya Oblast.

Branch of IDGC of the South, JSC — Rostovenergo: the management board of the Russian Federal Tariff Service agreed on 21.12.2010 to prolong the first long-term period of regulation for

Information on tariffs for electricity transmission services

In accordance with the existing legislation of the Russian Federation, the tariff for electricity transmission services is set by executive power bodies of subjects of the Russian Federation in the field of state regulation of tariffs in each region. There was a single (boiler) method of calculating tariffs for electricity transmission services in 2010 in all subjects of the Russian Federation.

The particularity of the "boiler" tariff is that transmission of electric power is done under a single tariff for all consumers (energy sales companies and guaranteed suppliers) of one voltage class regardless of which companies' grids these consumers are connected too.

the Rostovenergo branch until 2013. The Regional Tariff Service of the Rostovskaya Oblast took the according tariff decisions on prolonging the first long-term period of regulation for the Rostovenergo branch until 2013.

Branch of IDGC of the South, JSC — Astrakhanenergo: in 2010 the Tariff Service of Astrakhanskaya Oblast did not take a decision on prolonging the term of regulation using the RAB method. This decision can be taken in 2011, otherwise starting from 2012 there will be a second long-term period of regulation.

Information on tariffs for electricity transmission tariffs of IDGC of the South, JSC is given in Appendix № 5.

The following work was done with regard to fulfillment by IDGC of the South, JSC of the authority of the singular executive body of Kubanenergo, JSC over the course of 2010:

- The question of preparation, direction and monitoring in the FTS of the RF of statements by Kubanenergo, JSC about disputes with the Regional Electricity Commission DCT KK was overseen. Four statements on disputes were made to the FTS of Russia in 2010:
 - statement of dispute over cost items;
 - statement of eliminating tariff decisions (including the tariff for buying losses of the rate of cross subsidizing);
 - statement on annulling the tariff decision (not getting the necessary gross revenue (NGR) at approved parameters of electricity, capacity and tariffs);
 - statement of pre-court examination of the dispute (unjustified inclusion in NGR of NESK-Electric Grids, JSC, and, likewise, into individual, boiler, and final tariffs of development means from profit).

By Decree of the FTS of Russia dated 01.06.2010 № 192-д on the statement of pre-court examination of the dispute, the unified (boiler) tariffs for electricity transmission services were annulled, as was the individual tariff for services for electric power transmission for mutual payments between NESK-Electric Grids, JSC, and Kubanenergo, JSC.

By Decree of the Regional Electricity Commission DCT KK dated 15.06.2010 № 16/2010-э, tariffs for electricity transmission services were set with their introduction into validity from 01.07.2010 without changes.

As a result two statements on pre-court examination of the dispute were sent to the FTS of Russia and taken for examination: on cost items and not getting NGR.

Later on the above-mentioned statements were called back from the FTS of Russia due to agreement being reached between Regional Electricity Commission DCT KK and Kubanenergo, JSC on compensating revenue lost.

- Accompanying the question of reconciling long-term parameters of the transition of Kubanenergo, JSC to the RAB method in the Ministry of Energy of Russia, IDGC Holding, JSC, and partially in Regional Electricity Commission DCT KK, as well as plans for implementing services for selling electricity transmission services for 2010–2011. The result of this work was that the Regional Electricity

Commission DCT KK sent statements on 13.10.2010 to the FTS of Russia on the transition of Kubanenergo, JSC from 01.01.2011 to regulation of tariffs using an RAB method.

- Development of a united concept for forming a tariff case for technological connections in 2011 (Decree of IDGC of the South, JSC dated 25.06.2010 № 212). The reconciled materials were sent to the Regional Electricity Commission DCT KK as part of the Statement "On opening a tariff case for setting payment for technological connection and (or) the amount of standardized tariff rates for grids of Kubanenergo, JSC, № КЭ/1200/1989 dated 01.11.2010.
- Interaction on a constant basis with the Federal Tariff Service of Russia and Regional Energy Commissions — the department of prices and tariffs of the Krasnodar Territory for forming and defending the balance of electric power and capacity, preparation, fulfillment and accompaniment of an individual opinion of Kubanenergo, JSC on the justification of losses included in the necessary gross revenue for 2011.

Forecasting of production results in 2011

Electric power output to the network of IDGC of the South, JSC in 2011

In accordance with the Production Program of IDGC of the South, JSC for 2011, output of electric power to the grids of branches of IDGC of the South, JSC was planned in an amount of 29,593.3 mln kWh, which is 2.2% or 666.6 mln kWh less than was output to grids in 2010.

The reason for this loss of output of electric power to the grids of IDGC of the South, JSC was that the following counteragents were excluded from the list of consumers of services provided by the Volgogradenergo branch — Wholesale Electricity

Company, JSC with a volume of electricity consumption of 168.3 mln kWh, Rusenergosbyt, LLC with a volume of 295.6 mln kWh, and Rusenergoresource, LLC with a volume of 103.9 mln kWh.

Furthermore, the following counteragents were excluded from the list of consumers of the branch of IDGC of the South, JSC — Rostovenergo: Energoprom-NEZ, JSC with a volume of electricity consumption of 340.0 mln kWh, Rusenergosbyt, LLC with a volume of 381.9 mln kWh, and Rusenergoresource, LLC with a volume of 48.1 mln kWh. The reason for excluding these companies is the transition by these companies in 2011 to direct contracts for services with FGC UES, JSC.

Main indicators of the Production Program of IDGC of the South, JSC

Indicator	Measuring unit	Fact 2010	Forecast for 2011	Deviation from fact	
				mln kWh	%
Accepted to the network of IDGC of the South, JSC	mln kWh	30,259.9	29,593.3	-666.6	-2.20
Losses of IDGC of the South, JSC	mln kWh	2,818.2	2,807.7	-10.6	—
	%	9.31 %	9.49 %	—	+0.18
Useful output	mln kWh	27,441.6	26,785.6	-656.0	-2.38

Level of electric power losses for its transportation in 2011

The level of electric power losses for its transportation in 2011 is planned to be 2,807.7 mln kWh or 9.49% of electricity output to grids, which is lower than the level of factual losses in 2010 by 10.6 mln kWh, but is higher in relative units by 0.18%.

The reason for growth in electricity losses in comparative units in 2011 is that "last mile" contracts with counteragents were annulled.

When providing "last mile" electricity transmission services, losses of electric power for its transportation doesn't taken place, thus the exclusion in 2011 from electric power output to the network of IDGC of the South, JSC of power consumption by the above-mentioned counteragents listed in point 1 for a total volume of 1,337.8 mln kWh leads to growth in losses in comparative units.

In the case that the structure of electricity output to the network is kept in 2011 analogous to that of 2010, then the planned electricity losses would be 9.08%.

Indicators of business activity for technological connections to electric grids of the Company

In order to solve questions of technological connection of electric power installations of consumers to electric grids of branches of IDGC of the South, JSC, a department of technological connection has been established in the executive apparatus of the Company, made up of two divisions: a division of management of technological connections and a division of management of the economy of technological connections.

Obligations for construction or reconstruction of electric grids which are needed for fulfilling the conditions of technological connection contracts are fulfilled by IDGC of the South by attracting contractors. The functions of technical supervision over the construction and reconstruction of electrical grids by contracting organizations is done by the department of capital construction of IDGC of the South, JSC. General management over questions of technological connection is undertaken by the deputy general director for development and fulfillment of services of IDGC of the South, JSC.

Applications for technological connection are taken by the executive apparatus of branches of the Company and in the Centers for Servicing Industrial Clients of electric grids of the branches of IDGC of the South, JSC.

Revenue

Revenue from sales of electricity transmission services through the grids of the South, JSC for 2011 is planned to be RUR23,879.9 mln (minus the cost of load losses taken into account in wholesale market prices) under a forecasted volume of boiler useful output equal to 26,478.4 mln kWh.

Boiler useful output for 2011 is planned taking into account the exclusion of Rusenergosbyt, LLC and Rusenergoresource, LLC for connection to the grids of the UNEG in relation to which these counteragents signed direct contracts with FGC UES, JSC.

Contact persons:

Olga Petrovna Samarchenko, Head of the Department of Electricity Transportation.

tel. (861) 279-86-55, e-mail: samarchenkoop@mnsk-yuga.ru.

Irina Nikolaevna Trigubova, Head of the Department of Tariff Setting.

tel. (861) 279-85-88, e-mail: trigubovain@mnsk-yuga.ru.

The main normative documents regulating the Company's activity for technological connection of energy-accepting installations (energy installations) of legal entities and individual persons to the electrical grids of IDGC of the South, JSC, are:

- Federal law dated March 26, 2003, №35-FZ "On Electric Power" (with changes and amendments).
- Federal law dated April 14, 1995, №41-FZ "On state regulation of tariffs for electric and thermal power in the Russian Federation (with changes and amendments).
- Decree of the Government of the Russian Federation dated December 27, 2004 №861 "On approving the Rules for non-discriminate access to electricity transmission services and providing these services, the Rules for non-discriminate access to services for operative-dispatcher services in the electric power sector, the Rules for non-discriminate access to services of the administrator of the trade system of the wholesale market and providing these services, and the Rules for technological connection of energy-accepting installations of consumers of electric power, objects of electric power production, as well as objects of electric grid business

belonging to power grid organizations and other entities, to electric grids (with changes and amendments).

- Decree of the Russian Government dated August 31, 2006 №530 "On approving the rules of functioning of retail electricity markets in the transition period of electricity reform (with changes and amendments).
- Decree of the Federal Tariff Service dated August 21, 2009 №201-э/1 "On approving the methodological instructions for determining the amount of payment for technological connection to electric grids (with changes and amendments).
- Decree of the Russian Government dated February 26, 2004, №109 "On price-setting in relation to electric and thermal energy in the Russian Federation" (with changes and amendments).
- Decree of the Russian Government dated February 13, 2006 №83 "On approving the rules for determining and providing technical conditions for connection of objects of capital construction to engineering-technical grids" (with changes and amendments).

Information on tariffs for technological connection

In accordance with the acting legislation of the Russian Federation, payment for technological connection is set by regulating bodies in each subject of the Russian Federation.

Considering that there is no single policy for payment and the method of setting rates for technological connection, as well as criteria for differentiating tariffs, there were various payments for technological connection in terms of form in the Company branches in 2010.

In certain situations, provided for by the acting legislation of the Russian Federation, the bodies of executive power of subjects of the Russian Federation in the field of state tariff regulation set payment for technological connection by individual project for Applicants connecting to the Company's network.

For the branch of IDGC of the South, JSC — Rostovenergo there was a payment rate that took into account an investment component, with differentiation of the rate by voltage level and territorial location.

For the branch of IDGC of the South, JSC — Astrakhanenergo there was a payment rate without an investment com-

- Decree of the Russian Government dated 21.01.2004 №24 (in its current edition) "On approving the standards for disclosing information by subjects of the wholesale and retail electric power markets".
- Decree of the Russian Government dated 28.09.2010 №764 "On approving the Rules for fulfilling control over compliance by subjects of natural monopolies to standards for disclosing information".
- Decree of the Russian Government dated 01.12.2009 №977 "On investment programs for electric power subjects".
- Decree of the Russian Government dated 17.10.2009 №823 "On methods and programs of perspective development of the electric power sector".

The full list of normative documents which regulate the activity of technical connection are available in open access on the Company's corporate website in the Internet at the address: www.mnsk-yuga.ru.

ponent, with differentiation of the rate by voltage level and the volume of electric capacity needed for the applicant.

For the branch of IDGC of the South, JSC — Volgogradenergo there was a payment rate that both took into account and did not take account an investment component, with differentiation of the rate by territory, by voltage level, and by total territorial capacity.

For the branch of IDGC of the South, JSC — Kalmenergo there was a payment rate without an investment component, with differentiation by voltage level and for two categories of consumers.

Technological connection of energy-accepting installations of the applicant under an individual project was done for all branches of IDGC of the South, JSC in 2010.

Information about applications to regulatory bodies in the reporting year 2010 and for 2011 for volumes and tariffs for technological connection, as well as tariffs for technological connection to electric grids set by regulatory bodies is given in Appendix №6 to this report.

Information about volume of demand for technological connection and the level of satisfaction of this demand (given in Appendix №6)

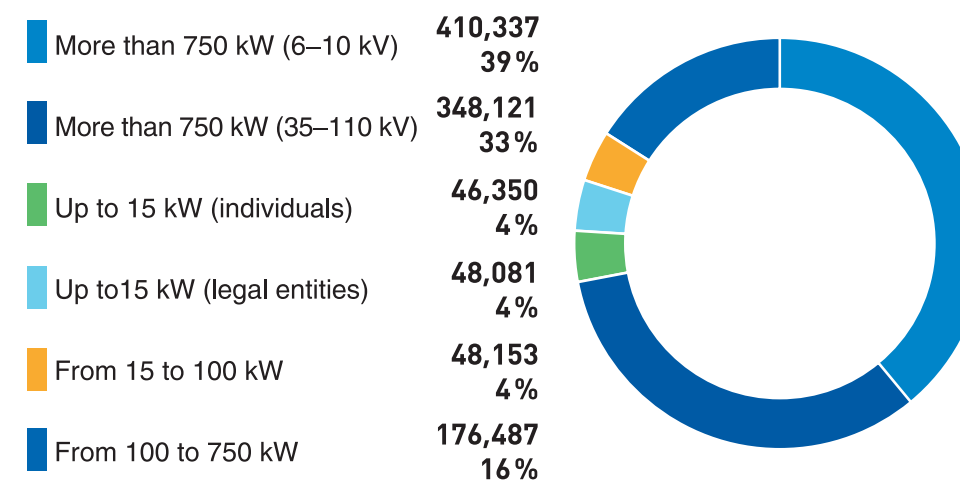
The Company accepted 14,456 applications in 2010 (without taking generating objects into consideration) for technological connections to electric grids of IDGC of the South, JSC for a total capacity of 993,928.27 kW. As a result 10,116 contracts for technological connection for a total capacity of 294,105.11 kWh were signed. A total of 5,971 connections for a total capacity of 166,674.59 kWh were made.

Analysis of the structure of applications by sector, capacity, and voltage class

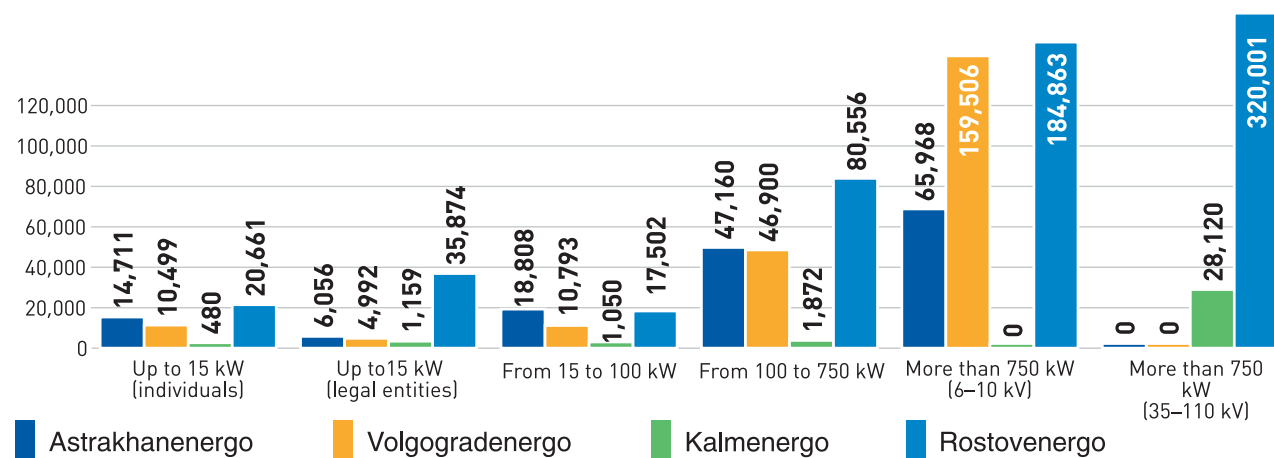
Structure of applications by capacity and voltage classes

Applicant category	Quantity of applications for TC (taken for processing) taking into account generating objects									
	Branch of IDGC of the South, JSC — Astrakhanenergo		Branch of IDGC of the South, JSC — Volgogradenergo		Branch of IDGC of the South, JSC — Kalmenergo		Branch of IDGC of the South, JSC — Rostovenergo		IDGC of the South, JSC	
	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh
Up to 15 kW (individuals)	2,504	14,711.00	1,377	10,499.05	90	479.60	2,456	20,660.56	6,427	46,350.21
Up to 15 kW (legal entities)	954	6,055.70	695	4,991.96	169	1,158.61	4,442	35,874.33	6,260	48,080.60
From 15 to 100 kW	394	18,807.86	233	10,793.38	23	1,049.53	349	17,501.77	999	48,152.54
From 100 to 750 kW	180	47,159.50	151	46,899.79	8	1,872.00	286	80,555.51	625	176,486.80
More than 750 kW (6-10 kV)	24	65,968.49	35	159,506.00	0	0.00	73	184,862.57	132	410,337.06
More than 750 kW (35-110 kV)	0	0.00	0	0.00	3	28,120.00	13	320,001.06	16	348,121.06
TOTAL	4,056	152,702.55	2,491	232,690.18	293	32,679.74	7,619	659,455.80	14,459	1,077,528.27

Structure of applications to IDGC of the South, JSC by capacity, voltage class and range of capacity connected, kW / %



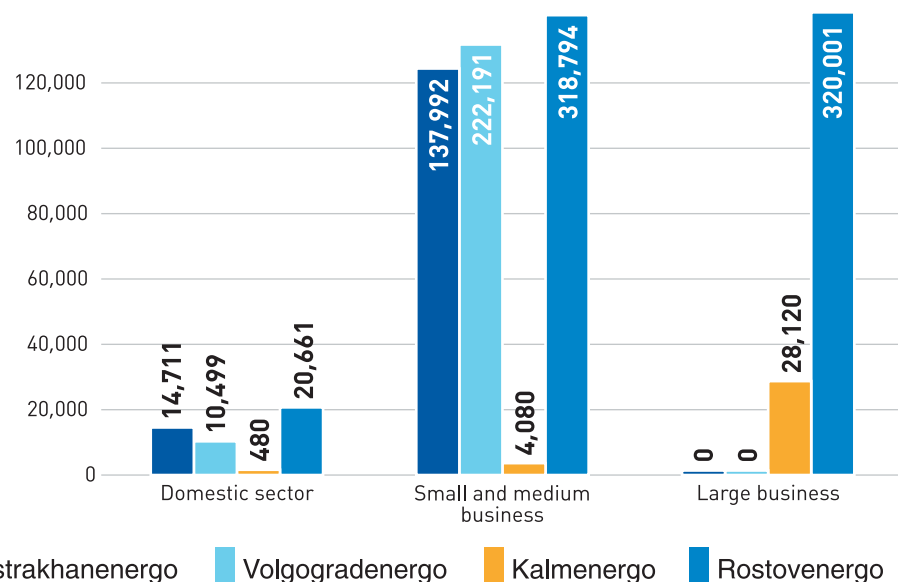
Change in capacity applied for by connection category by branch of IDGC of the South, JSC in the 2010 reporting year, kW



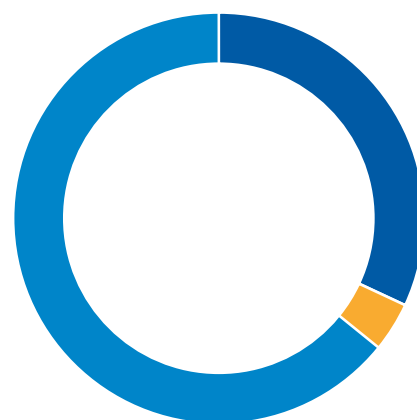
Structure of applications by business type

Applicant category	Quantity of applications for TC (taken for processing) taking into account generating objects									
	Branch of IDGC of the South, JSC — Astrakhanenergo		Branch of IDGC of the South, JSC — Volgogradenergo		Branch of IDGC of the South, JSC — Kalmenergo		Branch of IDGC of the South, JSC — Rostovenergo		IDGC of the South, JSC	
	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh
Domestic sector	2,504	14,711.00	1,377	10,499.05	90	479.60	2,456	20,660.56	6,427	46,350.21
Small and medium business	1,552	137,991.55	1,114	222,191.13	200	4,080.14	5,150	318,794.18	8,016	683,057.00
Large business	0	0.00	0	0.00	3	28,120.00	13	320,001.06	16	348,121.06
TOTAL	4,056	152,702.55	2,491	232,690.18	293	32,679.74	7,619	659,455.80	14,459	1,077,528.27

Change in capacity applied for by business type by branch of IDGC of the South, JSC in the 2010 reporting year, kW



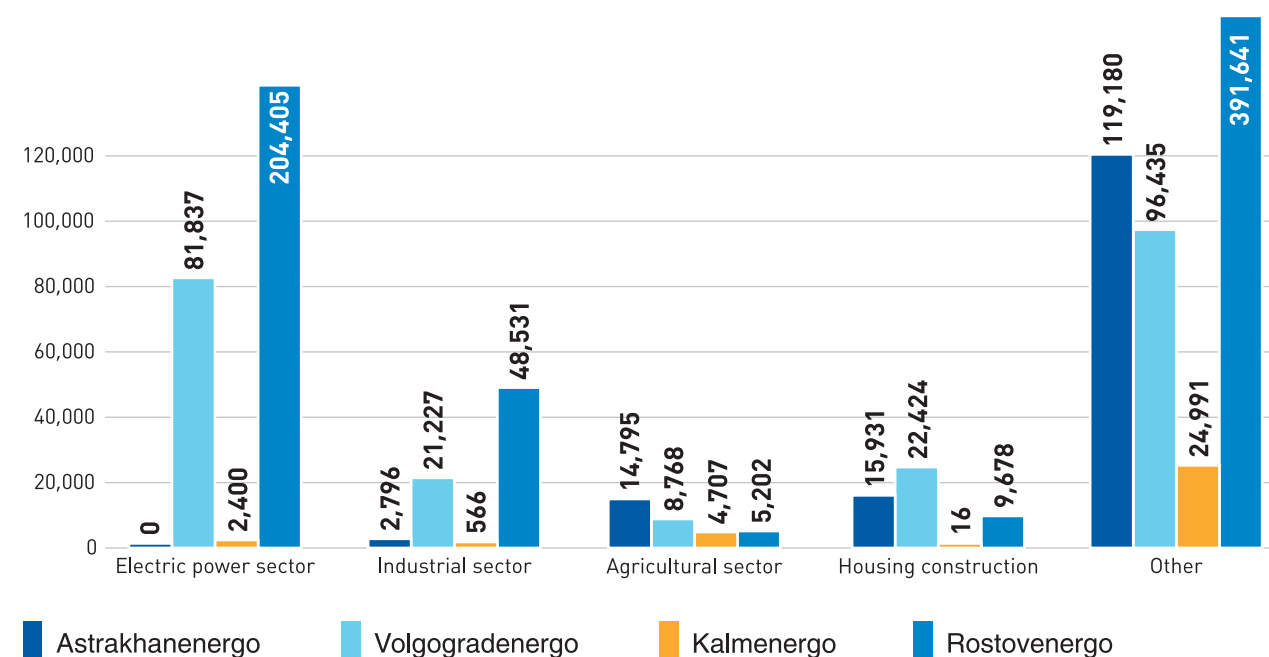
Structure of capacity applied for from IDGC of the South, JSC by business type, kW / %



Structure of applications by sector

Applicant category	Quantity of applications for TC (taken for processing) taking into account generating objects									
	Branch of IDGC of the South, JSC — Astrakhanenergo		Branch of IDGC of the South, JSC — Volgogradenergo		Branch of IDGC of the South, JSC — Kalmenergo		Branch of IDGC of the South, JSC — Rostovenergo		IDGC of the South, JSC	
	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh	units	For total capacity (N) kWh
Electric power sector	0	0.00	46	81,837.19	1	2,400.00	718	204,404.60	765	288,641.79
Industrial sector	20	2,796.00	41	21,226.60	8	566.00	44	48,530.95	113	73,119.55
Agricultural sector	93	14,795.00	68	8,767.60	49	4,707.00	96	5,201.63	306	33,471.23
Housing construction	52	15,931.34	49	24,424.00	1	16.00	52	9,677.60	154	50,048.94
Other	3,891	119,180.21	2,287	96,434.79	234	24,990.74	6,709	391,641.02	13,121	632,246.76
TOTAL	4,056	152,702.55	2,491	232,690.18	293	32,679.74	7,619	659,455.80	14,459	1,077,528.27

Correlation of capacity applied for by sector for branches of IDGC of the South, JSC in 2010, kW



Technological connection to electric grids of Kubanenergo, JSC

A total of 21,123 applications for technical connection to the electric grids of Kubanenergo, JSC (taking into account generating objects) were accepted over 11 months of 2010 for a total capacity of 1,946,348 kW. A total of 15,788 contracts for technical connection for a total capacity of 696,085 kW were reached. A total of 8,616 connections for a total capacity of 130,296 kW were implemented.

Contact person:

Vladimir Vladimirovich Shtokaylo, Head of the Department of Technological Connection.
tel. (861) 279-86-44, e-mail: shtokaylov@mrsk-yuga.ru.

Repair-operational activity of IDGC of the South, JSC

Results of implementing repair programs in the branches of IDGC of the South, JSC

Repairs of electric grid equipment were fulfilled to the full degree in 2010 by IDGC of the South, JSC and made up 102% of the cost plan.

In natural terms fulfillment of the repair program by groups of electrical equipment equaled:

- Repairs of OL 35–220 kV — 3,559.4 km (114% of the plan);
- Repairs of SS 35–220 kV — 170 units (100% of the plan);
- Repairs of OL 0.38–10 kV — 11,482.7 km (104% of the plan);
- Repairs of CL 0.38–220 kV — 37.1 km (154% of the plan).

Total expenditures on capital repairs of electric grids for 2010 equaled RUR675.5 mln, including for main directions:

- Repairs of OL 35–220 kV — RUR61.5 mln.;
- Repairs of equipment at SS 35–220 kV — RUR151.1 mln.;
- Repairs of electric grids 0.38–10 kV — RUR284.5 mln.;
- Repairs of CL 0.38–220 kV — RUR29.6 mln.

Costs for repairs of electric grids using domestic means and contractors equaled RUR675.5 mln. with a plan of RUR665.3 mln., including by type of repair:

- contractor — RUR142.5 mln with a plan of RUR173.9 mln;
- domestic means — RUR533 mln with a plan of RUR491.4 mln.

Analysis of fulfillment of the program for capital repairs of electric grids of IDGC of the South, JSC compared to 2009

Fulfillment of the program for capital repairs of electric grids is given in the table:

Equipment	Unit of measure	2009			2010		
		Plan	Fact	Fulfillment, %	Plan	Fact	Fulfillment, %
Integrated repairs of SS 35-220 kV	unit	166	166	100	170	170	100
Repairs of OL 35-220 kV	km	3,768	3,935	104	3,135	3,559	114
Repairs of OL 0,38-10 kV	km	10,384	10,824	104	11,014	11,483	104
Repairs of CL 0,38-220 kV	km	86	92	107	25	37	148
Repairs of TP6-10/0.4 kV	unit	3,467	3,983	115	3,575	4,031	113

Main approaches used by IDGC of the South, JSC to form programs of equipment repairs

In order to perfect and increase the quality of repair-operational maintenance of electric grids and reducing the quantity and period of time of shutting down elements of grids, the Company intends to continue the following measures in 2011:

- reducing the down time of equipment and raising the quality of repairs;
- using modern technologies;
- using new equipment, appliances and materials of higher quality and reliability;
- using modern methods of testing and diagnostics when making repairs.

The Company will continue its work at implementing an integrated system of management of company resources (ISMCR) in 2011 on the platform of an SAP program. This program makes it possible to make the process of planning and repair-operating activity more automatic.

As part of formation of the system for asset management on the base of components of the PM module "Technological Maintenance and Repairs of Equipment" in the ISMCR of IDGC of the South, JSC, the following operations were conducted in 2010:

- "Methodological instructions for evaluating the reliability of electricity grid equipment" on the territory of IDGC of the South, JSC, as approved by decree of IDGC Holding, JSC dated 28.07.2010 № 312.
- A structural subdivision was formed which is responsible for organizing and fulfilling works for implementing a system of management of electricity grid assets.
- A plan-schedule of introduction into industrial use of the functions of the system which ensure data collection and assessment of the technical state of electricity grid equipment as per the Methodological instructions, which call for implementing operations in several stages, including:
 - introducing into industrial use the functionality "Metering (checks, diagnostics) and assessment of technical state" for all groups of equipment;
 - implementation of the functionality "Metering and analysis of shut downs", "Passportization of equipment for RZA and PA, metrological means and other equipment of electricity grids", "Risk calculation", and "Likelihood of shut downs".

The group of operations at introducing into industrial use of the functions of the system which ensure data collection and assessment of the technical state of electricity grid equipment as part of ISMCR on the platform of an SAP program is planned to be finished in 2012.

Increasing the reliability of electricity grids of IDGC of the South, JSC

Repairs of the Company's main production assets were carried out in 2010 in order to increase the reliability of the work of the energy system and energy supplies of IDGC of the South, JSC. Technical maintenance, diagnostics, and testing of electricity equipment was done in the required amount.

The Company fulfilled a series of operations for ensuring reliable and accident-free work of its electric grids, including:

- anti-flooding operations;
- operations for preparing equipment for the lightning storm season;
- operations for the fire hazardous period;
- operations for preparing electricity grids for work in the fall-winter period;
- operations for preparing the grid for work in extreme high and low outside temperatures.

The staff of the Technical Board of IDGC of the South, JSC was approved by decree of IDGC of the South, JSC dated 25.07.2008 № 167.

The Technical Board was created to solve the following tasks:

- designing the main principles of the formation and mechanisms for practical implementation of the technical policy of IDGC of the South, JSC;
- improving the quality of use and repairs of main production assets;
- increasing the reliability of the work of equipment and professional activity of personnel;
- decrease in accident risk;
- optimization of schemes of perspective development of energy equipment;
- determining the priority directions of scientific research and developments, including taking decisions on holding trial testing of new types of electricity technical equipment;
- conducting due diligence of applications for fulfilling scientific research and design work, and appraisal of the results of R&D.

There were 13 meetings held by the technical board of IDGC of the South, JSC in 2010.

The main directions for increasing reliability are determined with the aim of gradually updating the main production assets of the Company in accordance with the annual decree of IDGC of the South, JSC № 1. Furthermore, work is done on development of the Integrated programs for increasing reliability and effectiveness of the work of the distribution grid complex, including the:

- Program for reliability of the work of equipment, including:
 - replacing old circuit breakers 6–10 kV with vacuum ones at SS 35–110 kV;
 - replacing OD-KZ 35–110 kV with gas-insulated (vacuum) circuit breakers;

- replacing shackle insulators 110 kV;
- implementing self-supporting insulated wire;
- reconstructing operative blocking systems;
- operations for fighting against the formation of ice and snow.

The Company plans to approve the concept for forming production programs in 2011, the implementation of which will make it possible to significantly lower deterioration of electric equipment.

- Program for increasing the reliability of the work of means of dispatcher technological management, relay defense, anti-accident automatics, communications, and control and metering of electricity, including:
 - technical re-equipment and reconstruction of RZA facilities;
 - remote control, automation and modernization of electric grid objects of the branches of IDGC of the South, JSC (including the ASDTY system of telecommunications);
 - replacement of measuring transformers of current and voltage 35–110 kV;
 - replacement of measuring transformers of current and voltage of 6–10 kV.
- Operations at fulfilling the instructions of state and corporate supervisory bodies, and acts of investigation of technological violations in the work of the branches of IDGC of the South, JSC, as well as deviation from the requirements of normative-technical and directive documents of IDGC of the South, JSC (branches of IDGC of the South, JSC).
- Operations for increasing the fire safety of energy equipment, buildings, and constructions.
- Plan for equipment repairs.
- Program for improving professional activity, ensuring safety and preventing injury to personnel.
- Program of operations for increasing ecological safety in the distribution grid complex.

There were no accidents in 2010 which fall under p.2.1 "Instructions for investigating and accounting for technological violations in the work of energy systems, power plants, boiler rooms, and electricity and thermal grids" (RD 34.20.801-2000), approved by the Ministry of Energy of the Russian Federation 29.12.2000, just as in 2009, in the branches of IDGC of the South, JSC.

There are repair brigades in the production divisions of branches of IDGC of the South, JSC which are supplied with material-technical resources, and are ready for conducting accident-reconstruction works. Trainings were held together with subdivisions of the Russian Emergency Situations Ministry in the regions, and agreements on cooperation and mutual informing

when solving tasks for preventing and liquidating emergency situations were also reached.

Furthermore, for operative liquidation of the consequences of natural disasters, 8 mobile brigades have been formed in IDGC of the South, JSC, and agreements have been reached with key contractor organizations on their participation in accident-reconstruction works.

Checks of the preparation of accident reserves were made in all branches of IDGC of the South, JSC as part of preparations for the fall-winter period as per approved lists. The accident reserve has been formed 100%.

Development of the communications network and information technologies

Characteristics of the current state of informational-telecommunications infrastructure of IDGC of the South, JSC

IDGC of the South, JSC pays significant attention to development of communications networks and information technologies.

The current level of automation of the Company makes it possible to solve the tasks before the Company overall.

In order to automate financial activity of IDGC of the South, JSC, configuration of the 1C software is used — Company 8.1 Production Company Management. The Company expanded the configuration of the system in 2010, and implemented the functionality “Centralized Treasury”.

The company implemented the IS-U module into industrial use in 2010 on the base of SAP software as concerns calculating useful electricity output to legal entities.

Contact persons:

Sergey Nikolayevich Frolov, Head of the Department of Operation and Repair.
tel. (861) 279-84-77; e-mail: frolovsn@mrsk-yuga.ru.

Sergey Anatolyevich Sysoev, Head of the Department of Operative-Technological Management.
tel. (861) 279-84-99, e-mail: sysoevsa@mrsk-yuga.ru.

Communications means and telemechanics are a main part of the infrastructure of the branches of IDGC of the South, JSC, and are meant to be used for fulfilling operative-dispatcher, technological, organizational-economic, and administrative-economical management of the work of the energy system.

The basis of the informational space of branches of IDGC of the South, JSC is made up of main digital communications lines, fiber-optic and cable communications lines, compact analogous and digital apparatuses with digital commutation, high frequency communications channels for overhead lines and radio stations of various types.

Principles of information systems and IT infrastructure construction

Specialists of the Information Technologies Department use the following principles when selecting and implementing hardware and software of the corporate information system complexes:

- **safety** — protection of the Company executive body information resources from unauthorized access;
- **accessibility** — constant and uninterrupted access to information resources of the Company executive body;

- **reliability** — reserve copying and information resources disaster recovery of the Company executive body;
- **convenience** — introduction and use of new technologies for convenient work with information resources, fast search of the necessary information and its self descriptiveness;
- **integrity** — “seamless” integration of the hardware and software complex into the IT Infrastructure. Conformity to the existing IT Infrastructure development concept.

Most significant results of information technologies and telecommunications development in 2010

Under execution of the project “Development of the complex integrated resource management system (CIRMS) based on SAP AG software”, the following works were organized in 2010:

As part of the automation of process for management of electricity transportation services on the base of the IS-U module of SAP AG software works were conducted at introducing data on

legal entities and individual clients, their metering points and the connection of metering points to the topology of the networks of technical spaces PM (TOPO) (from hereon — TS). Information on legal entities was entered completely, and is supported in its current state, with monthly calculations of volumes of useful electric power output. Works for individual clients were fulfilled by 80%.

Automation of equipment repair and maintenance processes based on the SAP AG PM (TOPO) module software: actualization of the structure of technical places was conducted. Furthermore, test operation was held in the Dubovsky RES of functionality for metering shut downs which is planned to be purchased.

In 2010 IDGC of the South, JSC conducted licensing of the software Microsoft Enterprise Agreement Subscription.

Implementation and functioning of the system of electronic documentation (SED) was continued IDGC of the South, JSC in 2010.

Improvements to the functionality of the SED were implemented in the reporting year as per used proposals.

Office workers were taught the new functions of the SEC in March — April 2010, and employees of the structural subdivisions of the executive apparatus of IDGC of the South, JSC were taught how to work with the “Contracts” module in the SED.

In order to increase the efficiency and reliability of aggregate reporting for financial activity, preparatory works for creating aggregate data bases (from hereon — DB) of financial and tax accounting were conducted:

- Work on centralizing the 1C: Accounting reference guides was completed, while the reference guides 1C: Salary and Personnel were partially centralized;
- Operations for expanding the information base for keeping normative-reference information (from hereon — NRI) were implemented by adding the currently centralized reference guides 1C: Salary and Personnel and setting automatic data exchange between information bases NRI — 1C: Salary and Personnel of the management apparatus and all production departments;
- An exchange was made between 1C: Salary and Personnel, NRI, and 1C: Accounting for common centralized reference guides.

The Regulations for interaction when forming, fulfilling and controlling execution of the investment program of IDGC of the South, JSC were approved (decree of IDGC of the South, JSC №258 dated 29.07.2010). Under works for actualization of data and supporting data on investment programs in an updated state, additional training of employees in ERP “Primavera” was conducted in 2010 for those who work in this system.

Calendar-activity schedules of works for projects which were included in the investment program in 2010 were included in the Enterprise Resource Planning system. Factual data for procedures held for tendered contracts are constantly updated, as are data on contracts signed and works fulfilled as per the calendar-activity schedule.

The pilot project for “Development and Implementation of the Automated Management System of support for IT-services on the base of BMC Remedy software was started with the aim of increasing the efficiency of management of IT services in IDGC of the South, JSC on the base of the Volgogradenergo branch.

Project goals include:

- Transitioning to service principles for providing IT services on the base of a process-oriented model for management of support of IT services;
- Automation of the work of corporate IT-subdivisions as part of the processes implemented for managing support of IT-services.

The following tasks will be solved as part of the project:

- Developing documentation for processes of incident management;
- Development of recommendations for optimization (organization) of business processes as concerns increasing the quality of informational-technological servicing;
- Automation of the activity of IT-subdivisions as concerns implemented management processes;
- Conducting training of specialists.

A system of monitoring of the state of the surrounding environment was implemented in all server rooms of IDGC of the South, JSC, which ensures uninterrupted service of computing equipment, as well as control of such figures as temperature and air humidity, smokiness of the room and the presence of open flames and constant video control. All information is collected at a central server, which analyzes the data received and, if necessary, sends a warning to responsible persons.

Migration of 60% of the IT-services of the Company from physical computing resources to virtual. Thanks to this recycling of computing capacity has increased from 20% to 70%, while the general capacity used and heat generation of equipment decreased by more than two times. Thanks to the use of clustering technologies, as well as surplus configurations of equipment, it became possible to reach a coefficient of accessibility of IT-services of 0.95.

A regulation for reserve copying has been developed and implemented which describes all actions for reserve copying and resurrection of information, as well as all interactions of responsible parties, and which protects from losing critically important information.

Noteworthy achievements of branches of IDGC of the South, JSC

Branch of IDGC of the South, JSC — Astrakhanenergo:

The following operations were fulfilled as part of the program of the system for collecting and transferring information (SCTI) in 2010:

- a fiber-optic cable line at the CHPP-2 — CRP — SS Pervomaiskaya was built;
- telemechanization of 3 SS;
- digital channels for communications with Trusovsky RES, SS Trusovskaya, Volodarovsky RES, SS Severnaya, and Limansky RES were installed;
- radio stations were replaced in the Kamizyasky RES (stationary and automobile), and the Volodarovsky and Ikryaninsky RES (automobile);
- ICOM stationary radio stations were implemented at SS Okrasochnaya and SS Trusovskaya.

Branch of IDGC of the South, JSC — Volgogradenergo:

- construction and installation works for creating a system of dispatcher communications by networks of the branch (from here on — system of DC CMC). When implementing systems of DC CMC, “Corpco Dispatcher” (CORDIS) equipment was used, a commutation section was implemented on the base of “Meridian 11C” UPATS. This equipment was certified by the Ministry of Communications of Russia, and also has a certificate for use in the “Electric Power” sector;

- installation and commissioning work was done for replacing telemechanics equipment at 9 substations of the branch;
- program for modernization and expansion of the satellite navigation system, organization of dispatcher communications channels with objects of the branch IDGC of the South, JSC — Volgogradenergo were implemented.

Branch of IDGC of the South, JSC — Rostovenergo:

- modernization of the system of exchange of technological information with SO CDU UES, JSC necessary for managing the regimes of the UES (3 SS-SS G2, SS Proletarskaya and SS T25) with introduction of the object into exploitation;
- installation of the dispatcher mosaic shield SDM-25 was done (9 panels, 36 sections, power supplies) of the Taganrogsky RES, with organization of a work place for the operator;
- metering equipment for SCCDTU and PO was implemented;
- radio stations for PO in a quantity of 72 units were implemented;
- design and exploration work for technical re-equipment of communications channels at the SS Pogorelovo — Baza PO SVES, with links to PS K-4, Kamensky RES, PS KTEC, SS KZ in Kamensky-Shakhtinsky and the Kamensky Region of the Rostov Oblast.

Branch of IDGC of the South, JSC — Kalmenergo:

- digital registrars of dispatcher negotiations were installed in 13 RES and CUS — 14 units and GSM-gateways — 14 units.

server Tandberg Codian MCU 4515 was chosen as a new platform. This will make it possible to increase the system's capacity by many times, and to improve the quality of seances of video conferences being held. The system is based on open standards and protocols of audio and video data, which will give the possibility in the future to provide seamless integration with VKS systems of any company.

In accordance with the regulations for reserve copying, the Company plans in 2011 to implement a [system of reserve data storage](#) on the base of equipment made by EMC Clariion CX3-80, IBM System Storage TS3500 Tape Library IBM Tivoli

Storage Manager software. This will make it possible to optimize the processes of reserve copying of information which is critical for business processes, and to increase the number of copies saved. The model for hierarchal saving of data will make it possible to reduce the cost of saving information thanks to automatic transition of information between various types of carriers on the basis of policies set.

In order to inform consumers in timely fashion about technological violations and the term for repairing electricity supplies, the Company plans to organize a unified [Call Processing Center](#) in the responsibility zone of IDGC of the South, JSC in 2011.

Tasks and key projects planned for 2011

The Company has planned the following works in order to develop the project “[Development of a corporate integrated system of resource management on the base of SAP AG programming](#)” in 2011:

- finishing work on incorporating data on business partners individual persons, their metering points, and connecting these metering points to the topology of the TM network and forming calculations of useful output of electric power to IS-U;
- calculation in IS-U of electric power balances;
- transfer data of SAP-systems to reliable and modern system resources;
- conduct modernization SAP software to version 6.0 and transfer to industrial use of the module IS-U;
- continue implementation of functionality PM(TOPO) of SAP AG software for building a system of asset management: passportization of equipment, appraisal of the technical state of electricity grid equipment.

The Company plans development in 2011 of the [System of electronic document flow](#), in particular improving functionality of the system, perfecting work with contracts in accordance with the Regulation on organizing contract work in IDGC of the South, JSC, implementing the module for work with archive

documents, implementing the “News” and “Questions and Answers” module, and also transferring SED to the Documentum 6.5 platform.

The operations done for implementing 1C will make it possible to complete the process of centralizing reference guides in 2011, to implement a unified configuration of 1C Production Company Management 8.2 in all branches and the executive body and create a free BD with regular replication of the given branches for operatively forming aggregate reports.

A system of metering of fixed assets under IFRS on the base of 1C 8.2 is planned to be implemented in October, 2011.

In order to increase the effectiveness of management of support of IT services, IDGC of the South, JSC is planning to implement the [Service desk](#) system in 2011, which will make it possible to optimize the work of the IT infrastructure of the company and reduce risks in this sphere to a minimum.

Due to the large volumes of video selectors carried out in 2011, the executive apparatus of IDGC of the South, JSC took the decision to purchase a video server Tandberg Codian MCU 4515. [The video conference system \(VKS\)](#) is one of the main instruments of corporate management of IDGC of the South. Due to the necessity to regularly hold seances of video conferences with many territorial distribution branches of the company, it is planned to modernize the VKS in 2011. The video

Key projects planned in 2011 for the automatic dispatcher control system (ADCS)

The following operations are planned in the [branch of IDGC of the South, JSC — Rostovenergo](#) in 2011:

- telemechanization of SS Aksaisky RES PO CES: SS AC10, AC11, AC14 on Compass-2.0 equipment with transfer of teleinformation to DP Aksaysky RES and DP PO CES;
- reconstruction of radio communications means for Peschanokopsky RES for organizing operative-dispatcher communications by replacing obsolete radio stations with Motorola radio stations, with expanded coverage zones. Replacement of antenna-feeder equipment on radio stations and in cars;
- reconstruction of SDTU of Kuibyshevsky RES — telemechanization of SS Kuibyshevo-1 on Compass-2.0 equipment, installation at DP Kuibyshevsky RES of a dispatching board SDM-25 with specialized software.

The following operations are planned in 2011 in the [branch of IDGC of the South, JSC — Volgogradenergo](#):

- fulfilling design work for telemechanization and reconstruction of communications channels at 21 substations of the branch — SS Solodcha, SS Leninskaya, SS Kolobovka, SS Zelenaya, SS Kudinovskaya, SS Kumylzhenskaya, SS Ust-Khoperskaya, SS Serafimovich, SS Novoanninskaya, SS Nekhaevskaya, SS Ezhovskaya-2, SS Surovikino-110, SS Chernyshkovo, SS Raygorod-2, SS Akhtuba, SS LPK, SS Gmelinka, SS Mikhailovskaya, SS Cherkessovskaya-2, SS ZKO-1, and VGTZ-1;
- fulfilling construction-installation works for telemechanization of 15 substations of the branch — SS Solodcha, SS Leninskaya, SS Kolobovka, SS Zelenaya, SS Kudinovskaya, SS Kumylzhenskaya, SS Ust-Khoperskaya, SS Serafimovich, SS Novoanninskaya, SS Nekhaevskaya, SS Ezhovskaya-2, SS Surovikino-110, SS Chernyshkovo, SS Raygorod-22, and SS Molzavod.

The following operations are planned in the [branch of IDGC of the South, JSC — Astrakhanenergo](#) in 2011:

- CUS reconstruction is planned. As part of reconstruction OIK SK-2007 or OIK KOTMI will be implemented;
- as part of IP for 2010–2011, telemechanization is planned for SS Kiri-Kili, SS Okrasochnaya, SS Rezinovaya, SS Promstroymaterials, SS Enotaevka, SS Yubileinaya, and SS Lesnaya.

The following operations are planned in the [branch of IDGC of the South, JSC — Kalmenergo](#) in 2011:

- preparation of the project for a satellite navigation system is planned — telemechanics and communications with 23 SS (construction from 2012) — SS Elista-Severnaya — RPB-2, SS Bolshoy Tsaryn-2 — RPB-2, SS Krasnenskaya — RPB-2, SS Chernozemelskaya — RPB-2, SS Yashkul 2 — RPB-2, SS Elista-Vostochnaya — RPB-2, SS Elista-Zapadnaya — RPB-2, SS Sovetskaya — RPB-2, SS Tselinnaya-1 — RPB-2, SS 110kV Iki-Burul, SS 110kV Ergeninskaya, SS 110kV Komsomolskaya, SS 110kV Kaspiiskaya 2, SS 110kV Dzhigilita, SS 110kV Artezian 2, SS Sadovoe-2 — RPB-2, SS Malie Derbety — RPB-2, SS 110kV Tsagan-Aman, SS Volodarovskaya — RPB-2, SS 110kV Vinogradnenskaya, SS Leninskaya — RPB-2, SS Kovylnaya — RPB-2, SS Yuzhnaya — RPB-2.

Contact person:

Dmitry Vladimirovich Yukhimenko, Acting Director for Information Technologies.
tel. (861) 279-86-03, e-mail: uhimenkov@mrsk-yuga.ru.

Purchasing activity of IDGC of the South, JSC

The main direction of IDGC of the South, JSC's policy concerning purchasing activity is to set unified approaches to fulfilling the Regulation on the method of conducting regulated purchasing of goods, works, and services for the Company's needs, ensuring:

- continual supply to the Company of high-quality goods, works and services;
- economic efficiency when making purchases;
- preventing mistakes and abuse in the purchasing field;
- purchases of good on a competitive basis, when it's possible, and greater control over taking decisions in situations when it is impossible to make purchases on competitive markets;

- rational approach to the level of regulation and organization of purchasing activity, holding separate purchases;
- accounting for the particularities of the purchased goods when choosing a strategy and the method for conducting purchasing;
- professionalism when making purchases.

IDGC of the South, JSC aims to work with experienced, qualified suppliers, contractors, and companies with a positive business reputation; for buying goods with high quality, which suit the requirements of their use, consumer characteristics, ecological and industrial safety, and at a price that suits their quality.

IDGC of the South, JSC uses the following purchasing methods:

- Open one-stage competition without preliminary selection — so as to effectively use cash funds, ensuring the necessary level of competition, as well as for objectivity and transparency of the purchasing procedures, and a fair and equal relation to all suppliers.
- Open call for offers — is done under any of the following conditions:
 - there is not enough time to hold a competition, or it's inexpedient to hold a competition for serious reasons, however there are no circumstances requiring prompt purchase from a single source, and the complexity of the product or conditions of its delivery do not allow for requesting prices;
 - when the expected volume of purchases doesn't exceed: under purchases of construction materials and contracting work, of unique (individual) equipment — RUR5,000,000 (without VAT); when purchasing other goods, works, and services — RUR3,000,000 (without VAT).
- Open call for prices — is done under purchases of simple products, for which there is a market under the condition that the contract price doesn't exceed: under purchases of construction materials and contracting work — RUR5,000,000 (without VAT); when purchasing other goods, works, and services — RUR3,000,000 (without VAT).
- Purchases from a single source can be made in any of the following cases:
 - having the urgent need for a product, due to which it is inexpedient to conduct other procedures;
 - as a result of extreme circumstances there is an urgent need for certain products, as a result of which making purchases using other procedures is not expedient;
- the product can be received only from one supplier and has no equal replacement;
- additional purchases are made, when due to the reasons of standardization, unification, compatibility, or continuity (for works and services) with previously bought products the new purchases should be made with the same supplier;
- additional purchases of works and services are made, that are not included in the original project (contract), but are non-removable from the main contract without major difficulties, and are necessary due to force major circumstances;
- only one application was submitted in the course of a competition or any other open procedure, when this application is acceptable, and a new purchasing procedure, according to the Central Purchasing Organization, is unreasonable;
- when purchasing training and seminar services, if equivalent replacement of the conductor is impossible.

In order to provide transparent purchasing activities, the Company publishes copies of all publications on current open purchasing procedures and their results at:

- the unified Internet resource www.b2b-energo.ru;
- the Internet resource www.zakupki.gov.ru;
- the website of IDGC of the South, JSC www.mrsk-yuga.ru, in the section "Purchasing".

The Company Annual Integrated Purchasing Program is based on the following programs that determine production activities:

- production program (with all purchases that are included in the budget for production and sales (of goods, works and services — product of ordinary business), foreseen by the business plan);
- repair program (repair plan);
- investment program (with technical upgrade and reconstruction, including information technologies and new construction);
- other programs and plans where purchasing activities are provisioned.

The Annual Integrated Purchasing Program is carried out through scheduled regulated purchasing of goods, works and services, during the respective calendar year of the Program execution for which it is approved.

Performance of the Annual Integrated Purchasing Program of IDGC of the South, JSC in 2010 by business sector

Costs	Quantity	Fact, RUR thou
New construction and expansion of electricity grid infrastructure	61	993,284.56
Reconstruction and technical re-equipment of electricity grid objects	211	1,435,864.75
Energy repair (repair) production, technical maintenance	391	1,154,382.84
IT-purchasing	31	192,131.95
Research and design	0	0
Consulting services	2	9,000.00
Appraiser services	1	84.74
Other purchases	172	685,597.21
TOTAL:	869	4,470,346.05

Performance of the Annual Integrated Purchasing Program of IDGC of the South, JSC in 2010 by purchasing method

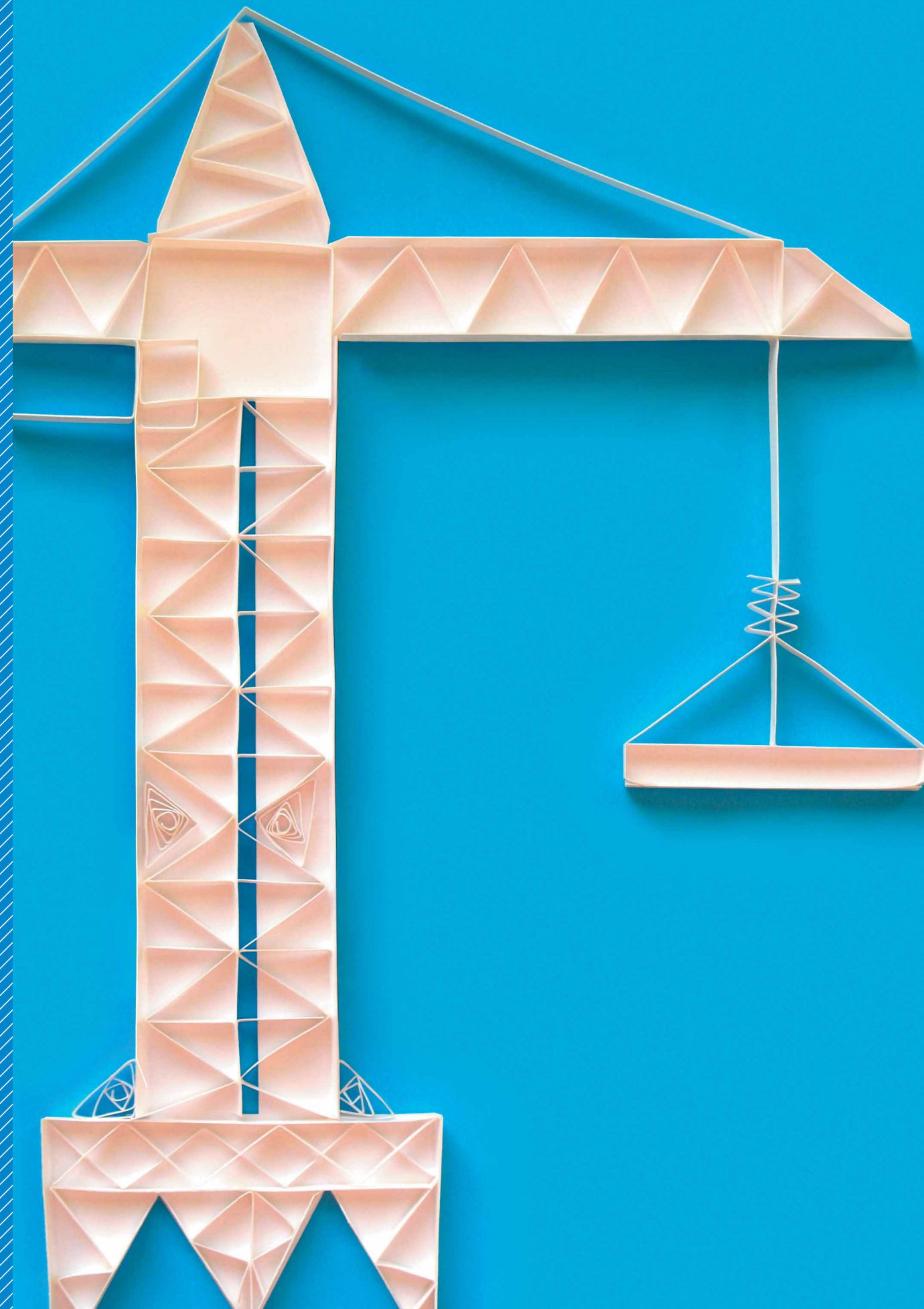
Procedures	Quantity	Fact, RUR thou
Open tenders	278	3,103,967.50
Closed tenders	0	0
Open requests for prices	181	194,640.41
Closed requests for prices	0	0
Open requests for proposals	243	621,789.11
Closed requests for proposals	0	0
Open competitive negotiations	9	86,342.09
Singular sources	156	461,662.50
Singular sources (based on results of unsuccessful open procedures)	2	1,944.44
TOTAL:	869	4,470,346.05

Contact persons:

Artyom Azatovich Kiragosyan, Head of the Division for Management of Tender Procedures of the Department of Logistics and Material-Technical Provision.
tel. (861) 279-87-67, e-mail: kiragosjanaa@mrsk-yuga.ru.

Elena Pavlovna Gritskova, Head Specialist of the Division for Management of Tender Procedures of the Department of Logistics and Material-Technical Provision.
tel. (861) 279-87-66, e-mail: grickovaep@mrsk-yuga.ru.

5. INVESTMENT REPORT



5. Investment report



RUR 1,803.97 mln
(without VAT)
Capital investments
in 2010

295.78 MV·A
of capacity
and **467.38 km**
of electricity lines
installed in 2010

The Investment Program of IDGC of the South, JSC for 2010 was developed in conformity with Regulations on Investment Activities of IDGC of the South, JSC and approved by the Board of Directors of IDGC of the South, JSC.

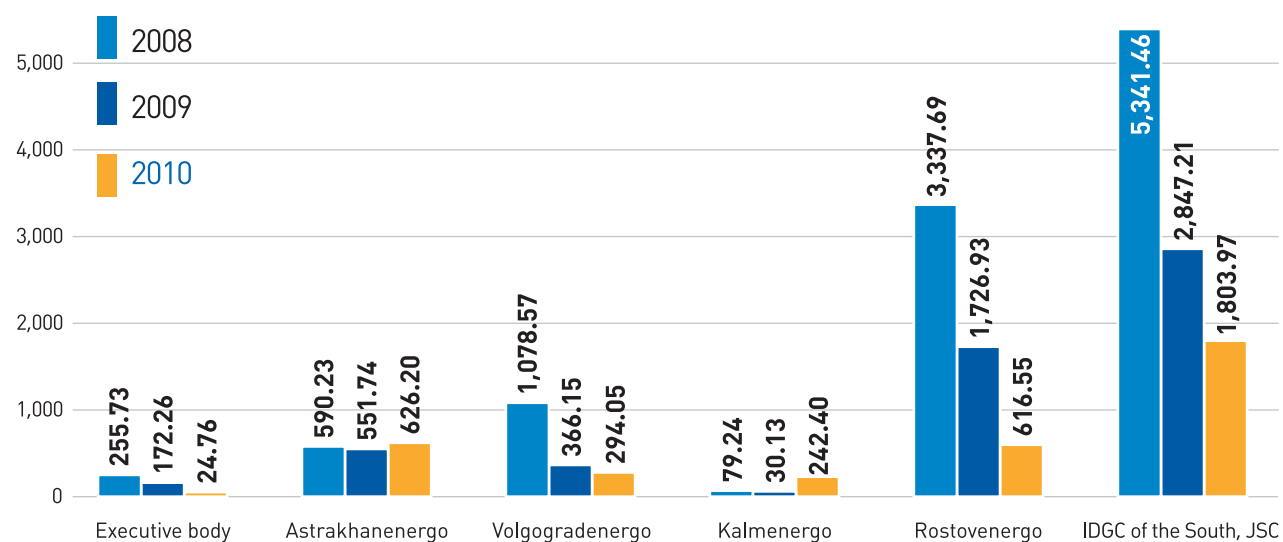
Parameters of investment activities

Key parameters of the investment program of IDGC of the South, JSC

Branch	2010						
	Expenditures RUR mln (without VAT)	Input of fixed assets RUR mln (without VAT)	Financing RUR mln (with VAT)	Input of capacity		Growth of capacity	
				MVA	km	MVA	km
Executive body	24.76	27.18	39.77	0.00	0.00	0.00	0.00
Astrakhanenergo	626.20	751.75	693.04	47.03	88.76	44.12	21.31
Volgogradenergo	294.05	242.30	291.29	97.79	99.05	63.27	13.92
Kalmenergo	242.40	81.38	167.83	16.50	183.82	16.50	183.04
Rostovenergo	616.55	473.70	1,190.45	134.46	95.75	90.85	16.37
IDGC of the South, JSC	1,803.97	1,576.30	2,382.37	295.78	467.38	214.74	235.64

IDGC of the South, JSC 2008–2010 capital investments are shown in the graph below:

Volume of Capital investments of IDGC of the South, JSC 2008–2010, RUR mln



Overall in 2010 IDGC of the South, JSC made capital investments of RUR 1,803.97 mln (excluding VAT), input of fixed assets totaled RUR 1,576.30 mln (excluding VAT), financing totaled RUR 2,382.37 mln (including VAT), input of capacities — 295.78 MVA, and power lines — 467.38 km.

In accordance with the schedule, the amount of capital investment declined in 2010 in comparison with 2008 and 2009. The main reasons for the decrease in capital investment as compared to the prior periods were:

- adopting the program of financial improvement of the company, in accordance with which there is a decrease in volumes of financing of the Individual Development Program for 2010 paid for with borrowed funds;
- a lack of floating capital in the Company for financing technological connection infrastructure due to applicants paying only advance payments;
- shortfall in funds from energy sales companies, leading as a result to a deficit in funds for financing the Individual Development Program in 2010;
- displacement of financing from new construction in 2010 to paying off accounts payable of previous years;
- work on claims activities by creditors;
- impossibility of conducting quality correction of the investment program for 2010 in the second half of the year due to

refusal by subjects of the Russian Federation to reconcile this program, and the possibility of losing a tariff source;

- decrease in the volume of applications for technological connection and carrying over of the implementation term and payment for contracts signed earlier;
- refusal of investors to finance construction objects and carrying over of works fulfillment to a later term.

The Company took the following measures in order to reduce the level of influence of the factors given above on fulfillment of the investment program:

- centralization of trade-purchasing procedures from September, 2010 at the level of the executive apparatus of IDGC of the South, JSC;
- conducting restructuring of accounts payable with contracting organizations (suppliers), setting the term for payment in contracts at later period as compared to when the work is fulfilled;
- conducting claims activity at retrieving accounts receivable;
- implementing in action the Regulations on the Budget Committee of IDGC of the South, JSC (dated 30.07.2010 № 263-A) with the goal of effective use of cash funds and fulfilling the approved budget of cash flow, as well as the method of interaction of all centers of financial responsibility, including the Company branches.

Directions and structure of capital investments

In order to execute its investment program in the reporting year, IDGC of the South, JSC invested funds into technical updates, reconstruction and new construction of facilities.

Criteria of inclusion of investment projects into the Investment Program of IDGC of the South, JSC are:

- the social significance of the facility;
- an increase of electric grid equipment reliability, especially at autumn and winter peak periods;
- fulfillment of target programs of energy efficiency and renovation of main and auxiliary equipment;
- fulfillment of instructions from controlling bodies and anti-terrorist operations linked to requirements of the System's Operator (SSPI Program);
- fulfillment of conditions for technological connection;
- necessity to provide design and estimate specification for investment program objects (EAD of future years);
- implementation of objects included in the Agreement of RAO UES of Russia, JSC and subjects of the Russian Federation;
- implementation of unfinished construction objects from 2009;
- implementing objects as called for by administrative documents of IDGC Holding, JSC.

The direction and structure of capital investments are shown in table № 2 and equal, including for branches of IDGC of the South, JSC:

For the branch of IDGC of the South, JSC — Astrakhanenergo:

- Retooling and Modernization — RUR 255.430 mln.
- New construction — RUR 335.022 mln.
- Other — RUR 19.463 mln.
- Purchasing fixed assets — RUR 35.747 mln.

The investment activity of the Astrakhanenergo branch of IDGC of the South, JSC was aimed at fulfilling investment projects included in the investment program for 2010. As part of payment of accounts receivable for electricity transmission, non-profile property for a sum of RUR 35.747 mln was purchased.

When fulfilling the program for financial improvement practically previously-planned objects to be introduced were in fact implemented, while the volume of unfinished construction decreased by RUR 261.612 mln and equaled RUR 324.085 mln under a plan of RUR 585.697 mln.

The main large and priority object of the investment program in 2010 was "Construction of SS 110/10-10 kV Kirovskaya

(Yubileinaya) with overhead lines of 110 kV. Main and auxiliary equipment was received for implementation at the launching complex № 1. The launching complex № 1 was put into operation in December of 2010. Introduction of fixed assets equaled:

- Fixed assets — RUR 416.768 mln.
- Transformers 110 kV — 40.0 MVA.
- Electric lines 110 kV — 26.768 km.

Construction of SS 110/10-10 kV Kirovskaya (Yubileinaya) with overhead lines of 110 kV will be continued in 2011, while the launch of complex № 2 is planned for September, 2011.

There were no agreements between the government of the Astrakhan Oblast and RAO UES of Russia, FGC UES, JSC, or IDGC Holding, JSC.

For the branch of IDGC of the South, JSC — Volgogradenergo:

- Retooling and Modernization — RUR 176.23 mln.
- New construction — RUR 59.34 mln.
- Other — RUR 16.872 mln.
- Purchasing fixed assets — RUR 5.359 mln.

The main volume of works done as part of the investment program in 2010 were for reconstruction of Overhead Lines 0.4–110 kV for a length of 99.050 km, of which:

- OL 110 kV — 11.025 km.
- OL 6-10 kV — 48.013 km.
- OL 0.4 kV — 34.425 km.
- OL 6-10 kV — 5.587 km.

Two transformers with capacity of 40 MVA were put into use at SS Olimpiiskaya and SS Kanatnaya. Growth in capacity equaled 54 MVA.

The main goals of reconstruction of SS 35-110 kV is to increase the reliability of electricity supplies to consumers and the quality of electricity supplied, creation of more favorable and safe conditions of work for service personnel, a decrease in operating costs by replacing equipment which is obsolete, and creating conditions for technological connections of new consumers. Fulfillment of these projects will make it possible to increase reliability of electricity supplies to consumers not only from SS Olimpiiskaya, as well as a series of other SS.

There were no agreements between the government of the Volgograd Oblast and RAO UES of Russia, FGC UES, JSC, or IDGC Holding, JSC.

For the branch of IDGC of the South, JSC — Kalmenergo:

- Retooling and Modernization — RUR28.194 mln.
- New construction — RUR214.210 mln.
- Other — RUR 1.443 mln.
- Purchasing fixed assets — RUR 30.915 mln.

Analysis of the results of fulfilling the most important works for retooling and modernization in 2010 for the branch of IDGC of the South, JSC — Kalmenergo, shows that the investment funds were used this past year for the most important objects and types of works, including technical re-equipment, reconstruction of objects and modernization of morally and physically obsolete equipment for increasing the reliability of works and extending the term of service of equipment of SS and OL.

This, technically and morally obsolete equipment and equipment that doesn't suit modern requirements was replaced at SS 110-35 kV in order to ensure reliable electricity supplies to consumers.

Wooden posts were replaced by reinforced concrete ones for 110-35 OL.

Implementing the given operations significantly reduces the quantity of emergency shutdowns and increases the reliability of OL and SS equipment, and will also ensure improving electricity supplies to individuals and legal entities.

Capital investments for new construction are mainly aimed at objects of technological connections.

Furthermore, design and estimate documentation for objects of technological connection of KTK-R, CJSC was developed in 2010: "Construction of SS 110/10 kV NPS-2 with overhang of OL-110 kV and reconstruction of the adjacent grid 110 kV", "Construction of SS 110/10 kV NPS-3 with overhang OL-110 kV and reconstruction of the adjoining grid of 110 kV". The cost of fulfilling the design and survey work equaled RUR183.059 mln. Implementation of these projects is very important for the region and will make it possible to increase the investment program and value of fixed assets at the branch.

The branch of IDGC of the South, JSC — Kalmenergo purchased a large electric grid complex Lagansky RMO of the Republic of Kalmykia in 2010 as part of its integration strategy. This purchase was made by approving in court the amicable settlement with the debtor of compensation for a sum of RUR30.915 mln.

No operations connected to fulfillment of Agreements between the government of the Republic of Kalmykia Oblast and RAO UES of Russia, FGC UES, JSC, or IDGC Holding, JSC were conducted.

The cooperation agreement between the Government of the Republic of Kalmykia and RAO UES of Russia, JSC does not call for construction and reconstruction of electricity grid objects.

For the branch of IDGC of the South, JSC — Rostovenergo:

- Retooling and Modernization — RUR223.51 mln.
- New construction — RUR269.15 mln.
- Other — RUR18.11 mln.
- Purchasing fixed assets — RUR0 mln.

The following operations were conducted as part of the investment program at the branch of IDGC of the South, JSC — Rostovenergo in 2010: construction of new objects, reconstruction and technical re-equipment of existing objects aimed at connection of socially significant objects, an increase in transformer capacity at substations, an increase in the capacity of overhead lines and replacement of morally obsolete equipment.

More than half of capital investments (55%) were used for technical re-equipment and reconstruction.

A priority object of the investment program for 2010 is "Construction of SS 110/10/6 kV P-27 (Central) with CL 110 kV and 110 kV at SS P-1 and SS P-22", implementation of which is necessary for ensuring reliable energy supplies to perspective housing construction and objects of social significance in the center of Rostov-on-Don, as well as increasing the reliability of energy supplies to existing consumers.

The object is being built as part of fulfillment of operations called for by the Agreement on Cooperation between RAO UES of Russia and the Administration of the Rostov Oblast dated 30.06.2008.

A total of 80 MVA of transformer capacity and 1.06 km of 110 kV cable lines were implemented in December, 2010.

Installation of the remaining equipment, commissioning, and completion of construction with the launch of the object is planned for 2011.

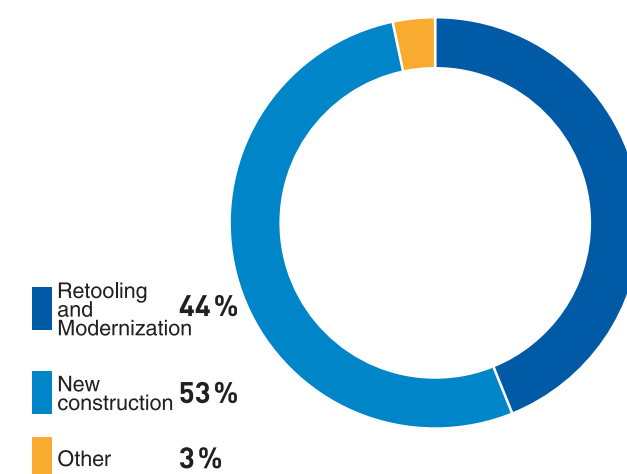
The structure of capital investments of IDGC of the South, JSC for 2008–2010, RUR mln (without VAT)

Investment activity directions	2008	2009	2010
Total:	5,341.50	2,847.22	1,803.97
Electric grid objects, including:	4,296.50	2,270.99	1,272.47
Retooling and Modernization	1,554.80	1,037.97	623.76
New construction and expansion of current infrastructure	2,553.30	1,059.09	592.82
Other electricity grid objects (automation, communications)	188.4	173.95	55.88
Means for metering and control of electric power, including:	133.2	18.38	28.16
Automated informative electric power accounting system of the wholesale market as part of the investment program	63.5	14.64	3.26
Other means of metering and control of electric power	56.8	0.67	24.90
EAD of construction in future years	213.1	169.53	221.73
Other production and economic objects	513	164.01	75.03
Equipment that isn't part of the budget for construction	118.8	107.85	129.22
Objects of the non-production sphere	0	0.00	0.00
Capital investments in non-material assets	0	5.53	0.00
Long-term financial investments	0	0.00	0.00
Purchasing of fixed assets	66.8	110.94	77.36
Reference information:			
Capital investments for technological connection of consumers	2,478.30	645.78	393.65

There was a decrease in the speed and volume of capital investments in 2010: by 66.2% of factual figures for 2008 and by 36.6% from figures for 2009. The factual introduction of fixed assets in 2010 was also characterized by a decrease of 67.3% vs. 2008 and 37.8% vs. 2009.

The volume of the investment program of IDGC of the South, JSC 2010 by direction of capital investments is shown in the graph:

Structure of capital investments for IDGC of the South in 2010



Sources of financing of the investment program

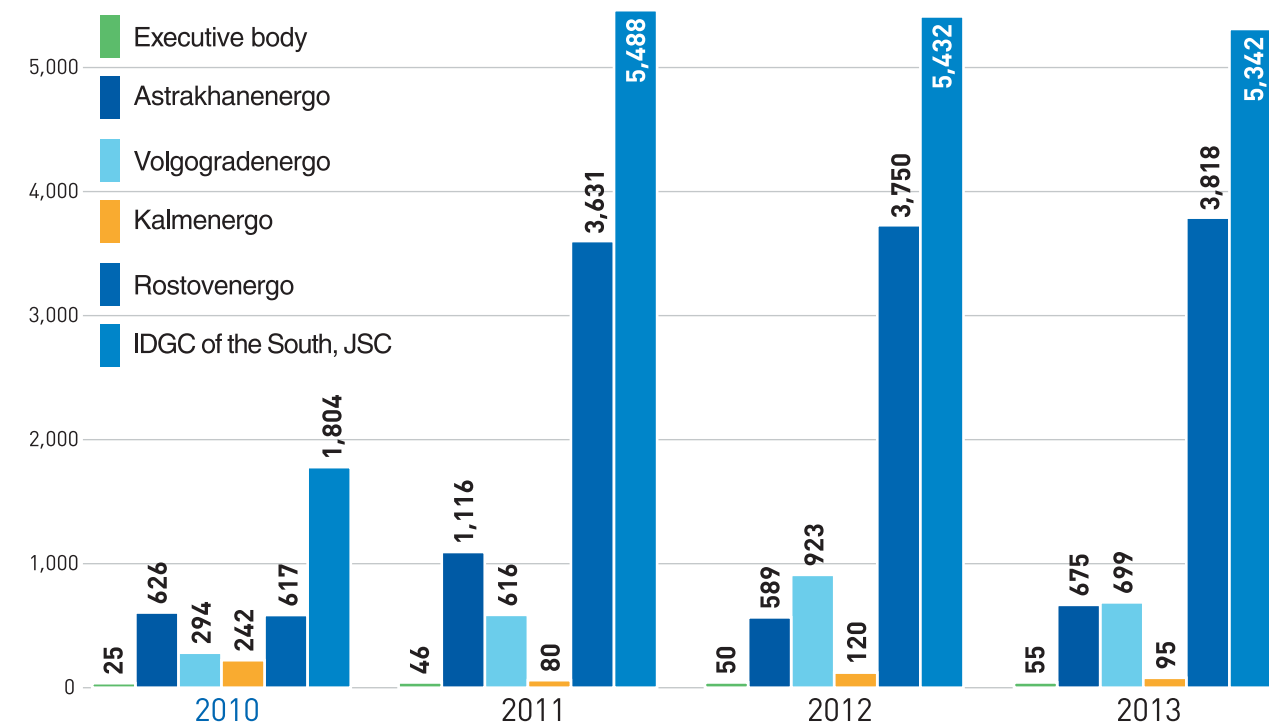
The structure of sources of financing of the investment program of IDGC of the South, JSC for 2010, RUR mln (without VAT)

Source of investments, total		1,803.97
Own sources of financing	Depreciation of the reporting year	1,051.88
	Unused depreciation of past years	—
	Unused profit of past years	—
	Profit of the reporting year for use in the investment program of the reporting year, including:	18.07
	Payment for technological connection	18.07
	Additional issues	—
	Other own sources of financing	69.90
	External sources of financing	Budget funds (federal, municipal)
Funds borrowed (borrowed interest)		307.05
Payment for technological connection — advances		357.07
Other sources of external financing, including share participation in construction using other sources of financing		—

Planned volumes of financing (to be used) by the investment program of the Company for 2011–2013 equal RUR 16,262 mln. without VAT, including:

- 2011 — RUR 5,488 mln.
- 2012 — RUR 5,432 mln.
- 2013 — RUR 5,342 mln.

Volumes of capital investments planned in accordance with the investment program of IDGC of the South, JSC for 2010–2013, RUR mln (without VAT)



Operations conducted by the Company in relation to Kubanenergo, JSC

The Company fulfilled the following operations as part of the contract for transferring authority of the singular executive body of Kubanenergo, JSC dated 14.09.2007 № 407/30-1143/26:

- reconciliation of the investment program of Kubanenergo, JSC for 2010 and its corrections;
- reconciliation of applications for conducting trade-purchasing procedures and calculations of the maximum cost of the lot for fulfilling objects of the investment program and the Program for construction of Olympic objects;
- fulfilling control over implementation of construction of Olympic objects;
- reconciliation of applications for financing construction of Olympic objects;

- reconciliation of contracts for contractors for fulfilling design and survey, construction and installation, and commissioning works for objects of the investment program and the Program for construction of Olympic objects;
- analysis of fulfillment of the yearly investment program of Kubanenergo, JSC;
- participation in the work of integrated groups for control over capital construction by representatives of profile services of the Company;
- systematization and reconciliation of operative data, reference information and reports;
- methodological guide, development of forms and documentation for planning construction;
- reconciliation of reports on fulfilling the investment program.

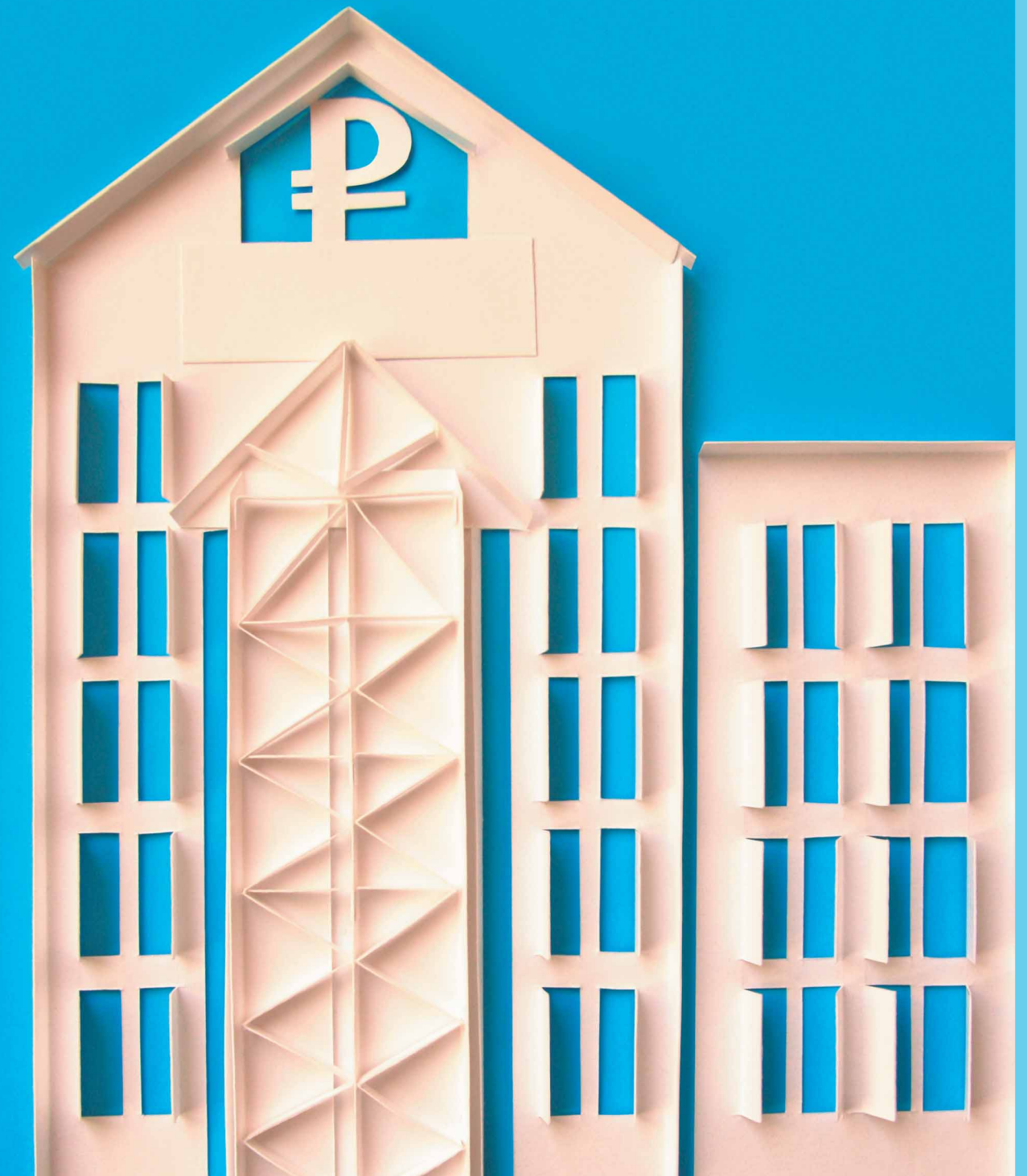
Contact persons:

Roman Alexandrovich Bubnov, Head of Construction Planning of the Department of Capital Construction.
tel. (863) 238-56-07, e-mail: bubnovra@mrsk-yuga.ru

Alexey Petrovich Nikitin, Head of the Division of Preparation of Investment Projects of the Department of Investment Projects.
tel. (863) 238-56-54, e-mail: nikitinap@mrsk-yuga.ru



6. FINANCIAL REPORT



6. Financial report

The Company's accounting policy is formed in accordance with the assumptions:

- going concern assumption;
- accounting continuity assumption;
- assumption of the accrual basis of accounting;
- temporary distinctness of the factors of financial activity.



22,014.4
RUR mln
in sales
revenue
in 2010

Principal provisions of the accounting policy of IDGC of the South, JSC

The accounting policy of the Company was formed in accordance with the Russian Federation federal law dd. November 21, 1996, № 129-FZ "On accounting", the Regulation on conducting accounting and accounting reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation dd. 29.07.98 № 34n; Accounting Regulations (AR) "Accounting Policy of the Company" AR 1/98, approved by the Order of the Ministry of Finance of the Russian Federation as of December 9, 1998 № 60n; the Plan of accounts of financial accounting, approved by the by the Order of the Ministry of Finance of the Russian Federation dd. 31.10.2000, № 94n, and other normative documents in the accounting field.

The method for conducting inventory of property and liabilities

Inventory of property and liabilities is done by the Company in accordance with article 12 of the Federal Law dd. 21.11.1996 № 129-FZ "On accounting" and the Methodological Instructions for inventory of property and financial liabilities, approved by the Ministry of Finance of the Russian Federation, dd. 13.06.1995 № 49.

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

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

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

- they are supposed to be used in manufacture of products, implementation of works or rendering of services, or for administrative needs during the period of their useful life accounting for more than 12 months;
- capacity to provide economic benefits in the future. The Company is not supposed to resell the assets in the future.

Assets meeting the abovementioned conditions and accounting and costing no more than RUR20,000 per unit are accounted in the structure of the inventories except for objects belonging to power grids facilities, mobile radio stations, pack radio sets and backup power supply. These items are counted in number of units so as to ensure their safe keeping in production or when in use.

Fixed assets depreciation is accrued using a straightline method on the assumption of their useful life period.

Accounting of the Company's non-material assets is done in accordance with the Regulations on Accounting of non-material assets (Regulations on accounting 14/2007) approved by Order of the Ministry of Finance of the Russian Federation dd. 27.12.2007 № 153n.

Depreciation is accrued for all types of non-material assets using a straightline method.

All costs directly connected with buying assets as financial investments, regardless of their amount, are included in the original cost of financial investments if they are accrued before the time or at the time of being included in the assessment, and are written off in the case that they are accrued after the time of being included in the financial investments assessment.

Financial investments upon which current market value can be determined are reflected in the reporting at the end of the reporting year by their current market value by correcting their valuation versus the previous reporting date. The Company performs this correction each quarter.

Financial investments upon which market value is not determined are reflected based on their original value.

The unit of accounting for material-production reserves is the nomenclature number or homogenous group (depending on the type of material-production reserves).

Special clothing and footwear purchased, regardless of the cost and term of useful life, is accounted for in the Company as part of turnover.

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

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

Determining the useful life period of fixed assets is done based on the expected physical depreciation, depending on their regime of use, natural conditions and the influence of the environment, and repair systems. The useful life period of fixed assets is determined within the boundaries set by the decree of the Government of the Russian Federation dd. 01.01.2002 № 1, under a list approved by the Company head or a person authorized by the Company head.

Materials are taken to be accounted (are accounted for) on account 10 "Materials" at their factual cost price of their purchase (provision).

The factual production cost of materials bought for a price is considered to be the sum of factual costs of the Company for purchasing, with the exception of value-added tax and other refundable taxes.

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

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

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

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

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

The Company recognizes other income as being income from independent business operations which aren't the Company's main business, but which are done with the aim of receiving this income.

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

Future periods' incomes are incomes from assets uncompensated receipts, future receipts of shortage debts detected for the passed years, differences between the amounts subjected to recovery from the offenders, assets shortage book value, etc.

Future periods' incomes are written off monthly, uniformly over the course of the period to which they relate. That said monthly writing off of insurance costs is done in days.

Accounting of costs for loans and credit is done in accordance with Regulations on Accounting 15/2008.

Costs for loans and credits are recognized to be other costs for the according reporting period. The exception to this order is costs for loans and credits which must be included in the cost of investment assets.

Additional costs for loans and credits are included in the composition of other costs in that reporting period in which they were made.

In order to pay taxes on profit taxes, the method for recognizing income and costs based on the method of their charge is used.

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

Analysis of the Company's financial status and business activity results

Altogether in 2010 IDGC of the South, JSC had revenue from sales, works and services of RUR22,014.4 mln, which is higher than the previous year by RUR2,987 mln (15.7%).

Change in indicators forming the financial performance of the Company, RUR mln

Indicator	2008 *	2009	2010	Deviation vs. the previous year	
				absolute	Relative, %
Sales revenue	13,127	19,027	22,014	2,987	16
Production cost	10,921	16,568	19,390	2,822	17
Gross profit	2,206	2,460	2,624	165	7
Management costs	400	665	587	-78	-12
Profit before tax	1,806	1,795	2,037	243	14
Interest receivable	0	0	7	7	—
Interest payable	579	1,750	1,733	-17	-1
Income from participation in other organizations	329	0	0	0	—
Other incomes	488	392	773	381	97
Other costs	742	1,396	4,915	3,519	252
Profit (loss) before sales	973	-959	-3,830	-2,871	-299
Profit tax on income and other analogous obligatory payments	487	150	-241	-390	-261
Net profit (loss)	486	-1,109	-3,590	-2,481	-224

* data for 2008 shown taken into account mergers of RGCs from 31.03.08

Growth in production costs were about equal to growth in revenue in 2010 thanks to fulfillment of the plan for financial improvement. The volume of gross profit increased by 7%. Costs of the Executive Apparatus of the Company decreased by 12% as compared to the year before in 2010 as part of the plan for financial recovery.

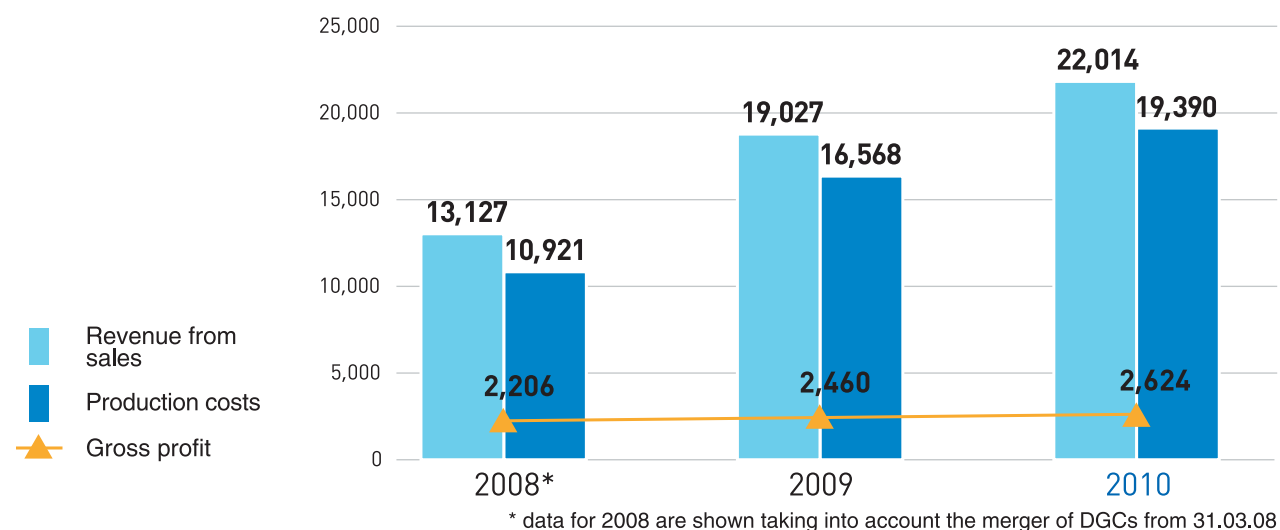
The volume of other costs from profit as compared with the year before increased by RUR3,519 mln last year, mainly

thanks to writing off accounts receivable which can't be claimed and the formation of reserves for doubtful receivables for a sum RUR4,027 mln.

The decrease in losses before taxation to the level of RUR3,830 mln led to a decrease in profit tax, with a refund of RUR241 mln. The net loss equaled RUR3,590 mln.

The factual gross profit of the Company in 2010 was RUR164 mln higher than the year before.

Change in growth (decrease) of revenues, RUR mln



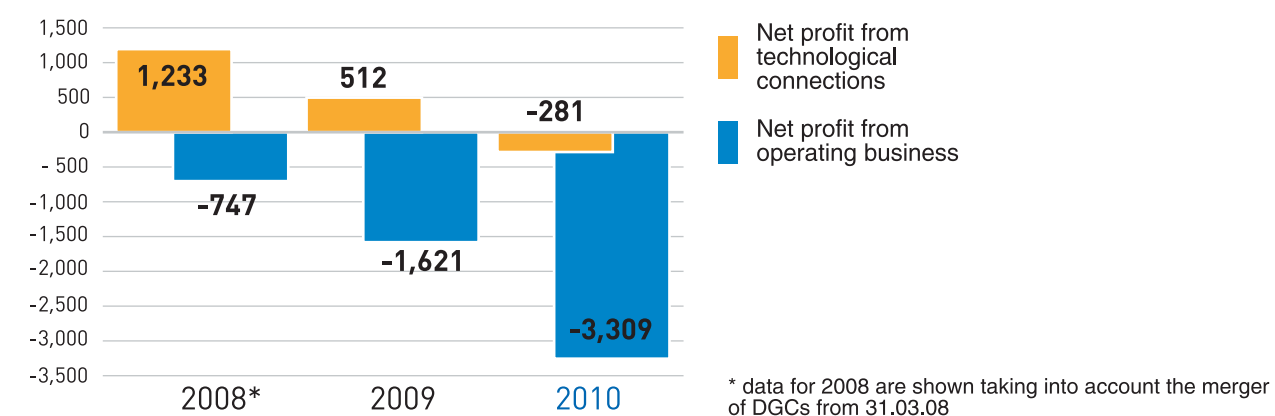
Structure of revenue and profit by business segment

Break-down of revenues of IDGC of the South, JSC by region

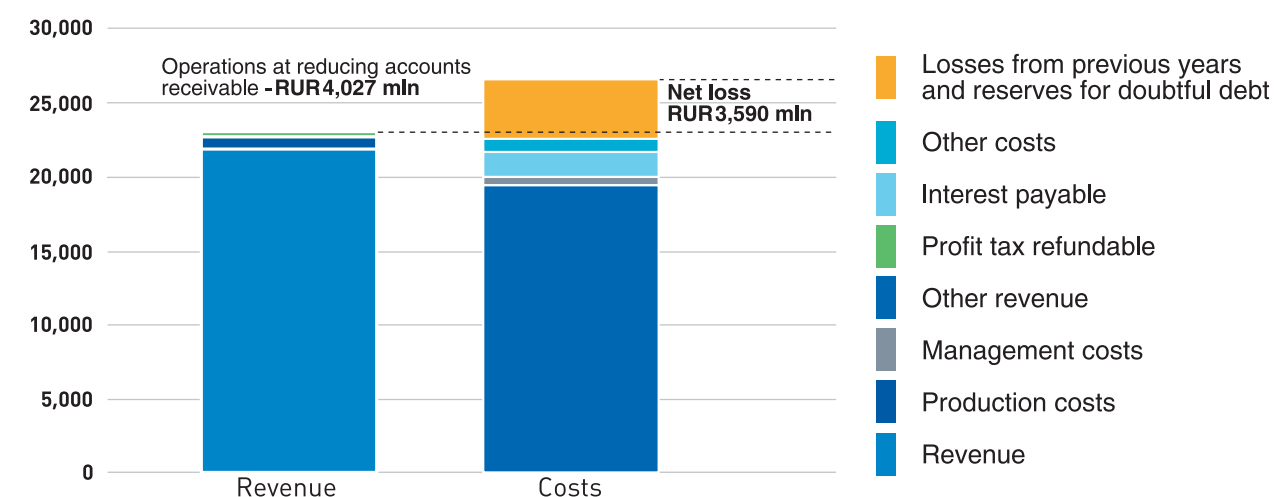
	Total revenue, RUR mln	Share in total revenue, %	Grid services, including technological connection, RUR mln	Share of the total for IDGC of the South, JSC, %	Other services, RUR mln	Share as a total for IDGC of the South, JSC, %
Astrakhanenergo	3,091	14.0	3,069	14.4	22	3.0
Volgogradenergo	8,342	37.9	8,093	38.0	249	34.3
Kalmenergo	509	2.3	496	2.3	12	1.7
Rostovenergo	9,709	44.1	9,629	45.2	79	10.9
Executive apparatus	364	1.7		0.0	364	50.1
TOTAL:	22,014	100.0	21,288	100.0	727	100.0

Revenue from services provided in 2010 by IDGC of the South, JSC for electricity transmission equaled RUR20,995 mln, while revenue from services for technological connections to the Company's electric grid equaled RUR292 mln.

Change in profit by business type, RUR mln



Structure of the financial result for 2010, RUR mln



Efficiency indicators

The main business results of IDGC of the South, JSC for the reporting period are characterized by the following change in fulfilling tasks at reaching key performance and evaluation indicators:

Indicators	Unit of measurement	2008*	2009	2010	Deviation, y-o-y
ROE	%	2.28	-5.39	-19.31	-258.3
Return on sales	%	13.63	9.43	9.25	-1.9
ROTA	%	2.73	-2.31	-10.11	337.7
Current liquidity ratio	—	1.32	1.53	1.29	-15.7
Quick assets ratio	—	1.05	1.27	1.03	-18.9
EBITDA	RUR mln	2,903.3	2,842.9	73.2	-97.4
Relation of borrowed capital to capital and reserves	%	68	105	128	23
Accounts receivable turnover	1 time	1.9	1.7	2.5	0.8
Level of overdue accounts payable	%	22	39	40	1

* data for 2008 are shown taking into account the merger of DGCs from 31.03.08

Altogether in 2010 the Company showed lowered margins as compared to 2009, which was caused by the Company's losses.

The balance loss of IDGC of the South, JSC for 2010 was RUR 3.6 bln.

The main reason for the Company's loss in 2010 was the operations made for reducing accounts receivable that can't be collected (writing them off and forming reserves for doubtful receivables).

A total of RUR 2.5 bln was put in losses of past years in 2010, while RUR 1.5 bln was used as reserves for doubtful receivables. The Company's financial result was reduced by RUR 4 bln as a result of losses of previous years and forming reserves.

Information on cost structure

The majority of costs of IDGC of the South, JSC (32%) are made up of works and services of a production nature. This item includes costs for services of electricity grid companies for electricity transmission, services of FGC UES, JSC, costs for fulfilling the repair program, maintaining fixed assets in workable state, as well as services in the field of industrial safety.

Material costs make up 26% of the total sum of costs and include buying electricity for compensating losses and for company needs, materials and petroleum products necessary for the Company's production activity.

Factual costs of IDGC of the South, JSC equaled RUR 19,390 mln in 2010. Growth in costs as compared to 2009 equaled RUR 2,822 mln, or 17%.

An analysis of the change in costs can be done in terms of the weight of each item as a share of the Company's total costs. The main growth in costs can be seen in "material costs", which is caused by an increase in the share of non-controllable costs for buying electricity to compensate losses, and services of distribution grid companies for transferring electricity.

A decrease in the share of costs by 1% was achieved for the item "production works and services" as a result of the choice on a competitive basis of works and services, as well as fulfilling some types of works in a business way.

The decrease in costs by 1% for other costs was made possible by fulfilling a series of operations done by the Company to lower costs.

Operations done to lower costs

In order to achieve financial recovery in 2010 for IDGC of the South, JSC, increase operating efficiency and liquidity, the Company conducted works for implementing operations aimed at lowering costs and financial recovery.

The main measures undertaken by the Company to lower costs include:

- Lowering costs for losses in electricity grids, including:

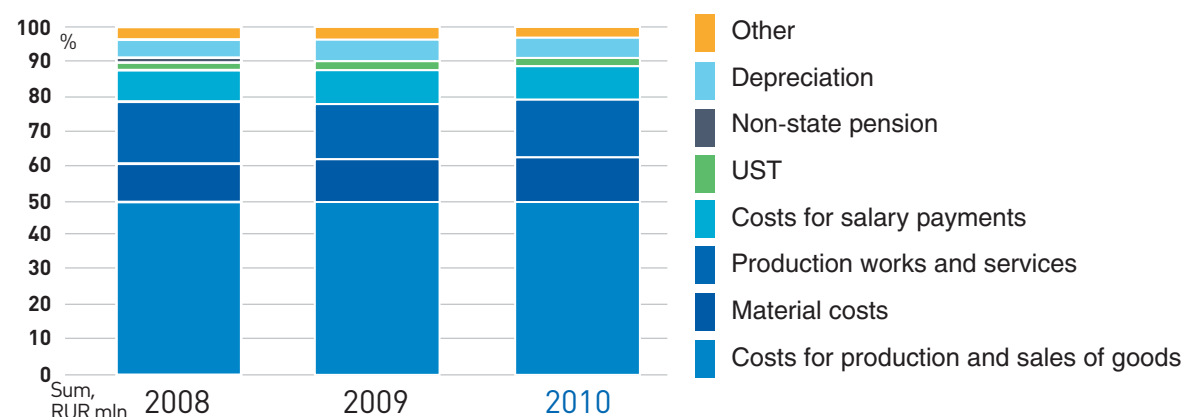
- Organizational operations (equalization of loads of phases in electricity grids 0.4 kV);
- Technical operations (replacing wires on overloaded OL, replacing wires of offshoots from OL-0.4 kV to buildings with steel wires, replacing overloaded and underloaded transformers);
- Operations at improving the systems of calculated and technical metering (holding raids for finding electricity that in unaccounted for, making control checks of meters, holding instrumental checks of electricity meters).
- Operations for improving tender procedures when conducting purchasing activity, aimed at reducing the factual cost of materials, equipment, services and works purchased.
- Reduction in costs for purchasing fuel by reconsidering the limits of writing off fuel and optimizing transportation routes.
- Reduction in salary costs by optimizing business processes and optimizing the number of personnel.
- Reduction of costs for training, fire and private security, and periodical medical examinations by centralizing training and attestation of the personnel of IDGC of the South, JSC.
- Reduction in costs as a result of implementing operations for reducing other operating costs, mainly by reducing payments for R&D, optimizing costs for communications services, private security, legal and consulting services, as well as making changes to the plan for fulfilling work at re-legalization and registration of ownership rights.

Change in costs of IDGC of the South, JSC

Name of the cost item	2008*		2009		2010		Change y-o-y	
	Sum, RUR mln	Weight, %	Sum, RUR mln	Weight, %	Sum, RUR mln	Weight, %	Absolute deviation, RUR mln	Relative deviation, %
Costs for production and sales of goods	10,908	100	16,568	100	19,390	100	2,822	117
Material costs	2,401	22	3,997	24	5,099	26	1,102	128
Production works and services	3,882	36	5,421	33	6,247	32	826	115
Costs for salary payments	1,934	18	3,141	19	3,781	20	640	120
UST	468	4	730	4	912	5	182	125
Non-state pension	97	1	71	0	16	0	-55	23
Depreciation	1,347	12	2,039	12	2,145	11	103	105
Other	779	7	1,169	7	1,189	6	24	102

* data for 2008 are shown taking into account the merger of DGCs from 31.03.08

Structure of costs



Main balance indicators

Balance item	As of 31.12.2008	As of 31.12.2009	As of 31.12.2010	Weight as of 31.12.2010, %
ASSETS				
Fixed assets	24,987	25,472	24,867	65.7
Unfinished construction	1,284	1,493	1,707	4.5
Reserves	1,385	1,372	1,394	3.7
Accounts receivable	6,976	11,161	8,738	23.1
BALANCE	35,681	41,465	37,871	100.0
LIABILITIES				
Charter capital	4,981	4,981	4,981	13.2
Additional capital	14,857	14,848	14,830	39.2
Uncovered loss of current year	0		-3,590	-9.5
Long-term loans and credits	7,191	11,720	12,767	33.7
Short-term loans and credits	2,113	1,464	1,400	3.7
Accounts payable	4,612	7,636	6,720	17.7
BALANCE	35,681	41,465	37,871	100.0

Fixed assets make up the largest share of assets. Their relative weight together with unfinished construction makes up 70.2%.

The main part of liabilities is made up of equity capital — charter and additional capital, undistributed profit and losses — altogether 43.8%. The share of borrowed funds is rather high — 37.4%.

The Company's accounting reporting for 2010, prepared in accordance with Russian accounting standards, is given in Appendix № 7 to this annual report, and is also given on the corporate website of the Company at www.mrsk-yuga.ru.

The auditor's opinion of the independent auditor AAF AUDITINFORM, CJSC for financial (accounting) reporting of the

Company is given in Appendix № 8 to this annual report, and is also given on the corporate website of the Company at www.mrsk-yuga.ru.

In the auditor's opinion the financial (accounting) reporting of IDGC of the South, JSC accurately reflects the Company's financial state in all material respects as of December 31, 2010 and the results of its financial-economic activity and cash flows for 2010 in accordance with Russian rules for financial accounting.

The opinion of the Auditing Committee is given in Appendix № 9 to this annual report, and is also given on the Company's corporate website at www.mrsk-yuga.ru.

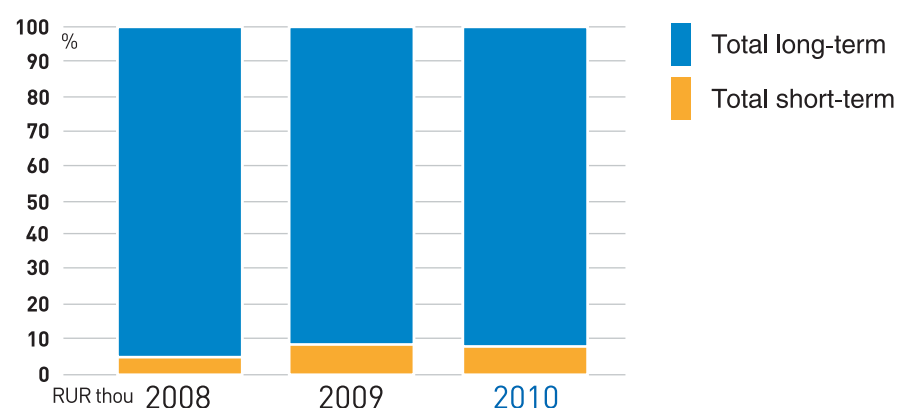
Change in the structure of accounts payable and receivable of the Company

Change and structure of accounts receivable of the Company, RUR thou

Item	2008	2009	2010	Deviation vs. the previous year
Total long-term:	378,253	970,488	704,965	-265,523
Including:				
consumers and customers	316,213	905,368	33,875	-871,493
advances made	62,040	62,040	12,990	-49,050
other debtors	0	3,080	658,100	655,020
Total short-term:	6,597,420	10,190,530	8,033,275	-2,157,255
Including:				
consumers and customers	3,500,527	7,154,550	6,781,836	-372,714
advances made	801,066	339,252	266,437	-72,815
other debtors	2,295,827	2,696,728	985,002	-1,711,726
TOTAL:	6,975,673	11,161,018	8,738,240	-2,422,778

As compared with 2009, accounts receivable decreased by RUR2,422,778 thou. The main part of the structure of accounts receivable is made up of short-term debt, with a weight of 91.9%.

Change and structure of accounts receivable of IDGC of the South, JSC



In short-term accounts receivable, the greatest weight was made up of debt of consumers and customers, at RUR6,781,836 thou. Debt of consumers and customers decreased in 2010 by RUR372,714 thou versus 2009.

The significant decrease in other accounts receivable by RUR1,711,726 thou for 2010 was connected to settlement of disputes for contractless consumption.

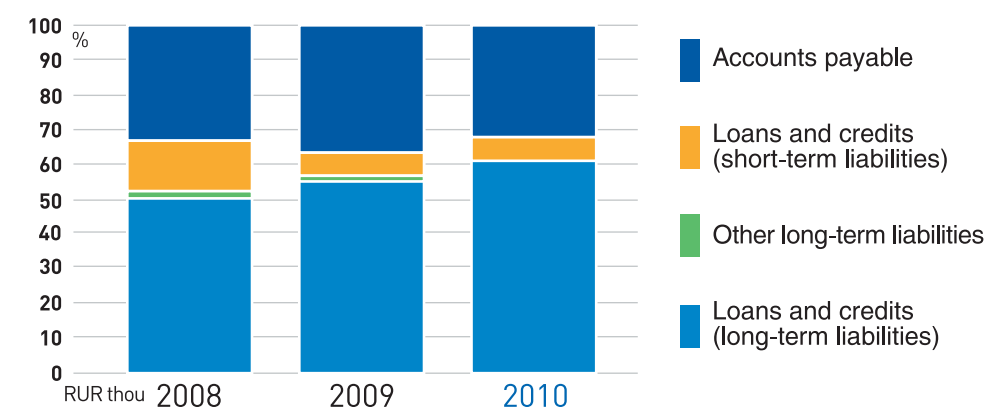
Change and structure of Company liabilities, RUR thou

Item name	2008	2009	2010	Deviation, y-o-y
Long-term liabilities				
Total	7,279,239	11,792,280	12,785,598	933,318
Credits and loans	7,191,498	11,719,958	12,766,736	1,046,778
Other long-term liabilities	87,741	72,322	18,862	-53,460
Including:				
suppliers and contractors	87,575	72,322	18,862	-53,460
other long-term liabilities	166			
Short-term liabilities				
Total	6,725,416	9,099,735	8,120,179	-979,556
Credits and loans	2,113,189	1,463,900	1,400,000	-63,900
Accounts payable	4,612,227	7,635,835	6,720,179	-915,656
Including:				
suppliers and contractors	3,542,455	5,761,241	5,284,313	-476,928
to personnel	157,891	202,548	144,119	-58,429
to budgetary and extrabudgetary funds	54,219	53,844	66,507	12,663
taxes and duties	148,201	219,871	58,657	-161,214
advances received	460,822	372,309	927,029	554,720
other creditors	248,639	1,026,022	239,544	-786,468
Total	14,004,655	20,892,015	20,905,777	13,762

Altogether in 2010 there was insignificant growth in the Company's liabilities. At the same time there was a redistribution in the structure of long-term and short-term liabilities. Long-term liabilities increased by RUR933,318 thou, while short-term liabilities of the Company decreased by RUR979,556 thou.

Growth in long-term liabilities is connected to taking long-term loans, among other things to pay off over-due accounts payable to FGC UES, JSC.

Structure of liabilities



Structure of the credit portfolio as of 31.12.2010, RUR mln

Type of loan/source of debt	2008	2009	2010	Share in total structure of liabilities, %
Short-term credits	1,800.0	1,151.0	1,400.0	10.1
Long-term credits	7,187.8	5,369.0	6,100.0	44.2
Promissory note IDGC of the South, JSC	312.9	312.9	312.9	2.3
Bond issue		6,000.0	6,000.0	43.4
TOTAL:	9,300.7	12,832.9	13,812.9	100

The average weighted interest rate for serving borrowed funds as of 31.12.2010:

- without the bond issue — 7.73% annually;
- with the bond issue — 11.7% annually.

Forecasting of financial results

Overall in 2011 IDGC of the South, JSC plans to improve its financial results, liquidity figures, and financial security.

A lot of attention will be paid in 2011 to increasing operating efficiency. The main business direction as concerns this task is to decrease operating and financial expenditures of the Company.

In accordance with the credit strategy of IDGC of the South, JSC, the company borrows mid-term and long-term funds (from 3 to 5 years) in order to refinance its previous loans.

Most of all the Company plans to reduce expenditures for such items as salary payments, interests costs, insurance and rental.

The planned amount of Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is RUR4.0 bln, while fact for 2010 was RUR0.07 bln.

Short description of the business activity of IDGC of the South at managing Kubanenergo, JSC

The most important operations conducted during the period at managing Kubanenergo, JSC were:

- Making an additional share issue with the aim of financing construction of "Olympic" infrastructure. The amount of cash funds raised from this share placement in 2010 equaled RUR4,383.2 mln.;
- Control over implementation of the investment program for construction of "Olympic" infrastructure;
- Fulfilling the program of financial recovery, as part of which costs were reduced and business effectiveness was increased.

As of the date of the end of the contract — 01.12.2010 — Kubanenergo, JSC had the following financial results:

Indicator	Measurement unit	Value for 11 months of 2010 / for 01.12.2010
Electricity output to the network	Mln kWh	17,156.1
Volume of electricity losses	Mln kWh	2,155.1
The same, as a percentage	%	12.56
"Boiler" useful electricity output	Mln kWh	13,779.4
Revenue, total	RUR mln	21,860.3
Including:		
electricity transmission	RUR mln	21,148.4
technological connection	RUR mln	644.2
other services	RUR mln	67.7
Production costs	RUR mln	22,614.4
Gross profit	RUR mln	-754.1
Interest receivable	RUR mln	187.9
Interest payable	RUR mln	1,038.1
Other revenue	RUR mln	142.0
Other costs	RUR mln	549.4
Profit before tax	RUR mln	-2,011.7
Profit tax (minus — to be refunded)	RUR mln	-243.7
Net profit	RUR mln	-1,768.0
Volume of investments (without VAT)	RUR mln	1,831.5
Input of fixed assets	RUR mln	642.3
Volume of accounts receivable	RUR mln	5,260.8
Volume of accounts payable	RUR mln	8,148.5
Volume of credits and loans	RUR mln	11,275.8

Kubanenergo, JSC had planned losses in 2010. The main reasons for the losses were:

- Tariffs included an artificially high volume of electricity transmission. The factual volume turned out to be lower due to a decrease in consumption of electric power in the first half of 2010.
- A series of consumers paid for services received at a one-rate tariff, which decreased revenue from sales.
- Capacity accounted for in the tariff didn't correspond to those shown in the contracts for electricity transmission.
- Not all costs were accounted for in tariffs, and parts of the costs were accounted for not in the full volume: purchase of losses, salary payment funds, insurance contributions, payments for social needs, payment of services to IDGC of the South, JSC for management, interest payable, costs from profit, and others.
- The average output tariff for electricity transmission turned out to be lower than the tariff set by the Regional Tariff Service due to a change in the structure of electricity output at voltage levels.

The management functions were carried out by the Company for payment. IDGC of the South, JSC had revenue for this type of business of:

- For 2008 — RUR209.0 mln.;
- For 2009 — RUR393. mln.;
- For 2010 — RUR357.2 mln.

Contact person:

Denis Vladimirovich Negryoba, Head of the Department of Economics.
tel. (861) 279-86-11, e-mail: negrebadv@mrsk-yuga.ru.



Distribution of profit and dividend policy

Company dividend policy. Information on payment of dividends to shareholders

Dividend policy is understood by the Company as a system of relations and principles for determining the size of dividends, the method and term of their payment, as well as for setting the responsibility of the Company for not fulfilling its obligation for paying dividends.

The Company's dividend policy is based on the balance of interests of the Company and its shareholders when determining the size of dividend payments, on respect for and strict adherence to shareholder rights, as provided for by the current legislation of the Russian Federation, the Company charter, and internal documents of the Company, and is aimed at increasing the Company's investment attractiveness, its capitalization, and its shareholder value

The Regulation on dividend policy of open joint stock company Interregional Distribution Grid Company in its new edition was approved by decision of the Board of Directors (Minutes dated 01.09.2010 №23/2010), in accordance with the Civil Code of the Russian Federation, the Federal Law "On Shareholder Companies" dated 26.12.1995 №208-FZ, normative-legal acts of the Russian Federation, the Charter of IDGC of the South, JSC, as well as recommendations of the Corporate Governance Code of IDGC of the South, JSC and other internal documents of the Company so as to:

- ensure transparency of the mechanism for determining the size of dividends and their payment,
- inform shareholders and other interested parties about the Company's dividend policy.



Distribution of net profit by segment of use

The Company has not taken the decision to pay dividends since it was founded. The decision not to pay dividends for 2007–2008 was caused by the Company's desire after the reorganization process to focus its efforts on increasing and retaining cash funds, and for 2009–2010 — due to having operating losses.

IDGC of the South, JSC held a General Shareholders' Meeting on May 15, 2008, at which the following decisions were taken on the question "On distribution of profit (including paying dividends) and losses of the Company for the results of the financial year":

- To approve the following distribution of profit of RUR 6,883 thou of the Company for the 2007 financial year:

Indicator name:	RUR thou
Reserve fund	344
Accumulation fund	6,539

- Not to pay dividends for 2007 on Company shares.

IDGC of the South, JSC held a General Shareholders' Meeting on June 19, 2009, at which the following decisions were taken on the question "On distribution of profit (including paying dividends) and losses of the Company for the results of the financial year":

- To approve the following distribution of profit and losses of the Company for the 2008 financial year:

Indicator name:	RUR thou
Net profit from the reporting year	486,049
Reserve fund	24,302
Development of production	461,747

- Not to pay dividends for 2008 on Company shares.

IDGC of the South, JSC held a General Shareholders' Meeting on June 15, 2010, at which the following decisions were taken on the question "On distribution of profit (including paying dividends) and losses of the Company for the results of the financial year":

- The following distribution of profit (including paying dividends) and losses of the Company for the results of the 2009 financial year:

Indicator name:	RUR thou
Undistributed profit (loss) of the reporting year:	(1,108,879)
Distribute for: Reserve fund	—
Profit for development	—
Dividends	—
Paying off losses of past years	—

- Not to pay dividends on ordinary shares of the Company for 2009.

IDGC of the South, JSC had a net loss of RUR 3,590 mln in 2010.

Recommended distribution of profit (losses) of the Company, recommended by the Board of Directors of IDGC of the South, JSC for 2010, RUR thou:

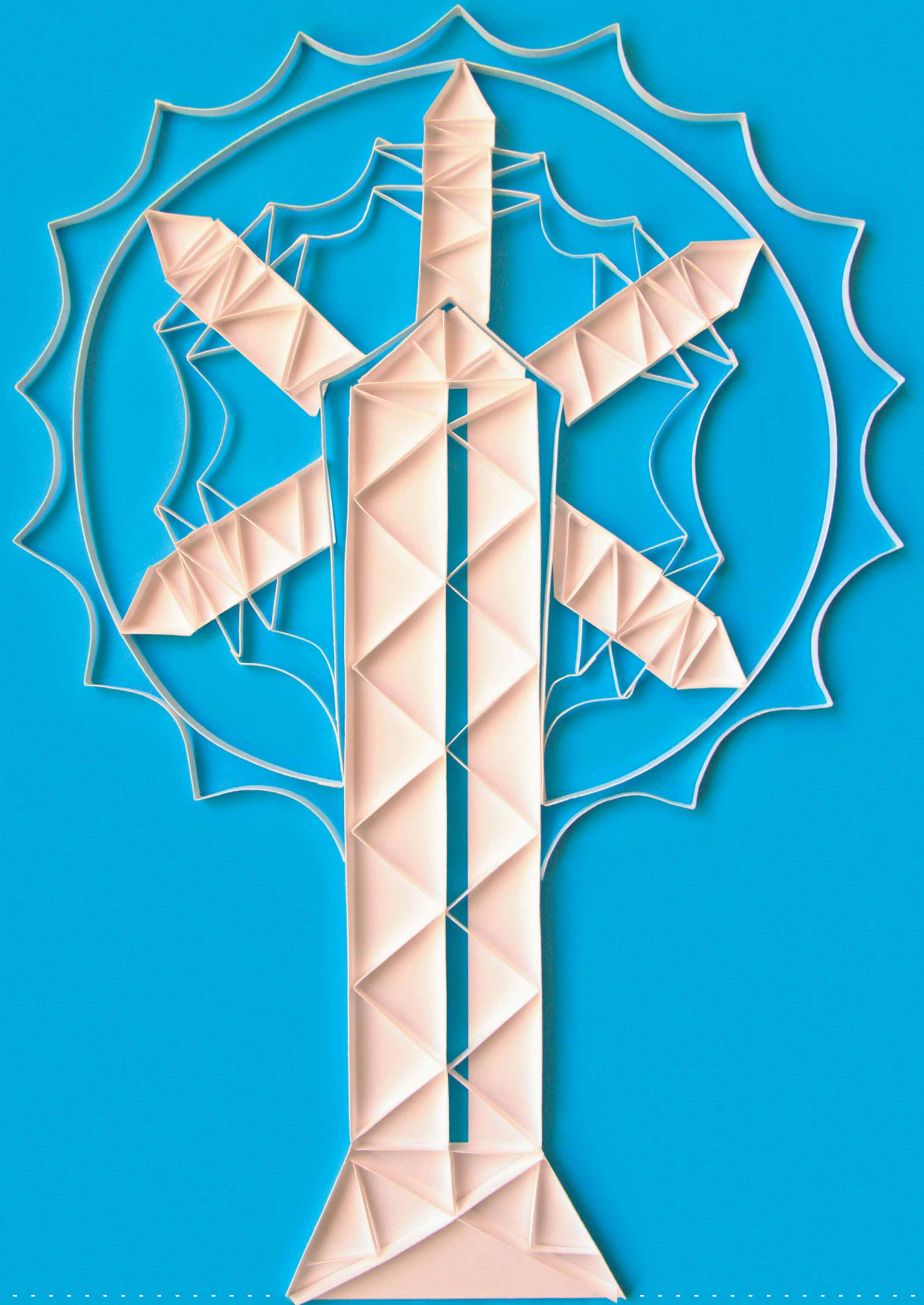
Item name	Profit distribution
Net profit (RUR thou)	–3,589,842
Reserve fund (RUR thou)	0
Accumulation fund (RUR thou)	0
Dividends (RUR thou)	0
Use of profit for investments in the current year (RUR thou)	0
Dividends per 1 share (kop.)	0

Contact persons:

Dmitry Yuryevich Permyakov, Head of the Department of Finances.
tel. (861) 279-85-77, e-mail: permyakovdu@mrsk-yuga.ru.

Denis Vladimirovich Negryoba, Head of the Department of Economics.
tel. (861) 279-86-11, e-mail: negrebadv@mrsk-yuga.ru.

7. SOCIAL REPORT



7. Social report

The following tasks are to be completed while working with personnel:

- to reach a strict quality and quantity conformity of the professional and qualification personnel structure to the Company job structure, inclusive of all kinds of requirements of personnel quality in the energy sphere;

- to ensure continuity of the Company traditions and corporate values at recruitment and specialist training;
- to provide for a high level of the personnel motivation to reach Company goals;
- to ensure a sufficient level of satisfaction of personnel with their work and working conditions.



24-hour accident insurance is provided to **100%** of Company employees

RUR 18,976 thou
Expenditures on environmental protection in 2010

RUR 142,436 thou
Expenditures on job safety in 2010

Presently the Company has **35** Client Service Centers and Offices

Personnel policy

Main goals and purposes of the personnel policy of IDGC of the South, JSC

The personnel strategy of IDGC of the South, JSC is based on the company business strategy and corporate culture.

The personnel policy of IDGC of the South, JSC has a number of key principles which are brought into effect by branch personnel and organizational planning departments and their directors.

The personnel policy of IDGC of the South, JSC has the goal of reaching a certain personnel quality level which will ensure the Company's competitive edge and strategic development.

The main goals of the Company's personnel policy include

- organizational structure process optimization; efficiency optimization;
- personnel planning (personnel demand identification — quality and quantity balance), including determining a certain category of employees the retention of whom is of key importance for the Company;
- development and implementation of operations for making the company personnel younger, especially in production subdivisions (workers and engineering-technical specialists);
- strengthening of cooperation with the leading Russian educational institutions of middle and professional education with a focus on profile energy sector educational institutions and departments;
- developing a system of continuous preparation, retraining and improvement of personnel professional skills using the opportunities provided by regional educational centers and by implementing flexible educational techniques;
- creation and development of the Company succession pool. Individual programs to develop personnel potential, career planning. Company mentoring system organization;
- development and implementation of Company financial and non-financial motivation based on individual results and efficiency, with the aim of personnel recruitment, retention and stimulation;
- implementation of occupational pension schemes aimed at Company employees social protection improvement. Company employee-targeted social benefits and guarantees provision;
- development of the system of psychophysiological provision of safety of the work activity of operative personnel.

By decision of the Board of Directors of IDGC of the South, JSC dated 27.07.2010, the Program for support and development of the personnel potential of IDGC of the South, JSC (Minutes dated 30.07.2010, №51/2010) was approved, which provides the main directions for implementing the Company's personnel policy for the coming years.

Company personnel headcount, structure and movement

IDGC of the South, JSC acted as an operational company with an executive apparatus and 5 branches in 2010: Astrakhan-energo, Volgogradenergo, Kalmenergo, Kubanenergo and Rostov-energo.

The Kubanenergo branch of IDGC of the South, JSC did not conduct any business activities in 2008–2010.

IDGC of the South, JSC had a personnel headcount totaling 15,123 people in 2010, which is 10.4% higher than in 2009.

The headcount increase in 2010 (in particular, in the "specialists" category) was caused by filling vacancies with

personnel working in the Company's main business, so as to ensure reliable energy supplies to consumers and increase the stability of the work of electricity grid equipment of IDGC of the South, JSC.

IDGC of the South, JSC had a personnel headcount totaling 13,699 people in 2009, which is 4.9% higher than in 2008.

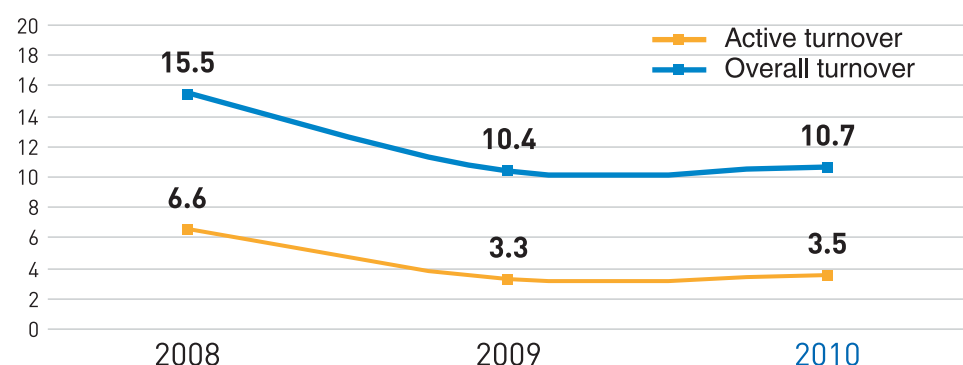
The headcount increase in 2009 was due to the adoption of the function of forming distribution grid electric power transmission services volume as a basic activity of IDGC of the South, JSC.

In order to fulfill the expenditure optimization target of the function of forming distribution grid electric power transmission services volume, qualified personnel of Energobalance-Center, LLC, and Energobalance-Kuban, LLC, were transferred to revenue metering structural divisions October 1, 2009, to fulfill revenue metering functions from.

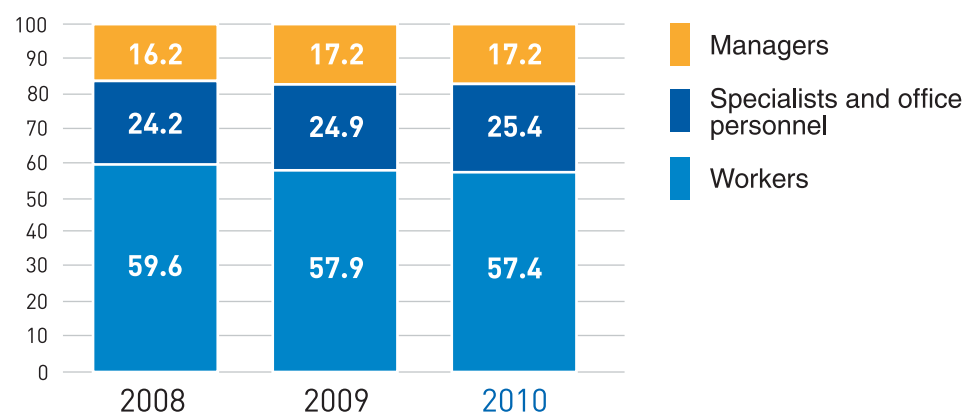
Growth in the staffing level of IDGC of the South, JSC was observed during the period from 2008 to 2010, and by the end of 2010 the level of coverage equaled 95% out of staff size.

The amount of employees who quit work on their own accord — active turnover, stabilized in 2010:

Change in the level of personnel turnover of IDGC of the South, JSC for 2008 – 2010, %



Structure of employees in IDGC of the South, JSC by personnel category and change for 2008 – 2010, %



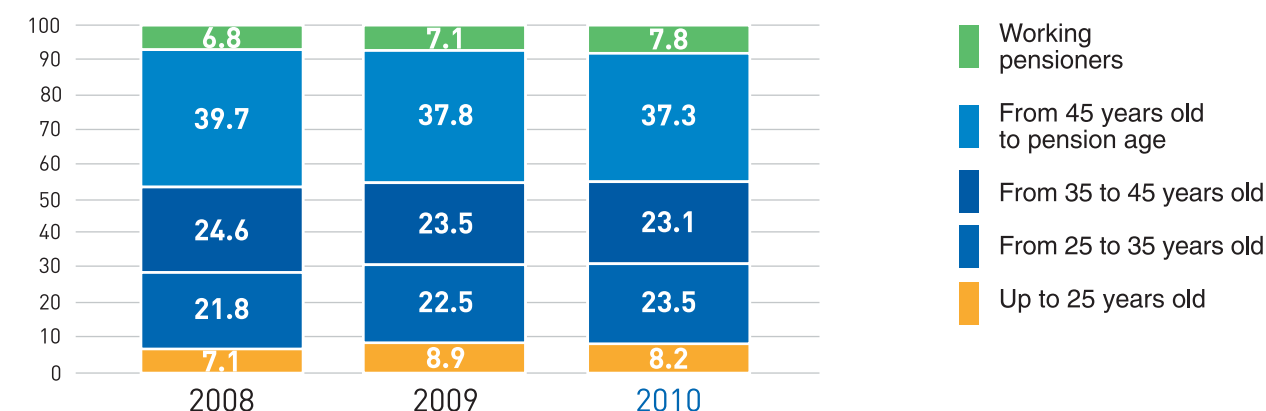
Personnel age structure of employees of IDGC of the South, JSC

An analysis of the personnel age structure showed that the basis of labor (personnel) potential of IDGC of the South, JSC in 2010 consisted of employees ranging in age from 25 to 45 years old. Such employees make up 46.6% of the total headcount.

Over the last three years the percentage of specialists in the age groups "up to 25 years old" and "from 25 to 35 years old" increased by 2.8% as compared to 2008. This happened as a result of the specific personnel policy of IDGC of the South, JSC at attracting young specialists to the energy sector.

As analysis of age characteristics of employees hired by the Company in 2010 revealed that there was an increase in all personnel categories of employees up to 35 years old.

Change in the structure of personnel of IDGC of the South, JSC by age for 2008 – 2010, %



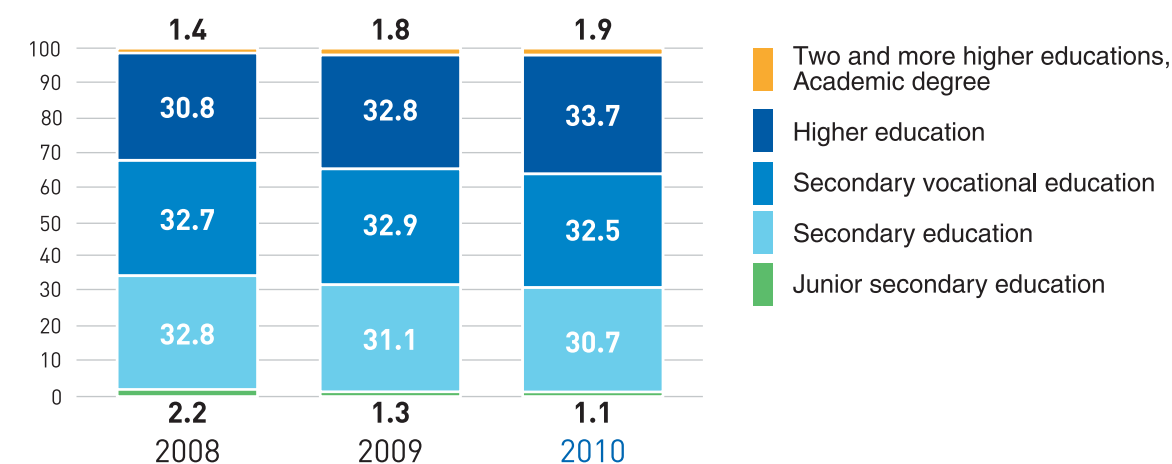
One of the key targets of the personnel policy of IDGC of the South, JSC is to recruit young, qualified professionals, and secure and retain them in the Company. This will continue to be one of the main personnel management targets in the future.

Qualification structure of the employees of IDGC of the South, JSC for 2010

As of December 31, 2010, 68.2% of IDGC of the South, JSC personnel have higher professional education and secondary vocational education. Employees having secondary (general) education and junior secondary education make up 31.8% (2008 — 35.0%, 2009 — 32.4%) of the total number

of personnel of IDGC of the South, JSC. These are basically workers who got special professional training and received admission to independent work, as well as unqualified workers who don't work in the Company's main business segments.

Qualification level of employees of IDGC of the South, JSC for 2008 – 2010, %



The change in the educational level of Company employees in 2008–2010 is characterized by a decrease in the share of workers who don't have professional education and by an increase in the share of workers with higher professional education.

Personnel development and training

Personnel development is one of the main targets of the personnel policy of IDGC of the South, JSC. Systematic, scheduled, and, most-important — continuous education and personnel professional training plays a key role.

Development of the system of preparation and development of personnel is aimed at ensuring the greatest compliance of employees to the structure of their positions and work places taking into account the whole spectrum of requirements made of the quality of personnel in the energy sector.

Trainings are held for all categories of employees in IDGC of the South, JSC. A total of 6,767 employees had training in 2010, or in other words 45% of all Company employees.

The main form of personnel training is professional training on the basis of educational centers: NNEI "Kubanenergo Educational Center" (Krasnodar), NEI "Energetik Educational Center" (Rostov-on-Don), and NEI "Astrakhan Educational Center" (Astrakhan). The educational centers are equipped with all the necessary facilities, including simulators, resource materials, and literature. All the centers have training grounds where practical training of workers and specialists takes place.

Professional training, retraining and career enhancement of the Company personnel is provided by the following educational institutions: Corporate Energy University (Moscow), NEI "Energy Sphere Specialists Training Center" (St. Petersburg), Public Administration IFT (Moscow), and SEI FPI "St. Petersburg Energy Institute of Further Training".

Work with personnel reserves is one of the main directions of personnel preparation and development. The Regulation on personnel reserves was introduced into action by decree of the general director of IDGC of the South, JSC in 2010. This Regulation sets a unified method of forming, developing, and implementing personnel reserves. Personnel reserves for management positions have been formed in the Company in accordance with this Regulation.

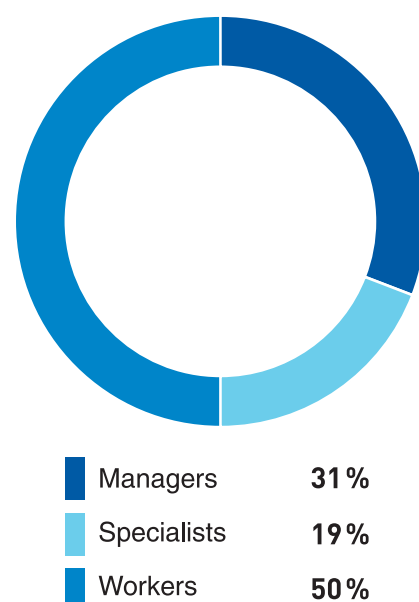
Specialized programs of professional retraining of personnel have been developed and implemented as part of the operations for preparing workers and reservists for key professions for the Company, as approved by the Program for support and development of the personnel potential of IDGC of the South, JSC: "School of head engineers" and "School of dispatcher preparation". The "School of head engineers" program was created with the aim of perfecting preparation of managers of technical staffs and head engineers, while the "School of dispatcher preparation" is aimed at target preparation of reserves for the positions of operating managers of IDGC of the South, JSC. Heads of technical staffs of the company were invited to develop the programs and read a series of courses.

A total of 38 Company employees received a diploma on professional re-training in 2010.

An important direction is professional preparation of managers on whom the success of implementing the development programs in the Company depends, as well as the reliability

An analysis of employee structure by education level of employees hired and fired in 2010 shows that the educational level of employees who are hired by the Company is higher than that of employees who are fired.

Percentage ratio of educated workers by category



and effectiveness of the Company's functioning. Cooperation was continued with Bauman Moscow State Technical University in 2010, as part of which 26 reservists passed training in the program of professional re-training under the "Management" specialization on the base of the Kubanenergo Education Center.

The Company regularly conducts monitoring of the needs for educational programs which will help develop and implement education courses that are adapted to the Company's needs. Based on applications from the heads of structural subdivisions in 2010 the Company prepared and held 19 seminars on the Company's main business segments on the base of regional educational centers for employees of all branches of IDGC of the South, JSC, using qualified teachers. For example, in order to implement the Program for energy saving and energy efficiency of IDGC of the South, JSC, overall 160 employees underwent training in the program "Conducting energy investigations so as to increase energy efficiency and energy saving" in 2010. Training was continued under the program "Energy for non-energy sector employees" for employees of functional subdivisions and newly-hired employees.

IDGC of the South, JSC held an annual contest in 2010 called "Best in profession", in which employees of all Company branches took part in order to develop rationality and the creative potential of the Company staff, and widen and implement modern working methods, while raising productivity and also revealing the most promising employees.

The Company established a Board of Young Specialists in the Company's executive apparatus and in all Company branches in order to increase the activity of young specialists at learning their professional skills, and assisting them in their qualification and cultural growth.

Hiring young employees is one of the strategic goals of the Company's personnel policy, as a result of which the Company implements programs for cooperation with educational institutions which conduct preparation by energy-sector specializations, including signing three-way contracts. In order to give

students more practice, students are invited to the Company for internships.

An important component of operations aimed at attracting young employees is to increase the prestige of work in the energy sector. Open houses are held regularly for students of profile institutions, as well as for vocational students and even high school students. The aim of such open houses is professional orientation of graduates, attracting the interest of young specialists to energy sector professions needed by branches of the Company.

Social responsibility

IDGC of the South, JSC is a responsible corporate member of society.

The Company conducted preparation and disclosure of a social report for 2009 in the reporting year for the first time in order to improve its practice of corporate management, to improve working conditions and the standard of living of employees, as well as to defend the interests of other categories of interested parties.

Understanding its responsibility before other interested parties, IDGC of the South, JSC intends to regularly produce a social report in the future.

The Company voluntarily accepts social obligations before employees in accordance with the Sector Tariff Agreement (STA) in the electric power field in the Russian Federation for 2009–2011, collective contracts and other local normative acts.

The Company builds a policy of payment and motivation of personnel in accordance with the following principles:

- unification of all IDGC of the South, JSC branch and dependent company remuneration and motivation policies;
- fixing the minimum guaranteed wage at all branches and dependent companies, for all professional groups, at the level higher than the official state regulated minimum monthly wage; based on basic needs satisfaction and a certain level of income expectation;
- fairness and competitiveness of staff remuneration and motivation;
- regular wage indexation based on the consumer price index, in conformity with the "Sector tariff agreement" in the energy sphere;
- application of flexible bonus systems, where individual contribution to the Company main goal is taken into account the most; the main goal of the Company being provision of guaranteed high level electric energy supply to consumers.

The salary of the staff members of the branches of IDGC of the South, JSC exceeded the average salary of regional industrial personnel and was competitive on regional labor markets in 2010.

While observing the key principles and rights in the labor sphere, the Company admits the necessity of providing additional social privileges and guarantees to employees in excess of those established by the legislation.

However, such guarantees depend to a large degree on the efficiency level and work results.

In order to increase personnel social security, the Company provides high quality health services to the employees whose production activity is connected with hazard to life, or with a probability of occupational diseases, and carries out round-the-clock accident insurance of 100% of its employees. In 2010, 15,909 people were insured under a voluntary medical insurance program.

In order to improve employee social security and create conditions for effectively meeting the personnel policy objectives connected with staff recruiting, retention and motivation, IDGC of the South, JSC finances and develops programs of occupational pension schemes.

Implementation of occupational pension schemes of the Company employees is carried out by means of the Non-State Electric Energy Sphere Occupational Pension Fund (EESOPF).

In 2010 non-governmental occupational pension schemes covered 2,104 employees, or 13.7% of the headcount; of them 1,944 people (92%) participated in the parity scheme; 160 people (8%) — in the corporate scheme.

IDGC of the South, JSC emphasizes the importance of employee health promotion and rest. In 2010, 944 employees and their children rested under preferential vouchers.

For the development and maintenance of a healthy lifestyle, IDGC of the South, JSC carries out health and fitness work and develops mass kinds of sports among employees, by providing them access to sports infrastructure. 42 sports grounds and corners have been built on the Company branch premises for this purpose. Over 3,000 Company employees were involved in sporting events at IDGC of the South, JSC branches.

In September, 2010, the 3rd Annual Olympic Games for IDGC of the South, JSC employees took place on the grounds of the "Smerna" Federal Children Rehabilitation and Education Centre in Anapa. Over 450 athletes from all branches participated

and competed in 5 kinds of sports: volleyball, futsal, weight lifting, table tennis and chess. According to the results of the Games, athletes were chosen to make an all-company team that would participate in pan-Russia sports games of the regional grid complex. IDGC of the South, JSC teams took 2nd place in the IDGC Holding JSC winter and summer sports games.

IDGC of the South, JSC pays attention to the families of its employees. On June 1st (Child Protection Day), theatrical performances, excursions, sports and cultural programs were prepared and conducted at Company branches. These performances were attended by employee children, as well as by children from orphanages.

In order to attract employee children to the energy sphere professions, the company organizes a yearly drawing competition entitled "Children draw energy".

Being a socially-responsible company, IDGC of the South, JSC takes care of war veterans and pensions of the Company as well. In 2010 the Company formed a Board of Veterans of IDGC of the South, JSC, including specialists from all branches and the executive apparatus of the Company. More than 5,000 veterans and pensioners received various forms of material help from the Company in the reporting year.

Considering the difficulty of solving the problem of providing employees with housing, the collective contracts of branches call for corporate cooperation and corporate support at improving one's housing conditions by providing financial help to employees when filing for mortgages and when paying off interest on mortgages.

Environmental policy

Implementation of the Company's main tasks in the sphere of environmental policy in 2010

IDGC of the South, JSC carries out work on implementation of ecological measures to protect air and water resources, use land resources rationally, and reduce the negative impact of its production activity on the environment.

IDGC of the South, JSC implemented a series of operations aimed at reducing impact on the surrounding environment when conducting production activity in 2010, the mains of which were:

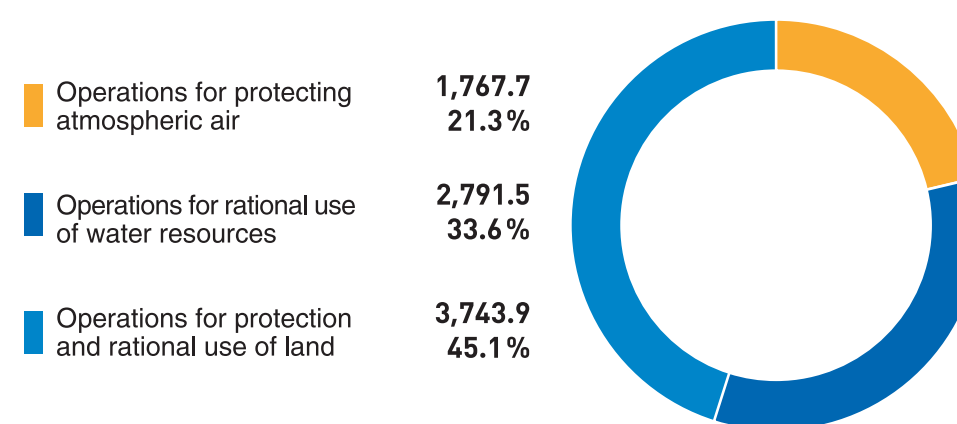
- replacing oil receivers at SS in order to prevent pollution from spilled oil;
- equipping concrete areas for temporary storage of equipment using oil and for storing production waste;
- timely disposal of production waste and consumption from production areas;
- installing anti-bird features which protect birds from electrical shock;
- supporting water wells in good state, equipping zones of sanitary defense for taking water, conducting sanitary-chemical and microbiological analysis;
- technical maintenance, repairs and replacement of vehicles;
- reducing electricity losses;
- recycling of batteries from static condensers that contain are no longer used and contain polychlorinated biphenyls.

The total expenditures of IDGC of the South, JSC for fulfilling operations in the environmental protection field in 2010 equaled RUR 18,976 thou. Growth in costs vs. 2009 (RUR 16,382 thou) is explained by increased growth of implementation of ecologically clean equipment at substations (replacing oil switches with vacuum ones, implementing unserviced closed accumulator batteries with batteries of static condensers with the use of safe agents).

A "Program of Ecological Policy" of IDGC of the South, JSC for 2010, as approved by decree of IDGC of the South, JSC dated 25.03.2010 № 105-A was in force during the reporting year.

Total costs for implementing the Program of Ecological Policy in 2010 equaled RUR 8,303.1 thou.

Expenditures for fulfilling ecological policy programs in the Company in 2010, RUR thou/%



Costs for implementing main operations in the field of environmental protection in 2010

Type of main operations	Cost, RUR thou	Effect achieved
Repairs of high earth walls of stationary above-ground reservoirs and repairs of areas for temporary collection of hard waste	399	Preventing ground pollution by waste in the case of an emergency situation
Training personnel how to work with dangerous waste of production and consumption	195	Lowering the level of impact on the surrounding environment by ensuring norms of safe work with waste
Disposal and recycling of static condenser batteries containing polychlorinated biphenyls in the branch of IDGC of the South, JSC — Kalmenergo	423.6	Reducing the level of pollution of atmospheric air and soils by waste of the 1 st class
Developing geological-technical documentation at deep-water wells in the branch of IDGC of the South, JSC — Volgogradenergo	390	Reducing the level of impact on underwater water horizons by ensuring fulfillment of norms set by legislation on mineral resources
Reaching (prolonging) contracts for transmission to organizations for use, deactivation, storage and waste	541	Contracts were signed 1–4 class waste transfer for use, deactivation, storage and dumping
Equipping areas for storing waste, oil-filled equipment, scrap metal, etc.	82.8	Preventing pollution of the surrounding environment by production and consumption waste
Conducting laboratory-instrumental control of emissions of pollutants to the atmosphere	691	Reducing the level of impact on the surrounding environment by complying to norms of maximum allowable emissions to the atmospheric air
Development and correction of projects of maximum admissible emissions (for branches of IDGC of the South, JSC — Kalmenergo, Volgogradenergo, Rostovenergo), maximum admissible waste (for the branch of IDGC of the South, JSC — Volgogradenergo), projects for organizing sanitary protection zones (for the branch of IDGC of the South, JSC — Astrakhanenergo)	1,039	In 2010 projects for sanitary protection zones were developed and reconciled at 8 areas of the branch of IDGC of the South, JSC — Astrakhanenergo, systematic (annual) natural research of pollution of the atmosphere was done, and projects for maximum admissible emissions were developed in the branch of IDGC of the South, JSC — Kalmenergo
TOTAL:	3,761.4	

Contact person:

Gritsenko Pavel Nikolaevich, Head of Department for Human Resources Management and Organization Design, tel. (861) 279-87-01, e-mail: gricenko@mrsk-yuga.ru.

Main tasks of the Company in the field of environmental protection in 2011

The most important tasks in the field of environmental protection for 2011 are:

- receiving licenses for conducting activity with 1–4 class dangerous waste;
- further work on recycling batteries of static condensers containing polychlorinated biphenyls (1st class waste);

Policy in the field of job safety

The policy of IDGC of the South, JSC in the field of job safety is aimed at ensuring safe and healthy working conditions, and a constant decrease and exclusion of cases of on-the-job injury and professional diseases.

The main principles and goals of IDGC of the South, JSC in the field of job safety for the long-term period are:

- the unquestionable priority of job safety of employees of IDGC of the South, JSC over other results of production activity;
- safety and health protection of all employees, preventing the influence on employees of factors leading to injuries, disease, and incidents;
- guarantee of fulfilling the existing legislation in the field of job safety, norms and rules, programs, and collective agreements adopted by IDGC of the South, JSC and the sector;

- repairs of oil receivers at SS, replacement of oil-filled equipment;
- training and attestation of employees in the field of ecological safety;
- tracking functioning of the system of ecological management on the basis of the international standard ISO 14000;
- use of water wells while fulfilling requirements of environmental protection policy in the branches of IDGC of the South, JSC — Rostovenergo, Volgogradenergo.

- familiarity of employees and their representatives with questions of job safety, compliance to safe and healthy working conditions;
- guarantees of fair and objective research of injuries, disease, and poor health connected to work;
- participation of employees in all elements of the system of job safety management;
- constant improvement of functioning of the system of job safety management in the company, raising the level of job safety culture.

In order to implement these goals and priorities the work done in the field of job safety in IDGC of the South, JSC is based on requirements of the existing federal and regional legislations, and sector documents.

One of the main documents regulating work in the field of job safety is the “Program of operations at reducing risks of injury in IDGC of the South, JSC for 2010”, approved by the Board of Directors of IDGC of the South, JSC (Minutes №40/2010 dated 19.02.2010).

This Program calls for implementing a set of procedures of technical, organizational, and educational nature aimed at preventing injury and raising the qualifications of personnel.

The most important cost-incurring operations of the Program are the following:

- providing employees with special professional clothing, shock resistant, for a total sum of RUR80.4 mln;
- providing employees with protection means, tools, and other instruments for conducting safe work with electricity for a total sum of RUR27 mln;
- providing brigades with consistent communications lines, and dispatcher points with registers of operative negotiations for a total sum of RUR11.08 mln;
- installation of protection covers at TS 6–10/0.4 kV in a quantity of 4,582 units.

Besides operations of the above-mentioned Program, IDGC of the South, JSC also conducts a **set of measures aimed at supporting the state of work safety** at the needed level:

- Conducting all required forms of work with the according personnel categories (instructions on work safety and fire safety, preparation for new positions of all newly-hired employees, internships, pre-exam preparation, checking of knowledge of norms and rules, repetition, admittance to independent work, practice anti-accident and fire protection trainings, special preparation, advanced training, etc.);
- providing personnel with means of protection, tools, and other instruments;
- conducting obligatory medical examinations of newly-hired personnel, as well as period medical examinations of employees in the work process;
- conducting attestation of workplaces by work conditions and following certification of workplaces for job safety;
- setting various privileges and compensation (additional vacation, milk and health food, additional payment, shorter work day or week) based on the results of attestation for workers who have workplaces that don't satisfy the norms of job safety;
- conducting psychophysiological examinations of employees.

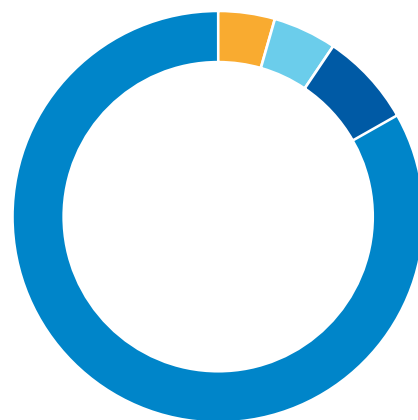


The employees of IDGC of the South, JSC are provided with means of protection, special clothing, special footwear, and other individual protection means, as well as instruments and tools needed for servicing electricity grid infrastructure safely.

The costs of IDGC of the South, JSC for job safety operations equaled RUR 142,436 thou.

Company expenditures on work safety in 2010, RUR thou/%

Operations at preventing accidents	6,595	4.6 %
Operations at preventing sickness at production facilities	7,246	5.1 %
Operations at general improvement of work conditions	10,581	7.4 %
Operations at providing workers with means of individual protection	118,014	82.9 %



Together with prevention of production injuries, IDGC of the South, JSC also has a "Program of operations for 2010–2012 at reducing the risk of injury to third parties on Company equipment". This program was coordinated with IDGC Holding, JSC, approved by the Board of Directors of IDGC of the South, JSC and introduced into effect by Decree of Company № 332 dated 21.09.2010. The following operations are called for under this Program aimed at reducing risks of injury of third parties on energy infrastructure of the Company:

- work with governmental bodies, regulatory agencies, law enforcement and power structures;
- prevention of electricity injuries to children and teenagers;
- prevention of electricity injuries among employees of other companies and contractors conducting work in proximity to energy infrastructure;
- prevention of stealing equipment and materials from energy infrastructure;
- prevention of electricity injuries under illegal connection to electricity grids;
- prevention of electricity injuries among fishermen;
- assessment and repairs of electrical installations.

Contact person:

Andrey Vladimirovich Petlenko, Head of the Service of Production Control and Job Safety.
tel. (861) 279-84-30, e-mail: petlenkoav@mnsk-yuga.ru»

Client-oriented policy of IDGC of the South, JSC

IDGC of the South, JSC provides services for electricity transmission, services for technological connection of power receivers to the Company's electricity grids, and provides quality and reliable energy supplies to companies and the public in the regions where the Company is present.

As per the contracts reached, IDGC of the South, JSC provided electricity transmission services to 48 counteragents in 2010, of them:

- 26 power sales companies;
- 10 "direct" consumers;
- 12 territorial grid companies.

As part of paid service contracts reached with power sales companies, IDGC of the South, JSC provides reliable and quality energy supplies to electricity consumers:

- 40,935 legal entities;
- 1,246,564 individuals.

Regular joint meetings are held on production questions in order to conduct effective interaction with partners from the energy market, and commissions are made for reaching consensus on questions of dispute.

IDGC of the South, JSC, understanding the high social importance of its services at creating good living conditions for people and for business, implements a client-oriented policy. This means creating conditions of interaction with clients under which the Company provides transparency of business processes of examining client claims. The Company provides clear and comfortable conditions for this interaction.

The Company provides interaction in any of three forms, as per the client's wish:

- in person (Client Service Centers),
- absentee (telephone, mail, e-mail),
- interactive (Internet).

The main principles of the Company's work with clients are:

- ensuring territorial, informational and price accessibility of services for clients;
- implementing the principle of non-discriminate access to the Company's services — all clients are given the same obligations and rights;
- creating comfortable conditions for servicing, and being kind to customers;
- transparency of procedures for working with client claims;
- providing an objective and fair examination of client claims in the according time frame.

Clients of IDGC of the South, JSC individual persons, individual entrepreneurs, and legal entities which receive services on the territory of 4 branches of IDGC of the South, JSC:

- Rostovenergo branch;
- Volgogradenergo branch;
- Astrakhanenergo branch;
- Kalmenergo branch.

In order to improve client relations, IDGC of the South, JSC developed a "Client-Oriented Policy of IDGC of the South, JSC" in 2010.

Adopting a client-oriented policy became the deciding step on the way to open and reliable relations between IDGC of the South, JSC and its clients.

As part of the client-oriented policy, it is stated which liabilities the Company takes before clients, as well as the position of the company management to clients' problems.

The goal of the client-oriented policy is to create comfortable and convenient conditions for clients when interacting with all structural subdivisions of the Company on the base of unified rights which guarantee equality and accessibility to company services.

The client-oriented policy of IDGC of the South, JSC was developed as part of the general strategic policy of the Company, one of the main principles of which is transparency of the Company's business for its clients.

Presently the "Program of operations for improving the image of IDGC of the South, JSC as concerns technological connections for 2010–2012" is in force (Decree № 351 dated 06.10.2010).

IDGC of the South, JSC had 35 functioning Client Service Centers (CSC) and Offices (CSO) as of December 31, 2010 (18 centers and 17 offices), of which:

- In the branch of IDGC of the South, JSC — Astrakhan-energo — 2 CSC and 10 CSO:
 - Central CSC for Astrakhan;
 - CSC for Akhtubinsk;
 - CSO Enotaevsky RES, Enotaevka;
 - CSO Kharabalinsky RES, Kharabali;
 - CSO Ikryaninsky RES, Ikryano;
 - CSO Pravoberezhny RES, Solyanka;
 - CSO Volodarsky RES, Volodarsky;
 - CSO Chernoyarsky RES, Cherny Yar;
 - CSO Krasnoyarsky RES, Krasny Yar;
 - CSO Limansky RES, Liman;
 - CSO Privolzhsky RES, Nachalovo;
 - CSO Kamyzyaksky RES, Kamyzyaks.

- In the branch of IDGC of the South, JSC — Volgograd-energo — 6 CSC and 7 CSO:
 - CSC PO Volgograd Electricity Grids, Volgograd;
 - CSO Dubovsky RES PO Volgograd Electricity Grids, Dubovka;
 - CSO Gorodishensky RES PO Volgograd Electricity Grids, Gorodishe;
 - CSC PO Pravoberezhniye Electricity Grids, Volgograd;
 - CSO Kotelnikovskiy RES PO Pravoberezhniye Electricity Grids, Kotelnikovo;
 - CSC PO Levoberezhniye Electricity Grids, Volzhskiy;
 - CSO Pallasovskiy RES PO Levoberezhniye Electricity Grids, Volzhskiy;
 - CSO Sredneakhtubinskaya RES PO Levoberezhniye Electricity Grids, Srednyaya Akhtubaya;
 - CSC PO Uryulinskies Electricity Grids, Uryulinsk;
 - CSC PO Kamyshinskies Electricity Grids, Kamyshin;
 - CSO Elansky RES PO Kamyshinskies Electricity Grids, Elan;
 - CSC PO Mikhailovskies Electricity Grids, Mikhailovka;
 - CSO Logovskiy RES PO Mikhailovskies Electricity Grids, Log.

- In the branch of IDGC of the South, JSC — Rostovenergo — 9 CSO:
 - Central CSO Rostov-on-Don;
 - CSO PO Central Electricity Grids, Novocheboksak;
 - CSO PO Eastern Electricity Grids, Volgogradskiy;
 - CSO PO Western Electricity Grids, Shakhty;
 - CSO PO North-Eastern Electricity Grids, Kamensk-Shakhtinsk;
 - CSO PO Northern Electricity Grids, Millerovo;
 - CSO PO South-Eastern Electricity Grids, Salsk;
 - CSO PO South-Western Electricity Grids, Taganrog;
 - CSO PO Southern Electricity Grids, Azov.

- In the branch of IDGC of the South, JSC — Kalmenergo — 1 CSO:
 - Central CSO, Elista.

The Company is conducting expansion of the network of the Client Service Centers in order to ensure operative examination of claims and to create maximum comfort for clients.

A total of 15 Client Service Offices were opened in 2010 as part of the "Program for development of centralizing servicing of clients in the zone of responsibility of IDGC of the South, JSC before 2011" as per calendar plans of the branches:

- 5 CSO in the branch of IDGC of the South, JSC — Volgograd-energo:
 - CSO Logovskiy RES PO Mikhailovskies Electricity Grids (403060, Ilovskinskiy Rayon, Log, Ul. Telegrafnaya, 87) from 13.01.2010;
 - CSO Sredneakhtubinskaya RES PO Levoberezhniye Electricity Grids, (404143, Srednyaya Akhtubaya, Ul. Entuziastov, 1A) from 24.01.2010;
 - CSO Kotelnikovskiy RES PO Pravoberezhniye Electricity Grids, (404350, Kotelnikovo, Ul. Kirova, 151) from 02.02.2010;
 - CSO Dubovsky RES PO Volgograd Electricity Grids (404002, Dubovka, Ul. Parkhomenko, 12) from 08.02.2010;
 - CSO Gorodishensky RES PO Volgograd Electricity Grids (403003, Volgogradskaya Obl, Gorodishe, Ul. Dzerzhinskogo, 1A) from 25.07.2010.

- 10 CSO in the branch of IDGC of the South, JSC — Astrakhanenergo:
 - CSO Enotaevskiy RES (416200, Astrakhanskaya Oblast, Enotaevskiy Rayon, Enotaevka, Ul. Dneprovskaya/Per. Vinogradny, 18/5) from 25.06.2010;
 - CSO Kharabalinskiy RES (416010, Astrakhanskaya Oblast, Kharabalinskiy Rayon, Kharabali, Ul. Tereshkovoy, 7) from 25.06.2010;
 - CSO Ikryaninskiy RES (416370, Astrakhanskaya Oblast, Ikryaninskiy Region, Ikryanoe, Ul. Chapayeva, 46) from 25.06.2010;
 - CSO Pravoberezhniy RES (416130, Astrakhanskaya Oblast, Narimanovskiy Rayon, Solyanka, Ul. Energeticheskaya, 9) from 25.06.2010;
 - CSO Volodarskiy RES (416170, Astrakhanskaya Oblast, Volodarskiy Rayon, Volodarskiy, Ul. Michurina, 39) from 25.06.2010;
 - CSO Chernoyarskiy RES (416230, Astrakhanskaya Oblast, Chernoyarskiy Rayon, Chernyy Yar, Ul. Kostyakova, 13) from 25.06.2010;
 - CSO Krasnoyarskiy RES (416150, Astrakhanskaya Oblast, Krasnoyarskiy Rayon, Krasny Yar, Ul. Energetikov, 4) from 06.07.2010;
 - CSO Limanskiy RES (416411, Astrakhanskaya Oblast, Limanskiy Rayon, Liman, Ul. Geroev, 215) from 16.07.2010;
 - CSO Privolzhskiy RES (416450, Astrakhanskaya Oblast, Privolzhskiy Rayon, Nachalovo, Ul. Severnaya, 3) from 13.07.2010;
 - CSO Kamyzyakskiy RES, (416300, Astrakhanskaya Oblast, Kamyzyakskiy Rayon, Ul. Svobody, 4) from 01.09.2010.

The total quantity of personnel working in the system of CSC (CSCs and CSOs) in the branches of IDGC of the South, JSC is 77 people.

Client service centers and offices take applications for technological connections, reconstruction and expansion of the volume of connected capacity, change in reliability category, change in the scheme of external power supplies, and extension and reissuance of existing technical conditions.

The activity of CSCs is coordinated and regulated by the following normative documents:

- M 80380011-IA-ISM 003-2010 "Method of calculating indicators of the quality of service and the satisfaction level of clients using PO CSCs";
- "Client-oriented policy of IDGC of the South, JSC" (developed in 2010, approved and implemented by decree in 2011).

Over the course of 2010 specialists of the customer relations department conducted test usage of the module "Accepting applications for TC" of the corporate program complex (CPC) PO CSC, including the following functional blocks:

- search and identification of clients;
- creating new registries of clients, objects, and applications;
- automatic formation of the necessary documents for the client;
- automatic formation of the Receipt of acceptance of documents from the client, the Statement of Release and Acceptance of the Case, and Notification of an incomplete package of documents;
- reference guide to compliance of documents and form of incorporation of clients to the reasons for applying and capacity;
- calendars of the manager of the CSC and the Employee ODTP/SPR.

A total of 956 applications TC were accepted for test use.

The commission for checking the readiness of the first stage of CPC PO CSC "Accepting applications for TC" to be implemented in industrial use took the decision on the readiness of the module to be implemented (Protocol of the check on readiness of the first stage of CPC PO CSC "Accepting applications for TC" to be implemented in industrial dated 12.07.2010 № 12 and the decree of IDGC of the South, JSC dated 29.06.2010 № 217).

In December of 2010 employees of the customer relations department began gradually implementing the module of CPC PO CSC "Accepting applications for TC".

The given module of software is planned to be launched in industrial use in all branches of the Company in 2011. The next stage is planned to be development of modules "Signing a contract for TC", "Client claims", and "Additional services" of the software CPC PO CSC.

The Company plans to form algorithms of the operations of these modules throughout 2011.

In 2010 the specialists of the department redid the "For Clients" section of the corporate website of IDGC of the South, JSC, and added the following features: "Question-Answer", "Client Survey", and "Additional Services", and also completely redeveloped the section "Internet Office". Presently the technical specifications for placement in the section "For Clients" of reference information on "Emergency call telephones" are being developed.

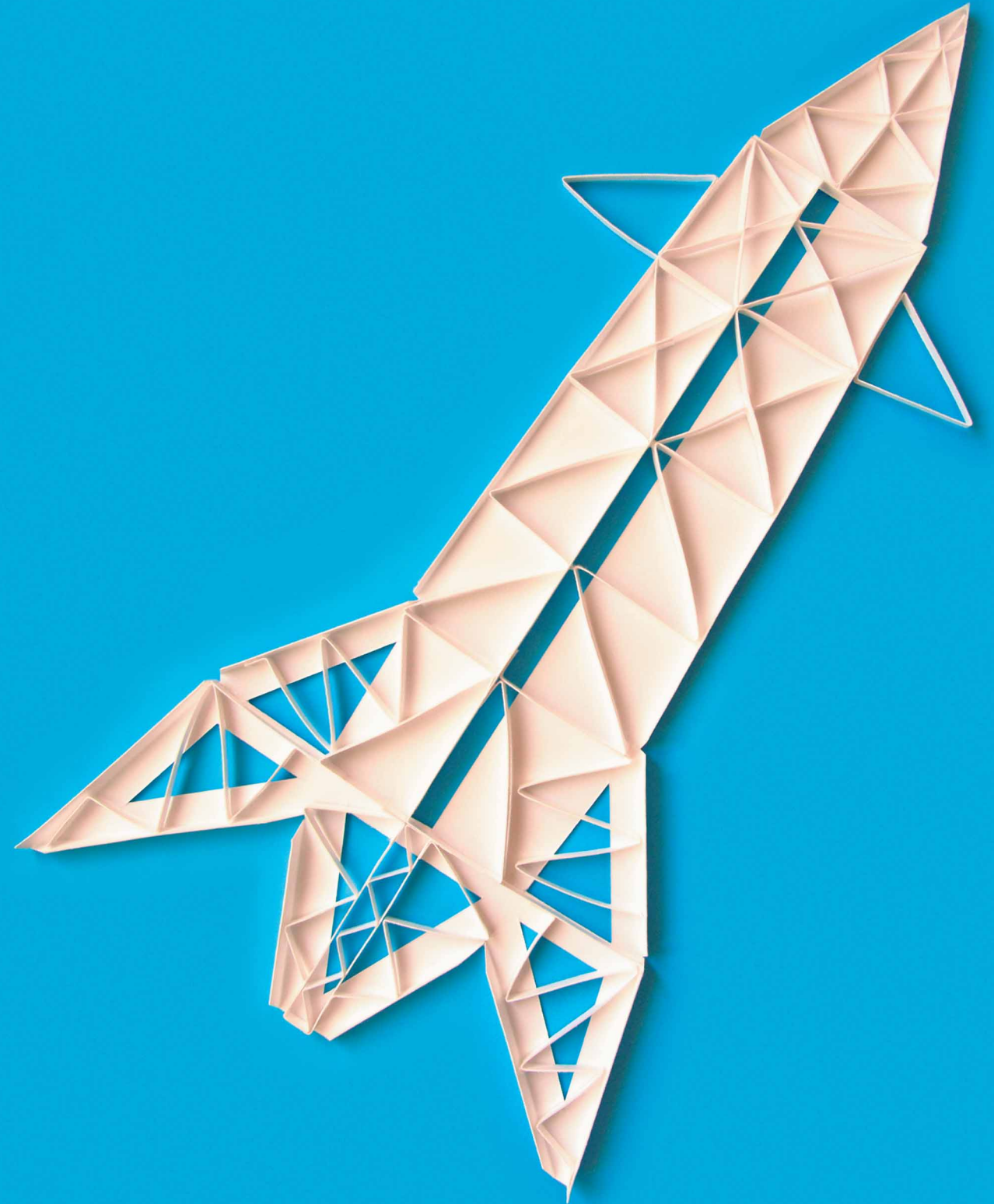
IDGC of the South, JSC, as a socially-responsible and client-oriented company, continues its work on improving and developing the system of centralized customer service.

Contact persons:

Pavel Petrovich Aleshin, Head of the Department of Customer Relations.
tel. (861) 279-87-76, e-mail: aleshinpp@mrsk-yuga.ru.

Anna Narikovna Lisina, Head of the Department of Electric Power Metering and Sales of Services.
tel. (861) 279-87-58, e-mail: lisinaan@mrsk-yuga.ru.

8. DEVELOPMENT STRATEGY



8. Development strategy

Vision of IDGC of the South, JSC

- By 2016 IDGC of the South, JSC will be a modern distribution grid company made up of a team of professionals connected by a common goal, managing unified high-technology grids with low depreciation.
- IDGC of the South, JSC is an attractive employer with a high level of social responsibility. The effective organizational structure ensures optimal balance in distribution of functions of structural subdivisions between levels of Company management.
- The quality of our services gives us a leading position among distribution grid companies of Eastern Europe, and allows us to expand our base of loyal customers.
- The Company's financial state makes it possible to accumulate assets for further stable development of both our company and the whole Southern Federal Region of Russia.



The first compliance audit of the integrated management system was conducted in 2010. The validity of documents of compliance was extended to December 29, 2012

Development of the Company's Program of Innovational Development is being completed

IDGC of the South, JSC plans to implement pilot projects "Energy efficient RES" in all Company branches in 2011

Mission of IDGC of the South, JSC

- We are a team of like-thinkers — professionals. We create a base for stable economic development of the regions of Southern Russia through consolidation of energy assets and increasing the efficiency of electricity supplies, as well as through the successful experience of each individual employee of the Company and our partners.
- We constantly work for development of electric grids and providing consumers with accessibility and the ability to use electric power where necessary, when necessary, and in the volume necessary.
- We strive to create favorable conditions for the work of each employee, providing for each employee to reach their potential and remain healthy.

Priority business directions and strategic goals of IDGC of the South, JSC

The main goal of the business of IDGC of the South, JSC is to get profit.

In present conditions, the following goals and strategic objectives are of top priority for IDGC of the South, JSC:

- increasing the reliability and quality of services provided by the Company, including decreasing deterioration of electric grid infrastructure of the Company;
- increasing operating efficiency, including:
 - decreasing operating costs and the level of electric power losses;
 - increasing the profitability of the Company's business;
- increasing the investment attractiveness of securities of IDGC of the South, JSC, including raising the level of capitalization of companies, and transitioning to RAB;
- increasing the energy efficiency of electric grid objects, buildings and structures and ensuring innovational development of the Company;
- raising the accessibility of the electricity grid infrastructure, including:
 - satisfying demand and creating a reserve of electric capacity in a volume that exceeds economic development for 3–5 years;
 - growth in the market share of electricity grid services for territories serviced;
- development of human capital.

Key tasks in the field of increasing the quality of services provided by the Company for electricity transmission:

- developing and choosing a modern software product for forming volumes of electricity transmission services with the possibility of information exchange with power sales companies.
- developing and implementing a unified method for forming volumes of services provided to household subscribers who don't pay for services, and control monitoring of meter readings of meters, developing proposals for making changes to the existing legislation with the aim of setting clear conditions for choosing a tariff and the amount of capacity applied for, agreeing on the conditions of these methods in contracts with sales companies.
- organizations and modernization of instrument metering of electricity in accordance with the requirements of the Federal Law "On energy conservation and increasing energy efficiency and on making changes to certain legislative acts of the Russian Federation" № 261-FZ dated 23.11.2009, including:
 - providing additional services (for installation, replacement and servicing of instruments and systems of consumption metering, etc.);
 - regulation together with subjects of the Russian Federation and local self-management bodies of the question of providing budget funds for equipping consumer connections with electricity metering instruments.
- initiating making changes and additions to Russian legislation on the questions:
 - cooperation at confirming objective methods for calculating electricity consumption;
 - approving the Rules of electric power use;
 - approving the Rules of commercial metering of electric power.

Key tasks in the field of increasing reliability of electric power supplies to consumers and accessibility of electrical grid infrastructure

In order to provide consistent and reliable functioning of the electricity grid of IDGC of the South, JSC, and provide the possibility to connect new customers to the electricity grids, it's necessary to improve technical-economic indicators in the work of the electric grids.

An increase in efficiency of the functioning of grids should take place by increasing the scale of works for reconstruction and technical re-tooling. That said, modernization of electricity grid objects should take place using modern technologies that correspond to the requirements of the Regulations on technical policy of IDGC of the South, JSC approved by decree of IDGC of the South, JSC dated 06.03.2009 № 53.

Improvement of technical-economic indicators is done by:

- overcoming the tendency of aging of the fixed assets of IDGC of the South, JSC, by replacing morally and physically obsolete equipment and using new technologies, equipment, and materials with greater reliability;

- development (actualization) of territorial schemes of perspective development of electric grids taking into account all priority business directions and technologies;
- ensuring adaption of electricity grids of IDGC of the South, JSC to dynamically developing conditions in regions, growth of electricity loads, and reliability of electricity supplies taking into account consumer requirements;
- perfection and improvement of the quality of repair-use maintenance of the Company's grids, reducing the quantity and length of shut-offs of elements of the network by using new technologies, including integrated repair methods;
- monitoring of the state of existing power equipment and implementing modern methods and testing instruments and diagnostics, including thermal vision control, and methods of control of the status of isolation of cable lines;
- reconstructing SS to increase their installed capacity so as to provide technological connections of consumers to Company grids;
- implementing new generation telemechanics instruments and communications, developing IT-technologies;
- renewing the fleet of special technical vehicles and mechanisms;
- using new information technologies when managing distribution grids on the platform of SAP R/3;
- transition of the branch of IDGC of the South, JSC — Volgogradenergo over the course of 2011 to regulation of tariffs for electricity transmission services using an RAB (regulatory asset base) method.

The advantages of RAB regulation are:

- having economic stimulus to decrease electricity losses and operating costs;
- linking the tariff level to the reliability and quality of services;
- creating conditions for investments based on the needs of the region for grid development and greater reliability;
- creating conditions for attracting long-term and cheap capital;
- the possibility to increase the investment program with minimal growth in tariffs;
- complying with the best international experience at regulating natural monopolies.

It is expected that a qualitative change in the position of the administration of the Volgograd Oblast in favor of RAB will take place after confirming the regional development program (May-June) and after making changes to the Decree of the Russian Government dated 26.02.2004 № 109 "On price-setting in regards to electric and thermal power in the Russian Federation" towards a transition from indexation to RAB.

Key tasks in the field of raising energy efficiency of electric grid objects, buildings and constructions and providing innovational development of the Company

The Company plans to conduct energy examinations of its electric grid infrastructure in 2011, as well as of its administrative and production buildings and constructions. The Company will

also continue its work at lowering electricity losses by regulating voltage in grids of 6–110 kV, putting underloaded transformers into reserves, taking loads off overloaded electric power line areas, implementing self-supported insulated wire, finding and eliminating imbalances of electricity, etc.; increasing capacity of the Company's electric grids by implementing operations for managing reactive capacity.

The pilot project "Energy Efficiency of RES" is planned to be implemented in all branches of the Company in 2011 so as to increase energy efficiency and strengthen work on energy resource conservation.

The pilot regional electricity grids will be: Astrakhanenergo — Trusovsky RES, Volgogradenergo — Gorodishensky RES, Kalmenergo — Priyutnensky RES, and Rostovenergo — Kuybyshevsky RES.

The following operations are planned to be implemented as part of pilot projects:

- conducting energy examinations of administrative and production buildings and constructions;
- improving the system of metering and control of electricity consumption, including by using "smart" systems of control and management of lighting and heating;
- fulfilling reconstruction of buildings and constructions;
- Optimizing consumption of electric power for own needs PS 35–110 kV;
- conducting step-by-step work at implementing the automatic system for commercial accounting of power consumption, replacing naked wire 0.4 kV with steel insulated wires, fragmentation of extended electric power lines. Fulfillment of the project will make it possible to:
 - forming a methodology in the field of reducing energy losses and energy efficiency;
 - organizing trial testing of new technologies;
 - hold training lessons with personnel of the Company's branches on the base of the pilot RES.

IDGC of the South, JSC plans to develop and begin implementation of the Company's Program of innovational development, including holding scientific-research and R&D works, as well as implementing "ready" innovational developments.

The result of implementation of the operations of the Program of innovational development will be preparation for the following mass implementation of new types of equipment in the distribution grid complex, as well as of new, efficient technologies.

Key tasks in the field of achieving break-even operation and using the investment program to the full degree

The Company will take the following measures to solve these tasks:

Fulfilling the financial recovery plan. The plan sets the target values for main business activity: volumes of unfinished construction at the end of the year, volumes of controlled operat-

ing costs, percentages of losses of electric power, volumes of accounts receivable, accounts payable, and additional revenue from core business.

The list of operations for achieving the given target tasks of IDGC of the South, JSC in 2011 was set as follows.

Main directions of these operations include:

- reducing controlled costs to a level set by tariff-balance decisions;
- introduction of unfinished construction objects;
- reducing excessive losses;
- finding reserves for growth in revenue;
- pre-court and claims work for collecting overdue accounts receivable;
- optimizing reserves, etc.

Providing the investment program with sources of financing. It will be necessary in 2011 to fulfill an investment program reconciled in executive power bodies of subjects of the Russian Federation.

Considering that three of four branches of the Company have transitioned to the RAB regulatory method, fulfilling the investment program in its full degree is necessary for ensuring the set level of tariffs and a lack of penalties on the part of regulatory bodies.

Main operations in this direction:

- borrowing loans for financing some works;
- restructuring the existing accounts payable.

Key tasks in the field of functioning of the integrated management system

Fulfilling requirements of international standards ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007.

The first audit of the Company's integrated management system was conducted in 2010 in the executive apparatus and branches of the Company by the certification body SZhS Vostol Limited, CJSC, as a result of which it was confirmed that the management system in IDGC of the South, JSC functions effectively, in accordance with the requirements of international standards. The Company demonstrated the ability of its functioning system to fulfill the requirements of products and services in the field of system use, the Company Policy, and its goals. The certification documents have been prolonged for the next year.

Management of the Company's business as a system of interconnected business-processes, their constant improvement and increasing results by using modern methods and instruments of management.

Mass training of employees was conducted in the reporting year (60 people) in almost all structural subdivisions of the executive apparatus for describing business processes and modeling the organizational structure of IDGC of the South, JSC using the help of ARIS, which has a series of potential capabilities:

- consistency;
- wholeness and homogeneity of description;
- relative simplicity;
- openness to change;
- capability of automated analysis.

Key tasks in the field of training and personnel development

One of the key business directions in the field of personnel policy of the company is development of worker potential. The key role in this direction is given to a systematic, planned, and most importantly continuous professional training of personnel.

The Program for support and development of personnel potential of IDGC of the South, JSC was approved as per decision of the Board of Directors of the Company in 2010, and was aimed at keeping, fulfilling and developing the company's personnel potential.

As part of operations for preparing employees and reservists for key professions in the Company as given by the approved Program for support and development of personnel potential of IDGC of the South, JSC, specialized programs for professional re-training has been developed and is being implemented on the base of the regional educational centers: "School of head engineers", and "School of dispatcher preparation". The program "School of head engineers" was created in the aim of improving preparation of managers of technical services and head engineers, while the program "School of dispatcher preparation" is aimed at target preparation of reserves for the positions of operative managers of the branches of IDGC of the South, JSC. Heads of technical services of the company were invited to develop the programs and read a series of courses.

An important direction is professional preparation of managers, on whom success of the Company's development programs depend to a large degree, as do the reliability and effectiveness of the Company's functioning.

Monitoring of needs for educational programs is conducted regularly. The monitoring makes it possible to develop and implement new educational courses that are adapted for the company's needs.

IDGC of the South, JSC held an annual contest in 2010 called "Best in profession", in which employees of all Company branches took part in order to develop rationality and the creative potential of the Company staff, and widen and implement modern working methods, while raising productivity and also revealing the most promising employees.

The Company also established a Board of Young Specialists in the Company's executive apparatus and in all Company branches in order to increase the activity of young specialists at learning their professional skills, and assisting them in their qualification and cultural growth.

Main tasks in the field of corporate management

Improving corporate management practice

The Company fulfilled a series of operations in the reporting year aimed at improving the practice of corporate management, one of the main of which was approving the Company Charter in its new edition, as well as the Regulation on the Committee for Personnel and Remuneration and the Regulation of the Auditing Committee of the Board of Directors in their new editions (Minutes № 52/2010 dated 06.08.2010).

Understanding the importance of further improvement of corporate governance practice, IDGC of the South, JSC strives to include the basic recommendations of the Russian Corporate Governance Code, as recommended for use by the Federal Financial Markets Commission of Russia, in the Charter and local normative acts aimed at increasing management effectiveness, openness and trust in relation to shareholders (including conflict resolution).

Increasing the attractiveness of shares for Russian and foreign investors. The Company has conducted the following operations:

In the field of increasing openness:

- high-quality provision of information to shareholders, analysts, and representatives of the investment community, including preparation and placement on the corporate website and sending quarterly information bulletins on the results of IDGC of the South's business;

- creating an Internet office on the corporate website as an additional channel of communication for interested parties;
- signing a contract with Capital Logika, LLC which provides services for adding content about trading of IDGC of the South, JSC securities on the corporate website;
- supporting an English-language version of the corporate website with the goal of showing the Company's business to foreign shareholders and investors.

In the field of work with Company shareholders:

- passing along functions of leading and keeping the register of Company shareholders to Registrator R.O.S.T., JSC, which has its own subdivisions and service points in the regions of the Company branches Rostovenergo and Volgogradenergo, which makes it more convenient for shareholders of IDGC of the South, JSC to use their rights in relation to the shares they own.

In the field of increasing liquidity:

- the Company's shares have been transferred from the List of off-list shares to the "B" Quotation List of the MICEX

exchange. Shares of IDGC of the South, JSC completely suit the requirements made by the trade organizer for remaining in the "B" Quotation List of the MICEX exchange.

Shares of IDGC of the South, JSC showed greater liquidity by 6 times in 2010 as compared to 2009 thanks to measures taken by the Company: according to data from the MICEX exchange, the turnover of Company shares out of the total quantity of shares placed equaled 5.5% in 2009, but 32% in 2010.

In 2011 the Company plans to fulfill a number of measures aimed at increasing investment attractiveness of its shares for potential investors and market capitalization, including:

- increasing openness;
- improving the process of disclosing information about the Company, including by improving the corporate website;
- holding public events dedicated to factual or expected important corporate events in the life of the Company;
- improving the quality of IR thanks to pin-pointing the audience of communications.

Development Prospects of the Company

IDGC of the South, JSC is one of the largest and "youngest" energy companies on the territory of the Southern Federal Region of the Russian Federation, which has a dominant position on the market for providing electricity transmission services.

The Company determined the following main development directions for 2011:

- fulfillment to the full degree of investment programs approved by subjects of the Russian Federation to ensure the planned tariff levels, fines, and the necessary reproduction of fixed assets and implementing new capacity, ensuring growth in the volume of services provided;
- minimization of costs with the goal of not making a loss in 2011, and getting stable profit in the following years;
- minimization of excess electricity losses;
- reform of the organizational structure of the Company with the aim of centralizing management functions, lowering costs and increasing efficiency;
- transition to a system of tariffs using the RAB method for the branch of IDGC of the South, JSC — Volgogradenergo;
- conducting modernization and technical re-tooling of electric power objects;
- increasing energy efficiency of the electric grid complex, as well as buildings and constructions;
- Providing innovational development of the Company;
- implementation of a system of management of risks that arise during the process of core business.

The main type of business activity is transportation (transmission) of electric power, thus energy efficiency of electricity transportation and energy saving have been determined to be one

of the most high-priority directions of the Company's business.

The main tasks in the field of increasing the efficiency of electricity transportation are:

- increasing the volume of services provided;
- liquidation of excess losses;
- high-quality metering, making it possible to ensure getting reliable data about volumes of services provided for electricity transmission, precise forecasting of useful output, and rational planning when forming investment programs.

Implementation of the policy for energy conservation and energy efficiency includes serious reserves for economic modernization of and fighting the consequences of the economic crisis.

As part of the solution to the task of increasing services provided in 2011, the Company plans to continue work at integrating ownerless energy objects and energy objects of other owners into the unified energy complex (in the zone of responsibility of IDGC of the South, JSC).

Another method of increasing volume of transportation (transmission) of electric power is technological connection of new consumers or an increase in capacity consumed by already connected clients. Technological connection is a procedure for implementing the possibility of using the most necessary type of communal infrastructure, a complex set of operations of organizational and technical nature aimed at ensuring the possibility of distributing electricity to power receivers of consumers.

Technological connection makes it possible to ensure the Company's well-being and its ability to further develop.



The goal of activity for technological connections is to ensure fulfilling the needs of the growing economy of Southern Russia for energy capacity, the transition to a unified system of forming and using payment for technological connection, and achieving unity of common interests when setting the price for technological connection of consumers to electricity grids. Fulfillment of these goals will make it possible to attract investments which will serve as a stepping stone in company development.

Considering the positive change in demand for services for technological connection of power receivers of legal entities and private individuals to the electric grids of branches and the Company as a whole, and as a consequence, growing needs for increasing efficiency of management of the distribution grid complex and unification of the process of technological connection of consumers, there arose the necessity to create a unified informational space by implementing a unified data base to be used throughout IDGC of the South, JSC.

It's noteworthy that implementing the corporate software "Technological Connection" not only made it possible to automate the business processes for technological connection of power receivers of legal entities and private individuals to the electric grids of branches of the Company, but also to perfect fulfillment of the tasks concerning technological connection. A positive result of implementing the corporate software "TC" was that data are reflected for TC in a timely manner, as were control, strengthening of specialists' responsibility, accessibility and mobility in use, and most importantly, having a single team of specialists which fulfills its obligations for achieving the goals and tasks of IDGC of the South, JSC.

In order to assure the necessary level of renewing fixed assets, as well as for implementing a working mechanism necessary for further accident-less work of networks, and for re-tooling the existing electric grid infrastructure, it's important already today to take principally new decisions in the field of state regulation in the electricity sphere. The most effective method for solving these questions is the transition to RAB regulation (regulatory asset base).

Implementing RAB regulating is necessary in the first place for attracting large-scale investments for distribution grids. RAB regulation will allow the company to attract capital in the necessary volume already today, and for the consumer to pay not up front, but over a long period.

In order to increase the quality of technical policy when implementing investment projects, conducting modernization and technical re-tooling of electric power objects the Company has developed the "Regulation on technical policy of IDGC of the South, JSC (from hereon — the Regulation). The Concept of the Regulation calls for implementing management, organizational, and technical solutions aimed at increasing energy efficiency, safety and reliability of use of existing electric grids and those currently being built.

Any organization will have various financial risks as a result of implementing the given tasks. In order to reduce the negative influence of risks, IDGC of the South, JSC is conducting work on implementing a system of risk management. The policy (of risk management) is based on the best world practice at risk management in the energy sector, and takes into account

the provisions of conceptual foundations of risk management COSO ERM, the standard ISO/IEC Guide 73:2002, and other widely-accepted documents in the field of risk management. The system of risk management ensures rational fulfillment of strategic goals, keeping assets, and supporting business effectiveness by identifying and appraising the materialness of events influencing the company's business.

IDGC of the South, JSC together with other companies of the Southern Federal Region, promotes economic development of the region. Together with KTK-R, JSC, the Company implements new capacity through construction of new substations in the Republic of Kalmykia:

- SS 110 kV NPS 2 with installed transformer capacity of 2×40 MVA;
- SS 110 kV NPS 3 with installed transformer capacity of 2×40 MVA.

Furthermore, in the Astrakhanskaya, Volgogradskaya, and Rostovskaya Oblasts there is not only reconstruction of substations and an increase in crossing of electric power lines, but also new construction of power supply centers, laying of overhead and cable lines necessary for technological connection of power receivers of such objects as hospitals, sanatoriums, buildings of educational institutions, and city micro-regions (housing and cottages), and shopping malls.

IDGC of the South, JSC conducts interaction with bodies of executive power of subjects of the Russian Federation (Administrations of regions).

An "Agreement on interaction between the Administration of the Rostovskaya Oblast and RAO UES of Russia, JSC for developing the electric power system of the Rostovskaya Oblast and providing reliable electricity supplies to consumers" on June 30, 2008, including the "Program for top-priority measures for construction and reconstruction of electric power capacity for the period to 2012 so as to prevent a deficit in capacity and increase the reliability of electricity supplies to consumers in the Rostovskaya Oblast".

In order to ensure reliable and consistent electricity supplies to consumers in the Republic of Kalmykia, an Agreement on interaction between the Administration of the Republic of Kalmykia and IDGC of the South, JSC was signed on 22.11.2007 in the case of violations of electricity supplies in the region or a threat of such.

Presently IDGC of the South, JSC together with IDGC Holding is conducting work on signing cooperation agreements with the Administration of the Volgogradskaya Oblast. The goal of the agreement is mutually-beneficial cooperation of parties at providing reliable energy supplies to consumers and creating conditions for technological connection to electric grids of clients in the Volgogradskaya Oblast. The subject of the agreement is creating the necessary conditions for construction, reconstruction, technical re-tooling and the correct use of distribution grid objects in the Oblast, thereby providing achievement of the above-mentioned goals.

Furthermore, as part of fulfillment of the Decree of the Russian Government dated 17.10.2009 № 823, which approved the

"Rules of development and approval of schemes and programs of perspective development of the energy sector in subjects of the Russian Federation", representatives of IDGC of the South, JSC are included in the coordinating body for development and formation of Programs and schemes for development of electric power in the regions.

The Administration of the Astrakhanskaya Oblast developed and approved, by decree dated 30.04.2010 № 29-P the Program for development of electric power in the Astrakhanskaya Oblast for 2011–2015, calling for a total sum of new electric power grid construction of 210 MVA and 64.5 km, and technical re-tooling and reconstruction of 16 MVA and 81.5 km. It's noteworthy that the Program for development of electric power in the Astrakhanskaya Oblast for 2011–2015 does not contain a scheme for development of electric power in the region which is an "inseparable part of the program of electric power development which will be developed after correction in 2011.

The Administration of the Rostovskaya Oblast developed and approved, by decree dated 29.12.2010 № 224 the Scheme and program of development of the electric power sector in the Rostovskaya Oblast for the period of 2010–2016 with perspective until 2020, calling for total introduction of new electric power grid construction of 658 MVA and 157.3 km, and technical re-tooling and reconstruction of 306.3 MVA and 193.3 km.

The branches of IDGC of the South, JSC — Astrakhanenergo and Rostovenergo initiated work in 2011 at preparing, reconciling, and sending to the Administrations of the Astrakhanskaya and Rostovskaya Oblasts the source information for correcting the development schemes and programs in the region in accordance with the methodological recommendations for developing schemes and programs of development of the electric power of subjects of the Russian Federation over a five-year period.

In 2011 the Administrations of the Volgogradskaya Oblast and Republic of Kalmykia together with generating companies, grid companies, and the Systems Operator initiated work for preparing and forming data necessary for developing schemes and programs of development of the electric power sector from 2012-2016 in accordance with the "Rules for developing and approving schemes and programs of perspective development of electric power" as approved by Decree of the Russian Government dated 17.10.2009 № 823.

Presently a working group has been made in the Volgogradskaya Oblast (coordinating body) for developing schemes and programs of perspective development of electric power in the Volgogradskaya Oblast. According to decisions of the minutes of the working group's meetings (coordinating body) of the branch of IDGC of the South, JSC — Volgogradenergo, materials for forming schemes and programs for development in the region in accordance with methodological recommendations for developing schemes and programs of development of the electric power sector in subjects of the Russian Federation from 2012–2016 have been sent to the Administration of the Volgogradskaya Oblast. Based on the results of the working group's activity, technical specifications have been drawn up for developing schemes and programs of development for the period 2012–2016 for following creation of specialized project design and development of the program of development of electric power in the Volgogradskaya Oblast.

Making a contribution to creating the above-mentioned schemes and programs, the Company forms proposals for reconstruction and new construction of electric power infrastructure, in the base of which lies an appraisal of the region's electricity needs, as well as liquidating "narrow" places in the electric energy system.

Contact persons:

Dmitry Nikolayevich Golovakha, Head of the Department for Perspective Development.
tel. (861) 279-87-33, e-mail: golovahdn@mrsk-yuga.ru.

Natalya Olegovna Bondar, Head of the Department of Corporate Governance.
tel. (861) 279-86-35, e-mail: bondarno@mrsk-yuga.ru

Alexey Gennadyevich Lebedev, Deputy Head Engineer — Head of the Department of Technical Development.
tel. (861) 279-88-99, e-mail: lebedevag@mrsk-yuga.ru.

Sergey Nikolayevich Frolov, Head of the Department of Operation and Repairs.
tel. (861) 279-84-77; e-mail: frolovsn@mrsk-yuga.ru.

Olga Petrovna Samarchenko, Head of the Department of Electricity Transportation.
tel. (861) 279-86-55, e-mail: samarchenkoop@mrsk-yuga.ru.

Denis Vladimirovich Negryoba, Head of the Economics Department.
tel. (861) 279-86-11, e-mail: negrebadv@mrsk-yuga.ru.

Irina Nikolayevna Trigubova, Head of the Tariff-Setting Department.
tel. (861) 279-85-88, e-mail: trigubovain@mrsk-yuga.ru.

Public relations, government relations, and media relations

An inseparable part of the Company's strategic management is managing communications processes as part of the Company's information policy. The Company follows unified principles of reputational and informational policy of IDGC Holding, JSC when developing and implementing its strategy for long-term communications and optimization of the communications sphere.

An important direction in the sphere of increasing the Company's public (image) capital is forming effective communications with the public and with state power bodies.

Interaction with power bodies

Over the course of 2010 the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC continued work at giving information about interaction between IDGC of the South, JSC and federal and regional power bodies.

In April of 2010 the Company initiated and conducted a PR program for highlighting the opening of the first Winter Olympics infrastructural object — the Rodnikovaya substation with 110 kV voltage in Sochi (responsibility zone of Kubanenergo, JSC), in which representatives of GK Olimpstroy and power bodies of the Krasnodar Territory took place.

The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC also organized and held PR-campaigns for coverage of:

- meetings of IDGC Holding, JSC, held at the base of IDGC of the South, JSC, on questions of operative-technological management of the distribution grid complex of the company (May, 2010);
- meeting of the Operative Staff for preparation of electric energy objects for holding the Winter Olympics in 2014 under the management of the Deputy Minister of Energy of the Russian Federation, A. N. Shishkina, with participation of IDGC Holding, JSC and IDGC of the South, JSC (July, 2010);
- meetings of the general director of IDGC of the South, JSC with the heads of the Volgogradskaya, Rostovskaya and Astrakhanskaya Oblasts to discuss questions of development of the electric grid complex of the region (August, 2010);
- expanded meeting in Sochi on preparation of objects for holding the Winter Olympics in 2014 with participation of S. I. Shmatko, the Russian Minister of Energy, top managers of IDGC Holding, JSC, IDGC of the South, JSC, and Kubanenergo, JSC (September, 2010).

Informational coverage of other events with the participation of the top managers of IDGC of the South, JSC and regional

power bodies in the Company's zone of responsibility was also held: meetings, "roundtables, raids, press tours, and ceremonial events.

The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC also organized work for attracting regional power bodies to take part in ceremonial events as part of the All-Russian Historical-Memorial Program "Relay of the Victory Flag", held on the initiative of IDGC Holding, JSC.

In 2010 the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC organized work on project reconciliation between the administrations of regions of the Southern Federal Region and IDGC Holding on implementing operations for providing reliable electricity supplies to consumers and creating conditions for their technological connection to electricity grids on the territory of the region.

Another initiative of the department in the reporting year was to organize receiving positive comments from power organs of various levels when preparing informational materials on current questions of IDGC of the South, JSC's production activity, and other informational points.

Interaction with social organizations

In 2010, as part of the Agreement on Cooperation between IDGC Holding, JSC and the Russian Social Organization of Small and Medium Entrepreneurship OPORA ROSSII, the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC conducted work on PR coverage of interaction with regional departments of this social organization. A total of 12 informational materials on signing agreements with regional divisions of OPORA ROSSII were prepared and placed in the media during the reporting year. Furthermore, seminars were held on questions of energy efficiency and energy conservation.

A plan of events for interaction with regional divisions of the Russian Orthodox Church on the territory of responsibility of IDGC of the South, JSC was developed with the aim of cultural and spiritual development of the employees of IDGC of the South, JSC, as well as within the Cooperation Agreement between IDGC Holding, JSC, and the Russian Orthodox Church. For example, employees of the Astrakhanenergo branch gave assistance as repairing electric equipment providing electricity supplies to the orthodox church in the town of Nachalovo in the Astrakhanskaya Oblast. Furthermore, employees of IDGC of the South, JSC collected and gave charitable funds to the Peter and Paul Church in the town of Oktyabrsky in the Eisky Rayon of the Krasnodar Territory for church repairs.

Interaction with the mass media

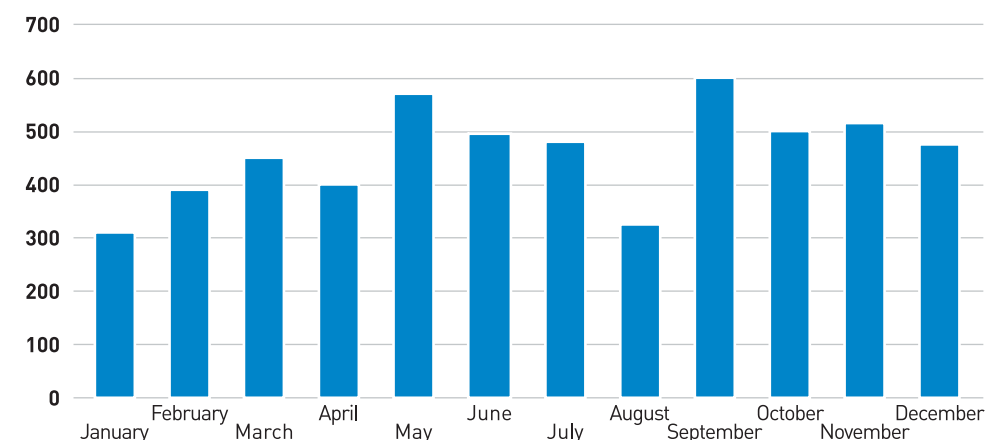
The Company organizes interaction with regional and energy sector mass media sources so as to implement a unified informational policy, increase knowledge of the Company's brand, form a positive reputation and image of the Company, and increase the audience of the Company's informational influence.

If in 2009 specialists of the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, and the PR-departments of the branches of the Company

and Kubanenergo, JSC, organized altogether publication of 4,720 articles about the Company in the mass media, then in 2010 this figure was 5,492, which is 16% higher.

Furthermore, in 2010 about 2,130 articles in regional publications were made for free. This was accomplished thanks to greater efficiency in the work of the PR-department of IDGC of the South, JSC. As a result the company managed to lower its costs for publishing information in the media by RUR 2.4 mln.

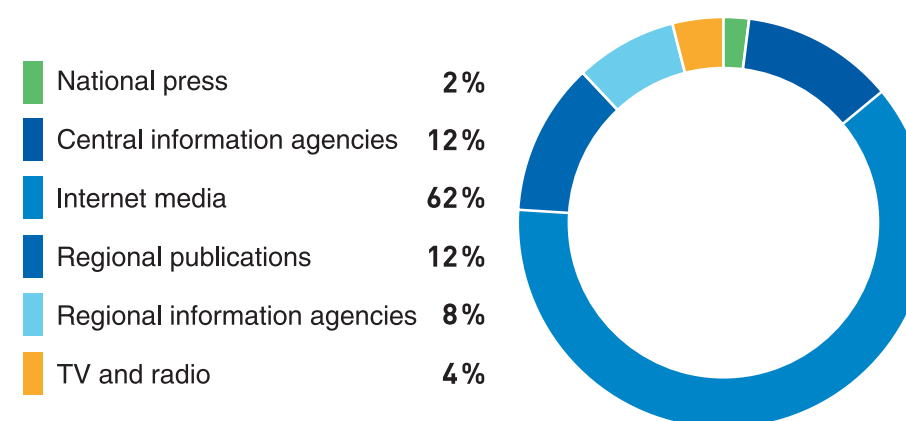
Change in the total number of publications on the business of IDGC of the South, JSC in the mass media in 2010



The given change shows improvement in the work of the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC in 2010 as compared

to 2009. The PR subdivisions of the Company also managed to increase the number of positive publications about the Company's business by 16% on average.

Structure of publications about the work of IDGC of the South, JSC by media group (January-December, 2010)



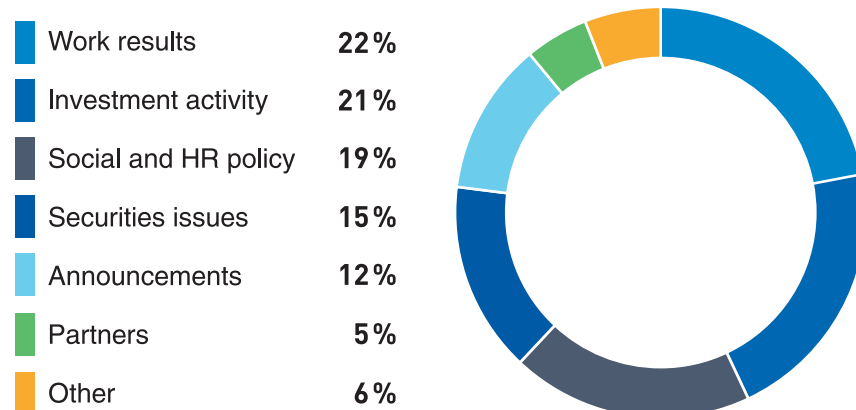
The greatest segment of publications about IDGC of the South, JSC in the reporting period came from Internet media (62%).

The share of regional publications was also quite high (12%).

In its work at covering the business of IDGC of the South, JSC, the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, with approval from the Company management, determines the following media

as being top priority: Interfax, Yuga.ru, Rossiiskaya Gazeta, Izvestia (issues on the Southern Federal Region), the weekly television show "News from the North Caucasus", regional structural subdivisions of VGTRK, and the most important regional-political publications (Volgogradskaya Pravda, Komsomolets Kaspia, Izvestia Kalmykia, etc.).

Topics of publications about the company (January-December, 2010)



Informational materials about IDGC of the South, JSC, initiated by the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, concerned the largest following topics: business results (22%), investment activity (21%), and social and HR policy (19%).

Coverage in the media of construction and reconstruction of energy blocks as part of preparations for the 2014 Winter Olympics in Sochi

Until December 1, 2010, IDGC of the South, JSC fulfilled functions of the sole executive body of Kubanenergo, JSC. Until then the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, was in charge of coverage in the media of construction and reconstruction of

energy infrastructure as part of preparations for the 2014 Winter Olympic Games.

In 2010 a total of 56 articles and informational publications were given in the media about work on the main Olympic energy objects: SS 110 kV Bytkha, Rodnikovaya, Vishnevaya, Sochi, Bocharov Ruchei, reconstruction of cable and overhead lines of distribution grids of the city-resort, and using new technologies. Coverage of the Olympic preparations was done in close interaction and with the approval of the Ministry of Energy of the Russian Federation, IDGC Holding, JSC, and GK Olympstroy.

Fulfilling target programs

PR coverage of the transition of the branches of IDGC of the South, JSC to RAB regulation. The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, as part of implementation of the program of PR coverage of the transition of interregional distribution grid companies of IDGC Holding, JSC to RAB-regulation of tariffs, fulfilled the following operations in 2010:

- about 30 publications were made in corporate and external media about implementing RAB-regulation in the zones of responsibility of IDGC of the South, JSC;

- in the grand majority of cases of publications in the media of implementation of RAB-regulation by journalists, data given by the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, was used as base. Furthermore, quotes from the top management of IDGC of the South, JSC were used in 18 of these publications;
- a special banner is placed on the main page of IDGC of the South, JSC, and a section on RAB regulation has been implemented and functions. This section includes normative-legal documents and articles on the topic of RAB;

- two press conferences were organized with participation of representatives of regional mass media in the branches Astrakhanenergo and Rostovenergo, which transferred to RAB-regulation as pilot regions from January 1, 2009;
- a broadcast of a thematic video lasting 30–60 seconds on plasma screens in client service centers and offices of IDGC of the South, JSC was made.

Prevention of stealing of equipment from energy objects.

Implementation of the PR-program "Prevention of stealing of equipment from energy objects" is done by the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC in close contact with the department for economic safety and regime of IDGC of the South, JSC. The following operations are conducted and covered as part of this program:

- joint meetings and roundtables with law enforcement officers on interaction at preventing, stopping, and catching crimes connected to stealing equipment from energy objects, wires, etc. (50 informational publications in 2010);
- joint raids with law enforcement bodies on scrap metal recycling points with the aim of finding illegal use of energy equipment stolen from the Company's infrastructure, and in the case of finding such crimes — confiscating materials and closing such points (16 informational publications in 2010);
- publication in the media of articles about catching energy equipment thieves, fining them, and imprisonment (60 informational publications in 2010);
- publication in the media of informational materials about injuries and death of people from electric shock when trying to steal electric equipment, with warnings about the risk of death when entering energy objects and stealing equipment (52 publications in 2010).

Thanks to measures taken, the number of goods stolen from energy objects of IDGC of the South, JSC decreased in 2010, and the general information became more informed about the matter.

Prevention of injury and death of other parties on power transmission grid equipment.

The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, as part of the project for implementing the program of PR events focused on reducing cases of injury and death to other parties on power transmission grid equipment of IDGC of the South, JSC fulfilled the following operations in 2010:

- as part of fulfillment of the decree of IDGC Holding, JSC dated 15.06.2010 №229 "On injury to other parties on objects of subsidiary and dependent companies of IDGC Holding, JSC" in IDGC of the South, JSC, along with the service for production control and job safety, a Decree was issued dated 21.09.2010 №332 "On approving documents that regulate work at preventing injury to other parties on energy objects of IDGC of the South, JSC";
- a list of additional PR operations was developed and approved as part of the Program of PR operations for

- preventing cases of injury to other parties on the power transmission grid equipment of IDGC of the South, JSC;
- agreements with executive power bodies were prolonged (educational departments and ministries) in the regions for prevention of electricity injuries to children;
- operations were held for preventing electricity injuries to children by reading lectures, holding discussions, and providing written materials on electricity safety. Videos were shown on television and theater shows on the topic of "Electricity Safety Basics" were made for children as well.

About 3,000 lessons on electricity safety were held in 1,600 schools in the Republic of Kalmykia in 2010 as part of the Program for prevention of electricity injuries in the regions of responsibility of IDGC of the South, JSC — the Rostovskaya, Astrakhanskaya, and Volgogradskaya Oblast and the Republic of Kalmykia.

These lessons were held in more than 600 towns and 212 villages in the zone of responsibility of IDGC of the South, JSC.

The following were placed in the media in the zones of responsibility of IDGC of the South, JSC:

- about 230 informational messages were placed in the media about operations held or planned on this problem. These publications were made in the leading information agencies of the Southern Federal Region;
- 30 videos on the topic of electricity safety on TV stations in the zones of responsibility of the branches of IDGC of the South, JSC;
- tens of messages were broadcast on the radio.

During the lessons children were given pocket calendars and posters about electricity safety.

Specialists of IDGC of the South, JSC organized contests on electricity safety for students of social centers and summer camps during the summer vacation season. Discussions about how to play safely alongside energy objects were also held during the Open Houses and children's holidays at children's camps.

Some distribution grid companies in the country have already taken advantage of the positive experience gained by IDGC of the South, JSC. The work done by the power workers of the Southern Federal Region have been appraised highly by IDGC Holding, JSC. The program won the contest among social projects of energy companies and was awarded a diploma in the "Silver Ray" competition in February, 2011.

Work on prevention of production injuries among Company employees.

Implementation of the PR program done by the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC and aimed at reducing production injuries among Company employees is regulated by the Decree of the general director of IDGC of the South, JSC dated 11.01.2010 №2 "On the results of work at job protection in 2009 and the tasks for 2010 at reducing production injuries".

In particular, the scenario for a training film was approved and shooting of the video was organized on the basis of the given

Decree. The film speaks about fatal consequences for workers who don't follow the rules of technical safety when conducting production works on electricity equipment. The film was produced in multiple copies and was sent to structural subdivisions of IDGC Holding, JSC, all the way to grid sites. The film was shown to workers and is also used when hiring new employees to IDGC of the South, JSC.

Boards with information on electricity safety were installed in all RES POs and grid areas of the territory of responsibility of IDGC of the South, JSC in 2010.

In December, 2010 the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC produced and published a "Electricity Safety Sheet" in A4 and A3 formats with the main principles of preventing electricity injuries. The sheets were distributed among employees of all production specializations.

Thanks to the above-mentioned measures it was possible to significantly increase discipline among employees and knowledge about safety rules, as well as reduce the level of production injuries.

Fulfillment of the PR program of IDGC of the South, a client-oriented Company. Coverage of the work of Client Service Centers of IDGC of the South, JSC is one of the priority directions in the work of the Department for work with power bodies, social organizations and the media. This is connected first of all to the fact that CSCs are structural subdivisions which support direct links with consumers and clients of the Company. CSCs have significant social significance for the whole set of questions of technological connections, improving the quality of electricity supplies, etc.

A total of 74 materials were produced on the activity of CSCs of IDGC of the South, JSC, including initiating and publishing several letters of thanks from consumers and representatives of the business community in regional media for the operative and quality work of employees of CSCs at solving questions of technological connections and improving the quality of electricity supplies.

Work with employee dynasties, Veterans Boards and young specialists. The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC coordinates fulfillment of operations initiated by IDGC Holding, JSC for work with veterans' organizations, employee dynasties and Boards of young specialists as concerns popularizing the given topic among Company employees, power bodies and the public at large.

For example, in 2010 the department as well as the PR subdivisions of branches of IDGC of the South, JSC and Kubanenergo, JSC prepared 15 articles about employee dynasties of workers from the Company's subdivisions, 19 articles about young specialists, and 41 materials about veterans who are

former employees of the energy system. These publications were placed in the corporate newspaper of IDGC of the South, JSC — Energy of the South, on the websites of IDGC of the South and company branches, and Kubanenergo, JSC, as well as in regional and local periodical publications.

Events as part of celebrating the 65th anniversary of victory in World War II. In the aim of patriotic education of employees of IDGC of the South, JSC, the Company pays employees' attention to questions of social support for veterans of World War II who are former employees of the Company. Thus the Company implemented the "Program of corporate operations dedicated to the 65th anniversary of Victory in World War II 1941–1945".

As part of this program, before celebrating Victory Day, the employees of IDGC of the South, JSC supported the All-Russian program "Georgiev Ribbon", as part of which Company employees distributed more than 14,000 ribbons which are symbols of World War II. And on May 9 the Company employees took part in celebratory events in all regions of responsibility of IDGC of the South, JSC.

In fulfillment of the instructions of N. N. Shvets, general director of IDGC Holding, JSC, celebratory events as part of the All-Russian historical-memorial program "Relay of the Victory Flag" were organized in the zone of responsibility of IDGC of the South, JSC. These events took place in 24 cities and towns on the territory of responsibility of IDGC of the South, JSC. Special attention was paid to getting local government representatives, veterans, and youth social organizations, military subdivisions, and also scientists, culture workers, and artists to take part in these events. Altogether more than 1,000 employees took part in celebratory events of the Company, as did more than 300 representatives of local government, veterans, and youth social organizations, military subdivisions, and scientists, culture workers, and artists, as well as inhabitants of the cities and towns in which the Relay stages took place.

In support of conducting the "Relay of the Victory Flag", with the goal of popularizing knowledge about World War II, and the exploits and honor veterans, a competition of creative works entitled "Letter to a Veteran" was held among children of employees of IDGC of the South, JSC. A beautiful booklet with the best children's creative works and words of thanks were sent after the competition to war veterans who are former employees of structural subdivisions of the Company for their military and work deeds. Booklets were presented to veterans, as were special issues of the corporate newspaper of IDGC of the South, JSC on the 65th anniversary of Victory in World War II at all stages of the "Relay of the Victory Flag" program.

Besides this, the management of IDGC of the South, JSC organized operations for providing help to veterans of World War II who are former employees of the energy system. Hundreds

of activists who work in various structural subdivisions of IDGC of the South, conducted repairs of veterans' apartments, and collected funds for buying medicine and medical procedures for veterans. Furthermore, on the eve of celebrations of the 65th anniversary of the Great Victory, employees of IDGC of the South, JSC cleaned the gravestones of tens of veterans, and war memorials.

All stages of the Relay were covered in the local press. A total of 26 press-releases were published on corporate websites in the zone of responsibility of IDGC of the South, JSC, and 36 informational materials were published in regional

periodical publications of the Krasnodar Territory, the Astrakhsanskaya, Volgogradskaya, and Rostovskaya Oblasts, and in the Republics of Adyghea and Kalmykia. There were also news reports on 8 local television stations. The informational materials published in the media also included quotations from the "Address of the General Director of IDGC Holding, JSC", N. N. Shvets, on the event of the beginning of the historical-memorial program "Relay of the Victory Flag".

At the end of the relay a copy of the Victory Flag was put on eternal display in the executive apparatus of IDGC of the South, JSC.

Implementation of internal corporate programs

Internal programs and events. The management of IDGC of the South, JSC puts large significance on social and cultural development of the Company's employees. This is demonstrated, among other things, by regular events and programs whose goal is to raise the cultural level of the Company's employees and teamwork.

Starting from the beginning of 2010 the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC developed and implemented the following internal corporate events:

- Photo contest "My Little Homeland", which any employee of IDGC of the South could take part in. The goal of the contest was to fulfill the corporate potential of Company employees. The best photographs were published on the Corporate website of IDGC of the South, and in the corporate newspaper "Energy of the South". The best photos were awarded with valuable prizes before Energy Worker's Day.
- Photo contest "Best Sports Team", at which several tens of works were presented. The best works were published on the corporate website and in the corporate newspaper, the winners of which received valuable prizes. The competition's goal was to attract attention of employees to a healthy lifestyle.
- Children's creative contest "Letter to a Veteran", held as part of corporate events for the 65th anniversary of the Great Victory. The goal of the contest was patriotic education of the young generation. About 100 children of employees of IDGC of the South and Kubanenergo participated in making a booklet and organizing exhibitions. The competition attracted the attention of media sources all over Russia's South.

The idea of publishing a creative collection of works entitled "Energy of Inspiration" interested employees of all structural subdivisions of the Company. Tens of poems, photographs and drawings were given to the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC. The collected works are currently being prepared to be published.

Several contests for readers of the "Energy of the South" corporate newspaper, such as "Interesting Energy" — a poem competition — are held. These contests attract attention to life in the Company, and help employees fulfill their creative abilities.

Employees of IDGC of the South, JSC took part in the contest for creating the corporate anthem of IDGC Holding, JSC (about 50 works were collected in all), as well as in the contest for creating a company anthem of IDGC of the South, JSC (anybody could take part, and about 100 variants were collected).

The "Calendar of Social-Cultural Events" plays a significant role in internal PR of the company. The Calendar is sent regularly by e-mail to employees with interesting information about holidays and important dates. For example, on the Birth of Language Day (February 21), company employees could check their knowledge using entertaining tests on knowledge of grammar. Altogether 54 events were planned in the calendar.

But the Calendar isn't limited to just being sent to employees. For example, before Theater Day (March 27) the most enterprising employees of branches of the Company received tickets to theatrical productions, and on April 1st (Bird Day) birds were placed with symbols of IDGC of the South. On Health Day any employee could ask an anonymous question to doctors and get an authoritative answer. On International Dance Day (April 29) specialists of IDGC of the South got the chance to watch professional performances of modern ballroom and sports dances.

Masters were invited from local dancing schools to dance. On the eve of Russian Cinema Day (August 27) a thematic quiz was held among Company employees to test their knowledge of Russian films "Our Cinema is Our Wealth". The winners were given movie tickets as a prize. On World Senior Citizens Day (October 1) Department for work with power bodies, social organizations and the media conducted a special program — visiting senior citizens in their homes and creating "living corners".

Altogether in 2010 the Department for work with power bodies, social organizations and the media organized about 15 social events aimed at increasing the social culture of Company employees.

Publication of the corporate newspaper IDGC of the South, JSC — "Energy of the South"

The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC publishes the corporate newspaper of IDGC of the South, JSC — "Energy of the South" each month with 12 A3 pages. The newspaper reflects the most significant topics for the employees of IDGC of the South, JSC, fulfills social projects, and conducts contests and various regular columns. Overall in 2010 the Department for work with power bodies, social organizations and the media of IDGC of the South, JSC, PR-subdivisions of the Company branches and Kubanenergo, JSC prepared more than 200 informational materials, notes, and articles for placement in the corporate newspaper of IDGC of the South, JSC — "Energy of the South", and published more than 320 photographs. In 2010 more than 100 employees of structural subdivisions of IDGC of the South, JSC and Kubanenergo, JSC (until December 1, 2010) were invited to work on publishing the corporate newspaper as authors, co-authors, column writers, experts and newsmakers.

Participation of IDGC of the South, JSC in exhibitions and conferences

The department organized the participation of delegations from IDGC of the South, JSC in two large investment forums in 2010 — the International Investment Forum "Sochi-2010" (16–19.09.2010, Sochi) and the International Forum Development of Infrastructure in Southern Russia (20–22.10.2010, Krasnodar), as well as participation of a delegation of IDGC of the South, JSC in the united exposition of IDGC holding, JSC at the exhibition "Electrical Grids of Russia — 2010" (29.11 — 03.12.2010, Moscow).

Organization of work on the corporate website of IDGC of the South, JSC

The Department for work with power bodies, social organizations and the media of IDGC of the South, JSC modernized the structure and appearance of the corporate website of IDGC of the South, JSC in 2010:

- the color scheme was changed (in accordance with the corporate style of IDGC Holding, JSC);
- websites of branches were liquidated. Information about branches is given on pages with a second-level domain name (astrakhanenergo.mrsk-yuga.ru, etc.);
- the corporate website was registered in its Cyrillic domain name: oao-mrsk-yuga.pф;
- the structure of the corporate website of IDGC of the South, JSC was optimized (sections lower than the second level were re-structured);
- the "Client Survey", "Internet-Office" and "Additional Services" sections, etc., were modernized or created.

In pursuance of the Decree of the Russian Government dated 21.01.2004 №24 "On approval of standards for disclosing information by subjects of the wholesale and retail markets of electric energy":

- timely disclosure of information on the corporate website and in the official company publication was provided;
- the internal administrative document was prepared which regulates obligatory disclosure in accordance with the Government Decree (decree of IDGC of the South, JSC dated 03.12.2010 №445 "On obligatory disclosure of information on the corporate website of IDGC of the South, JSC).

Scientific-research work

As part of preparation for the 90th anniversary of the GOELRO plan the Department for work with power bodies, social organizations and the media of IDGC of the South collected unique archive materials and photo documents on the history of the creation and development of the distribution grid complex in regions of responsibility of the Company. The materials collected were included in the historical publication "Distribution Energy Grids" published by IDGC Holding, JSC on the 90th anniversary of the GOELRO plan.

Over the course of 2010 work was continued at filling the "Interactive Museum" section of the corporate website of IDGC of the South, JSC. This section includes about 30 archival documents, photo materials, and historical reports, including about veterans of the energy sector.

Employees of IDGC of the South, JSC having academic degrees entered the scientific department "Problems of Safety in the Fuel and Energy Complex", created on the initiative of IDGC Holding, JSC as part of development of contact between IDGC Holding and the scientific research community.

Contact person:

Alexey Evgenyevich Pedchenko, Department for work with power bodies, social organizations and the media.
tel. (861) 279-87-22, e-mail: pedchenkoae@mrsk-yuga.ru

Anna Ivanovna Yurchenko, Head of the Division for Investor Relations and Securities.
tel.: (861) 279-85-38, fax: (861) 279-85-36
E-mail: yurchenkoai@mrsk-yuga.ru.



Glossary

Terms, abbreviation	Definition
Affiliated entity	Natural or legal entity able to exert influence over the activity of legal persons and/or natural persons engaged in entrepreneurial business
AIIS KUE	Automated information measuring system of commercial energy metering
AISBU	Automated budget management information system
APD	Automatic protective devices
AR	Accounting regulations
ASDTU	Automated dispatch and technological management system
AT	Autotransformer
Auditor of the Company	Company that, under the resolution of the General Shareholders Meeting and the signed contract, checks the Company's commercial activities
Authorised (charter) capital of the company	Consists of the nominal value of a company's placed shares; its amount is set out in the company's Charter
Boiler tariffs for electricity transmission	Uniform tariffs for electricity transmission in RF entities for electricity consumers (except for network companies), regardless of which network company they are connected to. The uniform tariffs are different for different voltage levels
BTB	Bus-tie breaker
Capitalization	Market cost of a company calculated as a product of market (exchange) cost and number of shares in circulation
CIP TC	Corporate integrated program "Technological connection"
CISRM	Corporate informational system for resource management
CJSC; in Russian — ZAO	Closed joint-stock company
CL/Cable line/ cable electricity transmission line	Cable line for electric power transmission
Company	IDGC of the South, JSC
CSC	Client Servicing Center
Dividend	Part of the Company's net income distributed under the resolution of the General Shareholders Meeting between the shareholders according to their stake of the total number of the Company's placed shares
DSW	Design and survey work
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EMERCOM	Ministry of the Russian Federation for Civil Defense, Emergency Management and Natural Disasters Response
ETL	Electricity transmission lines
Extra (commercial) losses of electric energy	Difference between factual and standard losses of electric energy; it is fully paid by the grid company the networks of which suffered from extra losses of electric energy
FA	Fixed assets
Factual (reported) losses of electric energy	Difference between the volume of electric energy transmitted to the electric network from other networks or from electricity producers and the volume of electric energy consumed by electric devices connected to this network and/or transmitted to other network organisations

Terms, abbreviation	Definition
FCSM	Federal Commission for the Securities Market
Federal Energy Committee (in Russian, FEK)	Federal Energy Committee
Federal Grid Company / UES Federal Network Company (in Russian, FSK)	Federal Grid Company
FFMS	Federal Financial Markets Service
FOC	Fiber-optic cable
FTS	Federal Tariff Service
FWP	Fall-winter period
GC	Network company, grid company
HF channels	High-frequency channels
HV	High voltage (from 110 kW)
IDGC	Interregional distribution grid company
Independent director	Person who was elected by shareholders to the Board of Directors and who corresponds to criteria of independence set by the operating legislation of the Russian Federation and local regulations
Investment activity	Investment of money and work execution targeted at generation of income and/or achievement of another positive result
Investment program	Integrated investment projects in the form of a list of facilities that are to be invested in, their specifications and amount of financing that is drawn up for one year or for another fixed period on the basis of regulatory documents. The investment program is an integral part of the Company's business plan and is part of it
Investment project	Basis for the economic feasibility, volume and term of capital investments into fixed capital (construction of new facilities, expansion, reconstruction and technical re-equipment of existing enterprises and other investments that, under the financial accounting standards, may be referred to capital investments); including obligatory design specifications and estimates developed under Russian legislation and standards (norms and rules) approved in accordance with the established procedure
ISC	Isolator and short-circuiter
ISPM	Informational system of project management
IT	Information technologies
KPI	Key performance indicators
kV	Kilovolt. A voltage measurement unit
kWh	Kilowatt hour. A unit for electric energy measurement
Last mile contract	Property rental contract (for power grid equipment with voltage above 110 kV) with the owner of property of the unified national (all-Russian) electric grid (FGC UES, JSC), to which the consumer is directly connected.
Liquidity	Indicator that shows the possibility to conclude, quickly and without considerable fluctuation, stock-exchange deals with shares; it is directly proportional to the number of transactions made and the trade volume
Losses of energy	Difference between output to grids and useful power output

Terms, abbreviation	Definition
LV	Low voltage (0.4 kV and higher)
MA	Material assets
Major/large transaction	Transaction or several related transactions connected with acquisition, alienation or the possibility of alienation by the company of its property that costs in total over 25% of the balance cost of the Company's assets defined according to its financial accounting for the last accounting date, except for cases set by the legislation of the Russian Federation. The legislation sets a special approval procedure for execution of such a transaction
Majority shareholder	Shareholder that owns the main share of shareholder's capital, or who owns large shareholdings
Management	The Company's top managers, including the general director and deputy general director
Management company/ management organisation	Commercial organisation that, under the resolution of the General Shareholders Meeting and concluded contracts, executes the functions of the unique executive body of the Company
ME	Municipal entity
Minority shareholder	All shareholders of the Company, except for the majority shareholder
MM	Mass media
Motivation	Inducement of the company's members to perform their duties in order to achieve the goals planned by the company
MRO	Maintenance repairs and operating
MUC	Municipal unitary company
MV 1	Middle voltage 1 (35 kV)
MV 2	Middle voltage 2 (20-1 kV)
MVA	Megavolt-ampere, an electric power measurement unit
MW	Megawatt, an electric power measurement unit
OAD	Organizational-administrative documents
ODS	Operative dispatching service
ODU	Open distribution unit
OJSC	Open joint-stock company
OL/Overhead Line	Overhead electricity transmission line
Ordinary shares	Shares that give their owners the right to participate in the General Shareholders Meeting of the Company and vote on all issues of its competence, to receive dividends and a part of the Company's property in case it is liquidated (liquidation cost)
OTPS	Oil transfer pumping station
Output to the grid	The volume of electricity supplied to the electric power grid of the distribution company from different grids or from electricity producers
PD	Production division
Power sales company	Company that sells electric power to other companies as its main type of business
PRA	Protective relaying and automation

Terms, abbreviation	Definition
R&D	Research and development
RbC	Regulation by capacity
REG	Region of electric grids
Regulated activities	Activities regulated under federal law On state regulation of tariffs for electric and thermal energy in the Russian Federation
REM	Regional electricity market
ROE	ROE (return on equity) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every dollar of shareholders' equity (also known as net assets or assets minus liabilities). It shows how well a company uses investment money to generate earnings growth. ROE is equal to a fiscal year's net income (after preferred stock dividends but before common stock dividends) divided by total equity (excluding preferred shares), expressed as a percentage
ROTA	Return on total assets
RTS	Regional tariff service
RUSO	Residential and utilities services organization
SCO	Scheme of capacity output
SCTI	System for collecting and transferring information
Share	A security which gives its owner (shareholder) the right to receive part of the joint-stock company's profit in the form of dividends, to take part in management of the joint-stock company, and to receive part of the company's property in the case of liquidation
Significant fact	Event that affects the commercial activities of a securities issuer that shall disclose the information about its issues under the legislation of the Russian Federation. The Company is required to disclose this information in the form of messages about significant facts
SS	Software system
SSIW	Self-supporting insulated wire
Standard losses of electric energy	Calculation values of losses set by an authorized federal executive body concerning electricity transmission lines or other grid facilities owned by the network company that differ by voltage levels. The cost of standard losses of electric energy is included in charges (tariffs) for technological connection
Subsidiary and dependent companies	Legal entities in which the Company owns more than 20% of their voting shares, or due to the prevailing participation in the authorized capital, under the concluded contract or in any other way, is entitled to approve resolutions made by these legal persons
TC	Technological connection of clients to the electric networks of a company that renders services in electricity transmission
TS	An electric substation for increasing and reducing voltage in the alternating current network and for electric energy distribution
TS	Technical specifications
UES	United Energy System
UNPG	United National (All-Russia) Power Grid

Terms, abbreviation	Definition
Useful output from grids	The amount of electric energy consumed by the energy-accepting mechanisms of the Consumer, connected to this grid, as well as transferred to other grid companies
UST	Unified social tax
VT	Voltage transformer
VV	Vacuum switch
WEM	Wholesale electricity market
WEPM	Wholesale electric power market
YIIP	Yearly integrated purchasing program

APPENDIXES

APPENDIX 1	Information about the participation of IDGC of the South, JSC in other companies	p. 186
APPENDIX 2	Report on compliance by IDGC of the South to the Corporate Governance Code	p. 189
APPENDIX 3	Report of the Company's General Director on complying with the Corporate Governance Code of IDGC of the South for 2010	p. 197
APPENDIX 4	Information on interested party-transactions conducted by IDGC of the South, JSC in 2010	p. 208
APPENDIX 5	Information on tariffs for electricity transmission services by IDGC of the South, JSC	p. 215
APPENDIX 6	Volumes and tariffs for technological connection	p. 218
APPENDIX 7	The 2010 annual accounting reports of IDGC of South, JSC	p. 236
APPENDIX 8	Auditor's report on the financial (accounting) reporting of IDGC of the South, JSC	p. 250
APPENDIX 9	Opinion of the auditing committee	p. 252

Appendix № 1

INFORMATION ABOUT THE PARTICIPATION OF IDGC OF THE SOUTH, JSC IN OTHER COMPANIES

Participation of IDGC of the South, JSC in commercial companies which are 100% subsidiary and dependent companies (SDC)

Name and address of the company	Date of the company's registration	Main business type	Revenue of the SDC (RUR thou)	Financial result of the SDC (RUR thou)
1. Astrakhanelectrosetremont, open joint-stock company 204, Kramatorskaya St, Astrakhan, Russian Federation	16.03.2004	Major and current repair of equipment, transfer installations plants and equipment; technical updating and reconstruction; maintenance of electric networks	3,322	-5,731
2. Volgogradsetremont, open joint-stock company 1A, Granovitaya St, Volgograd, Russian Federation	01.04.2004	Maintenance of electric networks, capital and current repair of equipment, transfer installations, plant and equipment; technical updating and reconstruction	5,951	-1,689
3. Agricultural Enterprise in the name of A. Grechko, open joint-stock company 21, Teatralnaya St, Kuibyshevo District, Kuibyshevo villge, Rostov Region, Russia	17.11.2003	Production, processing and supply of agricultural products made by the company	28,032	40
4. Sokolovskoye Agricultural Enterprise, open joint-stock company 32, Kurskaya St, Sokolovo-Kondryuchensky Village, Novoshakhtinsk, Russian Federation	13.11.2003	Production, processing and supply of agricultural products made by the company	45,047	-32,728
5. Energetik Recreation Camp, open joint-stock company 3, Shkolnaya St, Shepsi village, Tuapse District, Krasnodar Region, Russian Federation	10.11.2003	Medical treatment and recreation of adults, parents with children (at least five years old) and organized groups of school pupils; domestic, guide and recreational services	16,953	-4,789
6. Energoservice Yuga, open joint-stock company 49, Bolshaya Sadovaya St., Rostov-on-Don, 344002, Russian Federation	30.12.2010	Technical testing, research and certification, analysis of mechanical and electrical characteristics of ready products, design and construction-assembly works on metering connections for electricity, hot and cold water supplies, work on ensuring the proper functioning of electric and heat grids	—	—

Participation of IDGC of the South, JSC in other commercial companies

Name and address of the company	Date of the company's registration	Main business type	Stake of the company's voting shares owned by IDGC of South, JSC
1. Volgogradenergosbyt, open joint-stock Company 14, Kozlovskaya St, Volgograd, 400001, Russian Federation	01.01.2005	Purchase and sales of electric energy	0.5610%
2. Federal Grid Company of the United Energy System open joint-stock company 5A, Akademik Chelomeya St, Moscow, 117630, Russian Federation	20.08.2002	Transmission and distribution of electricity, services for connection to electricity grids	0.0008%
3. Rostov Football Club, open joint-stock company 31/6A, Sholokhov Prospect, Rostov-on-Don, 344000, Russian Federation	19.11.1997	Preparation and organisation of football teams, holding football matches	0.49%
4. ENERGOGARANT Insurance joint-stock company, open joint-stock company 23, Sadovnicheskaya Embarkment, Moscow, 115035, Russian Federation	14.08.2002	Insurance	0.022%
5. Chaganskoye closed joint-stock company 1, Lenin St, Chagan Village, Kamyzyak District, Astrakhan Region, Russian Federation	30.06.1999	Agricultural activities	2.8810%

Participation of IDGC of the South, JSC in non-profit organizations

Name and address of non-profit organization	Date of entrance into the non-profit organization	Major activities of the non-profit organization
Unions and associations of legal entities		
1. Russian National Industrial Association of Electric Industry Employers C-109, 101/3, Vernadsky Avenue, Moscow, 119526, Russian Federation	17.11.2008	Representation and defense of electric industry employers' interests in their relations with trade unions and other representatives of employees' interests and with state and local authorities
Non-profit partnerships		
2. Science and Engineering Council of the Uniform Energy System non-profit partnership 119/55, Mira square, Moscow, 129344, Russian Federation	16.02.2009	Activities of professional organisations, scientific research and developments in natural and technical sciences
3. Rostov Study Centre of the Uniform Energy System non-profit partnership Bldg P, 13, Krasnokazarmennaya St, Moscow, 111250, Russian Federation	05.02.2009	Services in preparation, advanced education and qualification provided to the companies' personnel, enterprises of all forms of organisation and ownership and also to discharged employees, unoccupied and unemployed people
4. Innovations in Electric Industry non-profit partnership 19, Leninsky Avenue, Moscow, Russian Federation	10.04.2008	Services provided to the Partnership members in Improving the effectiveness of financing of science and research works in production, transmission, distribution and supply of electric energy; supply with information on products of science and research works that exist on the world market and on developments in the electric industry, implementation of advanced technical and technological solutions
5. Non-profit partnership Union of organizations performing construction, reconstruction and capital repairs of energy objects, grids, and sub-stations ENERGOSTROY 26, Str. 1, Ulansky Per., Moscow, 107996, Russian Federation	07.12.2009	The main goals of the establishment and functioning of the partnership are: Preventing harm to the lives and health of individuals, the property of individuals or legal entities, state or municipal property, the environment, the life or health of animals and plants, cultural heritage objects (including monuments of history and culture) and the peoples of the Russian Federation as a result of a lack of work which have an influence on the safety of Objects, and are fulfilled by the members of the Partnership
6. Non-profit partnership Union of organizations performing preparation of project documentation of energy objects, grids, and substations ENERGOPROEKT 7A, building 6, Stroitelny Proezd, Moscow, 125362, Russian Federation	14.04.2010	Preventing harm to the life or health of individuals and to private property as a result of shortcomings in works at project documentation which have an effect on safety of capital construction buildings and which are fulfilled by members of the Partnership, as well as improving the quality of architectural-construction design
7. Non-profit partnership Union of Energy Auditors and Energy-Maintenance Companies 8, building 2, space XXXVI, Leningradskoe Shosse, Moscow 125171, Russian Federation	23.12.2010	The goal of the partnership is to provide assistance to the members of the Partnership at improving the quality of the works they fulfill in the energy audit field and when providing energy maintenance services
Institutions		
8. Energetik Study Centre private educational institution 147, Second Krasnodarskaya St, Rostov-on-Don, 344091, Russian Federation	31.03.2008	Education and advanced education of workers and specialists of IDGC of South, JSC and other enterprises and organisations, unoccupied and unemployed people
9. Astrakhan Study Centre private educational institution Territory of Astrakhan Thermal Power Generation Plant №2, Kulakovka Village, Privolzhsky District, Astrakhan Region, 416474, Russian Federation	31.03.2008	Education and secondary (advanced) education of IDGC of South, JSC workers and specialists and other enterprises and organisations
Funds		
10. Private Pension Fund of Electric Industry Bldg 5, 16, Bersenevskaya Embankment, Moscow, 119072, Russian Federation	31.03.2008	Private pension support of the fund participants; obligatory pension insurance and professional pension insurance

Appendix № 2

REPORT ON COMPLIANCE BY IDGC OF THE SOUTH TO THE CORPORATE GOVERNANCE CODE

(prepared in accordance with the Order of the Federal Commission for Securities Market № 03-849/p dated 30.04.2003 "On methodological recommendations for the contents and form of presentation of information on complying to the Corporate Governance Code in annual reports of joint-stock companies")

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
General Shareholders' Meeting			
1	Notification of shareholders on carrying out of the general shareholders' meeting at least 30 days prior to the meeting date irrespective of the items included in its agenda, unless a greater term is stipulated by the legislation	Compliant	Provided for in item 11.5 of Article 11 of the Charter
2	Shareholders' opportunity to examine the list of the persons authorized to participate in the general meeting of shareholders starting from the day of notification on the general meeting of shareholders through to closing the internal general meeting of shareholders, and in case of the in-absentia general meeting of shareholders till the date of termination of accepting voting bulletins	Compliant	Provided for by subitem 3, item 6.2 of the Charter. The process of familiarization takes place in accordance with item 4 of Article 51 of the Federal Law dd. 26 December, 1995 №208-FL "On Joint-Stock Companies"
3	Shareholders' opportunity to examine the information (data) which is subject to submission during preparation of the general meeting of shareholders, via electronic communication, including the Internet	Compliant	Provided for in item 4.1 of the Regulations for the Procedure of Preparation and Carrying out of the General Shareholders Meeting, item 1 of Chapter IV, Corporate Governance Code
4	Shareholder's opportunity to submit an item to the agenda of the general meeting of shareholders or to demand a general meeting of shareholders without giving an extract from the register of shareholders if their rights to shares are registered in the shareholders registry and in case their rights to shares are registered on the account of deposit, — the sufficiency of an extract from the account of deposit for execution of the abovementioned rights	Compliant	Done in practice. The Charter and internal documents don't provide the shareholder the opportunity to not give an extract from the register of shareholders if their rights to shares are registered in the shareholders registry and in case their rights to shares are registered on the account of deposit. Shareholders' rights to submit an item to the agenda of the general meeting of shareholders are provided for by subitem 2 of item 6.2 of Article 6, item 13.1 of Article 13, calling the General Shareholders' Meeting — item 14.3 of Article 14
5	Provision in the Charter or internal documents of the joint-stock company of a requirement of obligatory presence of the General Director, members of the Management Board, members of the Board of Directors, members of the Auditing Committee and the auditor of the joint-stock company at the general meeting of shareholders	Compliant	The Code of Corporate Governance contains provisions about the Company's efforts to ensure the presence of the members of the bodies of management and control at the General Shareholders' Meeting, as well as the Company auditor. Furthermore, in the future the Company plans to include the question of including the according additions in the Regulations on preparation for and carrying out the General Shareholders' Meeting of IDGC of the South, JSC
6	Candidates' obligatory presence during a consideration of items on election of members of the Board of Directors, the General Director, members of the Management Board, members of the Auditing Committee, as well as the item on approval of the auditor of the joint-stock company at the general meeting of shareholders	Partially compliant	Russian Legislation does not require obligatory presence of the given candidates at the general shareholders' meeting. Such requirements are not stipulated by the Charter and internal documents. The Company aspires to provide presence at GSM of members of managing and control bodies, and the Company auditor. The Company sends invitations to members of the Board of Directors and to the auditor to participate in the general meeting of shareholders. The respective amendments are planned to be made in the Company internal documents

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
7	Registration procedure of participants of the general meeting of shareholders in internal documents of the joint-stock company	Compliant	Article 11.10 of the Charter, item 5.1 of the Regulations for the Procedure of Preparation and Carrying out of General Shareholders Meeting of IDGC of the South
Board of Directors			
8	Provision in the Charter of the joint-stock company for the Board of Directors' authority for annual approval of the financial and economic plan of the joint-stock company	Compliant	According to subitem 19 of item 15.1 in Article 15 of the Charter the competency of the Board of Directors includes approving the business plan (corrected business plan), including the investment program and quarterly report on the results of their fulfillment, as well as approval (correction) of control figures for cash flows in the Company
9	Procedure of risk management approved by the Board of Directors in the joint-stock company	Compliant	The following internal documents are valid in the company: 1. Provisions on procedures of internal control (as concerns financial activity); 2. Policy of risk management of IDGC of the South, JSC; 3. Policy for internal control of IDGC of the South, JSC
10	Provision in the Charter of the joint-stock company of the right of the Board of Directors to make a decision on termination of the General Director's powers appointed by the general meeting of shareholders	Compliant	According to subitem 12 of item 15.1 of Article 15 of the Charter, the competency of the Board of Directors includes powers for choosing a General Director of the Company and terminating his powers, including taking the decision to cancel the work contract with him before scheduled
11	Provision in the Charter of the joint-stock company of the right of the Board of Directors to establish requirements to professional skills and rate of remuneration of the General Director, members of the Management Board, heads of the main structural divisions of the joint-stock company	Compliant	In conformity with items 21.6, 21.7 of Article 21 of the Company Charter, the terms of labor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts. According to the conditions of the labor contract signed with the General Director, material remuneration of the General Director is done in accordance with the Regulations for Material Stimulation of the General Director of IDGC of the South approved by the Board of Directors (minutes dated 17.07.2007 № 1/2007, with amendments approved by resolution of the Board of Directors — minutes dated 10.11.2009 № 36/2009). The members of the Management Board of IDGC of the South, JSC are top managers whose remuneration is conducted in accordance with the Regulations for Material Stimulation of the top managers of IDGC of the South, JSC approved by resolution of the Board of Directors
12	Provision in the Charter of the joint-stock company of the right of the Board of Directors to approve terms of contracts with the General Director and members of the Management Board	Compliant	In conformity with items 21.6, 21.7 of Article 21 of the Company Charter, the terms of labor contracts with the general director, members of the Management Board are determined by the Company Board of Directors or the person authorized by the Company Board of Directors to sign labor contracts
13	Provision in the Charter or internal documents of the joint-stock company of the requirements concerning the fact that votes of members of the Board of Directors who are either the General Director or members of Management Board, are not taken into account of votes during approval of contract terms with the General Director (a managing organization, a managing director) and members of the Management Board	Non-compliant	Not provided for by the Charter and internal documents, factually the requirement is complied with

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
14	Presence in the Board of Directors of the joint-stock company of at least 3 independent directors who suit the requirements of the Corporate Governance Code	Compliant	The structure of the Board of Directors: 1) elected by the Extraordinary General Shareholders Meeting (minutes dated 14.09.2009 №3), valid until 15.06.2010; 2) elected by the Annual General Shareholders Meeting (minutes dated 16.06.2010 №4), includes no less than 3 independent directors
15	Absence in the structure of the Board of Directors of the joint-stock company of persons who were accused of crimes in the area of economic activities or crimes against the government, interests of public service and service in institutions of local government or who experienced administrative punishments for a violation of law in the area of the enterprise activity or in the area of finance, tax and tax collections and the securities market	Compliant	These data are quarterly requested from the members of the Board of Directors
16	Absence in structure of the Board of Directors of the joint-stock company of persons, being participants, the General Director (managing director), member of a managing body or employee of a legal entity competing with the joint-stock company	Compliant	These data are quarterly requested from the Board of Directors members
17	Requirement in the Charter of the joint-stock company on election of the Board of Directors through cumulative voting	Compliant	Provided for by item 10.8 of Article 10, item 16.2 of Article 16 of the Company Charter
18	Provision in internal documents of the joint-stock company of an obligation of members of the Board of Directors to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company; obligation of disclosing the information on this conflict to the Board of Directors in case of its occurrence	Compliant	Provided for in Chapter V item 1 of the Corporate Governance Code, Regulations for Insider Information
19	Provision in internal documents of the joint-stock company of the Board of Directors members' duty to notify the Board of Directors in writing on their intention to make transactions with securities of the joint-stock company, if they are members of the Board of Directors of this joint-stock company or its subsidiaries (dependent) companies, as well as disclose the information on the transactions with such securities made by them	Compliant	Provided for in item 4.1 of the Regulations for the Insider Information, item 1 of Chapter V of the Corporate Governance Code
20	Provision in the internal documents of the joint-stock company of the requirement to hold meetings of the Board of Directors at least as often as once every six weeks	Compliant	Chapter V item 1 of the Corporate Governance Code, item 18.2 of Article 18 of the Charter. Factually in the reporting year these meetings were held no less than twice per six weeks (20 meetings)
21	Meetings of the Board of Directors of the joint-stock company during the year which is the subject of the annual report of the joint-stock company are carried out at least as often as once every six weeks	Compliant	In the reporting year meetings of the Board of Directors were held no less than twice per six weeks (20 meetings)
22	Provision in the internal documents of the joint-stock company of the procedure of holding the meetings of the Board of Directors	Compliant	Provided for by Article 18 of the Charter, Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC
23	Provision in internal documents of the joint-stock company of regulations on necessity of approval by the joint-stock company's Board of Directors of transactions for the amount of 10 and more percent of the cost of the Company assets, except for the transactions made as a part of the company's every day economic activity	Compliant	Provided for in subitem 38 of item 15.1 of Article 15 of the Charter
24	Provision in internal documents of the joint-stock company of the right of members of the Board of Directors to receive from executive bodies and heads of the main structural divisions of the joint-stock company the information required to perform their functions, as well as responsibility for failure to provide such information	Compliant	Provided for in the Provisions for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC (item 3.1–3.3, item 4.4–4.6)
25	Presence in the Board of Directors of a Committee for Strategic Planning or transferring the functions of the given committee to a different committee (besides the Auditing Committee and the Committee for Staff and Remuneration)	Compliant	The Company has established a Committee for Strategy, Development, Investments and Reform

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
26	Provision of the Committee under the Board of Directors (the Auditing Committee) which recommends the auditor to the Board of Directors of the joint-stock company and cooperates with the auditor and the Auditing Committee of the joint-stock company	Compliant	The Company has an Auditing Committee of the Board of Directors of IDGC of the South, JSC, whose competency is given in item 3 of the Provisions of the Auditing Committee of IDGC of the South, JSC
27	Presence of only independent and non-executive directors in the Auditing Committee	Partially compliant	Only non-executive directors are present in the Auditing Committee
28	The Auditing Committee is managed by an independent director	Non-compliant	The Auditing Committee was not managed by independent directors
29	Provision in internal documents of the joint-stock company of access right for all members of the Auditing Committee to any document and information of the joint-stock company under the condition of nondisclosure of confidential information	Compliant	Items 4–5 of the Provisions for the Auditing Committee of the Board of Directors of IDGC of the South, JSC
30	Establishment of a Committee under the Board of Directors (the Personnel and Remuneration Committee), whose function is to define criteria of candidates to the positions of members of the Board of Directors and develop the joint-stock company's policy in the area of remuneration	Compliant	The Company has created a Personnel and Remuneration Committee of the Board of Directors of IDGC of the South, JSC, whose tasks are given in item 2 of the Provisions of the Personnel and Remuneration Committee of the Board of Directors of IDGC of the South, JSC
31	The Personnel and Remuneration Committee is managed by an independent director	Non-compliant	The Personnel and Remuneration Committee was not managed by independent directors
32	Absence of officials of the joint-stock company in the structure of the Personnel and Remuneration Committee	Non-compliant	An employee of the Company is a member of the Personnel and Remuneration Committee
33	Establishment of the Risks Committee under the Board of Directors or assigning such functions to another committee (except for the Auditing Committee and the Personnel and Remuneration Committee)	Non-compliant	Such a Committee has not been made under the Board of Directors
34	Establishment of a Corporate Conflicts Settlement Committee under the Board of Directors or assigning such functions to another committee (except for the Committee for Audit and the Personnel and Remuneration Committee)	Non-compliant	Such a Committee has not been made under the Board of Directors
35	Absence of the joint-stock company officials in the structure of the Corporate Conflicts Settlement Committee	Non-compliant	The Corporate Conflicts Settlement Committee has not yet been established
36	The Corporate Conflicts Settlement Committee is managed by an independent director	Non-compliant	The Corporate Conflicts Settlement Committee has not yet been established
37	Provision in internal documents of the joint-stock company of the process of establishment and operation of the Board of Directors committees approved by Board of Directors	Compliant	Item 19 of the Charter stipulates that the Committees are established under the decision of the Board of Directors; their procedure of formation and work is fixed in separate decisions of the Board of Directors
38	Provision in the Charter of the joint-stock company of the process of definition of quorum of the Board of Directors allowing to provide for the obligatory participation of independent directors in the meetings of Board of Directors	Partially compliant	No requirements of the process of defining quorum of the Board of Directors allowing to provide for the obligatory participation of independent directors in the meetings of the Board of Directors are included in the Company Charter. Item 18.12 of Article 18 of the Company Charter determines that quorum for holding meetings of the Board of Directors is made up of no less than half of the number of elected members of the Company's Board of Directors
Executive bodies			
39	Provision of the collegial executive body (Management Board) of the joint-stock company	Compliant	This norm is stipulated in Article 21, 22 of the Charter, Regulations for the Company Management Board
40	Provision in the Charter or internal documents of the joint-stock company of the regulations on necessity of approval by the Management Board for transactions with the real estate, joint-stock company's obtaining credits if the specified transactions are not referred to large transactions and their fulfillment is not referred to ordinary economic activities of the joint-stock company	Compliant	This norm is stipulated in subitem 7 of item 22.2 of Article 22 of the Charter

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
41	Provision in the internal documents of the joint-stock company of the procedure of coordination of operations beyond the financial and economic plan of the joint-stock company	Compliant	This norm is stipulated in subitem 2 of item 22.2 of Article 22 of the Charter
42	Absence in the structure of executive bodies of a person being either a participant, general director (managing director), member of managing body or employee of a legal entity competing with the joint-stock company	Compliant	These data are quarterly requested from the members of the Management Board
43	Absence of persons in the structure of executive bodies of the joint-stock company who were found guilty of fulfilling crimes in the sphere of economic activities or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for violations in the area of enterprise activity or in the area of finance, tax, tax collections, and the securities market. If functions of the sole executive body are carried out by a managing organization or a managing director, the General Director and members of the management board of the managing organization or managing director must meet the requirements to the General Director and members of the Management Board of the joint-stock company	Compliant	These data are quarterly requested from the members of the Management Board
44	Provision in the Charter or internal documents of the joint-stock company of the prohibition for the managing organization (managing director) to carry out similar functions in a competing company, as well as to be in any other material relations with the joint-stock company besides rendering services to the managing organization (managing director)	Compliant	Provided for in Chapter V of the Corporate Governance Code
45	Provision in internal documents of the joint-stock company of executive bodies' duties to withdraw from actions leading or potentially leading to a conflict between their interests and the interests of the joint-stock company, and duties to inform the Board of Directors if such conflict occurs	Compliant	Article 3 of the Regulations for the Management Board stipulates declaring by members of the Management Board of affiliation (which can lead to the conflict of interests), item 3.7. of the Regulations for Insider Information regarding abstention from transactions with the Company shares. Furthermore, the given provisions are given in item 2, chapter V of the Corporate Governance Code
46	Provision in the Charter or internal documents of the joint-stock company of criteria for election of the managing organization (managing director)	Compliant	Provided for in item 2, Chapter V of the Corporate Governance Code
47	Presentation by the joint-stock company executive bodies of monthly performance reports to the Board of Directors	Partially compliant	The need for executive bodies to give reports about their work to the Board of Directors is provided for in subitem 34 of item 15.1, item 22.2 of the Charter. The General Director — Head of the Management Board provides a quarterly report about the Company's work, about implementation of the decisions of the Board of Directors, about complying to the Provisions on information policy, on the results of fulfilling the business plan, about fulfilling DPN control indicators, about credit policy, on fulfilling the investment program, on extraordinary purchasing, and others. Furthermore, with different periodicity (set by the Company's internal documents) reports on complying with the Corporate Governance Code and about fulfilling the yearly integrated purchasing program, etc
48	Determining the responsibility for infringements of provisions on the use of confidential and service information stated in the contracts concluded by the joint-stock company with the General Director (managing organization, managing director) and members of the Managing Board	Compliant	The contracts have such terms
Company secretary			
49	Presence in the joint-stock company of a special official (secretary of the Company) whose task is to maintain supervision by bodies and officials of the joint-stock company over procedural requirements guaranteeing execution of the rights and legitimate interests of shareholders of the Company	Compliant	Provided for by Article 20 of the Charter, Provisions on a corporate secretary of IDGC of the South, JSC

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
50	The process of appointment (election) of the secretary of the Company and duties of the secretary of the Company stipulated by the Charter or internal documents of the joint-stock company	Compliant	Provided for in Article 20 of the Charter and item 3.6 of the Provisions on a corporate secretary of IDGC of the South, JSC
51	Provision of the Requirements to the candidate of the Secretary of the Company in the Charter of the joint-stock company	Partially compliant	Item 20.6 of Article 20 of the Company Charter determines that the regulation for activity, method for appointing and ending authority, the term of authority, the rights and requirements of a corporate secretary are determined by the Provisions on a corporate secretary, approved by the Company Board of Directors. Item 3.6 of Provisions on a corporate secretary of IDGC of the South, JSC provide the requirements for a candidate of the corporate secretary of the Company

Significant corporate actions

52	Requirement in the charter or internal documents of the joint-stock company to approve a large transaction before its fulfillment	Compliant	Subitem 17 of item 10.2 of Article 10, item 24 of item 15.1 of Article 15 of the Charter
53	Obligatory involvement of an independent appraiser for estimation of the market cost of the property which is a subject of a large transaction	Compliant	Provided for in subitem 24 of item 15.1 of Article 15 of the Charter
54	Presence in the Charter of the joint-stock company of the interdiction for taking any action while acquiring (taking over) a large stake of shares of the joint-stock company (takeover) aimed to protect interests of executive bodies (members of these bodies) and members of the Board of Directors of the joint-stock company, as well as actions worsening shareholders' position in comparison with the existing position (in particular, the interdiction for taking actions by the Board of Directors before termination of prospective term of making the decision on the issue of additional shares, issue of securities convertible into shares, or securities enabling a person to purchase shares of the Company even if the right of such decision-making is provided to by the Charter)	Partially compliant	The Company's Charter does not have such a provision. At the same time item 21.14 of Article 21 of the Charter stipulates that the general director and members of the Management Board should act in the interests of the Company when fulfilling their rights and executing their responsibilities, and should fulfill their rights and execute their responsibilities in relation to the Company conscientiously and reasonably
55	Requirement in the Charter of the joint-stock company on obligatory involvement of an independent appraiser to estimate the current market share price and possible changes in the share price as a result of a takeover	Non-compliant	The Company's Charter doesn't have such a requirement
56	Absence in the Charter of the joint-stock company of a release of the purchaser's duty to propose shareholders to sell ordinary shares of the Company belonging to them (the issue securities convertible into ordinary shares) during a takeover	Compliant	No such requirement is present in the Company Charter
57	Presence in the Charter or internal documents of the joint-stock company of the requirement on an obligatory involvement of an independent appraiser in order to define the share conversion ratio during reorganization	Non-compliant	No such requirement is present in the Company Charter and internal documents. Factually it is implemented by the Company in accordance with the federal law "On shareholders companies"

Disclosure of information

58	Presence of the internal document approved by the Board of Directors which defines the rules and approaches of the joint-stock company to information disclosure (Regulations on information policy)	Compliant	The Company Board of Directors has approved the Regulations on information policy (minutes dated 03.09.2007 №2/2007)
59	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on the purpose of the shares issue, on persons intending to purchase the shares to be issued, including a large share holding, and on the fact whether or not the top officials of the joint-stock company will participate in the purchase of the Company's shares to be issued	Non-compliant	This requirement isn't fixed by internal documents of the Company

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
60	Presence of the list of the information, documents and data in internal documents of the joint-stock company which should be given to shareholders for decision-making on the items submitted to the general meeting of shareholders	Compliant	Provided for in item 1 of Chapter IV of the Corporate Governance Code, item 4.1 of Regulations on the method of preparation and conduct of the General Shareholders' Meeting of IDGC of the South, JSC
61	Presence of the joint-stock company website in the Internet and regular disclosure of information on the joint-stock company on this website	Compliant	Provided for by the Regulations on information policy of IDGC of the South, JSC. The address of the Company's corporate web-site: www.mrsk-yuga.ru
62	Presence in internal documents of the joint-stock company of the requirement on the information disclosure on transactions of the joint-stock company made with the persons referred, according to the Charter, to the top officials of the joint-stock company, as well as on the transactions of the joint-stock company made with the organizations in which the top officials of the joint stock company directly or indirectly own 20 and more percent of the authorized capital of the joint-stock company or which can be essentially influenced by such persons	Compliant	Disclosing of information is done in accordance with the requirements of Russian legislation and item 5.2.10.2 of the Regulations on information policy
63	Presence in internal documents of the joint-stock company of the requirement to disclose the information on all transactions which can influence the market price of the joint-stock company's shares	Compliant	Information is disclosed in accordance with the requirements of Russian legislation and item 12.2 of the Regulations on information policy
64	Presence of an internal document approved by the Board of Directors on the use of the essential information on activity of the joint-stock company, shares and other securities of the company and transactions with them which is not available to everybody and the disclosure of which can essentially influence the market value of shares and other securities of the joint-stock company	Compliant	The Board of Directors of the Company resolved to approve the Provisions on insider information of IDGC of the South, JSC (minutes dated 03.09.2007, №2/2007)

Control over financial and economic activities

65	Presence of the procedures of the internal control over financial and economic activity of the joint-stock company approved by the Board of Directors	Compliant	Regulations on procedures of internal control
66	Presence of a special division of the joint-stock company providing for an execution of procedures of internal control (of the Control and Auditing Service)	Compliant	Department of internal audit and risk management
67	Requirement to define the structure and membership of the Control and Auditing Service of the joint-stock company by the Board of Directors stipulated in internal documents of the joint-stock company	Non-compliant	This requirement is not fixed by internal documents of the Company
68	Absence in the structure of the Control and Inspection Service of persons who were found guilty in committing crimes in the sphere of economic activity or crimes against the government, interests of public service and service in institutions of local government, or who experienced administrative punishments for infringements in the area of enterprise activity or in the field of the finance, tax, tax collections, and the securities market	Compliant	There are no such persons in the Control and Inspection Service
69	Absence in the structure of the Control and Auditing Service of persons being a part of any executive body of the joint-stock company, and persons being participants, general director (managing director), members of managing bodies or employees of a legal entity competing with the joint-stock company	Compliant	There are no such persons in the Control and Inspection Service
70	Presence in internal documents of the joint-stock company of the term of presentation of documents and data to the Control and Auditing Service for estimation of the financial and economic operation held, and responsibility of officials and employees of the joint-stock company for their failure to present the documents and data in the specified term	Partially compliant	Item 6.1.2 of the Regulations on procedures of internal control

№	Provision of the Corporate Conduct Code	Compliant or Non-compliant	Notes
1	2	3	4
71	Presence in the internal documents of the joint-stock company of the Control and Inspection Service's duty to inform the Committee for Audit of the revealed infringements, and in case of the latter's absence, presence of the duty to inform the Board of Directors of the joint-stock company of such infringements	Compliant	Item 6.1.4 of the Regulations on procedures of internal control
72	Presence in the Charter of the joint-stock company of the requirement on preliminary estimation by the Control and Auditing Service of expediency of fulfillment of the operations not stipulated by the financial and economic plan of the joint-stock company (non-standard operations)	Non-compliant	No such order in the Company Charter is called for
73	Presence of the internal document of the joint-stock company describing the method of agreeing on non-standard operations with the Board of Directors	Compliant	Authority for approving the business-plan and corrections to it are part of the competencies of the Board of Directors (subitem 19 of item 15.1 of Article 15 of the Charter). Furthermore, subitems 30, 38 of Article 15.1 of the Charter determines the list of transactions which must be first approved by the Board of Directors
74	Presence of an internal document approved by the board of directors which determines the method for holding checks of the company's financial and economic activity by the auditing committee	Compliant	This order is called for by the Regulations of the auditing committee, approved by resolution of the General Shareholders Committee of IDGC of the South, JSC (minutes of the Management Board of RAO UES of Russia, JSC dated 05.10.2007 № 1751pr/4)
75	Execution by the Auditing Committee of an evaluation of the Auditor's Report before it is presented to shareholders at the general meeting of shareholders	Compliant	Called for by p.3.2 of the Regulations of the Auditing Committee of the Board of Directors of IDGC of the South, JSC
Dividends			
76	Presence of an internal document approved by the Board of Directors and used by the Board of Directors as guidelines while approving recommendations on the amount of dividends (Regulations on Dividend Policy)	Compliant	The Board of Directors of the Company approved the Regulations on Dividend Policy of IDGC of the South, JSC (minutes dated 01.09.2010 № 53/2010)
77	Presence in the Regulation on Dividend Policy of the rules of a definition of the minimum net profit share of the joint-stock company dividends payment and conditions of non-payment or incomplete payment of dividends per preferred share, the amount of dividends per which is defined in the Charter of the joint-stock company	Non-compliant	The Company didn't issue preferred shares
78	Publication of data on the dividend policy of the joint-stock company and changes to it in periodicals stipulated by the Charter of the joint-stock company for publication of Notes on general meetings of shareholders, and publication of the specified data on the joint-stock company's web-site in the Internet	Partially compliant	Information about the Company's dividend policy and the changes made to it is given on the Company's website in the Internet in accordance with the Regulations on Information Policy of the Company

Appendix № 3

REPORT OF THE COMPANY'S GENERAL DIRECTOR ON COMPLYING WITH THE CORPORATE GOVERNANCE CODE OF IDGC OF THE SOUTH FOR 2010

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
Principles and structure of corporate management				
1	Complying to the principles of corporate management	Compliant	The corporate management principles (fairness, openness, responsibility of the Company's management bodies before shareholders, control over financial and economic activity, fulfilling the rights of third parties) are set in the Corporate Governance Code and the Company's Charter. Compliance to principles of corporate management are ensured by the Company's management	
2	Presence in the Company of internal documents which regulate the activity of management bodies of the Company and the legality of their work	Compliant	The following internal documents have been adopted in the Company: Charter of IDGC of the South, JSC; Regulations on the order for preparing and holding the General Shareholders' Meeting of IDGC of the South, JSC; Regulations on calling and conducting meetings of the Board of Directors of IDGC of the South, JSC; Regulations on the Auditing Committee of the Board of Directors of IDGC of the South, JSC; Regulations on the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC; Regulations on the Committee of Technical Connections to Electrical Grids under the Board of Directors of IDGC of the South, JSC; Regulations on the Reliability Committee under the Board of Directors of IDGC of the South, JSC; Regulations on the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC; Regulations on the Management of IDGC of the South, JSC; Regulations on the Auditing Committee of IDGC of the South, JSC; Regulations on payments of remuneration and compensation to members of the Board of Directors of IDGC of the South; Regulations on payments of remuneration and compensation to members of the Auditing Committee of the Board of Directors of IDGC of the South, JSC; Regulations on payments of remuneration and compensation to members of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC; Regulations on payments of remuneration and compensation to members of the Reliability Committee of the Board of Directors of IDGC of the South, JSC; Regulations on payments of remuneration and compensation to members of the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC; Regulations on payments of remuneration and compensation to members of the Auditing Committee of the Board of Directors of IDGC of the South, JSC; Regulations on payments of remuneration and compensation to members of the Committee for Technical Connections to Electrical Grids under the Board of Directors of IDGC of the South, JSC; Corporate governance Code of IDGC of the South, JSC	
3	Disclosure on the corporate website of the Company of internal documents of the Company which regulate the activity of the management bodies of the Company	Compliant	Internal documents of the Company which regulate the activity of management bodies of the company are disclosed on the corporate website of IDGC of the South at the address: http://www.mrsk-yuga.ru/stock/corporate_management/documents/	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
Company Shareholders				
SHAREHOLDERS RIGHTS AND PROTECTION OF SHAREHOLDER RIGHTS				
4	Presence of the ability among shareholders to fulfill their right to get information on a regular basis and on time about the Company's activity in an amount which is adequate for taking balanced decisions on their shares	Compliant	Information is given in the news line, and is regularly updated on the corporate website at the address: http://www.mrsk-yuga.ru/ By shareholder request, the Company provides information in accordance with the Charter, as well as with the Regulations on informational policy	
5	Complying to shareholder rights to get information on time	Compliant	The Company provides information in the way and in the term set by the Company Charter and the Regulations on information policy of IDGC of the South, JSC	
6	Organization of the General Shareholders' Meeting in such a way that the participation of shareholders does not lead to large material or time costs for them, providing an equal approach to all shareholders	Compliant	The Company fulfills all necessary actions to ensure the shareholders' participation in the General Shareholders' Meeting and when voting on agenda questions. The General Shareholder's Meeting is held in an accessible location for shareholders, in Rostov-on-Don (item 10.9 of Article 10 of the Company Charter). The general shareholders' meeting of the Company can also be held in Moscow, or in another place in accordance with the resolution of the Company's Board of Directors	
7	Keeping the register of shareholders of the Company by an independent registrar	Compliant	The Company's shareholder register was led until 17.12.2010 by Central Moscow Depository, JSC (termless license № 10-000-1-00255, given by the Russian Federal Securities Commission), 18.12.2010 to the present time — Open joint-stock company Registrar R.O.S.T. (termless license № 10-000-1-00264, given by the Russian Federal Securities Commission)	
8	Ensuring shareholders rights to require holding revisions of the financial and economic activity of the Company in accordance with norms called for by the federal law "On shareholder companies", the Charter, and internal documents of the Company	Compliant	In accordance with item 24.7 of the Charter of IDGC of the South, JSC the audit (revision) of the financial and economic activity of the Company can be done at any time on the initiative of the Auditing Committee of the Company, by resolution of the General Shareholders' Meeting, or by the Board of Directors or by request of a shareholder (shareholders) of the Company which owns no less than 10 percent of the voting shares in the Company. Analogous provisions are made in section 7.2 of the Regulations of the Auditing Committee of IDGC of the South, JSC	
9	Fulfillment by the Company of its obligations at disclosing its financial reporting in accordance with the requirements of Russian legislation, as well as in accordance with International Standards of the Financial Reporting (IFRS)	Partially compliant	Financial reporting under Russian standards is disclosed each quarter on the Company's corporate website at the address: http://www.mrsk-yuga.ru/stock/finance/ Furthermore, financial reporting under Russian standards is provided in the issuer's quarterly report. IDGC of the South, JSC does not produce financial reporting under International Financial Reporting Standards (IFRS). The company is currently preparing to transform the data of its financial accounting under Russian standards into interim forms to be used for compiling financial reporting under International Financial Reporting Standards (IFRS)	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
GENERAL SHAREHOLDERS' MEETING				
10	The Company's shareholders have access to information needed for taking justified, balanced decisions on questions from the agenda of the General Shareholders' Meeting	Compliant	The Company provides its shareholders with information concerning questions from the agenda of the General Shareholders' Meeting in an amount and in a term which allows shareholders to take justified decisions, as reflected in p. 11.7 art. 11 of the Company's Charter. In accordance with p. 4.1. of the Regulation on preparing and holding the General Shareholders' Meeting of IDGC of the South, JSC, the notice on holding the General Shareholders' meeting, and the informational materials on agenda questions from the General Shareholders Meeting, besides other ways of providing them to shareholders of the Company, must be published on the Company's website in the Internet no later than the end of the date for notice to shareholders about holding the General Shareholders Meeting. In accordance with p. 7.2. of the Regulation on information policy, the Company ensures providing shareholders with information on preparing and conducting the General Shareholders' Meeting in the order and the term set by legislation of the Russian Federation	
DIVIDEND POLICY				
11	Presence of an approved document in the Company about the policy relating to dividend payments	Compliant	Resolution of the Company's Board of Directors (minutes dated 01.09.2010 № 53/2010) approved the new edition of the Regulations on dividend policy. This regulation is placed on the corporate website: www.mrsk-yuga.ru	
12	Complying to the method and term of paying dividends to Company shareholders	Compliant	The method for taking decisions on paying dividends, as well as on the size and term of paying dividends, is determined by Article 7 of the Company's Charter, as well as by the Regulations on dividend policy. The decision is taken by the General Shareholders' Meeting	The Company has not paid dividends since it was established on 28.06.2007
Corporate management policy implemented in the Company				
BOARD OF DIRECTORS				
13	Presence in the Company's Charter of requirements on electing the Company's Board of Directors by cumulative voting	Compliant	Provided for by item 10.8 of Article 10, item 16.2 of Article 16 of the Company's Charter	
14	Absence in the Company's Charter of limitations on the number of re-elections for members of the Company's Board of Directors	Compliant	In accordance with point 16.4 of article 16 of the Charter, persons elected to the Company Board of Directors can be re-elected an unlimited number of times	
15	Presence in the Company Board of Directors of no less than three independent directors who fulfill the requirements of the Corporate Governance Code	Compliant	The Board of Directors in 2010: 1) elected by the Extraordinary Shareholders' Meeting (minutes № 3 dated 14.09.2009), valid from 14.09.2009 to 15.06.2010, 2) elected by the General Shareholders' Meeting (minutes № 4 dated 16.06.2010), valid from 15.06.2010, includes more than three independent directors	
16	Presence in the Company Board of Directors of no more than 25% of executive directors who are also Company employees	Compliant	Of 11 members of the Company Board of Directors in its first compilation, one of them was a Company employee — General Director A. I. Gavrilov, while in the second compilation none of the members were company employees	
17	Complying to the principle of prohibiting combination of the positions of individual executive body of the Company and Chairman of the Company Board of Directors	Compliant	Provided for by item 2.2 of the Regulations on the method for calling and conducting meetings of the Company Board of Directors. The Chairmen of the Board of Directors during the reporting period were P. I. Oakley and N. N. Shvets (part of the Board of Directors acting from 14.09.2009, and the Board of Directors acting from 15.06.2010, respectively)	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
18	Presence in the Company of Committees of the Board of Directors	Compliant	The Board of Directors includes the following committees: Auditing Committee; Committee for Personnel and Remuneration; Committee for Technological Connections to Electric Grids; Reliability Committee; Committee for Strategy, Development, Investments, and Reform	minutes of the Board of Directors meetings dated 02.03.2009 № 23/2009, dated 04.12.2009 № 37/2009
19	Presence in the Company of a Regulation on calling and conducting Board of Directors meetings of the Company	Compliant	By resolution of the General Shareholders' Meeting of the Company (minutes of the Management Board of RAO UES dated 28.02.2008 № 1829pr/7) the Regulation on calling and conducting Board of Directors meetings of the Company was approved	
20	Holding meetings of the Company's Board of Directors no less than once per six weeks	Compliant	Provided for by item 18.2 of Article 18 of the Charter, Chapter V item 1 of the Corporate Governance Code. In the current period Board of Directors meetings were held with a periodicity of no less than once per six weeks. A total of 20 Board of Directors meeting were held in all	
21	Presence in the Company's internal documents of the method for conducting Board of Directors meetings of the Company	Compliant	Provided for by the Regulation on the method for calling and conducting Board of Directors meetings of IDGC of the South, JSC	
22	Payment to members of the Board of Directors is done in such a way as to ensure attracting highly-qualified specialists to work in the Company, and to motivate them to do honest and effective work	Compliant	This norm is provided for in the Regulations on remuneration and compensation paid to members of the Board of Directors (item 4)	
23	Disclosure by the Company of information about the method and conditions for paying remuneration and (or) compensation to the members of the Company Board of Directors	Compliant	Information about the method and conditions for paying remuneration and (or) compensation to members of the Board of Directors of the Company is determined by the Regulations on remuneration and compensation paid to members of the Board of Directors of IDGC of the South, JSC, placed on the corporate website. Information about payment of Regulations on remuneration and compensation to the members of the Board of Directors is disclosed in the Company's annual report, which is also placed on the Company's website	
24	Complying to the prohibition on providing loans to the members of the Company Board of Directors	Compliant	In accordance with item 1 of section V of the Corporate Governance Code of IDGC of the South, JSC, the Company does not provide loans to members of the Board of Directors, with an exception in the case that the Board of Directors member is also the singular executive body of the Company. No loans were provided to the members of the Company's Board of Directors in the current period	
25	Members of the Board of Directors don't disclose and don't use confidential information about the Company in their own private interests	Compliant	This norm is provided for by the Regulation on insider information of IDGC of the South, JSC	
26	Members of the Board of Directors are obliged to refrain from actions that can lead to a conflict between their interests and the interests of the Company. In the case that such a conflict arises, the member of the Board of Directors is required to notify other members of the Board about such	Compliant	This norm is provided for by the Regulation on insider information of IDGC of the South, JSC. There were no conflicts of interest between the members of the Board of Directors and the Company's interests in the reporting period	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
27	Members of the Board of Directors are obliged to inform the Company in writing about their affiliation, intention to conclude transactions with shares of the Company and its subsidiary (dependent) companies, and also disclose information about transactions they've made with such securities	Compliant	Disclosure of information about transactions performed is provided for by item 4.1 of the Regulation on insider information. No facts of such transactions were found in the reporting period	
28	The Board of Directors ensures correct execution of its obligations at fulfilling control over the Company and determining its strategy and main developmental directions	Compliant	The high professional level of the Board of Directors ensures correct execution of its obligations at fulfilling control over the Company and determining its strategy and main developmental directions	
29	Providing the members of the Board of Directors with complete information together with notice of holding Board of Directors meetings ahead of time, and no later than 11 work days before holding each meeting	Compliant	This norm is provided for by the Regulation on calling and conducting Board of Directors meetings, Article 6.6	
30	The Board of Directors determines the Company's development strategy	Compliant	This norm is provided for by the Charter of IDGC of the South, JSC subitem 1, 8, 16, 17, 18, 19, 22, 23, 38, 40, 42, 44, 48, 52 of item 15.1 of Article 15	
31	The Board of Directors creates and supports necessary mechanisms of control over the Company's Management Board, including monitoring and evaluating its results	Compliant	This norm is provided for by the Charter of IDGC of the South, JSC, subitem 34 of item 15.1 of Article 15	
32	The Board of Directors creates a system of clear and transparent criteria and procedures for appointing and replacing members of the Company's Management Board, and the procedure for electing and terminating the authority of the General Director and an effective system of their remuneration	Compliant	This norm is provided subitem 12, 13, 33 of item 15.1 of Article 15 for by the Charter of IDGC of the South, JSC, and item 2 of Chapter V by the Corporate Governance Code	

COLLECTIVE EXECUTIVE BODY (MANAGEMENT BOARD)

33	The management board holds regular meetings, the members of the Management Board receive information about questions of the meeting agenda on time. The method of work of the Management Board is regulated by the Regulations on Management of the Company	Compliant	This norm is provided for by Article 22 of the Charter, and by the Regulations on Management of the Company	
34	The Board of Directors has the right to take decisions on terminating the authority of the members of the Management Board at any time and to form new executive bodies	Compliant	Set by item 2 of section V of the Corporate Governance Code of IDGC of the South, JSC	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
35	The members of the Management Board are obliged to refrain from any actions which might lead to conflicts between their interests and the Company's interests. In the case that a conflict between members of of the management board arises, the members of the Management Board are obliged to inform the Board of Directors of such, as well as refrain from discussion and voting on the according issues	Compliant	In accordance with item 2 of Chapter V of the Corporate Governance Code of IDGC of the South, JSC, members of the Management Board are obliged to refrain from any actions which might lead to conflicts between their interests and the Company's interests. This norm is provided for by the Regulation on insider information of IDGC of the South, JSC. No conflicts of interest between the interests of the Management Board and the interests of the Company arose in the reporting period	
36	Members of the Management Board can combine their work for the Company with work in the management bodies of other companies, as well as other paid positions in other companies, only with the prior consent of the Company's Board of Directors	Compliant	Provided for by item 2 of section V of the Corporate Governance Code of IDGC of the South, JSC, item 3.1.3 of the Regulations on Management	
37	Members of the management board are required to inform the Company in written form about their affiliation, about their intention to conclude transactions with securities of subsidiary (dependent) companies, as well as disclose information about transactions that they made with such securities	Compliant	Disclosing information about their affiliation is provided for by item 3.1.3 of the Regulations on Management. Disclosure of information about transactions made is provided for by item 4.1 of the Regulation on insider information. No such transactions were found in the reporting period	
38	Members of the management board disclose information to the Company about their having any commercial activity not connected to the Company's interest, in accordance with the method set by local normative documents of the Company	Compliant	Set in item 2 of section V of the Corporate Governance Code of IDGC of the South, JSC	

INDIVIDUAL EXECUTIVE BODY (GENERAL DIRECTOR)

39	Complying to the method for electing the Individual Executive Body (General Director)	Compliant	The method for electing the General Director is determined by item 23.4 of Article 23 of the Company Charter, as well as by section 10 of the Regulations on calling and conducting meetings of the Board of Directors of IDGC of the South, JSC	
40	Presence of a system of paying the Individual Executive Body (General Director) approved by the Board of Directors of the Company	Compliant	According to the conditions of the labor contract signed with the General Director of the Company, the material compensation of the General Director is made in accordance with the Regulations on material compensation for the General Director approved by the Board of Directors (minutes dated 17.07.2007 № 1/2007, with amendments approved by decision of the Board of Directors — minutes dated 10.11.2009 № 36/2009)	
41	Presence of the Individual Executive Body (General Director) to refrain from actions which lead or can potentially lead to conflicts between his interests and the Company's interests, and if such a conflict arises — of the responsibility to inform the Company's Board of Directors about such	Compliant	In accordance with item 2 of section V of the Corporate Governance Code of IDGC of the South, JSC, the general director is required to refrain from actions that can lead to a conflict between his interests and the interests of the Company. If such a conflict arises then the General Director is required to inform the Board of Directors of such	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
42	The General Director can combine his work with the functions of Chairman of the Management Board, management positions in other companies, and other paid positions in other companies only with approval of the Board of Directors of the Company	Compliant	Set by item 2 of section V of the Corporate Governance Code of IDGC of the South, JSC, item 3.1.3 of the Regulations on Management	
43	Disclosure by the Individual Executive Body (the General Director) to the Company of information about his affiliation, about his intention to conduct transactions with securities of subsidiary (dependent) companies, as well as to disclose information about transactions made with securities	Compliant	Set by item 3.1.3 of the Regulation on Management of IDGC of the South, JSC; subsection "Rights and obligations" item 2 of Chapter V of the Corporate Governance Code of IDGC of the South, JSC; item 4.1, 4.2 of the Regulation on insider information of IDGC of the South, JSC	There were no facts of disclosure by the General Director to the Company of information about executing commercial activity not connected with the Company's interests in the reporting period

INTERACTION OF THE BOARD OF DIRECTORS AND EXECUTIVE BODIES

44	Presentation by executive bodies (the General Director) of the Company to the Board of Directors of quarterly reports on their activity	Compliant	The necessity of executive organs providing reports about their activity to the Board of Directors is set by the Charter and internal documents of the Company. The General Director — Chairman of the Management Board provides reports on fulfilling the decisions of the Board of Directors each quarter, as well as on complying to the Regulation on information policy, on fulfilling the business plan, on fulfilling key performance indicators, on credit policy, on fulfilling the investment program, on unplanned purchases, etc. Furthermore, under different periodicity (set by the Company's internal documents) reports are provided on complying to the Corporate Governance Code, on fulfilling the yearly integrated purchasing program, etc.	
----	---	-----------	---	--

COMPANY SECRETARY

45	The presence in the Company Charter or internal documents of the process for appointing (electing) the secretary of the Company and duties of the secretary of the Company	Compliant	The process for appointing (electing) the secretary of the Company and duties of the Company secretary are regulated by Article 20 of the Charter, the Regulations for calling and conducting meetings of the Board of Directors of IDGC of the South, JSC (section 4), and the Regulations on the Corporate Secretary of IDGC of the South, JSC	
46	The corporate secretary ensures preparing for and conducting Board of Directors meetings in accordance with the requirements of the law, the Charter, and other internal documents of the company	Compliant	This procedure is set by the Company charter, the Regulations on the Corporate Secretary, and the Regulations for calling and conducting meetings of the Board of Directors of the Company	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
Disclosing information and transparency				
POLICY AND PRACTICE OF DISCLOSING INFORMATION				
47	The Company doesn't limit itself to disclosing information that is required by law of the Russian Federation, and discloses additional information which ensures a high level of transparency of the Company and makes it possible to achieve the goals of the Company policy for disclosing information	Compliant	The Company regularly provides shareholders, their representatives, potential investors and other interested parties information about its business by using all means of communication. The list of documents which are to be disclosed is determined by Russian legislation, the Regulations on Information Policy of the Company, and the Corporate Governance Code of IDGC of the South, JSC	
48	Complying to principles of information disclosure	Compliant	The principles of information disclosure (the principles of completeness and reliability of the information disclosed, the principle of accessibility, of balance in information disclosed, and of regularity at disclosing information) are set by the Corporate Governance Code. These principles are also set by the Regulations on Information Policy of the Company, section 3 of Complying to the principles of disclosing information is ensured by the Company management in accordance with organizational and management documents	
49	Information on important events in the Company, as determined in accordance with Russian legislation or on the Company's own initiative, is published in the mass media and on the Company website in the Internet	Compliant	Disclosing information is done on a regular basis on the Company's website at the address: http://www.mrsk-yuga.ru	
50	Control over the use of insider information	Compliant	The Resolution of the Board of Directors (minutes dated 03.09.2007 №2/2007) approved the Regulations on Insider Information of IDGC of the South, JSC. Control over the use of insider information is done by collecting and analyzing declarations of insiders on executing transactions with securities of the Company and its subsidiaries	
51	Conducting and preparing financial accounting in accordance with Russian standards of accounting and financial reporting, and publishing reporting on the Company website	Compliant	In accordance with Article 25 of the Charter, the Company conducts financial accounting and prepares financial reporting in the way set by Russian legislation, the Charter, and the Regulations on Accounting Policy of the Company. The Company publishes financial reporting on the website of IDGC of the South, JSC in the way set by Russian legislation and the Regulations on Information Policy of IDGC of the South, JSC. The Company also discloses information as part of its quarterly reports. The address on the Company website is: http://www.mrsk-yuga.ru/stock/finance/	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
52	The Company's financial reporting is accompanied by detailed explanations allowing the reader to interpret the data on the Company's financial results. The Company's financial information is accompanied by comments and analytical evaluations by the Company's management, as well as with the Company's auditor's conclusion and the conclusion of the Auditing Committee	Compliant	Provided for by the Regulations on Accounting Policy of the Company, the Regulations on Information Policy of the Company	
53	Preparation of complete (consolidated) financial reporting in accordance with the requirements of international standards of financial reporting (IFRS) and publication of this reporting on the Company's website	Partially compliant	The Company is conducting preparatory work at transforming data from the Company's financial reporting as per Russian standards into interim forms to be used for compiling reporting as per International Financial Reporting Standards (IFRS)	The issuer is not a legal entity which is required to compile and provide its financial reporting as per IFRS
54	Compliance at disclosing information about real owners of one or more percent of the voting shares in the Company, ensuring transparency of the structure of the company's shareholder's capital	Compliant	Information about the structure of shareholders' capital is disclosed in the issuer's quarterly reports, and is published on the Company's corporate website at the address: http://www.mrsk-yuga.ru/stock/stockholders/	
CONTROL OVER FINANCIAL AND ECONOMIC ACTIVITIES				
55	The system of control over the Company's financial and economic activity includes procedures of control called for by Russian legislation, resolutions of the General Shareholders Meeting, and the Company's Board of Directors, as well as the the totality of bodies (subdivisions, persons) of the Company who perform internal control — the Auditing Committee, the Company Auditor, and separate structural subdivisions with authority to conduct such control	Compliant	This norm is set by Article 15, 24 of the Company Charter, the Regulations on the Auditing Committee of IDGC of the South, JSC. The Company has created a Department of Internal Audit and Risk Management with the aim of ensuring effective functioning of the Company's system of internal control	
56	Presence of a Company auditor	Compliant	As per resolution of the General Shareholders Meeting (minutes dated 16.06.2010 №4) the Company's auditor was chosen to be AAF AUDITINFORM, Ltd. Information about the Company's auditor is given on the Company website at the address: http://www.mrsk-yuga.ru/stock/corporate_management/auditor/	
57	Presence of an Auditing Committee in the Company which ensures control over financial and economic activity	Compliant	As per resolution of the General Shareholders Meeting (minutes dated 16.06.2010 №4) the Auditing Committee of IDFC of the South with 5 people in it was elected. Information about the Company's Auditing Committee is disclosed on the Company's corporate website: http://www.mrsk-yuga.ru/stock/corporate_management/revisioncommittee/	

№	Norm of the Corporate Governance Code	Compliant or non-compliant	Measures taken to fulfill the norm	Comments on non-fulfillment of the norm
58	Presence of an internal document approved by the Board of Directors of the Company which determines the method for conducting financial and economic activity of the Company by the the Auditing Committee	Compliant	Regulations on the Auditing Committee of IDGC of the South, JSC approved by the extraordinary general shareholders meeting of the Company (minutes of the Management Board of RAO "UES of Russia" dated 05.10.2007 №1751pr/4)	
59	Presence of a special subdivision of the Company which ensures compliance to the procedures of internal control	Compliant	The Company has established a Department of Internal Audit and Risk Management	
60	Presence of an internal document of the Company which determines the functions, rights, requirements and responsibility of the special subdivision of the Company which ensures compliance to procedures of internal control	Compliant	The functions, rights, requirements and responsibility of the department of internal control and risk management are determined by the Regulations on the department, as well as in the Regulations of internal control of IDGC of the South, JSC (minutes of the Board of Directors meeting of IDGC of the South, JSC dated 09.02.2009 №22/2009)	
Interaction with subsidiary and dependent companies				
PRINCIPLES AND POLICY FOR SUBSIDIARY AND DEPENDENT COMPANIES				
61	Presence in the Company of an approved method of interaction with subsidiary and dependent companies in which the Company participates	Compliant	The Company has a Method of Interaction with companies whose stocks (shares) are owned by IDGC of the South, JSC. (Minutes of the Board of Directors of IDGC of the South, JSC dated 06 March, 2009 №24/2009)	

Company internal documents mentioned in this report and published on the Company corporate website:

№	Document name	Link to the section of the corporate website	Information about document approval
1	Charter of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 16.06.2010 №4)
2	Regulations on the Procedure for Preparing and Carrying out the General Shareholders Meeting of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" dated 28.02.2008 №1829pr/7)
3	Regulations on the Procedure of Calling and Carrying out of Board of Directors meetings of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" dated 28.02.2008 №1829pr/7)
4	Regulations on the Management Board of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" 28.02.2008 №1829pr/7)
5	Regulations on the Auditing Committee of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes of the Management Board of RAO "UES of Russia" dated 05.10.2007 №1751pr/4)
6	Regulations on the Corporate Secretary of the Board of Directors IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 14.09.2009 №34/2009)
7	Corporate Governance Code of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 21.08.2009 №32/2009)
8	Regulations on Dividend Policy of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 01.09.2010 №53/2010)

№	Document name	Link to the section of the corporate website	Information about document approval
9	Regulations on Information Policy of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 03.09.2007 №2/2007)
10	Regulations on Insider Information of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 03.09.2007 №2/2007)
11	Regulations on payments of remuneration and compensation to members of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 04.06.2008 №1)
12	Regulations on payments of remuneration and compensation to members of the Auditing Committee of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 04.06.2008 №1)
13	Regulations on the procedure of internal control of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 11.02.2009 №22/2009)
14	Procedure of interaction of IDGC of the South, JSC with companies and stocks (shares) owned by IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 06.03.2009 №24/2009)
15	Regulations on the Auditing Committee of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 06.08.2010 №52/2010)
16	Regulations on the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 06.08.2010 №52/2010)
17	Regulations on the Committee of Technical Connections to Electrical Grids under the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 11.02.2009 №22/2009)
18	Regulations on the Reliability Committee under the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 04.12.2009 №37/2009)
19	Regulations on the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 04.12.2009 №37/2009)
20	Regulations on payments of remuneration and compensation to members of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 05.02.2010 №39/2010)
21	Regulations on payments of remuneration and compensation to members of the Reliability Committee of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 05.02.2010 №39/2010)
22	Regulations on payments of remuneration and compensation to members of the Committee for Personnel and Remuneration of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 05.02.2010 №39/2010)
23	Regulations on payments of remuneration and compensation to members of the Auditing Committee of the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 05.02.2010 №39/2010)
24	Regulations on payments of remuneration and compensation to members of the Committee for Technical Connections to Electrical Grids under the Board of Directors of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 05.02.2010 №39/2010)
25	Risk management policy of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 11.06.2010 №47/2010)
26	Internal control policy of IDGC of the South, JSC	http://www.mrsk-yuga.ru/stock/corporate_management/documents/	Approved by the General Shareholders Meeting of IDGC of the South, JSC (minutes dated 11.06.2010 №47/2010)

Appendix № 4

INFORMATION ON INTERESTED PARTY-TRANSACTIONS CONDUCTED BY IDGC OF THE SOUTH, JSC IN 2010

All interested-part transactions conducted by IDGC of the South, JSC in 2010 were done under market conditions.

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
<p>Interested parties: Members of the Management Board: A. I. Gavrilov, L. A. Golovakha, G. G. Savin, D. V. Pestov (they hold management positions in Kubanenergo, JSC — a party in the transaction); Member of the Management Board of the Company: V. V. Brizhan (his brother has a position in the management bodies of Kubanenergo, JSC — a party in the transaction); Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (owns more than 20% of the shares of Kubanenergo, JSC — a party in the transaction).</p>			
1	Additional agreement dated 13.04.2010 № 5/407/30-321/164 to Contract dated 14.09.2007 № 407/30-1143/26 on transferring authority of the individual executive body of Kubanenergo, JSC	<p>Parties of the additional agreement: IDGC of the South, JSC and Kubanenergo, JSC. Additional agreement subject: Change in the contract points that concern determining the concept of tax amendments.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 25.12.2009 № 38/2010)
2	Contract of real estate property rental dated 17.05.2010 № 407/30-462/237	<p>Contract parties: Renter — Kubanenergo, JSC; Tenant — IDGC of the South, JSC. Contract subject: The Renter transfers, and the Tenant accepts for temporary ownership and use for payment of commercial and industrial premises located at the address: 1) Slavyansk-na-Kubani, Ul. Stroitel'naya, 49, lit. A, building № 26, area 15.5 sq. m; 2) Armavir, Ul. Borovskogo, 54, lit. A, № 105 area 17.1 sq. m; 3) Sochi, Ul. Konstitutsiya SSSR, 42, lit. A, building № 118, area 11.1 sq. m. Contract price: The amount of monthly rental payment for Objects is 29,394 (twenty nine thousand, three hundred and ninety four) rubles and 20 copecks, including VAT 18% — 4,483 (four thousand four hundred and eighty three) rubles and 86 copecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 19.02.2010 № 40/2010)
3	Additional agreement dated 27.09.2010 № 6/448 to the Contract dated 14.09.2007 № 407/30-1143/26 on transferring authority of the individual executive body of Kubanenergo, JSC	<p>Parties of the additional agreement: IDGC of the South, JSC and Kubanenergo, JSC. Additional agreement subject: Setting the amount of the direct component of the cost of services in the period from 01.04.2010 to 31.12.2010, as well as making changes to the calculation of the alternating component of the cost of services. Additional agreement price: The size of the direct component is set as 43,322,548 (fourty three million, three hundred twenty two thousand, five hundred and forty eight) rubles and 72 copecks per month, VAT of 18% — 6,608,524 (six million, six hundred and eight thousand, five hundred twenty four) rubles and 38 copecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 02.04.2010 № 42/2010)
4	Contract for property rental dated 01.06.2010 № 272	<p>Contract parties: Renter — IDGC of the South, JSC, Tenant — Kubanenergo, JSC. Contract subject: The Renter transfers, and the Tenant accepts for temporary ownership and use property for payment. Contract price: The sum of the monthly rental payment for the use of property equals 997,679 (nine hundred ninety seven, six hundred and seventy nine) rubles, including VAT 18% — 152,188 (one hundred fifty two, one hundred and eighty eight) rubles and 32 copecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
<p>Interested parties: Member of the Board of Directors: N. N. Shvets (has a position in the management bodies of Kubanenergo, JSC — a party in the transaction); Members of the Management Board: S. A. Arkhipov, G. G. Savin, (have positions in the management bodies of Kubanenergo, JSC — a party in the transaction); Member of the Management Board of the Company: V. V. Brizhan (his brother has a position in the management bodies of Kubanenergo, JSC — a party in the transaction); Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (owns more than 20% of the shares of Kubanenergo, JSC — a party in the transaction).</p>			
5	Agreement dated 12.11.2010 № 407/30-1247/487	<p>Parties of the agreement: IDGC of the South, JSC and Kubanenergo, JSC. Agreement subject: Termination of the rental contract for transportation means with a crew № 407/30-1371/418.4.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.10.2010 № 54/2010)
6	Agreement dated 12.11.2010 № 407/30-1248/486	<p>Parties of the agreement: IDGC of the South, JSC and Kubanenergo, JSC. Agreement subject: Termination of the rental contract for transportation with a crew dated 29.10.2008 № 407/30-1334/418.5.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.10.2010 № 54/2010)
7	Rental contract dated 23.11.2010 № 407/30-1332/539	<p>Contract parties: Renter — Kubanenergo, JSC. Tenant — IDGC of the South, JSC. Contract subject: The subject of the Contract is transmission by the Renter to the Tenant for temporary use "Of a place for installing video surveillance" for payment. Contract price: The monthly rental payment is 290 (two hundred and ninety) rubles and 00 copecks, including VAT 18% — 44 (forty four) rubles and 24 copecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.10.2010 № 54/2010)
<p>Interested parties: Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (its affiliated person owns more than 20% of the shares in Astrakhanelectrosetremont — a party in the transaction).</p>			
8	Contract for rental of transportation means without a crew dated 27.04.2010 № 50-1	<p>Contract parties: Renter — Astrakhanelectrosetremont, JSC. Tenant — IDGC of the South, JSC. Contract subject: The Renter provides to the Tenant for temporary ownership and use for payment the transportation means that belong to the Renter under ownership rights. Contract price: Rental payment for use of cars under the Contract is 16,745 (sixteen thousand seven hundred and forty five) rubles and 38 copecks per month, including VAT of 2,554 (two thousand five hundred and fifty four) rubles and 38 copecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)
9	Purchase and sale contract dated 20.05.2010 № 248	<p>Contract parties: Buyer — IDGC of the South, JSC; Seller — Energetic Recreation Camp, JSC. Contract subject: The Seller sells, and the Buyer buys recreational tours to Energetic Recreation Camp, JSC in an amount and in the type given in the Schedule of visits of employees of the Rostovenergo, JSC branch of IDGC of the South, JSC. Contract price: The price of services under the Contract is 3,000,000 (three million) rubles, VAT is not provided for.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 04.06.2010 № 46/2010)
<p>Interested parties: Member of the Management Board of the Company: G. A. Sultanov (has a position in the management bodies of Astrakhanelectrosetremont — a party in the transactions); Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (affiliated entity of Holding IDGC, JSC — IDGC of the South, JSC — owns more than 20% of the shares in Astrakhanelectrosetremont, JSC — a party in the transaction).</p>			
10	Contract № 1 dated 01.10.2010	<p>Contract parties: The Contractor is Astrakhanelectrosetremont, JSC. The Subscriber is IDGC of the South, JSC. Contract subject: Supply of drinking water to the Subscriber from the water pipe of the Contractor and acceptance of waste water into the Contractor's sewer system is done under the Contract conditions. Contract price: The contract price is 18,500 (eighteen thousand, five hundred) rubles, including VAT of 18% — 2,822 (two thousand, eight hundred and twenty two) rubles and 03 copecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.10.2010 № 54/2010)

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
11	Contract dated 29.12.2010 №49-12-196	<p>Contract parties: Renter — Astrakhanelectrosetremont, JSC; Tenant — IDGC of the South, JSC.</p> <p>Contract subject: The Renter transfers, and the Tenant accepts for temporary ownership and use the real estate property located at the address:</p> <ol style="list-style-type: none"> 1) Astrakhan Oblast, Astrakhan, Ul. Kramatorskaya, 204, total area of 3,533 sq. m., 2) Astrakhan Oblast, Akhtubinsk, Ul. Franko, 18, total area of 195.5 sq. m.; 3) Astrakhan Oblast, Kharabali, Ul. Lenina, 143, total area of 555.7 sq. m. <p>Contract price: The price of rental payment is 700,221 (seven thousand two hundred and twenty one) rubles and 33 kopecks per month, as well as VAT 18% — 126,039 (one hundred twenty six thousand and thirty nine) rubles and 85 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 26.11.2010 № 56/2010)
<p>Interested parties: Member of the Management Board of the Company: V. N. Kopanev (has a position in the management bodies of Astrakhanelectrosetremont — a party in the transaction); Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (affiliated person Holding IDGC, JSC — IDGC of the South, JSC — owns more than 20% of the shares in Energetic Recreation Camp, JSC — a party in the transaction).</p>			
12	Purchase and Sale Agreement — for the sale of recreational tours dated 07.10.2010 № 423	<p>Contract parties: Buyer — IDGC of the South, JSC; Seller — Energetic Recreation Camp, JSC.</p> <p>Contract subject: The Seller sells, and the Buyer buys recreational tours to Energetic Recreation Camp, JSC in an amount and in the type given in the Schedule of visits of employees of the Volgogradenergo, JSC branch of IDGC of the South, JSC.</p> <p>Contract price: The cost of recreational tours under the Contract is 1,430,000 rubles (one million four hundred thirty thousand and 00 kop.), VAT not applicable.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.10.2010 № 54/2010)
13	Additional agreement dated 12.10.2010 № 1/428 to the purchase and sales Contract dated 20.05.2010 № 248	<p>Parties of the additional agreement: Buyer — IDGC of the South, JSC; Seller — Energetic Recreation Camp, JSC.</p> <p>Additional agreement subject: The Seller sells, and the Buyer buys recreational tours to Energetic Recreation Camp, JSC as per the Schedule of visits of employees of the Volgogradenergo, JSC branch of IDGC of the South, JSC.</p> <p>Additional agreement price: 1,000,000 (one million) rubles, VAT not applicable.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 01.10.2010 № 54/2010)
<p>Interested parties: Member of the Board of Directors: A. V. Maslov has a position in the management bodies of FGC UES, JSC — a party in the transaction); Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (associated persons of IDGC Holding, JSC — members of the Board of Directors E. V. Dod, M. Yu. Kurbatov, S. I. Shmatko, S. V. Maslov, and V. V. Taty hold positions in the management bodies of FGC UES, JSC — a party in the transaction).</p>			
14	Additional agreement № 5/35 to the Contract for maintenance and repairs of electric grid objects dated 06.03.2006 № 37/P3O	<p>Parties of the additional agreement: IDGC of the South, JSC and FGC UES, JSC.</p> <p>Additional agreement subject: To approve the additional agreement № 5 to the Contract for maintenance and repair servicing of electric grid objects dated 06.03.2006 № 37/P3O.</p> <p>Additional agreement price: 3,444,625 (three million, four hundred and forty four thousand, six-hundred and twenty five) rubles and 00 kopecks, including VAT of 18% — 525,451 (five-hundred and twenty five thousand and four-hundred and fifty one) rubles and 27 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 05.02.2010 № 39/2010)
15	Additional agreement № 6/36 to the Contract for maintenance and repairs of electric grid objects dated 06.03.2006 № 37/P3O	<p>Parties of the additional agreement: IDGC of the South, JSC and FGC UES, JSC.</p> <p>Additional agreement subject: To approve the additional agreement № 6 to the Contract for maintenance and repairs of electric grid objects dated 06.03.2006 № 37/P3O.</p> <p>Additional agreement price: 778,366 (seven hundred seventy eight thousand, three hundred sixty six) rubles and 91 kopecks, including VAT of 18% — 118,733 (one-hundred eighteen thousand, seven hundred and thirty three) rubles and 94 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 05.02.2010 № 39/2010)
16	Contract on providing services dated 13.04.2010 № 275/3470100549	<p>Contract parties: Contractor — IDGC of the South, JSC; Customer — FGC UES, JSC.</p> <p>Contract subject: The Contractor is required to provide access to the telephone grid and the possibility to use telephone communications, as well as provide local telephone services, and the Customer is required to pay for these services.</p> <p>Contract price: The overall cost of services under the contract is 410,101 (four hundred and ten thousand, one hundred and one) rubles and 92 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 19.02.2010 № 40/2010)

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
17	Contract for providing services for operative maintenance of power equipment dated 13.08.2010 № 216	<p>Contract parties: Customer — IDGC of the South, JSC, Contractor — FGC UES, JSC.</p> <p>Contract subject: The Customer requests, and the Contractor takes on providing services for operative maintenance of equipment at SS 220 kV Liman: box 110 kV № 139.</p> <p>Contract price: The cost of services is 116,003 rubles and 33 kopecks (One hundred and sixteen thousand, three rubles and 33 kopecks), including VAT — 18% of 17,695 (seventeen thousand six hundred ninety five) rubles and 42 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)
<p>Interested parties: Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (associated persons of IDGC Holding, JSC — members of the Board of Directors G. P. Kutovoy, S. I. Shmatko, and I. V. Khvain have positions in the management bodies of FGC UES, JSC — a party in the transaction).</p>			
18	Agreement on interaction for preventing the consequences of accidents dated 31.12.2010 № 629	<p>Parties of the agreement: IDGC of the South, JSC, FGC UES, JSC.</p> <p>Agreement subject: The subject of the Contract are the interactions between the Parties when preventing and liquidating the consequences of accidents on electric power objects caused by damage to equipment (including as the result of natural disasters), with a threat to the life and health of people, by shutting off the electricity supply, and other reasons in the zone of responsibility of the Parties.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 30.07.2010 № 51/2010)
19	Agreement on interaction for preventing and liquidating the consequences of accidents dated 31.12.2010 № 628	<p>Parties of the agreement: IDGC of the South, JSC and FGC UES, JSC.</p> <p>Agreement subject: The subject of the Contract are the interactions between the Parties when preventing and liquidating the consequences of accidents on electric power objects caused by damage to equipment (including as the result of natural disasters), with a threat to the life and health of people, by shutting off the electricity supply, and other reasons in the zone of responsibility of the Parties.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 30.07.2010 № 51/2010)
<p>Interested parties: Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (associated persons of IDGC Holding, JSC — members of the Board of Directors E. V. Dod, M. Yu. Kurbatov, and S. I. Shmatko hold positions in the management organizations of SO UES, JSC — a party in the transaction).</p>			
20	Contract of real estate property rental dated 29.06.2010 № 740/181	<p>Contract parties: Renter — IDGC of the South, JSC, Tenant — SO UES, JSC.</p> <p>Contract subject: The Renter is required to provide the Object to the Tenant under temporary use and ownership.</p> <p>Contract price: The contract price is 2,995 (two thousand, nine hundred and ninety five) and 78 kopecks per month, including VAT of 18% — 456 (four hundred and fifty six) rubles and 98 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)
21	Contract of real estate property rental dated 25.08.2010 № 49-12-142/29	<p>Contract parties: Renter — IDGC of the South, JSC. Tenant — SO UES, JSC.</p> <p>Contract subject: The Renter transfers, and the Tenant accepts industrial and commercial buildings for temporary use and ownership:</p> <ol style="list-style-type: none"> 1) liter AA, total area of 450.3 sq. m., located at the address: 414000, Astrakhan, Ul. Krasnaya Naberezhnaya/Sovetskaya Militsiya, 32/19; 2) liter B, buildings 4, 22, 25, 26, 27 with a total area of 115.1 sq. m., located at the address: 414000, Astrakhan, Ul. Krasnaya Naberezhnaya/Sovetskaya Militsiya, 32/19. <p>Contract price: The total sum of the contract is 848,431 (eight hundred forty eight thousand, four-hundred thirty one) rubles and 01 kopecks per month, including VAT of 18% — 129,421 (one hundred twenty nine thousand, four-hundred and twenty one) rubles and 68 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)
22	Contract for property rental dated 25.08.2010 № 49-12/148/30	<p>Contract parties: The Renter — IDGC of the South, JSC, Tenant — SO UES, JSC.</p> <p>Contract subject: The Renter transfers property for temporary use, and the Tenant accepts it for rent and is obliged to pay the rental rate set by the Contract.</p> <p>Contract price: The monthly payment is 7,992 (seven thousand, nine-hundred and ninety two) rubles and 14 kopecks, including VAT of 18% — 1,219 (one thousand, two-hundred and nineteen) rubles and 14 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
23	Contract of real estate property rental dated 19.08.2010 № 3470101440	<p>Contract parties: Renter — IDGC of the South, JSC, Tenant — SO UES, JSC.</p> <p>Contract subject: The Renter provides the Tenant with temporary ownership and use of industrial and commercial property, graphically marked by a check on the copy of the floor-by-floor plan at the address: Volgograd, Pr. Lenina, 15, total area of 745.1 square meters, to place the Tenant's personnel.</p> <p>Contract price: The rental cost for one month equals 885,715 rubles and 15 kopecks (eight hundred and eight five thousand, seven hundred and fifteen rubles) and 15 kopecks, including VAT — 18% of 135,109 rubles 09 kopecks (one hundred thirty five thousand, one hundred and nine rubles) and 09 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 28.04.2010 № 44/2010)
<p>Interested parties: Members of the Board of Directors of the Company: P.I. Oakley and S.N. Popovsky (have positions in the management bodies of IDGC of the Volga, JSC — a party in the transaction); Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (owns more than 20% of the shares in IDGC of the Volga, JSC — a party in the transaction).</p>			
24	Contract of a participating stake in financing of operations for providing services for holding the All-Russian Competition dated 26.05.2010 № 100261/259	<p>Contract parties: Participant 1 — IDGC of the South, JSC; Participant 2 — IDGC of the Volga, JSC.</p> <p>Contract subject: Participant 2 takes the liability to organize and conduct operations at the base of the training facility of the branch of IDGC of the Volga, JSC — Penzaenergo (Penza), All-Russian competitions for professional skills of brigades for servicing high-voltage electricity lines of distribution grids of IDGC Holding, JSC, and Participant 1 ensures financing of the Event in accordance with the contract conditions.</p> <p>Contract price: The amount of financing for the project is 834,000.00 (eight-hundred thirty four thousand) rubles with VAT of 18% — 127,220.34 rubles (one hundred twenty seven thousand, two hundred twenty rubles, thirty four kopecks).</p>	Board of Directors of IDGC of the South, JSC (minutes dated 04.05.2010 № 45/2010)
<p>Interested parties: Members of the Board of Directors of the Company: P.I. Oakley and A. Yu Perepyolkin (have positions in the management bodies of Holding IDGC, JSC — a party in the transaction). Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (is a party in the transaction).</p>			
25	Agreement on protection of information which is a commercial secret dated 20.07.2010 № 983/346	<p>Parties of the agreement: Vekseldatel — IDGC of the South, JSC, Vekselderzhatel — IDGC Holding, JSC</p> <p>Agreement subject: Replacement of liabilities for promissory notes issued by Kalmenergo, JSCon 20.10.2005.</p> <p>Price for purchasing the promissory notes — 312,900,000.00 (Three hundred twelve million, nine hundred thousand) rubles.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 11.06.2010 № 47/2010)
26	Agreement dated 14.10.2010 № 472	<p>Parties of the agreement: IDGC of the South, JSC and IDGC Holding, JSC.</p> <p>Agreement subject: Organize mutual access to informational resources of the parties which contain information which is a commercial secret, and the conditions for transferring information which is a commercial secret.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 11.06.2010 № 47/2010)
<p>Interested parties: Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (owns more than 20% of the shares of Engineering Center of Power of the Urals, JSC — a party in the transaction).</p>			
27	Contract dated 08.11.2010 № 78.1066.10/498	<p>Contract parties: Customer — IDGC of the South, JSC; Contractor — Engineering Center of Power of the Urals.</p> <p>Contract subject: The Customer requests and pays for, and the Contractor accepts implementing the following operations: Conducting accreditation of the base organization of the metrological service of the Volgogradenergo, JSC branch of IDGC of the South, JSC — for technical competency.</p> <p>Contract price: The contract price is 236,011 (Two hundred thirty six thousand, eleven) rubles and 80 kopecks, including VAT of 18% — 36,001 (Thirty six thousand and one) ruble and 80 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.10.2010 № 55/2010)
<p>Interested parties: Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (owns more than 20% of the shares in Yuzhny ITsE, JSC — a party in the transaction).</p>			
28	Contract dated 01.11.2010 № 479	<p>Contract parties: Customer — IDGC of the South, JSC. Contractor — Yuzhny ITsE, JSC.</p> <p>Contract subject: The Contractor is required to fulfill, and the Customer to accept and pay for fulfilling the works: Accreditation of the base organization of the metrological service of the Kalmenergo, JSC branch of IDGC of the South, JSC as a base organization of the metrological service (BOMS) and the right to calibrate measuring tools.</p> <p>Contract price: The cost of services is 299,723 (Two hundred ninety thousand, seven hundred and twenty three) rubles and 54 kopecks, including VAT of 18% — 45,720 (Forty five thousand, seven hundred and twenty) rubles and 54 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.10.2010 № 55/2010)

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
29	Contract for conducting field supervision dated 24.11.2010 № 5354-AH/05-80-689/2010	<p>Contract parties: Customer: IDGC of the South, JSC; Developer: Yuzhny ITsE, JSC.</p> <p>Contract subject: The Customer requests, and the Developer takes on fulfilling works at conducting field supervision done in order to comply to the decisions in the work documentation for contract dated 22.12.2008 № 5354 on fulfilling design and survey works for the title SS 110/10-10 kV Kirovskaya (Yubileinnaya) with OL of 110 kV.</p> <p>Contract price: The cost of services is 1,702,284 (one million seven hundred and two thousand, two hundred and eighty four) rubles and 86 kopecks, including VAT of 18% — 259,670 (two hundred and fifty nine thousand, six hundred and seventy) rubles and 57 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.10.2010 № 55/2010)
30	Contract for fulfilling design and survey works dated 26.11.2010 5473/05-80-696/A/2010	<p>Contract parties: Customer — IDGC of the South, JSC, Contractor — Yuzhny ITsE, JSC.</p> <p>Contract subject: The Contractor is required by the Customer's task to conduct design and survey work for reconstruction of the object "Reconstruction of objects of 35-110 kV with output from PGU-110 MW AGRES" (address: Astrakhanskaya Oblast, Privolzhsky Region, Astrakhan, Leninsky Rayon) and to give the result to the Customer, and the Customer is required to accept the result and pay as per the Contract.</p> <p>Contract price: The Contract price is 4,335,624 (four million, three hundred and thirty five thousand, six hundred and twenty four) rubles and 44 kopecks, including VAT of 18% — 661,366 (six hundred sixty one thousand and three hundred sixty six) rubles and 44 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.10.2010 № 55/2010)
31	Contract for fulfilling design and survey works dated 27.12.2010 № 615	<p>Contract parties: Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p>Contract subject: The Contractor is required by the Customer's task to conduct design and survey work for reconstruction of objects:</p> <ol style="list-style-type: none"> 1. Reconstruction of SS 110/35/10 kV Maliye Derbety; 2. Reconstruction of SS 110/35/10 kV Sovetskaya; 3. Reconstruction of SS 110/10 kV Tsagan-Aman; 4. Reconstruction of SS 110/35/10 kV Elista-Vostochnaya; 5. Reconstruction of SS 110/35/10 kV Elista-Zapadnaya and give the result to the Customer, and the Customer is required to accept the result of the work and pay for it as per the Contract. <p>Contract price: The Contract price is 1,120,988 (one million, one hundred and twenty thousand, nine hundred and ninety eight) rubles and 20 kopecks, including VAT of 170,998 (one hundred and seventy thousand, nine hundred ninety eight) rubles and 20 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.11.2010 № 56/2010)
32	Contract for fulfilling design and survey works dated 27.12.2010 № 616	<p>Contract parties: Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p>Contract subject: The Contractor is required by the Customer's task to conduct design and survey work for reconstruction of objects:</p> <ul style="list-style-type: none"> – shielded arc welding ZRU 10 kV SS 110/35/10 kV Maliye Derbety, – shielded arc welding KRUN 10 kV SS 110/35/10 kV Sadovoe-1. <p>Contract price: The Contract price is 179,549 (one hundred seventy nine thousand, five hundred and forty nine) rubles and 62 kopecks, including VAT of 18% — 27,388 (twenty seven thousand, three hundred and eight) rubles and 92 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.11.2010 № 56/2010)
33	Contract dated 29.12.2010 № 19-5467/591	<p>Contract parties: Customer — IDGC of the South, JSC; Contractor — Yuzhny ITsE, JSC.</p> <p>Contract subject: The Contractor is required by the Customer's task to provide services for technical maintenance in the degree of preventative control over RZA VL-220 kV at SS Peskovatka and the first preventative control over RZA VL 110 kV at SS Kotluban of the production department of the department of Volgograd Electric Grids, of the Volgogradenergo branch of IDGC of the South, JSC.</p> <p>Contract price: The total cost of the Contract is 112,675 (one hundred and twelve thousand, six hundred and seventy five) rubles and 84 kopecks, including VAT of 18% — 17,187 (seventeen thousand, one hundred and eight seven) rubles and 84 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 № 57/2010)

№	Transaction type	Significant conditions of the transaction	Name of the management body which approved the transaction
1	2	3	4
34	Contract dated 29.12.2010 №19-5468/592	<p>Contract parties: Customer — IDGC of the South, JSC; Contractor — Yuzhny ITse, JSC.</p> <p>Contract subject: The Contractor is required by the Customer's task to provide services for technical maintenance in the degree of preventative restoration of RZA VL 110kV at SS Novomlinovo of the production division of Kamyshinskies Electric Grids of the Volgogradenergo branch of IDGC of the South, JSC.</p> <p>Contract price: The total cost is 134,770 (one hundred and thirty four thousand, seven hundred and seventy) rubles and 16 kopecks, including VAT of 18% — 20,558 (twenty thousand, five hundred and fifty eight) rubles and 16 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 № 57/2010)

Interested parties:

Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (associated persons of Holding IDGC, JSC — members of the Board of Directors E. V. Dod, V. V. Kudryavy, and S. I. Shmatko hold positions in RusHydro, JSC — a party in the transaction).

35	Contract dated 10.12.2010 № Vzh 422/10/3470101458	<p>Contract parties: Customer — RusHydro, JSC; Contractor — IDGC of the South, JSC.</p> <p>Contract subject: The Contractor is required to provide services for repair and calibration of measuring tools and to give the result to the Customer, and the Customer is required to pay for these services under the conditions in the Contract.</p> <p>Contract price: The cost of the services is 165,530 (one hundred sixty five thousand, five hundred and thirty) rubles and 35 kopecks, including VAT of 25,250 (twenty five thousand, two hundred and fifty) rubles and 39 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 29.11.2010 № 56/2010)
----	---	---	---

Interested parties:

Members of the Board of Directors of the Company: P. I. Oakley, G. F. Binko (hold positions in the management bodies of NIITs IDGC, JSC — a party in the transaction).

Company shareholder that owns more than 20% of the shares in IDGC of the South, JSC: Holding IDGC, JSC (owns more than 20% of the shares in NIITs IDGC, JSC — a party in the transaction).

36	Contract dated 24.12.2010 № 10.11.024	<p>Contract parties: Customer — IDGC of the South, JSC. Contractor — NIITS IDGC, JSC.</p> <p>Contract subject: Conducting expertise of materials which justify the value of the normative technological losses of electricity under transmission through electric grids of the Volgogradenergo, JSC branch of IDGC of the South, JSC.</p> <p>Contract price: The total cost of services for the Contract is 1,380,000 (one million, three-hundred eighty thousand) rubles, including VAT of 18% — 210,508 (two hundred and ten thousand, five hundred and eight) rubles and 47 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 № 57/2010)
37	Contract dated 24.12.2010 № 10.11.026-110835/11	<p>Contract parties: Customer — IDGC of the South, JSC. Contractor — NIITS IDGC, JSC.</p> <p>Contract subject: Conducting expertise of materials which justify the value of the normative technological losses of electricity under transmission through electric grids of the Rostovenergo, JSC branch of IDGC of the South, JSC.</p> <p>Contract price: The total cost of services for the Contract is 2,581,000 (two million, five hundred eighty one thousand) rubles, including VAT of 18% — 393,711 (three hundred ninety three thousand, seven hundred eleven) rubles and 86 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 № 57/2010)
38	Contract dated 24.12.2010 № 10.11.025	<p>Contract parties: Customer — IDGC of the South, JSC. Contractor — NIITS IDGC, JSC.</p> <p>Contract subject: Conducting expertise of materials which justify the value of the normative technological losses of electricity under transmission through electric grids of the Kalmenergo, JSC branch of IDGC of the South, JSC.</p> <p>Contract price: The total cost of services for the Contract is 1,430,700 (one million, four hundred and thirty thousand, seven hundred) rubles, including VAT of 18% — 218,242 (two hundred eighteen thousand, two hundred forty two) rubles and 37 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 № 57/2010)
39	Contract dated 24.12.2010 № 10.11.023	<p>Contract parties: Customer — IDGC of the South, JSC. Contractor — NIITS IDGC, JSC.</p> <p>Contract subject: Conducting expertise of materials which justify the value of the normative technological losses of electricity under transmission through electric grids of the Astrakhanenergo, JSC branch of IDGC of the South, JSC.</p> <p>Contract price: The total cost of services for the Contract is 1,290,500 (one million, two hundred and ninety thousand, five hundred) rubles, including VAT of 18% — 196,855 (one hundred and ninety six thousand, eight hundred and fifty five) rubles and 93 kopecks.</p>	Board of Directors of IDGC of the South, JSC (minutes dated 24.12.2010 № 57/2010)

Appendix № 5

INFORMATION ON TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES BY IDGC OF THE SOUTH, JSC

Tariffs for IDGC of the South, JSC branch — Rostovenergo

Tariffs	HV	MV-1	MV-2	LV	
2010					
Singular "boiler" tariffs confirmed by decree of the Regional Tariff Service dated 29.12.2009 № 16/3. Published in the "Collected legal acts of the Rostov Oblast", № 1, 25.02.2010, Article 63	Rate for maintaining electric grids (RUR/MW/month)	275,134.81	313,923.33	541,812.93	542,008.40
	Rate for paying for technological losses in electric grids, RUR/MWh	689.72	624.13	139.07	442.09
	Average flat rate for transmission, RUR/MWh	1,159.13	1,392.41	1,407.11	1,470.89
2011					
"Boiler" tariffs confirmed by decree of the Regional Tariff Service of the Rostov Oblast dated 31.12.2010 № 23/1 (Published in the "Nashe Vremya" newspaper № 25-26, 01.02.11)	Rate for maintaining electric grids (RUR/MW/month)	500,867.3	617,571.7	758,423.5	1,082,521.8
	Rate for paying for technological losses in electric grids, RUR/MWh	630.14	692.14	723.32	730.12
	Average flat rate for transmission, RUR/MWh	1,518.78	2,193.75	2,352.55	2,503.85
	City inhabitants, RUR/MWh	1,510.82	1,510.82	1,510.82	1,510.82
	Rural inhabitants, RUR/MWh	722.68	722.68	722.68	722.68
Increase 2011/2010, %	Rate for maintaining electric grids (RUR/MW/month)	82.04	96.73	39.98	99.72
	Rate for paying for technological losses in electric grids, RUR/MWh	-8.64	10.90	420.11	65.15
	Average flat rate for transmission, RUR/MWh	31.03	57.55	67.19	70.23

Tariffs for IDGC of the South, JSC branch — Volgogradenergo

Tariffs	HV	MV-1	MV-2	LV	
2010					
Singular "boiler" tariffs confirmed by decree of the Directorate for Regional Tariffs dated 24.12.2009 №42/1. Published in "Volgogradskaya Pravda" 30.12.2009	Rate for maintaining electric grids (RUR/MW/month)	578,240.76	757,813.0	945,365.96	1,021,679.47
	Rate for paying for technological losses in electric grids, RUR/MWh	44.13	70.16	153.53	497.42
	Average flat rate for transmission, RUR/MWh	921.61	1,265.63	2,561.50	2,602.93
	Population, RUR/MWh	514.36	514.36	514.36	514.36
2011					
"Boiler" tariffs set by the Directorate for Regional Tariffs of the Volgograd Oblast dated 22.12.2010 №35/3 (published in "Volgogradskaya Pravda", №244, 29.12.2010)	Rate for maintaining electric grids (RUR/MW/month)	623,028.42	738,146.95	988,244.45	988,784.81
	Rate for paying for technological losses in electric grids, RUR/MWh	65.39	113.00	239.27	793.65
	Average flat rate for transmission, RUR/MWh	886.85	1,276.17	1,994.90	2,948.33
	Inhabitants, RUR/MWh	555.83	555.83	555.83	555.83
Increase 2011/2010, %	Rate for maintaining electric grids, %	7.75	-2.60	4.54	-3.22
	Rate for paying for technological losses in electric grids, RUR/MWh	48.18	61.06	55.85	59.55
	Average flat rate for transmission, RUR/MWh	-3.77	0.83	-22.12	13.27
	Population, %	8.06	8.06	8.06	8.06

Tariffs for IDGC of the South, JSC branch — Astrakhanenergo

Tariffs	HV	MV-1	MV-2	LV	
2010					
Singular "boiler" tariffs confirmed by decree of the Tariff Service of the Astrakhan Oblast dated 16.10.2008 №79. Published in "Collection of Laws and regulatory legal acts of Astrakhan Oblast", №56, 30.10.2008	Rate for maintaining electric grids (RUR/MW/month)	142,139.62	193,217.48	411,058.82	616,542.41
	Rate for paying for technological losses in electric grids, RUR/MWh	268.30	314.44	376.53	104
	Average flat rate for transmission, RUR/MWh	532.80	691.76	1,113.46	1,263.58
2011					
Singular "boiler" tariffs confirmed by decree of the of the Tariff Service of the Astrakhan Oblast dated 22.12.2010 №201. Published in "Collection of Laws and regulatory legal acts of Astrakhan Oblast", №57, 28.12.2010	Rate for maintaining electric grids (RUR/MW/month)	191,508.65	267,971.42	575,693.77	865,630.34
	Rate for paying for technological losses in electric grids, RUR/MWh	395.33	450.88	528.29	453.39
	Average flat rate for transmission, RUR/MWh	671.85	1,000.42	1,833.30	2,209.10
	Population, RUR/MWh				1,047.31
Increase 2011/2010, %	Rate for maintaining electric grids, %	34.73	38.69	40.05	40.40
	Rate for paying for technological losses in electric grids, %	47.35	43.39	40.30	335.95
	Average flat rate for transmission, %	26.10	44.62	64.65	74.83

Tariffs for IDGC of the South, JSC branch — Kalmenergo

Tariffs	HV	MV-1	MV-2	LV	LV — city inhabitants with VAT	LV — rural inhabitants with VAT	
2010							
Singular "boiler" tariffs confirmed by decree of the Regional Tariff Service dated 16.12.2009 №80-п/э (amendments made by decree of the Regional Tariff Service of the Republic of Kalmykia dated 05.07.2010 №36-п/э). Published in the "Government Newspaper" №121 (797) 19.12.2009	Rate for maintaining electric grids (RUR/MW/month)	879,254.816	1,128,658.962	1,143,534.062	1,408,717.891	773,890.388	300,717.488
	Rate for paying for technological losses in electric grids, RUR/MWh	55.24	108.30	172.84	278.88	329.08	329.08
	Average flat rate for transmission, RUR/MWh	1,560.39	2,040.39	2,130.39	2,690.39	1,653.86	843.86
2011							
Singular "boiler" tariffs confirmed by decree of the Regional Tariff Service dated 29.12.2010 №100-п/э (amendments made by decree dated 01.02.2011 №13-п/э) Published in the newspaper "Parliament Journal of Kalmykia" dated 31.12.2010 №101 (398)	Rate for maintaining electric grids (RUR/MW/month)	1,349,190.339	1,758,317.412	1,779,764.286	2,208,508.338	716,532.658	186,908.094
	Rate for paying for technological losses in electric grids, RUR/MWh	104.985	207.473	331.433	530.956	626.529	626.529
	Average flat rate for transmission, RUR/MWh	2,372.213	3,162.213	3,322.213	4,242.213	1,830.616	940.616
Increase 2011/2010, %	Rate for maintaining electric grids, %	53.45	55.79	55.64	56.77	-7.41	-37.85
	Rate for paying for technological losses in electric grids, %	90.05	91.57	91.76	90.39	90.39	90.39
	Average flat rate for transmission, %	52.03	54.98	55.94	57.68	10.69	11.47

Appendix № 6

VOLUMES AND TARIFFS FOR TECHNOLOGICAL CONNECTION

SUBMITTED TO THE BODY FOR TARIFF REGULATION FOR THE CURRENT YEAR AND THE NEXT YEAR AND TARIFFS FOR TECHNOLOGICAL CONNECTION SET BY THE REGULATING BODY (IN TABLE FORM)

As per item 14. of the Decree of the Federal Tariff Service of the Russian Federation dated 30.11.2010 № 365-з/5: An applicant who makes an application for technological connection of power receivers at maximum capacity, not exceeding 15kW inclusive (taking into account capacity that was previously connected at this point), pays for the works shown in item 12 of the Methodological Instructive Regulations in a volume not exceeding 550 rubles, with VAT, under the condition that the distance from the edge of the applicant's property to the electric grid infrastructure necessary to the applicant of the voltage class of the grid company, in which the application is made, is not more than 300 meters in cities and urban-type settlements, and not more than 500 meters in rural areas.

Volumes and tariffs for technological connections in the 2010 reporting year and for 2011 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Astrakhanenergo branch of IDGC of the South, JSC set by the regulating body

Payment for technological connection of consumers to the Company's electric grids is set by the Tariff Service of the Astrakhan Oblast. Payments for technological connection to grids of the Astrakhanenergo Branch valid in 2010 were set by the Decree dated 16.12.2009 № 135. In 2011 (1st quarter), payments for technological connection to grids of the Astrakhanenergo Branch are set by the Decree dated 16.12.2009 № 135. Rates for 2010, and were approved only in the "black" without taking into account an investment component and don't contradict the legislation acting from 01.01.2011 (Article 23.2 of 35-ФЗ).

Capacity range, kW	Level of voltage in the connection point, kV	Astrakhanenergo branch of IDGC of the South, JSC								
		2010			2011					
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT (in prices for 2001)				
				C1 (rub./MW)	C2 (rub./km)	C3 (rub./km)	C4 (rub./line)	Fixed payment for technological connection, RUR/kW, exclusive of VAT		
Up to 15kW, total	0.4	488	1,093.60	466.1	3,258	466				
	6-20	Declared capacity and the rate for the given voltage levels wasn't broken down			283					
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project								
Including individual persons		Declared capacity and the rate for the given voltage levels wasn't broken down		466	2,349	466				
From 15 to 100kW, total	0.4	Declared capacity and the rate for the given voltage levels wasn't broken down		82	1,290	267,011	265,225	235,061		
	6-20	3,539	161		767	360,919	288,678			
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project								
Including reduced fee categories										
From 100 to 637.5kW	0.4	Declared capacity and the rate for the given voltage levels wasn't broken down		16	250	94,175	271,394	368,894	589,310	
	6-20	34,743	17,272		2,373		369,516	302,005		
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project								
More than 637.5kW	0.4	Declared capacity and the rate for the given voltage levels wasn't broken down		7	1,755	94,175	271,394	468,754	819,706	
	6-20	24,924	11				420,465	803,658		
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project								

The Tariff Service opened a case for setting payment for TC for 2011 using means of standardized tariff rates of payment on February 14, 2011. The expected deadline for setting payment for TC for 2011 is 31.03.2011. The rates set for the branch for 2010 are used in the 1st quarter of 2011.

* capacity is shown as reported to the Regional Tariff Service when setting the current payment for technological connection

Volumes and tariffs for technological connections in the 2010 reporting year and for 2011 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Volgogradenergo branch of IDGC of the South, JSC set by the regulating body

Payment for technological connection of consumers to the Company's electric grids is set by the Tariff Service of the Volgograd Oblast. Rates of payment for technological connections to the grids of the Volgogradenergo branch in 2010 were set by Decree of the Tariff Service of the Administration of the Volgograd Oblast dated 17.02.2010 № 6/2 (approved rates are differentiated by zone). Rates of payment for technological connections to the grids of the Volgogradenergo branch in 2011 were set by Decree of the Tariff Service of the Administration of the Volgograd Oblast dated 17.12.2010 № 34/3 "On setting payment for technological connections to grids of the Volgogradenergo branch of IDGC of the South, JSC (approved rates aren't differentiated by zone).

Without an investment component for the "City" zone

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo					
		2010			2011		
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15kW, TOTAL	0.4	1,019	466	466	6,822	466	466
	6-20						
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including individual persons							
From 15 to 100kW, TOTAL		3,491	1,646	1,210	572	2,573	383
	6-20	1,200	504	345	1,756	1,845	383
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including reduced fee categories							
From 100 to 750kW	0.4	59,366	86	58	2,711	236	73
	6-20	1,580	196	120	22,765	266	73
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
More than 750kW	0.4	No application was made at this voltage level			The rate wasn't broken down by voltage when being set	236	73
	6-20	72,260	87	59		266	73
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					

Without the investment component for the "Oblast" zone

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo					
		2010			2011		
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15kW, TOTAL	0.4					466	466
	6-20	2,921	466	466	6,822	466	466
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including individual persons							
From 15 to 100kW, TOTAL	0.4	17	1,711	1,044	572	2,573	383
	6-20	461	472	324	1,756	1,845	383
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including reduced fee categories							
From 100 to 750kW	0.4	23,431	84	56	2,711	236	73
	6-20	7,699	178	118	22,765	266	73
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
More than 750kW	0.4	No application was made at this voltage level			The rate wasn't broken down by voltage when being set	236	73
	6-20	5,085	103	71		266	73
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					

In order to create the possibility for technological connection in the "City" zone — construction and reconstruction of distribution grids in 2010. Data for 2011 is given for creating technical capability

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo					
		2010			2011		
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15kW, TOTAL	0.4					466	466
	6-20	1,019	466	466	695	466	466
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including individual persons							
From 15 to 100kW, TOTAL	0.4	3,491	2,858	2,858	195	8,153	7,743
	6-20	1,200	4,087	4,087	50	6,144	7,743
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including reduced fee categories							
From 100 to 750kW	0.4	59,366	10,615	10,615	3,331	10,188	8,162
	6-20	1,580	6,348	6,348	15,090	7,714	8,162
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
More than 750kW	0.4	No application was made at this voltage level			The rate wasn't broken down by voltage when being set	10,188	8,162
	6-20	72,260	6,699	6,699		7,714	8,162
	35-110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					

In order to create the possibility for technological connection in the "Oblast" zone — construction and reconstruction of distribution grids for 2010. Data for 2011 is given for creating technical capability

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo					
		2010			2011		
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15kW, TOTAL	0.4					466	466
	6–20	2,921	466	466	695	466	466
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including individual persons							
From 15 to 100kW, TOTAL	0.4	17	3,439	3,439	195	8,153	7,743
	6–20	461	4,118	4,118	50	6,144	7,743
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including reduced fee categories							
From 100 to 750kW	0.4	23,431	9,105	9,105	3,331	10,188	8,162
	6–20	7,699	6,318	6,318	15,090	7,714	8,162
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
More than 750kW	0.4	No application was made at this voltage level			The rate wasn't broken down by voltage when being set	10,188	8,162
	6–20	5,085	6,178	6,178		7,714	8,162
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					

In order to create the possibility for technological connection in the "Oblast " zone — construction and reconstruction of power supply centers

Capacity range, kW	Level of voltage in the connection point, kV	Volgogradenergo					
		2010			2011		
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT
Up to 15kW, TOTAL	0.4						
	6–20	2,921	466	466			
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including individual persons							
From 15 to 100kW, TOTAL	0.4	17	2,707	2,280			
	6–20	461	2,707	2,280			
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
Including reduced fee categories							
From 100 to 750kW	0.4	23,431	2,707	2,280			
	6–20	7,699	2,707	2,280			
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					
More than 750kW	0.4	No application was made at this voltage level					
	6–20	5,085	2,707	2,280			
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project					

On the basis of amendments in the regulatory legal acts valid from 01.01.2011 (35-ФЗ), these volumes weren't applied for or set

* Capacity is shown as submitted to the Regional Tariff Service with the aim of setting the current payment for technological connections with an investment component

Notes to the table:

Submitted and established payment for technological connections was not broken down by zones in 2011.

Also for 2010 payment for technological connection to the electric grids of the Volgogradenergo branch of IDGC of the South was approved:

- MKP Volzshkie Mezhraionnie seti, Volgogradoblektro, JSC, when having technical capability — 68.26 Rub/kW, when not having capability — 2,348.73 Rub/kW;
- MUPP Volgogradskie Mezhraionnie elektricheskies seti, when having technical capability — 147.55 Rub/kW, when not having capability — 4,273.25 Rub/kW.

Volumes and tariffs for technological connections in the 2010 reporting year and for 2011 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Rostovenergo branch of IDGC of the South, JSC set by the regulating body

Rates of payment for technological connections to the grids of the Rostovenergo branch of IDGC of the South, JSC in 2010 were set by Decree of the Regional Tariff Service of the Rostov Oblast dated 27.05.2009 №7/1.

Rates of payment for technological connections to the grids of the Rostovenergo branch of IDGC of the South, JSC in 2011 were set by Decree of the Regional Tariff Service of the Rostov Oblast dated 28.12.2010 №20/13.

Capacity range, kW	Level of voltage in the connection point, kV	Branch of IDGC of the South, JSC — Rostovenergo												
		2010				2011								
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT				Fixed payment for technological connection, RUR/kW, exclusive of VAT				
				C1 (rub./MW)	C2 (rub./km)	C3 (rub./km)	C4 (rub./line)	C1 (rub./MW)	C2 (rub./km)	C3 (rub./km)	C4 (rub./line)			
Up to 15kW, TOTAL	0.4	24,039	466	466	49,695	859,909	364,160		106,460	397,249	285,513	291,225	163,640	
	6–20					859,909	430,490		106,460	397,249	384,817	527,796	163,640	
	35–110					In the case that applicants apply for connection the rate for technological connection is set by individual project								
Including individual persons		11,790	466	466	19,764			466				466		
From 15 to 100kW, TOTAL	0.4	54,000	20,380	18,639	3,411	859,909	364,160	256,890	106,460	397,249	285,513	291,225	163,640	
	6–20					859,909	430,490		106,460	397,249	384,817	527,796	163,640	
	35–110					In the case that applicants apply for connection the rate for technological connection is set by individual project								
From 100 to 750kW	0.4		20,380	18,639	1,482	859,909	364,160	256,890		397,249	282,513	291,225	163,640	
	6–20		17,272	14,615	21,951	859,909	638,035	556,360	208,476	397,249	384,817	527,796	163,640	
	35–110	In the case that applicants apply for connection the rate for technological connection is set by individual project												
More than 750kW	0.4	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project								397,249	282,513	291,225	163,640	
	6–20					31,554	859,909	638,035		208,476	397,249	384,817	527,796	163,640
	35–110					In the case that applicants apply for connection the rate for technological connection is set by individual project								

* capacity is shown as applied in the Regional Tariff Service when setting the existing payment for TC (the rate was set for 2009 — 2010 in a breakdown by voltages MV2 and LV, and in accordance with this fact the capacity level was also applied for in 2009 and 2010).

The volume of capacity when calculating payment for TC in 2010 of 54,000kW relates to the entire level above 100 kW, with voltage of 0.4kV.
 The volume of capacity when calculating payment for TC in 2010 of 88,802kW relates to the entire level above 100 kW, with voltage of 6–20kV.
 By Decree of the Regional Tariff Service of the Rostov Oblast dated 27.05.2009 №7/2, the rates of payment for technological connections to the grids of the Rostovenergo branch of IDGC of the South, JSC in 2010: objects of Donenergo, JSC. The rate was set at 2,295.48 rub./kW, the submitted capacity at the approve rate was 133,170kW.

Volumes and tariffs for technological connections in the 2010 reporting year and for 2011 reported to the tariff regulation body and tariffs for technological connection to the electric grids of the Kalmenergo branch of IDGC of the South, JSC set by the regulating body

Payments for technological connection to grids of the Kalmenergo Branch valid in 2010 were set by the Decree of the Regional Tariff Service of the Republic of Kalmykia dated 17.02.2006 №23-n/а (validity prolonged by decree dated 08.04.08 №29 n/а) and by the Decree of the Regional Tariff Service of the Republic of Kalmykia dated 21.07.2009 №56-n/а.

In 2011 (1st quarter), payments for technological connection to grids of the Kalmenergo Branch are set by the Decree of the Regional Tariff Service of the Republic of Kalmykia dated 17.02.2006 №23-n/а (validity prolonged by decree dated 08.04.08 №29 n/а) by the Decree of the Regional Tariff Service of the Republic of Kalmykia dated 21.07.2009 №56-n/а, in accordance with these decrees were approved only in the “black” without taking into account an investment component and don't contradict the legislation acting from 01.01.2011 (Article 23.2.35-Ф3).

Capacity range, kW	Level of voltage in the connection point, kV	Branch of IDGC of the South, JSC — Kalmenergo				
		2010			2011	
		Volume of capacity at calculation of payment for technological connection, kW (*)	Declared payment for technological connection, RUR/kW, exclusive of VAT	Fixed payment for technological connection, RUR/kW, exclusive of VAT	Volume of capacity at calculation of payment for technological connection, kW	Declared payment for technological connection, RUR/kW, exclusive of VAT
Up to 15kW, TOTAL	0.4	606	466	466	458	466
	6–20	337	466	466	106	466
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project				
Including individual persons		214	466	466	564	466
From 15 to 100kW, TOTAL	0.4	50	203	127	170	22,293
	6–20	510	203	127	300	27,119
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project				
Including reduced fee categories						
From 100 to 750kW	0.4	The rate wasn't broken down by voltage when being set		127		22,293
	6–20	375	203	127		27,119
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project				
More than 750kW	0.4	In the case that applicants apply for connection, the rate is set by individual project		127		22,293
	6–20			127		27,119
	35–110	In the case that applicants apply for connection at the level 35/110, the rate for technological connection is set by individual project				

The Regional Tariff Service for the Republic of Kalmykia has opened a case for setting payment for TC for 2011 (taking into account the investment component) for 2 capacity ranges: from 15 to 750kW at voltage of 0.4kV — 22,292.73 rub./kW and from 15 to 750kW at voltage of 6–20kV — 27,118.98 rub./kW. The expected deadline for setting payment for TC for 2011 is 31.03.2011. The rates set for the branch for 2010 are used in the 1st quarter of 2011

* capacity shown is that applied to the RTS when setting the current payment for TC

Capacity volume when calculating payment for TC for 2011 — 300kW is for the whole range above 15kW, at a voltage of 6–20kV.

REPORTS ON DEMAND FOR TECHNOLOGICAL CONNECTIONS AND SATISFACTION OF DEMAND

Report on contracts for technological connections for IDGC of the South, JSC, 2010

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contacts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15kW, TOTAL	0.4	4,324	27,380.22	13,233.20	9,479	66,931.43	7,677	54,475.27	6,366.43	4,372	31,657.67
		6–20	472	3,270.51	10,941.44	3,187	27,325.73	1,650	14,873.00	27,682.51	1,214	10,533.95
		35–110	0	0.00	0.00	21	173.65	0	0.00	0.00	0	0.00
2	Including individual persons	0.4	3,030	19,142.07	2,442.08	6,212	44,160.71	5,077	36,620.41	2,728.57	2,927	21,220.61
		6–20	89	892.15	46.52	215	2,189.50	124	1,400.20	58.89	61	614.03
3	From 15 to 100kW, TOTAL	0.4	161	6,724.68	36,260.43	389	16,076.48	185	7,700.41	31,102.35	94	4,175.72
		6–20	208	11,315.36	52,099.49	609	31,989.06	356	18,709.23	46,330.90	163	8,202.54
		35–110	1	25.00	3.17	1	87.00	0	0.00	0.00	1	25.00
4	Including reduced fee categories		350	16,577.77	82,610.74	946	44,547.42	516	24,474.31	66,591.43	250	11,769.64
5	From 100 to 750kW	0.4	68	19,909.83	137,690.60	100	24,433.90	30	6,263.59	38,335.00	25	6,137.37
		6–20	316	90,174.79	442,249.88	523	151,747.90	189	51,271.61	143,105.19	82	23,837.41
		35–110	2	910.00	3,200.00	2	305.00	1	105.00	150.00	1	740.00
6	More than 750kW	0.4	11	28,428.07	180,833.20	8	18,836.73	0	0.00	0.00	1	900.00
		6–20	127	449,247.83	3,577,185.65	123	379,500.33	24	79,807.00	709,766.30	17	50,464.93
		35–110	8	133,823.27	606,506.00	14	276,521.06	4	60,900.00	413,825.00	1	30,000.00
TOTAL			5,698	771,209.56	5,060,203.05	14,456	993,928.27	10,116	294,105.11	1,416,663.68	5,971	166,674.59

• Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of TC Contracts annulled, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By application in the reporting year		TOTAL		By application in the reporting year		units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	Transformer capacity	EPL
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW						kVA	km
2,796	21,105.05	65	448.00	22	173.18	7,564	49,749.82	16,094.54	739	5,426.25	10,760.00	6.54
1,001	8,876.03	10	73.98	3	19.00	898	7,535.58	5,416.41	698	5,818.36	0.00	2.84
0	0.00	0	0.00	0	0.00	0	0.00	0.00	5	51.59	0.00	0.00
1,914	14,325.86	26	204.48	12	106.48	5,154	34,337.39	2,970.15	423	2,857.27	10,760.00	6.54
21	274.50	3	32.00	2	17.00	149	1,646.32	228.55	51	467.50	0.00	0.00
33	1,409.00	7	283.06	2	45.00	245	9,966.31	62,902.83	96	4,513.81	0.00	0.00
88	4,214.01	10	611.50	1	95.00	391	21,210.55	58,472.26	136	6,990.58	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	1	87.00	0.00	0.00
118	5,379.01	17	894.56	3	140.00	599	28,378.88	79,657.93	224	11,035.10	0.00	0.00
5	765.00	1	570.00	0	0.00	72	19,466.05	200,322.57	33	8,671.45	0.00	0.00
22	6,180.50	20	6,966.15	3	690.00	403	110,642.84	434,292.04	170	52,612.43	8,800.00	3.85
0	0.00	0	0.00	0	0.00	2	275.00	1,230.00	0	0.00	0.00	0.00
0	0.00	1	4,500.00	0	0.00	9	23,028.07	103,161.34	5	12,001.73	0.00	7.51
0	0.00	11	73,730.00	1	1,500.00	123	404,859.90	2,623,103.53	52	93,201.09	5,370.00	11.36
0	0.00	1	4,023.27	0	0.00	10	160,700.00	735,380.58	3	27,901.06	0.00	0.00
3,945	42,549.59	126	91,205.96	32	2,522.18	9,717	807,434.12	4,240,376.10	1,938	217,275.35	24,930.00	32.10

Report on contracts for technological connections for the branch of IDGC of the South, JSC, 2010 — Astrakhanenergo

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contacts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15kW, TOTAL	0.4	434	2,299.54	910.00	3,287	19,329.30	2,231.00	13,103.55	1,050.00	820	4,346.34
		6–20	18	193.00	20.00	171	1,437.40	98.00	829.40	50.00	22	175.50
		35–110	0	0.00	0.00	0	0.00	0.00	0.00	0.00	0	0.00
2	Including individual persons	0.4	251	1,209.50	130.00	2,414	13,960.00	1,650.00	9,570.80	770.00	586	3,027.00
		6–20	9	127.00	4.19	90	751.00	36.00	311.50	20.00	2	11.00
3	From 15 to 100kW, TOTAL	0.4	63	2,648.17	4,870.00	220	8,993.84	121.00	4,775.32	400.00	58	2,637.08
		6–20	30	1,599.90	3,710.00	174	9,814.02	114.00	6,397.00	500.00	37	1,887.40
		35–110	0	0.00	0.00	0	0.00	0.00	0.00	0.00	0	0.00
4	Including reduced fee categories		93	4,248.07	8,580.00	381	17,796.24	225.00	10,371.82	880.00	93	4,374.48
5	From 100 to 750kW	0.4	19	4,521.30	16,030.00	43	9,105.10	14.00	3,085.80	10,340.00	11	2,993.00
		6–20	66	20,020.70	86,330.00	137	38,054.40	75.00	18,420.10	3,850.00	35	8,905.50
		35–110	0	0.00	0.00	0	0.00	0.00	0.00	0.00	0	0.00
6	More than 750kW	0.4	0	0.00	0.00	0	0.00	0.00	0.00	0.00	0	0.00
		6–20	22	48,853.70	275,510.00	24	65,968.49	4.00	6,999.50	143,490.00	2	9,000.00
		35–110	1	19,500.00	68,585.35	0	0.00	0.00	0.00	0.00	0	0.00
TOTAL			653	99,636.31	455,965.35	4,056	152,702.55	2,657.00	53,610.67	159,680.00	985	29,945

• Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of TC Contracts annulled, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By application in the reporting year		TOTAL		By application in the reporting year		units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	Transformer capacity	EPL
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW						kVA	km
497	2,810.50	28	218.00	15	120.00	1,817	10,838.75	517.60	436	2,641.60	0.00	0.00
16	135.50	3	32.00	2	17.00	91	814.90	24.74	46	388.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
364	2,008.00	14	110.50	8	76.50	1,301	7,642.80	609.32	293	1,685.50	0.00	0.00
2	11.00	3	32.00	2	17.00	40	395.50	18.64	35	299.50	0.00	0.00
22	976.00	5	160.00	2	45.00	121	4,626.41	1,636.65	62	2,696.02	0.00	0.00
14	682.25	2	160.00	1	95.00	105	5,949.50	1,072.02	28	1,615.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
36	1,658.25	7	320.00	3	140.00	218	9,925.41	2,111.86	89	4,231.02	0.00	0.00
1	200.00	1	570.00	0	0.00	21	4,044.10	12,761.13	13	2,521.00	0.00	0.00
12	2,422.50	12	4,163.30	3	690.00	94	25,372.00	35,905.92	29	9,124.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
0	0.00	1	1,500.00	1	1,500.00	23	45,353.20	360,220.85	10	17,946.79	2,060.00	1.05
0	0.00	0	0.00	0	0.00	1	19,500.00	68,585.35	0	0.00	0.00	0.00
562	7,226.75	52	6,803.30	24	2,467.00	2,273	116,498.86	480,724.26	624	36,932.41	2,060.00	1.05

Report on contracts for technological connections for the branch of IDGC of the South, JSC, 2010 — Volgogradenergo

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contacts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15kW, TOTAL	0.4	1,954	12,106.46	5,403.20	1,945	14,031.11	1,708	12,185.66	846.43	857	6,354.83
		6–20	1,138.70	1,101.44	127	1,459.90	106	1,206.40	52.51	76	690.50	175.50
		35–110	0.00	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00
2	Including individual persons	0.4	1,405	8,390.23	1,659.38	1,309	9,674.05	1,176	8,617.05	558.57	561	4,194.57
		6–20	68	625.50	32.33	68	825.00	61	729.00	28.43	42	384.00
3	From 15 to 100kW, TOTAL	0.4	42	1,512.70	3,560.43	100	3,504.44	24	1,003.60	1,012.35	17	723.25
		6–20	59	3,250.45	6,399.49	133	7,288.94	69	3,834.80	2,880.90	30	1,836.50
		35–110	0	0.00	0	0	0.00	0	0.00	0.00	0	0.00
4	Including reduced fee categories		96	4,438.65	9,650.74	219	9,977.08	89	4,560.90	3,651.43	45	2,405.25
5	From 100 to 750kW	0.4	28	10,377.10	63,780.60	22	6,371.60	7	1,000.00	1,695.00	11	2,587.50
		6–20	58	16,926.79	30,109.88	129	40,528.19	66	21,084.63	20,355.19	28	8,991.95
		35–110	0	0.00	0	0	0.00	0	0.00	0.00	0	0.00
6	More than 750kW	0.4	7	21,308.07	91,563.20	4	10,880.00	0	0.00	0.00	0	0.00
		6–20	18	56,678.53	181,775.65	30	136,626.00	10	18,482.50	21,146.30	6	15,478.93
		35–110	1	12,600.00	4,630.65	0	0.00	0	0.00	0.00	0	0.00
TOTAL			2,293	135,898.80	388,324.53	2,490	220,690.18	1,990	58,797.59	47,988.69	1,025	36,663.46

• Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of TC Contracts annulled, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By application in the reporting year		TOTAL		By application in the reporting year		units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	Transformer capacity	EPL
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW						kVA	km
536	3,991.87	9	32.50	1	5.00	2,796	17,904.79	5,269.31	105	931.70	0.00	0.00
23	273.00	0	0.00	0	0.00	156	1,654.60	199.45	12	154.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
378	2,757.57	1	5.00	1	5.00	2,019	12,807.71	1,462.60	59	561.50	0.00	0.00
11	160.00	0	0.00	0	0.00	87	970.50	199.45	5	66.00	0.00	0.00
8	344.00	0	0.00	0	0.00	49	1,793.05	2,956.84	23	1,289.34	0.00	0.00
10	593.00	0	0.00	0	0.00	98	5,248.75	6,801.37	37	1,741.74	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0	0.00	0.00
18	937.00	0	0.00	0	0.00	140	6,594.30	9,237.05	58	2,899.08	0.00	0.00
4	565.00	0	0.00	0	0.00	24	8,789.60	52,669.14	9	3,489.00	0.00	0.00
9	3,578.00	3	1,268.00	0	0.00	93	27,751.47	40,110.01	45	14,226.06	8,800.00	3.85
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	7	21,308.07	89,699.04	3	6,380.00	0.00	7.51
0	0.00	0	0.00	0	0.00	22	59,682.10	155,171.20	13	22,616.00	3,310.00	2.50
0	0.00	0	0.00	0	0.00	1	12,600.00	4,630.65	0	0.00	0.00	0.00
590	9,344.87	12	1,300.50	1	5.00	3,246	156,732.43	357,507.01	247	50,827.84	12,110.00	13.86

Report on contracts for technological connections for the branch of IDGC of the South, JSC, 2010 — Rostovenergo

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC			Contacts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL		
											units	total capacity, kW	
1	Up to 15kW, TOTAL	0.4	12,706.79	6,890.00	4,060	32,534.31	3,566	28,233.85	4,390.00	2,622	20,564.67	6,354.83	
		6–20	1,565.51	9,780.00	2,817	23,826.93	1,386	12,348.70	27,550.00	1,099	9,511.95	175.50	
		35–110	0.00	0.00	21	173.65	0	0.00	0.00	0	0.00	0.00	
2	Including individual persons	0.4	9,501.64	650.00	2,400	20,052.06	2,167	17,979.96	1,360.00	1,739	13,763.24	4,194.57	
		6–20	139.65	10.00	56	608.50	26	354.70	10.00	17	219.03	384.00	
3	From 15 to 100kW, TOTAL	0.4	2,343.81	27,800.00	59	3,087.67	31	1,475.96	29,620.00	17	774.39	723.25	
		6–20	5,796.01	41,890.00	289	14,327.10	160	7,918.43	42,880.00	88	4,093.64	1,836.50	
		35–110	0.00	0.00	1	87.00	0	0.00	0.00	0	0.00	0.00	
4	Including reduced fee categories		7,077.05	64,270.00	326	15,896.40	183	8,708.89	61,950.00	101	4,538.91	2,405.25	
5	From 100 to 750kW	0.4	4,891.43	57,860.00	34	8,747.20	8	1,967.79	26,270.00	3	556.87	2,587.50	
		6–20	50,537.6	323,910.00	250	71,503.31	42	10,254.88	118,610.00	15	4,940.26	8,991.95	
		35–110	910.00	3,200.00	2	305.00	1	105.00	150.00	1	740.00	0.00	
6	More than 750kW	0.4	7,120.00	89,270.00	4	7,956.73	0	0.00	0.00	1	900.00	0.00	
		6–20	288,215.60	2,812,430.00	69	176,905.84	10	54,325.00	545,130.00	9	25,986.00	15,478.93	
		35–110	101,723.27	533,290.00	12	250,801.06	4	60,900.00	413,825.00	1	30,000.00	0.00	
TOTAL			475,810.02	3,906,320.00	7,618	590,255.80	5,208	177,529.61	1,208,425.00	3,856	98,067.78	36,663.46	

• Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of TC Contracts annulled, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By application in the reporting year		TOTAL		By application in the reporting year		units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	Transformer capacity	EPL
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW						kVA	km
1,700	13,974.99	28	197.50	6	48.18	2,793	20,178.47	10,231.84	191	1,796.95	10,760.00	5.76
952	8,369.53	7	41.98	1	2.00	556	4,360.28	5,134.30	634	5,215.36	0.00	2.84
0	0.00	0	0.00	0	0.00	0	0.00	0.00	5	51.59	0.00	0.00
1,136	9,354.19	11	88.98	3	24.98	1,783	13,629.38	875.24	69	600.27	10,760.00	5.76
8	103.50	0	0.00	0	0.00	21	275.32	10.00	11	102.00	0.00	0.00
2	73.00	2	123.06	0	0.00	62	2,922.32	58,213.30	11	528.45	0.00	0.00
60	2,733.76	8	451.50	0	0.00	166	9,169.30	50,489.30	71	3,633.84	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	1	87.00	0.00	0.00
59	2,562.76	10	574.56	0	0.00	210	10,672.47	68,154.80	77	3,905.00	0.00	0.00
0	0.00	0	0.00	0	0.00	25	6,302.35	134,850.40	11	2,661.45	0.00	0.00
0	0.00	5	1,534.85	0	0.00	205	54,317.37	356,197.61	95	29,112.37	0.00	0.00
0	0.00	0	0.00	0	0.00	2	275.00	1,230.00	0	0.00	0.00	0.00
0	0.00	1	4,500.00	0	0.00	2	1,720.00	13,462.30	2	5,621.73	0.00	0.00
0	0.00	10	72,230.00	0	0.00	76	244,324.60	1,800,239.94	29	52,638.30	0.00	7.81
0	0.00	1	4,023.27	0	0.00	8	128,600.00	662,164.58	3	27,901.06	0.00	0.00
2,714	25,151.28	62	83,102.16	7	50.18	3,895	472,169.69	3,092,213.57	1,053	129,248.10	10,760.00	16.41

Report on contracts for technological connections for the branch of IDGC of the South, JSC, 2010 — Kalmenergo

№	Type of connection category	Connection voltage, kV	Valid contracts at the beginning of the reporting period			Quantity of applications made for TC		Contracts reached for TC in the reporting period			Number of connections (complete fulfillment of TC Contracts)	
			units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	units	Total capacity, kW	Total capacity, RUR thou	TOTAL	
											units	total capacity, kW
1	Up to 15kW, TOTAL	0.4	59	267.43	30.00	187	1,036.71	172	952.21	80.00	73	391.83
		6–20	52	373.30	40.00	72	601.50	60	488.50	30.00	17	156.00
		35–110	0	0.00	0.00	0	0.00	0	0.00	0.00	0	0.00
2	Including individual persons	0.4	8	40.70	2.70	89	474.60	84	452.60	40.00	41	235.80
		6–20	0	0.00	0.00	1	5.00	1	5.00	0.46	0	0.00
3	From 15 to 100kW, TOTAL	0.4	6	220.00	30.00	10	490.53	9	445.53	70.00	2	41.00
		6–20	17	669.00	100.00	13	559.00	13	559.00	70.00	8	385.00
		35–110	1	25.00	3.17	0	0.00	0	0.00	0.00	1	25.00
4	Including reduced fee categories		23	814.00	110.00	20	877.70	19	832.70	110.00	11	451.00
5	From 100 to 750kW	0.4	1	120.00	20.00	1	210.00	1	210.00	30.00	0	0.00
		6–20	9	2,689.70	1,900.00	7	1,662.00	6	1,512.00	290.00	4	999.70
		35–110	0	0.00	0.00	0	0.00	0	0.00	0.00	0	0.00
6	More than 750kW	0.4	0	0.00	0.00	0	0.00	0	0.00	0.00	0	0.00
		6–20	2	55,500.00	307,470.00	0	0.00	0	0.00	0.00	0	0.00
		35–110	0	0.00	0.00	2	25,720.00	0	0.00	0.00	0	0.00
TOTAL			147	59,864.43	309,593.17	292	30,279.74	261	4,167.24	570.00	105	1,998.53

• Without including power generating infrastructure

Number of connections (complete fulfillment of TC Contracts)		Number of TC Contracts annulled, including				Acting contracts at the end of the period			Applications not accounted for in the current period		Volumes of distribution grid infrastructure introduced for TC Contracts	
By application in the reporting year		TOTAL		By application in the reporting year		units	Total capacity, kW	Total capacity, RUR thou	units	For total capacity (N), kW	Transformer capacity	EPL
units	total capacity, kW	units	total capacity, kW	units	total capacity, kW						kVA	km
63	327.69	0	0.00	0	0.00	158	827.81	75.79	7	56.00	0.00	0.78
10	98.00	0	0.00	0	0.00	95	705.80	57.92	6	61.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
36	206.10	0	0.00	0	0.00	51	257.50	22.99	2	10.00	0.00	0.78
0	0.00	0	0.00	0	0.00	1	5.00	0.46	0	0.00	0.00	0.00
1	16.00	0	0.00	0	0.00	13	624.53	96.04	0	0.00	0.00	0.00
4	205.00	0	0.00	0	0.00	22	843.00	109.57	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
5	221.00	0	0.00	0	0.00	31	1,186.70	154.22	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	2	330.00	41.90	0	0.00	0.00	0.00
1	180.00	0	0.00	0	0.00	11	3,202.00	2,078.50	1	150.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	2	55,500.00	307,471.54	0	0.00	0.00	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0.00	0	0.00	0.00	0.00
79	826.69	0	0.00	0	0.00	303	62,033.14	309,931.26	14	267.00	0.00	0.78

Appendix № 7

THE 2010 ANNUAL ACCOUNTING REPORTS OF IDGC OF SOUTH, JSC

ACCOUNTING BALANCE as of 31 December 2010

		CODES
Date (year, month, day): 2010/12/31	Form № 1 as per ARCMD	0710001
Company: IDGC of the South, JSC	as per RNNBO	80380011
Taxpayer Identification Number	INN	6164266561
Business activity: electrical power transmission	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: Open joint stock company/private entity	as per ARCFI/ARCFO	47/16
Unit of measurement: thousand RUB/mln RUB (cross out the odd one)	as per ARCMU	384
Location (address): 49 Bolshaya Sadovaya Ul., Rostov-on-Don		

ASSET	Indicator code	For the beginning of the accounting period	For the end of the accounting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	4,426	3,324
Fixed assets	120	25,472,480	24,866,892
Construction-in-process	130	1,493,351	1,706,538
Interest-bearing investment in material values	135		
Long-term financial investments	140	453,503	461,702
Deferred tax assets	145	75,598	323,576
Other non-current assets	150	7,455	0
TOTAL section I	190	27,506,813	27,362,032
II. CURRENT ASSETS			
Inventories	210	1,372,322	1,394,400
including:			
raw materials, materials and other similar values	211	733,382	778,919
animals in breeding and fattening			
expenses for production-in-process			
finished products and goods for release	214	3,353	7,675
goods loaded out			
expenditures for future periods	216	635,587	607,806
other stocks and expenditures			
Value added tax on purchased values	220	25,182	17,751
Accounts receivable (payments are planned over more than 12 months upon the balance sheet date)	230	970,488	704,965
including buyers and customers	231	905,368	33,875
Accounts receivable (payments are planned within 12 months of the reporting date)	240	10,190,530	8,033,275
including buyers and customers	241	7,154,550	6,781,836
Short-term financial investments	250	20,000	
Cash assets	260	1,399,725	338,132
Other current assets	270		
TOTAL section II	290	13,958,247	10,508,523
BALANCE	300	41,465,060	37,870,555

LIABILITIES	Indicator code	For the beginning of the accounting period	For the end of the accounting period
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	4,981,110	4,981,110
Own shares reacquired from shareholders			
Additional funds	420	14,847,987	14,829,755
Reserve capital	430	142,867	142,867
including:			
reserves formed in conformity with legislation	431	142,867	142,867
reserves formed in conformity with the constituent documents			
Undistributed profit (unsecured loss)	470	216,754	-3,354,856
TOTAL section III	490	20,188,718	16,598,876
IV. LONG-TERM LIABILITIES			
Loans and credits	510	11,719,958	12,766,736
Deferred tax liabilities	515	284,330	287,512
Other long-term liabilities	520	72,322	18,862
TOTAL section IV	590	12,076,610	13,073,110
V. SHORT-TERM LIABILITIES			
Loans and credits	610	1,463,900	1,400,000
Accounts payable	620	7,635,835	6,720,179
including:			
suppliers and contractors	621	5,761,241	5,284,313
amounts owed to the company staff	622	202,548	144,119
amounts owed to non-budget funds	623	53,844	66,507
tax and due debts:	624	219,871	58,657
other creditors	625	1,398,331	1,166,583
Amounts owed to participants (founders) as dividends	630	12,492	1,894
Profits for future periods	640	87,505	76,496
Reserves for future expenses	650		
Other short-term liabilities	660		
TOTAL section V	690	9,199,732	8,198,569
BALANCE	700	37,870,555	41,465,060
Note on assets at off-balance accounts			
Rented fixed assets	910	4,846,647	5,135,237
including on leasing	911	225,365	90,590
Inventory holdings accepted for reasonable storage	920	169,493	66,958
Goods accepted for commission	930		533
Debt of insolvent debtors written off as a loss	940	427,599	364,284
Security for liabilities and payments received	950	6,000,000	6,000,000
Security for liabilities and payments received paid	960	850,858	11,738
Depreciation of housing facilities	970	927	973
Depreciation of land improvement facilities and other similar facilities	980		
Intangible assets received for use	990	269,024	303,264
Compulsory accounting forms	1000	241	287
Leased fixed assets	1000	28,673	28,586
Property under state ownership	1000	13,070	13,070

PROFIT AND LOSS STATEMENT for January-December 2010

		CODES
Date (year, month, day): 2010/12/31	Form №2 as per ARCMD	0710002
Company: IDGC of the South, JSC	as per RNNBO	80380011
Taxpayer Identification Number	INN	6164266561
Business activity: electrical power transmission	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: Open joint stock company/private entity	as per ARCFI/ARCFO	47/16
Unit of measurement: thousand RUB/min RUB (cross out the odd one)	as per ARCMU	384

Indicator		For the accounting period	For the same period of the previous year
name	code		
1	2	3	4
Profit and expenditure from ordinary activities			
Receipts (net) from sale of goods, products, works and services (net of VAT, excise and similar obligatory payments)	010	22,014,387	19,027,439
Production costs of the goods, products, works and services sold	020	(19,389,964)	(16,567,828)
Gross profit	029	2,624,423	2,459,611
Business expenses	030		
Management expenses	040	(587,324)	(665,057)
Profit (loss) from sales	050	2,037,099	1,794,554
Other profit and expenses			
Interest receivable	060	7,216	9
Interest payable	070	(1,732,641)	(1,749,589)
Profit from sharing in other companies	080	232	8
Other profits	090	772,590	391,837
Other expenses	100	(4,914,929)	(1,395,922)
Profit (loss) before taxation	140	(3,830,433)	(959,103)
Deferred tax asset	141	248,063	11,030
Deferred tax liability	142	(3,451)	(18,433)
Current profit tax	143		(143,632)
Other similar compulsory payments	144	(4,021)	1,259
Profit (loss) before taxation	150	240,591	(149,776)
Net profit (loss) of the reporting period	190	(3,589,842)	(1,108,879)
FOR REFERENCE			
Permanent tax liabilities (assets)	200	521,475	342,855
Base profit (loss) per share		(0.072)	(0.023)
Watered profit (loss) per share		(0.073)	(0.023)

EXPLANATION OF CERTAIN PROFIT AND LOSS

Form 0710002 p.2

Index description	code	For the reporting period		For the same period of the previous year	
		profit	loss	profit	loss
name	code	3	4	5	6
Fines and penalties and forfeits admitted or payable under (Arbitrage) court decision	210	154,062	77,883	37,378	76,669
Profit (loss) of previous years	220	294,953	2,523,918	47,041	543,394
Compensation paid caused by payment of damages caused by non-fulfilment or improper fulfilment of obligations	230				
Exchange rates differences for operations in foreign currencies	240				
Deductions to evaluated reserves	250	x	1,503,517	x	
Write-off of debts receivable and accounts payable with exceeded time allowed for claims	260	73,421	227,925	349	64

STATEMENT OF CHANGES IN EQUITY for 2010

		CODES
Date (year, month, day): 2010/12/31	Form №3 as per ARCMD	0710003
Company: IDGC of the South, JSC	as per RNNBO	80380011
Taxpayer Identification Number	INN	6164266561
Business activity: electrical power transmission	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: Open joint stock company/private entity	as per ARCFI/ARCFO	47/16
Unit of measurement: thousand RUB/min RUB (cross out the odd one)	as per ARCMU	384

Indicator		authorized capital	additional capital	reserve capital	undistributed profit (uncovered loss)	Total
item name	code	3	4	5	6	7
1	2	3	4	5	6	7
Balance for December 31 of the year preceding the preceding one	010	4,981,110	14,857,284	118,565	1,300,363	21,257,322
2009 (previous year)						
Accounting policy changes	011	x	x	x	—	—
Result from fixed assets objects reassessment	012	x	—	x	40,275	40,275
Accounting principles change	013	x	—	x	—	—
Balance for January 1 of the previous year	020	4,981,110	14,857,284	118,565	1,340,638	21,297,597
Currency translation difference result	023	x	—	x	x	—
Net profit	025	x	x	x	(1,108,879)	(1,108,879)
Dividends	026	x	x	x	—	—
Reserve fund deductions	030	x	x	24,302	(24,302)	—
Capital amount increase due to:	040	—	—	—	—	—
additional issue of shares	041	—	x	x	x	—
shares par value increase	042	—	x	x	x	—
legal entity reorganization	043	—	x	x	—	—
other	044	—	—	—	—	—
Equity decrease due to:	050	—	(9,297)	—	9,297	—
shares par value decrease	051	—	x	x	x	—
shares amount decrease	052	—	x	x	x	—
legal entity reorganization	053	—	x	x	—	—
other	054	—	(9,297)	—	9,297	—
Balance for December 31 of the previous year	060	4,981,110	14,847,987	142,867	216,754	20,188,718
2010 (reporting year)						
Accounting policy changes	061	x	x	x	—	—
Result from fixed assets objects reassessment	062	x	—	x	—	—
Accounting principles change	063	x	—	x	—	—
Balance for January 1 of the reporting year	100	4,981,110	14,847,987	142,867	216,754	20,188,718
Currency translation difference result	103	x	0	x	x	—
Net profit	105	x	x	x	(3,589,842)	(3,589,842)
Dividends	106	x	x	x	—	—
Reserve fund deductions	110	x	x	—	—	—
Capital amount increase due to:	120	—	—	—	—	—
additional issue of shares	121	—	x	x	x	—
shares par value increase	122	—	x	x	x	—
legal entity reorganization	123	—	x	x	—	—
other	124	—	—	—	—	—
Capital amount decrease due to:	130	—	(18,232)	—	18,232	—
company's par value decrease	131	—	x	x	x	—
shares amount decrease	132	—	x	x	x	—
legal person reorganization	133	—	x	x	—	—
other	134	—	(18,232)	—	18,232	—
Balance for December 31 of the reporting year	140	4,981,110	14,829,755	142,867	(3,354,856)	16,598,876

RESERVES

Indicator		Balance	Entered	Spent	Balance
name	code				
1	2	3	4	5	6
Reserves created in accordance with legislation:					
previous year data	150	118,565	24,302	—	142,867
reporting year data	151	142,867	—	—	142,867
Reserves created in accordance with the articles of association:					
previous year data	152	—	—	—	—
reporting year data	153	—	—	—	—
Valuation reserves:					
Doubtful debt reserve					
previous year data	160	—	—	—	—
reporting year data	161	—	1,503,517	—	1,503,517
Reserve on security of financial investments					
previous year data	162	—	—	—	—
reporting year data	163	—	—	—	—
Liabilities reserve arisen due to the recognition of the activity suspended					
previous year data	164	—	—	—	—
reporting year data	165	—	—	—	—
Reserve formed due to the relative factors of industrial activity					
previous year data	166	—	—	—	—
reporting year data	167	—	—	—	—
Reserve for inventories value decrease					
previous year data	168	—	—	—	—
reporting year data	169	—	—	—	—
other					
previous year data	170	—	—	—	—
reporting year data	171	—	—	—	—
Future expenses reserves:					
Remuneration payment reserve concerning the results of the year					
previous year data	180	—	—	—	—
reporting year data	181	—	—	—	—
Vacation payment reserve (including deductions)					
previous year data	182	—	—	—	—
reporting year data	183	—	—	—	—
Annual service record remuneration payment					
previous year data	184	—	—	—	—
reporting year data	185	—	—	—	—
Fixed assets repair reserve					
previous year data	186	—	—	—	—
reporting year data	187	—	—	—	—
other					
previous year data	188	—	—	—	—
reporting year data	189	—	—	—	—

FOR REFERENCE

Index		Balance at the beginning of the year	Balance at the end of the year
name	code		
1	2	3	4
1) Net assets	200	20,276,223	16,675,372
		From the budget	From extrabudgetary funds
		For the reporting year	For the previous year
		3	4
		5	6
2) Acquired for the ordinary types of activity expenses — total	210	4	9
including:			
for payment to Chernobyl cleanup veterans	211	—	—
Other	212	4	9
Capital investments into fixed assets	220	—	—
including:			
	221	—	—
Other	222	—	—

CASH FLOW STATEMENT for 2010

		CODES
Date (year, month, day): 2010/12/31	Form № 4 as per ARCMD	0710004
Company: IDGC of the South, JSC	as per RNNBO	80380011
Taxpayer Identification Number	INN	6164266561
Business activity: electrical power transmission	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: Open joint stock company/private entity	as per ARCFI/ARCFO	47/16
Unit of measurement: thousand RUB/min RUB (cross out the odd one)	as per ARCMU	384

Indicator		For the reporting period	For the same period of the previous year
item name	code		
1	2	3	4
Money means balance for the beginning of the reporting year	010	1,399,659	490,724
Current activity cash flow			
Means acquired from buyers and customers	020	23,146,691	19,095,525
Foreign exchange	030	—	—
Other incomes (proceeds)	050	829,225	639,286
Money means directed to:			
acquired goods, works, services, raw materials and other current assets payment	150	(13,636,296)	(11,776,830)
labor remuneration	160	(3,828,685)	(3,039,518)
dividends, interest payments	170	(1,729,811)	(1,402,780)
taxes and charges payments	180	(2,971,025)	(2,520,933)
other expenses (payments)	190	(1,749,763)	(617,932)
Current activity net money means	200	60,336	376,818
Investment activity cash flow			
Fixed assets objects	210	240	3,929
Sales profit and other fixed assets	220	—	—
Acquired dividends	230	232	8
Acquired interest	240	—	—
Proceeds from loans redemption presented to other organizations	250	—	—
Other proceeds	260	10,748	20,313
Subsidiary companies acquisition	280	—	—
Acquisition of fixed assets, interest-bearing investments and other financial investments	290	(41,638)	(40,948)
Securities acquisition and other financial investments	300	—	—
Loans presented to other organizations	310	—	—
Other expenses	320	(2,013,747)	(2,885,311)
Net cash accruals from investment activity	340	(2,044,165)	(2,902,009)
Financial activity cash flow			
Proceeds from shares issue or other equity securities	350	—	—
Loans and credits proceeds presented to other organizations	360	9,200,000	14,542,810
Target financing means acquisition	370	4	—
Other types of income	380	—	9
Loans and credits redemption (without interest)	390	(8,220,000)	(11,011,794)
Financial lease obligations redemption	400	(57,702)	(96,899)
Other expenditures	405	—	—
Financial activity net money means	410	922,302	3,434,126
Net increase (decrease) of money means and their equivalents	420	(1,061,527)	908,935
Money means balance at the end of the reporting period	430	338,132	1,399,659
Amount of foreign currency translation change influence in relation to ruble	440	—	—

APPENDIX TO THE BALANCE SHEET for 2010

		CODES
Date (year, month, day): 2010/12/31	Form № 5 as per ARCMD	0710005
Company: IDGC of the South, JSC	as per RNNBO	80380011
Taxpayer Identification Number	INN	6164266561
Business activity: electrical power transmission	as per OKVED	40.10.2
Form of legal entity's incorporation/form of ownership: Open joint stock company/private entity	as per ARCFI/ARCFO	47/16
Unit of measurement: thousand RUB/min RUB (cross out the odd one)	as per ARCMU	384

Intangible assets

Index		Presence for the beginning of the reporting year	Entered	Left	Presence for the end of the reporting period
name	Code				
1	2	3	4	5	6
Intellectual property objects (exclusive rights for the intellectual property results)	010	21	3	—	24
including:					
the patent holder possesses the right for the invention, industrial design, useful model	011	—	—	—	—
the rights owner possesses the rights for computer programs, data bases	012	—	—	—	—
the owner possesses the rights for trademark, service trademark, appellation of the goods origin	014	21	3	—	24
Company's business reputation	030	—	—	—	—
Other	040	5,507	—	—	5,507
Total	045	5,528	3	—	5,531

Index		Presence for the beginning of the reporting year	For the end of the reporting period
name	Code		
1	2	3	4
Fixed assets depreciation total	050	1,102	2,207

Fixed assets

Index name	code	Presence for the beginning of the reporting year	Entered	Left	Presence for the end of the reporting period
1	2	3	4	5	6
Buildings	110	3,789,280	61,237	(4,760)	3,845,757
Constructions and transmission devices	111	16,384,479	849,207	(196,637)	17,037,049
Machinery and equipment	112	8,418,385	987,415	(152,469)	9,253,331
Transport means	113	336,185	155,019	(7)	491,197
Production stock	114	82,176	5,243	(3,156)	84,263
Work stock	115	—	—	—	—
Productive livestock	116	—	—	—	—
Purennial plantations	117	328	—	—	328
Other fixed assets types	118	2,091	25	(583)	1,533
Land plots and environmental facilities	119	1,240	—	(10)	1,230
Capital investments into fundamental improvement of lands	120	—	—	—	—
Total	130	29,014,164	2,058,146	(357,622)	30,714,688

Index name	Code	For the beginning of the reporting year	For the end of the reporting period
1	2	3	4
Fixed assets depreciation total	140	3,541,684	5,847,796
including:			
buildings and constructions	141	1,964,535	3,189,452
machinery, equipment, money means	142	1,542,965	2,612,802
others	143	34,184	45,542
Leased out fixed assets objects, total	150	80,378	159,362
including: buildings	151	71,859	139,925
constructions	156	6,449	18,650
machinery, equipment, transport facilities	152	1,020	301
other	153	1,050	486
Fixed assets objects transition to a care-taking status	155	—	795
Acquisition of the fixed assets objects for lease, total	160	4,846,647	5,135,237
including:			
buildings and constructions	161	79,415	277,821
machinery, equipment, transport facilities	162	501,173	223,487
other	163	4,266,059	4,633,929
immovable property put into operation and starting the process of state registration	165	388,653	411,917
For reference	Code	For the beginning of the reporting year	For the end of the reporting period
	2	3	4
The result of the fixed assets reassessment of:			
initial (restored) value	170	—	—
depreciation	171	—	—
	172	—	—
	Code	For the beginning of the reporting year	For the end of the reporting period
	2	3	4
Change in the value of fixed assets as a result of further construction, equipping, reconstruction, and partial liquidation	180	—	514,580

Income-bearing investments and inventories

Index name	code	Presence for the beginning of the reporting year	Entered	Left	Presence at the end of the reporting period
1	2	3	4	5	6
Property for leasing	210	—	—	—	—
Property presented by the leasing agreement	220	—	—	—	—
Other	230	—	—	—	—
Total	240	—	—	—	—
	code	Presence for the beginning of the reporting year	For the end of the reporting period		
	2	3	4		
Depreciation of the income-bearing investments to the inventories	250	—	—		

Expenses for research and development and technological works

Work type name	code	Presence for the beginning of the reporting year	Entered	Written off	Presence for the end of the reporting period
1	2	3	4	5	6
Total	310	7,455	—	(7,455)	—
including:					
	311	—	—	—	—
	312	—	—	—	—
Other	313	7,455	—	(7,455)	—
For reference	code	At the beginning of the reporting year	At the end of the reporting period		
	2	3	4		
Amount of expenses concerning non-completed research and development and technological works	320		7,455		—
	code	For the reporting period	For the same period of the previous year		
	2	3	4		
Sum of research and development and technical works which didn't give positive results and directed to other expenses	330		—		—

Expenses for resources development

Indicator name	Code	Balance for the beginning of the reporting period	Entered	Written off	Balance for the end of the reporting period
1	2	3	4	5	6
Expenses for the resources development total	410	—	—	—	—
including:					
	411	—	—	—	—
	412	—	—	—	—
Other	413	—	—	—	—
For reference	code	At the beginning of the reporting year	At the end of the reporting period		
	2	3	4		
Amount of expenses concerning sub-surface sites, non-completed search and assessments of the fields, prospecting and (or) hydrogeological searches and other works	420		—		—
Amount of expenses for resource development which were reported to other expenses as ineffective	430		—		—

Financial investments

Index name	Code	Long-term investments		Short-term investments	
		For the beginning of the reporting year	For the end of the reporting year	For the beginning of the reporting year	For the end of the reporting year
1	2	3	4	5	6
Investments into authorized capital (share capitals of other organizations) — total	510	406,482	413,439	—	—
including subsidiary and dependent industrial companies	511	399,349	401,849	—	—
State and municipal securities	515	—	—	—	—
Securities of other organizations, total	520	—	—	—	—
including debt securities (bonds, bills)	521	—	—	—	—
Presented loans	525	—	—	—	—
Deposits	530	—	—	—	—
Other	535	47,021	48,263	—	20,000
Total	540	453,503	461,702	—	20,000
Out of the total amount of the financial investments possessing the current market value:	550	—	—	—	—
including the subsidiary and dependent industrial companies	551	—	—	—	—
State and municipal securities	555	—	—	—	—
Securities of other organizations, total	560	—	—	—	—
including the debt securities (bonds, bills)	561	—	—	—	—
Other	565	—	—	—	—
Total	570	—	—	—	—
For reference Concerning financial investments possessing current market value, value change as a result of the assessment correction	580	4,964	4,632	—	—
The difference between the initial value and par value was directed to the financial result of the reporting period	590	—	—	—	—

Accounts receivable and payable

Index name	code	Balance for the beginning of the reporting year	Balance for the end of the reporting year
1	2	3	4
Advances receivable:			
short-term	610	10,190,530	9,536,792
including:			
settlements with purchasers and clients	611	7,154,550	8,188,791
advances made	612	339,252	266,437
other	613	2,696,728	1,081,564
long-term, total	620	970,488	704,965
including:			
settlements with purchasers and clients	621	905,368	33,875
advances made	622	62,040	12,990
other	623	3,080	658,100
Total	630	11,161,018	10,241,757
Advances payable			
short-term, total	640	9,112,227	8,122,073
including:			
settlements with purchasers and clients	641	5,761,241	5,284,313
advances made	642	372,309	927,029
settlements in respect of taxes and levies	643	219,871	58,657
credits	644	1,463,900	1,400,000
loans	645	—	—
other	646	1,294,906	452,074
long-term, total	650	11,792,280	12,785,598
including:			
settlements with purchasers and clients	651	72,322	18,862
settlements in respect of taxes and levies	652	—	—
credits	653	5,369,000	6,100,000
loans	654	6,350,958	6,666,736
other	655	—	—
Total	660	20,904,507	20,907,671

Expenses concerning the ordinary types of activity (concerning elements of costs)

Index		For the reporting year	For the previous year
name	code		
1	2	3	4
Material expenses	710	11,433,373	9,472,572
Labore costs	720	4,017,902	3,365,930
Allocation for social needs	730	921,778	760,210
Depreciation	740	2,170,958	2,052,391
Other costs	750	1,433,277	1,581,782
Elements of costs, total	760	19,977,288	17,232,885
Balance change (increase [+], decrease [-]):			
work-in-process	765	—	—
future periods expenses	766	(27,781)	12,589
future periods reserves	767	—	—

Guarantee

Index		Balance for the beginning of the reporting year	Balance for the end of the reporting period
name	code		
1	2	3	4
Received — total	810	6,000,000	6,000,000
including:			
bills	811	—	—
Property in lease	820	—	—
together with:			
fixed assets objects	821	—	—
securities and other financial investments	822	—	—
other	823	—	—
Given out — total	830	850,858	11,738
including:			
bills	831	—	—
Property transmitted to lease	840	—	—
together with:			
fixed assets objects	841	—	—
securities and other financial investments	842	—	—
other	843	—	—

Government assistance

Index		For the beginning of the reporting year	For the same period of the previous year		
name	code				
1	2	3	4		
Budget means acquired in the reporting period — total	910	4	9		
including:					
	911	—	—		
Other	912	4	9		
		For the beginning of the reporting year	Acquired for the reporting period	Returned for the reporting period	For the end of the reporting period
		3	4	5	6
Budget credits — total	920	—	—	—	—
including:					
	921	—	—	—	—
Other	922	—	—	—	—

Закрытое акционерное общество
Акционерная Аудиторская Фирма
АУДИТИНФОРМ



Joint-Stock Auditing Firm
AUDITINFORM

107078, PO box 150, Moscow, Russia
Tel./fax: (495) 933-81-64,
(495) 933-81-65

E-mail: auditinform@auditinform.ru
<http://www.auditinform.ru>

25 February, 2011

AUDITOR'S REPORT ON THE FINANCIAL (ACCOUNTING) REPORTING OF IDGC OF THE SOUTH, JSC

For the period from January 1, 2010, to December 31, 2010

TO READERS OF THE FINANCIAL (ACCOUNTING) REPORTING
IN ACCORDANCE WITH RUSSIAN LEGISLATION

Audited entity

Full name: Open joint-stock shareholder company Interregional Distribution Grid Company of the South

Short name: IDGC of the South, JSC

Location: 344002, 49, Ul. Bolshaya Sadovaya, Rostov-on-Don, Russian Federation

Postal address: 350015, 327, Ul. Severnaya, Krasnodar, Russian Federation

State registration: IDGC of the South, JSC state registration certificate series 61 № 005700952 issued on June 28, 2007, given by the Federal Tax Agency Inspectorate for the Leninsky District of the city of Rostov-on-Don. Registered in the Unified State Register of Legal Entities with the main state registration number 1076164009096.

Auditor

Full name: Closed joint-stock shareholder company AUDITINFORM JOINT-SHAREHOLDER AUDITOR FIRM

Short name: AAF AUDITINFORM, CJSC

State registration number: 1027739185044

Location: 129164, 4, Ul. Yaroslavskaya, Moscow

Postal address: 107078, PO box 150, Moscow

Is a member of the self-regulating organization of auditors Non-Commercial Partnership Moscow

Audit Chamber Standard Registration

Number Record 10303000773

We carried out an audit of the attached accounting (financial) statement of Interregional Distribution Grid Company of the South, JSC, made up of the accounting balance as of December 31, 2010, the profit and loss statement, the statement of changes in equity, the cash flow statement for 2010, appendices to the balance sheet and the profit and loss statement, and the explanatory note.

Responsibility of the audited entity for its accounting statements

The management of IDGC of the South, JSC carries responsibility for the compilation and integrity of the given financial accounting statements in accordance with Russian laws for compiling financial accounting statements and for the system of internal control necessary for compiling financial accounting statements which don't contain material misstatements as a result of fraud or mistakes.

Responsibility of the auditor

We are responsible for providing our opinion concerning the truthfulness of the company's financial statement on the basis of the auditing activities carried out. We conducted our audit in accordance with federal auditing standards. These standards call for complying to accepted ethical norms, as well as planning and holding audits in such a way so as to be as confident as possible that the financial accounting does not contain any material misstatements.

Our audit included conducting auditing procedures aimed at getting auditor's proof confirming the financial indicators in the accounting statements, and opening information within it. We choose the auditing procedures to make. This choice is based on estimating the risk of material misstatements made as a result of fraud or mistakes. When estimating the given risk, we reviewed the system of internal control which ensures the compilation and integrity of the accounting statement, with the aim of choosing the according auditing procedures, but without the aim of making an opinion about the effectiveness of the system of internal control.

The audit also included an appraisal of the appropriateness of the accounting policies used and the justification of the estimated figures received by the management team of IDGC of the South, JSC, and an appraisal of the representation of the accounting statement as a whole.

We believe that the evidence received as part of the audit provides reasonable grounds for expressing our opinion about the reliability of the accounting statement.

Conclusion

In our opinion the accounting (financial) statement of IDGC of the South, JSC reliably reflects the company's financial state in all material respects as of December 31, 2010, the results of the company's business and financial performance, and its cash flows for 2010 in accordance with Russian rules of compiling accounting statements.

Appendix: Accounting balance of IDGC of the South, JSC, on 97 pages.

General Director
of AAF AUDITINFORM, CJSC

25 February, 2011



Vyacheslav Mikhailovich Borisov

OPINION OF THE AUDITING COMMITTEE

On the results of the audit of the financial-economic activity of Interregional Distribution Grid Company of the South, Open joint-stock company

For 2010

April 8, 2011

Moscow

INFORMATION ABOUT THE COMPANY

Full name	Interregional Distribution Grid Company of the South, open joint-stock company
Legal address	49, Ul. Bolshaya Sadovaya, Rostov-on-Don
Mailing address	350015, 327, Ul. Severnaya, Krasnodar
Contact information	DKU Department for Work with Securities and Shareholders. Department head: Anna Ivanovna Yurchenko Telephone/Fax: (861) 279-85-38
State registration (OGRN, date)	1076164009096
INN	INN/KPP: 6164266561 / 615250001
Branches and subdivisions with separate balances	Astrakhanenergo, Volgogradenergo, Kalmenergo, Rostovenergo
Executive Body <i>(Name, position, date of commencement) of all in the reporting period and events after the reporting date</i>	Alexander Ilyich Gavrilov, General Director (decree dated 22.06.2007 of RAO UES of Russia, № 192p) Sergey Alexandrovich Arkhipov, General Director (minutes of the Board of Directors dated 08.07.2010 № 50/2010)
Head accountant <i>(Name, position, date of commencement) of all in the reporting period and events after the reporting date</i>	Grigory Grigoryevich Savin, head accountant (decree of IDGC of the South, JSC dated 02.07.2007 № 2-п)

INFORMATION ABOUT THE COMPILATION OF THE AUDITING COMMITTEE

Chairwoman of the Auditing Committee	Izumrud Aligadzhievna Alimuradova
Secretary of the Auditing Committee	Irina Alexandrovna Filippova
Members of the Auditing Committee	Vladimir Nikolayevich Arkhipov Galina Ivanovna Meshalova Maria Dmitryevna Stepanova

INFORMATION ABOUT THE AUDITOR

Full name of the organization	AUDITINFORM Shareholder Auditing Firm Closed Joint-Stock Company
Legal address (location)	129164, 4, Yaroslavskaya, Moscow
Postal address	107078, PO Box 150, Moscow
State registration (OGRN, date)	Certificate of state registration 272.502 given by the Moscow Registration Chamber on 30 September, 1992, reregistered on 11 November, 1996, OGRN № 1027739185044
Membership in a self-regulating organization, date of entrance, name of SRO	NP Moscow Auditor Chamber, 28.12.2009 ORNZ 10303000773
Minutes of the annual shareholders' meeting <i>(confirming the auditor, appraising the accounting (financial) reporting)</i>	Dated 16 June, 2010 № 4
Auditor's opinion	Dated 28 February, 2011
Persons signing the auditor's report <i>(Name, auditor's attestation, membership in a self-regulating organization)</i>	General Director of AUDITINFORM, AAF, CJSC Vyacheslav Mikhailovich Borisov 28 February, 2011
	Manager of the auditing project of IDGC of the South, JSC Yury Vladimirovich Anisimov Qualified attestation in the audit field dated April 27, 2000 K 004457 with no time limit of validity

I. ANALYTICAL SECTION

The audit was done in accordance with:

- Federal Law "On shareholders companies";
- The Company Charter;
- Resolution on the Auditing Committee;
- Resolution of the General Shareholders' Meeting on electing the Auditing Committee (minutes dated 16.06.2010 № 4);
- Resolution of the Auditing Committee on approving the given Opinion (minutes dated 08.04.2011 № 4);
- Other normative documents and resolutions of authorized bodies of the Company.

Goal of the audit: to confirm the reliability of the data in the accounting (financial) reporting and the annual report of IDGC of the South, JSC (hereinafter the Company) for 2010, hereinafter "Reporting". Reliability is understood in all significant relations to be the level of accuracy of data in the Reporting, which makes it possible for users of this reporting to make correct conclusions on the results of the Company's business activity, its financial and property status, and to take decisions based on these conclusions.

Object: financial (accounting) reporting, annual report, compliance of the financial-economic activity of the Company to the acting legislation and internal local normative acts.

This Opinion is an official document open for publication, and is meant for shareholders, investors, and other interested parties.

We conducted the audit in accordance with:

- Federal law dd. 21.11.1996 № 129-ФЗ "On accounting";
- Decree of the Ministry of Finance of the Russian Federation dated 29.07.1998 № 34н "On approving the Regulations for conducting accounting in the Russian Federation";
- Decree of the Ministry of Finance of the Russian Federation dated July 22, 2003 № 67н "On forms of accounting reporting of organizations";
- Other legislation and internal normative acts.

Responsibility for complying to the legislation of the Russian Federation when conducting financial-economic operations is held by the executive body of the Company.

We planned and conducted the audit in such a way so as to have reasonable confidence that the annual report and financial (accounting) reporting for 2010, hereinafter named "Reporting", doesn't contain significant distortions.

The audit was conducted on a sample basis and included a study on the basis of testing proof confirming the value and disclosure in the Reporting of information about the Company's financial-economic activity, an estimate of the principles and methods of accounting, the rules for preparing the Reporting, and determination of significant appraisal values.

When performing the Audit we examined the Company's compliance to the legislation of the Russian Federation. We examined the compliance of a series of financial-economic operations conducted by the Company to the legislation solely so as to receive reasonable and sufficient confidence that the Reporting does not contain significant distortions.

When making our Audit we determined the level of significance (the level of the composite threshold error). By significance we understand the quality of information disclosed in the annual reporting and the annual report that influences the decision-taking of the users of this Reporting. The level of composite threshold error is for us the criteria for confirming the reliability of the Company Reporting.

We determined the level of significance to be RUR 944.6 mil.

Audited period:

We made an Audit of Reporting, attached to this Opinion, for the period:

- 1) reporting: from 01.01.2010 to 31.12.2010 as concerns the Company's financial-economic activity in 2010;
- 2) events after the report date: from 01.01.2011 to 08.04.2011

This Opinion is dated by us with the date of last day of the Audit check.

The Reporting is compiled in accordance with the legislation and normative acts of the Russian Federation (Russian Accounting Standards) and the internal normative local acts of the Company.

Composition of the Company Reporting approved by the Auditing Committee:

№	№ form	Name of the reporting form	Date approved by management	Number of pages in the document
1	№ 1	Balance Sheet (consolidated for all isolated subdivisions of the Company)	24.02.2011	2
2	№ 2	Profit and Loss Statement (consolidated for all isolated subdivisions of the Company)	24.02.2011	2
3	№ 3	Statement of Changes in Equity	24.02.2011	3
4	№ 4	Cash Flow Statement	24.02.2011	1
5	№ 5	Appendix to the balance sheet	24.02.2011	6
6	—	Explanatory note (consolidated for all isolated subdivisions of the Company)	24.02.2011	79
7	—	Auditor's Report on the financial (accounting) reporting of IDGC of the South, JSC for 2010	25.02.2011	2
8	—	Annual report (consolidated for all isolated subdivisions of the Company with information on subsidiary and dependent companies)		229

We believe that the Audit conducted provides sufficient grounds for expressing our opinion on the reliability of the Company Reporting.

II. CONCLUSION

In our opinion, the Company Report for 2010 attached to this Opinion accurately reflects, in all significant aspects, the financial position and the results of financial-economic activity of the Company for the period from 01.01.2010 to 31.12.2010, inclusive. The Reporting was compiled in accordance with the requirements of the legislation of the Russian Federation as concerns preparing financial (accounting) reporting, as concerns conducting the audit and providing an auditor's opinion, and was also performed in accordance with the internal local acts as concerns compiling the annual report of the Company.

INDIVIDUAL OPINION

The members of the Auditing Committee do not have an individual opinion differing from that expressed in the conclusion of this Opinion.

Approved by the Appendix of the Auditing Committee dated 08.04.2011 № 4.

Chairwoman of the Auditing Committee

I.A. Alimuradova

Open Joint-Stock Company
**“Interregional Distribution
Grid Company of the South”**

49, Ul. Bolshaya Sadovaya,
Rostov-on-Don, 344002
Russian Federation
Telephone (863) 238-52-59
www.mrsk-yuga.ru