

**Joint-Stock Company
IDGC of Centre**



**“IDGC of Centre”, JSC securities market in
2nd quarter, 2010**

Moscow, July 2010

International and Russian share markets

In the second quarter international shares markets decreased after several quarters of stable growth: the MSCI World developed countries index has decreased by 13, 3%, and MSCI EM developing countries markets index by 9, 1%.

Despite of some positive points caused by strong corporate reporting of the world largest companies by the first quarter, the data on April macroeconomic statistics, and also by actions and rhetoric of financial regulators, in the second quarter the markets were under a pressure caused by problems of EU and Goldman Sachs bank.

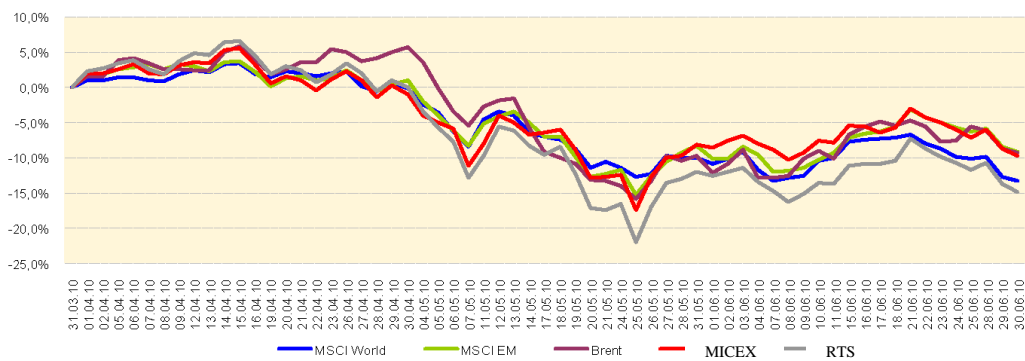
Corporate reporting published in April has surprised investors in a good way - more than 80% of the companies taking part in S&P500 index have submitted data better than it was predicted.

The data on macroeconomic statistics of March have also given a support to financial markets, among which we can point out highest amount of working places in US economy for three years, the country GDP 3, 2% growth, with the highest consumers expenditure rate for three years, highest rates of estate property sales in USA since 1963, and growth of GDP of China by 11, 9% - the highest point for three years.

Positive moods were supported with stability of US FRS, Central Banks of EU countries, Great Britain and Japan interest rates, which are at a former low level.

Nevertheless this positive has been leveled by pressure caused by problems of EU countries and Goldman Sachs bank:

- according to Eurocomission, the average deficiency level of state budgets of 16 EU countries in 2009 has grown up to 6, 3% of GDP from 2% in 2008, and state budget deficiency reached 13, 6% of GDP. Moody's and S&P agencies has lowered down the rating of Greece after publication of these data, thus S&P lowered its rating to speculative "giveaway" levels.
- the situation around Goldman Sachs bank has become aggravated after US Securities and Exchange Commission submitted the official claim against the bank, charging it with abuse of financial instruments connected with mortgage bonds. In the end of April the Investigatory committee of the American Senate expanded these charges, and markets received the unofficial information that the US Ministry of Justice had begun criminal investigation against Goldman Sachs.



Source: MICEX, RTS, Bloomberg

Sharply increased sales rate in the beginning of May have been caused by investors fears, that, first, the measures made to cope with Greece debt problems would be insufficient, and, secondly, that debt crisis will affect other EU countries. Against the background the escape from highly-risked assets has real panic characteristic. Particularly, during trading session

on May, 6th the DJIA index lost almost 1000 points (more than 9%) for only 15 minutes - all trading history maximum. Although the American indices closed this day with a 3% decrease, that was more adequate to a situation, the obscure reasons and scales of this failure put pressure on the markets within the month.

Attempts of restoration of markets in the second part of May were made against the background of the EU rescue plan statement at the rate of €750 billion, including credits and guarantees of the EU countries, and also IMF loans. However, investors were optimistic not so long: there were fears on the market that even such significant investments cannot solve basic problems of the EU countries.

Occasion for negative dynamic strengthening in second part of May became introduction by Germany of an interdiction of transactions with a number of financial instruments, to restrict speculative operations. The measure, that was made to calm and stabilize the markets and euro rate, produced an adverse effect - market participants assumed that some unknown reasons became an occasion for such a serious, tried to get rid of any highly-risked assets as soon as possible.

In the third part of May instead of Greek problems the Spanish theme came on the foreground. So, IMF expressed concern about Spanish economy conditions and prospects, having declared that the country requires radical revision of the labor legislation, pension system, and also consolidation of bank system. In the end of month the Fitch agency lowered Spanish credit rating on one step, from one it kept since 2003 - from AAA position to AA+.

Also negative factors in the end of May became, first, a sharp aggravation of a situation on the Korean peninsula, and, secondly, rumors about possible sharp change of the investment policy of China in connection with European problems. However, after official refutation of China, the markets could win back a part of the incurred losses.

In June world market decreases proceeded. The extremely unpleasant surprise for the markets became the statement of the Hungarian authorities on possible default. On this day, June, 4th, the European markets lost about 2%, American markets - more than 3%, the euro fell to its minimum position since 2006. Speculations about the Hungarian default ceased only after representatives of the Hungarian government called not to parallel their situation with Greek, and commissioner of EU on economy and finances told that conversations on a Hungarian default are extremely exaggerated.

After unsuccessful end of the first week of June the European news background was essentially softened. Absence of an obvious negative has promoted restoration of the markets in the second part of June. Additional support to the shares markets came from the optimism of the head of FRS, who declared that he predicted the further revival of US economy and didn't expect the second wave of recession, despite the debt crisis in Europe. Besides the markets positively apprehended successful accommodation of state bonds by Spain, during which demand for securities considerably exceeded the offer.

Continuation of growth on the world shares markets in the middle of month, with a lack of the fundamental reasons for such optimism, was identified as technical by analysts. This growth was more similar to correction to previous falling, rather than to the restoration of upward trend. Thus the markets practically ignored all the negative, connected, in the first turn, with macroeconomic statistics from the USA based on May results: weak data came from labor-market, when 90% of workplaces growth have been provided by creation of temporary workplaces in a state sector, retails rates in the USA fell contrary to expectation of the growth, the number of new

buildings sharply decreased.

In the 3rd part of June correctional growth came to the end, and returning of European problem as well as negative statistics from USA became a reason for deterioration of moods.

In the beginning of the third part of June one of the ECB counselors declared, that some European banks face problems in attracting investments because of debt crisis in Europe. In his judgment, it reflects general uncertainty, which - if it is uncontrolled - may have significant consequences for financial stability and real economy, as it was in the end of 2008. After that the Fitch agency lowered a French BNP Paribas rating in connection with deterioration of assets, and Standard & Poor's declared that it would be a difficult time for Spanish banks. In turn, Credit Agricole bank informed that its financial parameters for current quarter would include €400 million loss from Greek division assets write-off.

Strengthening of negative tendencies was observed also on European debt market: weak results of Portugal state bonds accommodation, Greek state bonds profitableness again exceeded 10%, and cost of insurance against default under Greek bonds reached record values. On the last day of the month the negative factor - which only American markets had time to win back - became the decision of Moody's international rating agency to review a sovereign credit rating of Spain. Thus analysts point out that rating can be lowered two steps at a time.

As to the American macroeconomic data, here participants of the market couldn't disregard the weakest May statistics on the market of the real estate any more, revision aside downturn of US GDP growth rates in the 1st quarter, decrease of a consumers trust index in June is lower than it was expected, ADP data on employment in USA in June is worse than it was predicted, anticipating official statistics in a labor market of the USA.

Russian market has shown dynamics comparable to dynamics of the world markets in the second quarter - the MICEX index has decreased 9, 7% by the end of the quarter. It's the first negative quarter since the end of 2008, after 5 quarters of steady growth. The domestic market in the accounting period followed in a waterway of western markets. Thus dynamics of the Russian share indicators discorded with dynamics of oil quotations since the second part of April - growing oil prices in the second half of the month could not affect moods of domestic players, and decrease of MICEX index in May looked moderate enough against the background of essential oil quotations falling.

Own news background is still not the essential factor to choose a policy of the Russian market. According to Federal State Statistics Service:

- growth of industrial production in May, 2009 in comparison with May, 2010 has jumped up to 12,6 %, after a 10,4 % increase in April, 5,7 % in March, and 1,9 % in February;
- investments in fixed capital have increased by 5,5% in comparison with May, 2009, and at the same time in January-May period this parameter decreased by 0,4 % in comparison with the similar period of 2009;
- GDP of Russian Federation in 1st quarter has grown by 2,9% in comparison with the 1st quarter of 2009; According to the Ministry of Economic Development and Trade, in January-May, 2010 GDP has a 4.0% growth, in comparison with January-May, 2009;
- direct foreign investments in Russian Federation in the 1st quarter have decreased by 17,6% in comparison with the similar period of 2009 up to \$2,62 billion;
- the unemployment rate in May reached 7, 3%, having decreased from 8, 2% in April;

- inflation in annual expression as of May, 31st has decreased to 5,7%, while it was 8,8% at the end of December. Low rates of inflation gave the Central Bank of the Russian Federation chance to decrease refinancing rate in the accounting period twice - on 25 basic points up to 8% annual in April and 7,75% in June.

Among positive factors for the Russian shares market it is possible to point out the successful accommodation of the Russian Eurobonds in April on \$5,5 billion and increase of forecasts of growth rates of GDP in 2010: Morgan Stanley has increased the forecast from 5,3% to 6,5%, Bank of America - from 5% to 7%, ING Bank - from 4,1% to 5,8%, Goldman Sachs - from 4,5% to 5,8%, the European Reconstruction and Development Bank - from 3,9% to 4,4%, UBS - from 5,6% to 7,5%, OECD - from 4,9 to 5,5%.

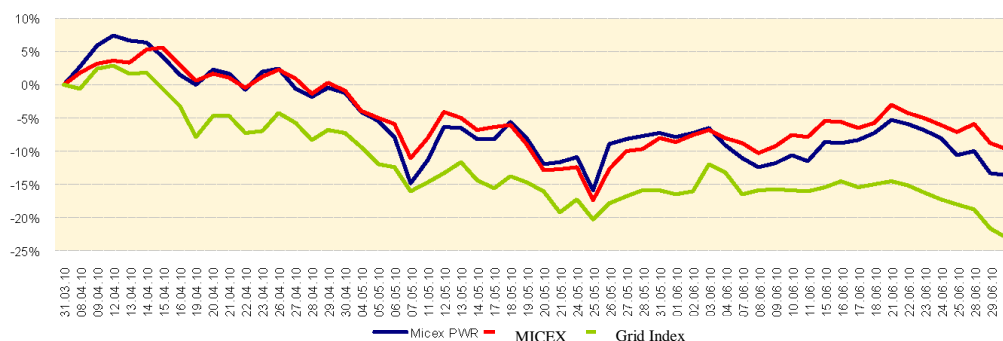
At the same time, Bank of America Merrill Lynch has lowered the forecast of GDP from 7% to 5,5% in May, and it was followed by the World bank, which has reconsidered its forecast of GDP growth made in March, and decreased it to 4,5% from 5 - 5,5%. "Considering slower restoration in the 1st quarter of 2010 and arising new risks of the further delays, we have reconsidered our forecast of real GDP growth", - they declared in the report about Russian economy.

Speaking about prospects of Russian economy for the nearest two years, Moody's analysts pointed out, that the bottom point of the crisis for the country is passed, and restoration of global economy renders a positive influence of national economy condition. In turn, experts of the European commission believe that this time Russia will have a steady economy growth and decrease of unemployment rate.

The IMF predicts that GDP growth in this year will amount to 4,25%. At the same time, IMF points out that considering the limited prospects of the further rise of oil prices in medium-term period, it is hardly possible to expect hard increase of investments, which were a major factor of pre-crisis economy growth. On this basis IMF assumes that during the post-crisis period potential growth of the Russian economy will be considerably below the pre-crisis one.

Power supplier shares markets

The companies of electric-power sector in the accounting period have shown a good dynamics, which can be compared with the whole market dynamics - branch index MicexPWR in the second quarter has decreased by 13,7%, while the MICEX index has lost 9,7%. The Grid index, which is reflecting dynamics of distribution grid sector, has lost 23,0%.



Source: MICEX, RTS, DCT calculations

The main piece of news for electric-power industry in April became the publication of RF Government Order of April, 13th, defining price parameters of the long-term market capacity. Publication of this document in the aggregate with an order, regulating

¹ Shareholders Interaction Department of "IDGC of Centre", JSC, 2nd quarter 2010.

the functioning of the power market, signed in February of this year, completely defines conditions to start long-term power market in 2011, which is called to guarantee return of investments to proprietors of general company.

Nevertheless, analysts of a new technique do not speak about unequivocally positive estimation. If estimations of new power construction costs within the limits of contracts on its delivery, basically, have surpassed expectations of experts, the old power situation is not so optimistic. All questions are connected with the estimation of this power, which should be established during competitive selection of power - experts have paid attention, that FAS could introduce marginal levels of the prices (price cap) which are at a level of current tariffs.

The subsequent succession has confirmed these analysts' fears. The market council, having not found attributes of a competition of generators on the biggest part of country territory, has offered FAS to use "price cap" method during competitive selection of power.

Short-term positive for electric-power companies' shares in May became the increase of Ministry of Economic Development and Trade forecast of the prices for the electric power in 2010-2011. In current year the electric power for all consumers can rise in price on 16-17%, instead of 12, 5-14% planned, and in the following - 14-20, 2%, instead of 13, 5-16%, as it is said in the preliminary materials of department, prepared for specification of the forecast of social and economic development.

However, in the beginning of June forecasts of the electric power prices have been reconsidered aside downturn. Growth of the final prices on the electric power for industry in view of full liberalization of a wholesale power market in 2011 is predicted at 13-15% level, as informed E. Nabiullina, the head of Ministry of Economic Development and Trade in the beginning of month. In 2012 growth will not exceed 11-12%, and in 2013 - 10-11%.

According to deputy minister A. Klepach, it will be reached, particularly, due to the decision of the issue on a marginal level of power cost, and also owing to specification of approaches to formation of the investment extra charge to tariffs for the electric power, delivered by water power stations, nuclear stations, and also due to prolongation of transition to a so-called profitableness of the capital for distribution grid companies method.

Thus for FGC, unlike for the distribution sector companies tariff changes have been concretized. In 2011 increase of tariffs for the company will not amount to 31% as planned earlier, but to 15%.

All month long the shares of the electric power industry companies were under pressure of negative expectations of market participants, connected with specification of the tariff decisions realization mechanism. In the end of the month an additional negative for investors of electric power industry sector became the statement of the head of Ministry of Energy about intention of the ministry to reduce the offer of the state power companies under investments in connection with restriction of electric power tariffs growth rate in 2011. He has pointed out that the position of ministry to decrease investment programs of state companies in electric power industry is already generated and now it is being agreed with profile departments.

Among other news of this accounting period it is possible to point out the following information:

- the branch statistics presented a data about electric power production for five months of 2010. According to the System operator, this parameter has grown by 5% against the similar period a year earlier - up to 442, 2 billion kilowatt-hours. Electric power production also increased in May by 4, 3% and amounted to 75, 5 billion kilowatt-hour.

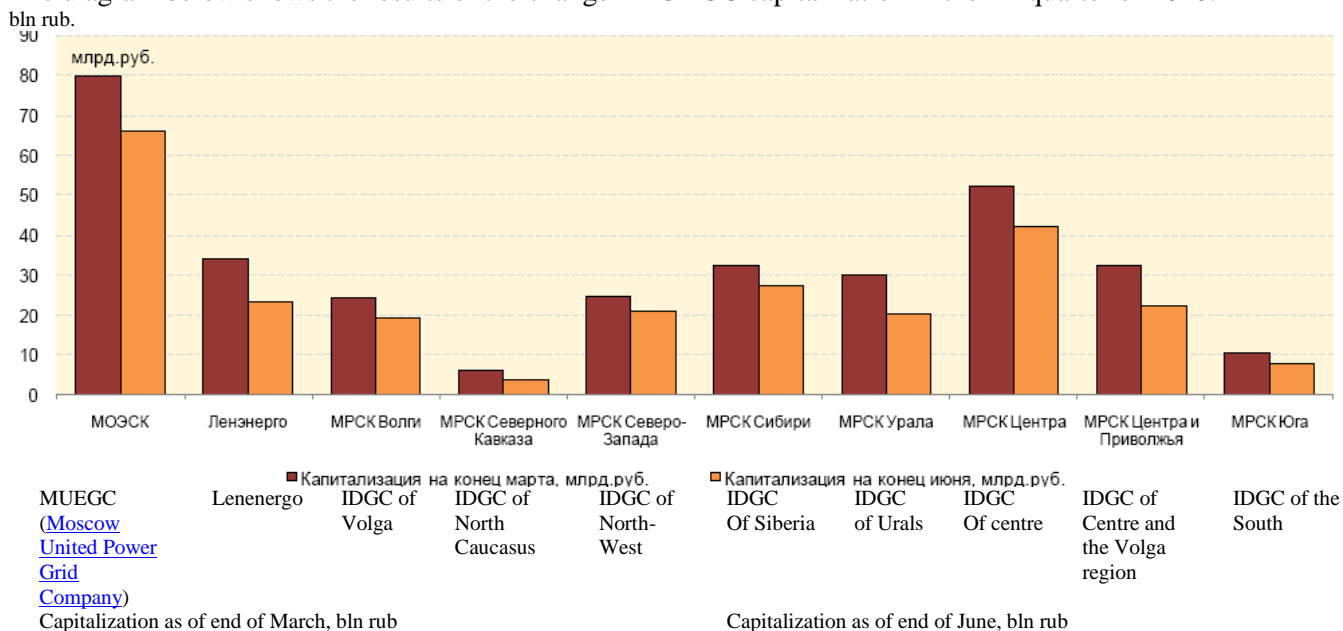
¹ "Depository and corporate technologies" LLC, July, 2010

- The Ministry of Energy forecasts a 2.6 % rise in electric power consumption in 2010 as compared to 2009. In September 2009, when government approved the 2010 investment programmes for power companies, a rise of 0.4% was expected. At the same time, the Agency for Forecasting Balances in Electric Power Industry (APBE) expects a 2 – 4 % increase in electricity consumption at the end of 2010, while the market council forecasts a 1.5 – 1.8 % increase.
- According to the Russian Federation Ministry of Energy, the commissioning of new facilities in Russian power industry in 2010 – 2011 will increase more than three times as compared to 2007 – 2009. During the previous three years about 2 capacity facilities were commissioned each year, while in 2010 6.2 GW is planned, and 2011 expects 6.5 GW.
- RAO Unified Energy Systems of Russia development programme for 2010 – 2016 worked out by the System Operator and the Federal Grid Company expects the installed capacity of Unified Energy Systems of Russia to rise by 16.9% amounting to 247.74 GW while the demand for electricity for this period will increase by 2.9% a year on average;
- In May the Ministry of Energy of Russia submitted to the government a list of construction projects under power delivery contracts. The list provides for the construction of projects with the total capacity of 28 GW before 2015. Previously, 25 GW were planned before 2015, so, the expected volume has been increased by 12%. In June the non-profit organization "Sovet Rynka (Market Council)" approved the standard form of power delivery contracts.
- In June the government approved the General Scheme For Power Engineering Facilities Arrangement calculated till 2020 and, in long term, till 2030, says the Russian Minister of Energy S. Shmatko. The basic parameters of the adjusted General Scheme include:
 - ❖ According to the latest version of General Scheme draft, the capacity of generating facilities commissioned in Russian power system before 2030 is expected to amount to 173 – 228 GW. The General scheme approved in 2007 is valid till 2020 and provides for commissioning of 186.1 GW of facilities. Today the capacity of Russian energy system is 216.3 GW.
 - ❖ According to the government data, for adjustment of the Scheme a long-term demand forecast for electricity and capacity was prepared which provided for two variants of consumption growth before 2030 – the maximum one (1860 bln kilowatt-hour per year with 3.1 % annual growth rate) and the basic one (1553 bln kilowatt-hour per year with 2.2% growth rate).
 - ❖ According to S. Shmatko, Russian Ministry of Energy estimates the investments in the construction of new generating capacities, as provided in the General Scheme for Power Engineering Facilities Arrangement in Russia before 2030, at approximately 10 trillion rubles. Minister says the calculations are based on the average cost of construction of 1 kW of capacity, which is 1,5 \$ (one and a half thous.) Previously the Ministry noted that the total cost of the General Scheme (incl.investments in grid structure) can amount to 20 trillion rubles before 2030.

Share Market of Distribution Grid Companies

North Caucasus became an outsider with a 39.6% drop in capitalization. Shares of IDGC of North – West and IDGC of Urals had the best position with only a 14.8 % loss each.

The diagram below shows the results of the change in IDGC capitalization in the 2nd quarter of 2010:



Source: MICEX, calculated by Depository and Corporate Technologies LLC
The results of IDGC capitalization dynamics in the second quarter are shown in the table:

Company	Capitalization at average MICEX prices, bln rub		Quarterly change, %
	As of March 31, 2010	As of June 30, 2010	
Moscow United Power Grid Company	79.8	65.9	-17.3 %
Lenenergo	33.9	23.4	-31.1%
IDGC of Volga	24.3	19.1	-21.6%
IDGC of North Caucasus	6.4	3.8	-39.6%
IDGC of North-West	24.7	21.1	-14.8%
IDGC Of Siberia	32.2	27.4	-14.8%
IDGC of Urals	30.0	20.4	-32.1%
IDGC Of centre	52.4	42.3	-19.2%
IDGC of Centre and the Volga region	32.4	22.4	-30.7%
IDGC of the South	10.4	7.9	-23.6%

1. Disagreement between IDGC Holding subsidiary companies and Federal Tariff Service concerning tariff rates for 2010;
2. Possible limitation of tariff rate increase in 2011 – 2013 and uncertainty concerning the term of transition to RAB tariff-setting
3. The ‘last mile’ problem
4. A number of other fundamental news in the sector.

Disagreement with Federal Tariff Service

The negative factor for the shares of distributive grid companies early in April was the information of the fact that IDGC Holding subsidiary companies submitted to the Federal Tariff Service

the disagreements on tariff decisions for 2010 and estimated the shortfall in income at 27 billion roubles. According to the IDGC of Centre Holding financial director, A. Demidov, the disagreement has been found in 15 regions, moreover, not all companies managed to give their opinion. The reasons of the objections include the decrease of RAB-tariff against the approved long-term parameters, not including reasonably incurred expenses in the tariff, the discrepancy between the balance forecast used for tariff-setting and the actual situation.

In particular, IDGC of Centre and the Volga region informed that Tula Regional Energy Company had understated the rate of RAB-tariff for the Tulenergo branch of the company and estimated the shortfall in income for the branch at 500 mln roubles. At the end of the month the negative effect of this news for the whole sector was neutralized by the abolition by the Federal Tariff Service of the decision by Tula Regional Energy Company insofar as RAB tariff-setting is concerned.

Limitation of tariff rate increase and uncertainty concerning the term of IDGC transition to RAB tariff-setting

Most significant information for the Distribution Grid companies late in May was the statement by deputy Minister of Economic Development A. Klepach concerning plans to limit electricity price rise in 2011 by means of prolonging the period of transition to the so-called return-on-equity method for grid companies. In June the government suggested limiting electricity price rise in 2011 – 2013.

An overwhelming majority of the branch analysts believe that the change in tariff rates for IDGC will affect the shares of the companies in this sector. Even if it concerns redistribution of cash flow in terms of time only, a change in previously announced plans will decrease the confidence of investors in the reform of the sector as the principle of RAB-controlling itself provides for transparency and predictability of the company cost forming process.

The news of the third half of June added to the uncertainty in respect to tariffs, parameters and terms of IDGC transition to RAB-tariff-setting:

- Director of the IDGC Holding, N. Shvets, says the holding expects "a more reserved" tempo of tariff rates calculated according to RAB system. He reminded that the draft forecast of social and economic development of the Russian Federation provides for the electricity tariff rate rise not exceeding 15% and said that "It dramatically limits the approval of tariffs for electricity transmission in the regions." Previously, RAB tariff rise for the companies controlled by the Holding was expected to rise by 15 – 40%, depending on the region.
- Interfax with reference to the head of IDGC of North-West says that the transition of Komienergo and Vologdaenergo branches to RAB tariff has been postponed from July 1, 2010 to January 1, 2011. According to the head of the company, it was the initiative of the regional authorities. The transition has been postponed as the regions proved to be unable to switch to a long-term regulation, one of the reasons including the lack of an official long-term development forecast for Russia, the outstanding "last mile" problem as well as legislative limitations.

"The last mile" contracts

During the quarter the attention of the market participants was focused on the development of the "last mile" contracts which are supposed to become invalid in 2011.

Early in April head of the Federal Tariff Service S. Novikov said that it is not until there is a set of consecutive decisions in the sphere of consumer rights protection that "The last mile" contracts can be abolished. But in mid-April the Arbitration Court of Moscow sustained the claim of UC Rusal to oblige the Federal Grid Company to sign a contract for transmission of electricity to KrAZ starting from 2010, thus increasing the risk of a loss of income in Distribution Grid companies owing to a possible abolition of "the last mile" contracts.

In the third part of April Ministry of Energy of Russia ordered the Federal Grid Company and IDGC Holding to agree on customers changing from Distribution Grid Companies to Federal Grid Company in case of a refusal from participation in the "last mile" contract system. At the same time, Shmatko believes, we need amendments in the law on the prolongation of the "last mile" contracts validity – according to current legislation, these contracts lose validity at the start of 2011. The Minister of Energy reminded that the "last mile" contracts are a cross-subsidization mechanism. "The problem hasn't been solved, and it's no use discussing whether we need "the last mile" contracts or not. When we don't have the cross-subsidization mechanism anymore, then we'll understand what should be done with it (with the last mile" contracts)", he said.

In May the results of financial reports proved the negative effect of the possible abolition of the "last mile" contracts. Thus, the IDGC of Siberia in the first quarter of 2010 lost 2.8 times more as compared to the first quarter of the last year. The reason of the loss, according to the company, is a shortfall in income from electricity supply owing to the termination of the contract with KrAZ.

The situation with the "last mile" contracts was solved at the end of the quarter. In mid-June State Duma unanimously approved the amendments prolonging the rent of federal electricity networks by IDGC till 2014, in the first reading.

Other fundamental news

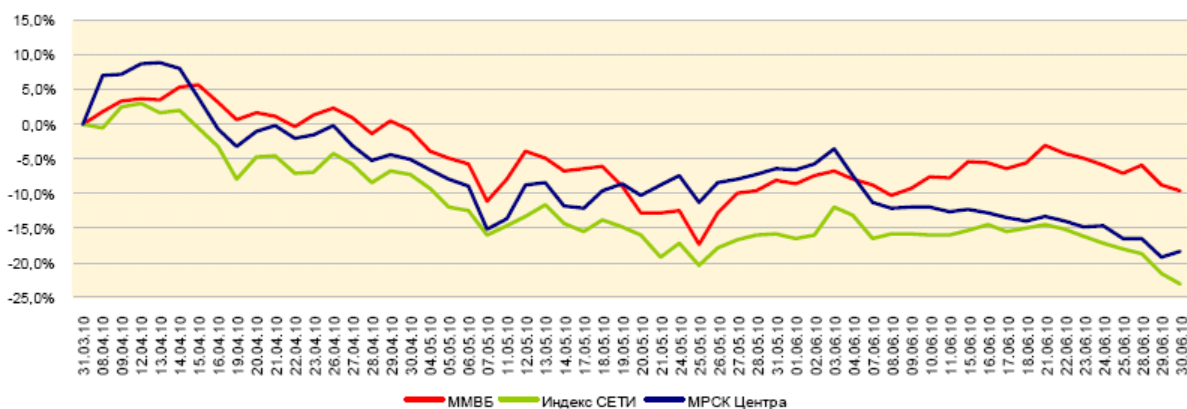
Other fundamental news of the distribution grid companies for the second quarter include:

- According to the draft 10-year Renovation Programme estimated at 2.85 trillion roubles, wear and tear of distribution grid equipment is expected to decrease from 69 to 50% while electricity losses are expected to reduce from 8.7 in 2009 to 6% by 2020.
- In April IDGC Holding revealed its intention to consolidate territorial grid assets including the abandoned networks in the regions. It was mentioned at the meeting where the main goals and objectives in legal support of IDGC activity were considered. "We see a good reserve of limiting tariff rate rise in the consolidation of territorial grid assets. In particular, we can save up if we cut down administration expenses", stressed the head of the IDGC Holding N.Shvets.
- In May Minister of Energy S. Shmatko said it not until the company starts using RAB regulation that the government is ready to consider the problem of IDGC Holding consolidation and attract investors in its capital;
- In May Interfax said with reference to IDGC Holding Director N.Shvets that the holding had agreed on the investment programme for the current year with regional administrations. "An investment programme with a total volume of 89 billion roubles is scheduled for 2010. A 85 billion roubles investment programme has already been agreed upon with the regions", said the Director of the Holding;

- In June the IDGC Holding Director reported the planned admission of the French ERDF to corporate governance in one of the grid companies. “During the six months the IDGC Holding and ERDF will negotiate the conditions of one of the Grid companies being governed by the French company”, N. Shvets reported. He reminded that such term was indicated in the Memorandum of Understanding signed by the companies within the framework of St Petersburg Economic Forum. As it was previously mentioned in the report of the IDGC Holding and ERDF, the Memorandum stipulates cooperation in the implementation of the projects aimed at raising power efficiency of the electric supply network infrastructure and research of the conditions of the participation of the French company in the Russian electric network system management and modernization.
- Analysts suppose that the potential negative factor for the shares of the distribution grid companies is the Ministry of Finance offer, dated June, to abolish tax relief on infrastructural property, in particular on Federal Grid Company and IDGC transmission facilities. According to Alemar analytical calculations, it may reduce the Federal Grid Company net profit by 4-8% in 2012-2013, and the IDGC profit reduction may be even more considerable.

IDGC of Centre JSC Market of Shares

During the reporting period the IDGC of Centre share dynamics was weaker than the MICEX index, but better than the Grid index dynamics. After the second quarter the IDGC of Centre shares lost 14.8%, whereas Grid companies index decreased by 23%, and MICEX index –by 9.7%.



MICEX GRID index IDGC of Centre

Source: MICEX, calculations: Depository and Corporate Technologies

Tender volume characteristics on the MICEX and RTS stock exchange sites of the IDGC of Centre shares in the second quarter of 2010 (market transactions) are shown in the table:

Exchange site	Transactions amount	Volume, shares	Volume, million of roubles
RTS (classical)	-	-	-
RTS (exchange)	1	22400	0.03
MICEX	15790	645 518 600	752.19

In the second quarter the IDGC of Centre share turnover at MICEX was 645.5 million, or 1.53% from the total amount of the companies shares, average daily turnover was about 10 million of shares, and on the 17th of June the daily turnover exceeded 75 million of shares. The transactions analysis of that day assumes that some of them had quasi-market character.

During the period under review the average bid-ask spread was about 0.52%. The maximum spread for the period reached 1.67% (28th of May), the minimum was 0.07% (12th of April).

In the IDGC of Centre news during the reporting period it is necessary to mark the following information:

- On the 6th of April the Board of Directors approved the business-plan for 2010:
 - it is planned to improve the key efficiency activities - return on the own ROE equity and losses: the growth of ROE is planned from 3.14% in 2009 to 8.78% in 2010, loss enhancement – from 10.11% in 2009 up to 9.89% in 2010;
 - gain in 2010 is planned at the level of 58.4 billion of roubles, it is 19% higher than the level of 2009 (49.1 billion of roubles), including gain from the electric transmission services – 56.2 billion of roubles (the growth by the 2009 – 19%), from the technological joining – 1.6 billion of roubles (decrease by 2009 – 1.1%);
 - net profit is planned at the level of 3.6 billion of roubles, which is 2.3 billion of roubles (173%) more than in 2009. The structure of the net profit is also changed. If in 2009 the share of the net profit from the main activity – the electric transmission services – was 25%, in 2010 it increases up to 72%.
- In the third part of April the company disclosed the net profit index after the first quarter of 2010 – it was 1 582.9 billion roubles vs. net loss 685.6 billion roubles in the fourth quarter 2009. “The positive dynamics is explained by the seasonal character of the company’s activity”, is reported in the press-release.
- On the 4th of May the company reported about the intention to refuse from dividend payment for 2009. The Board of Directors had been ratified such recommendations by the annual shareholders meeting. According to the analysts, the refusal from the dividend payment could be also motivated by the need to finance large-scale investment programmes.
- On the 21st of May the IDGC of Centre published the financial results for the 2009 in IAS, following which the meeting of the company management and analysts was held. The company’s gain increased 13% up to 49.3 billion of dollars, at the same time the company’s net profit decreased 24% up to 2.1 billion of dollars. Branch analysts gave a positive estimate of the published results of the meeting.
- On the 22nd of June the Annual General Shareholder Meeting was held. During the meeting the shareholders approved the annual report and the annual accounting report, and also agreed not to pay dividends for 2009 at the year end .

Price forecasts and recommendations on the IDGC of Centre stock

The information on the current recommendations by the investment companies analysts is given in the table (original valuations are coloured without the conversion into another currency):

Company	Valuation (forecast)	Valuation (forecast)	Growth potential	Upgrading date	Recommendation
	\$	Roubles**			
1 Troika Dialog*	0.063-0.081			no date	
2 Renaissance Capital	0.0473	1.476	46%	03.11.2009	buy
3 Rye, Man and Gor Securities	0.036	1.123	11%	08.04.2010	hold
4 Unicredit	0.0654	2.040	102%	01.12.2009	buy
5 VTB Capital	0.074	2.308	128%	23.04.2010	buy
6 Bank of Moscow	0.037	1.154	14%	07.05.2010	hold
7 Aton	0.0643	2.006	98%	02.06.2010	buy
8 Metropol	0.050	1.550	53%	24.12.2009	buy
9 UralSib	0.067	2.090	107%	16.06.2010	buy
10 Otkrytiye	0.0612	1.909	89%	26.02.2010	buy
11 Deutsche Bank	0.074	2.310	128%	03.03.2010	buy
12 Alemar	0.045	1.404	39%	10.03.2010	-
13 Goldman Sachs	0.047	1.466	45%	20.04.2010	neutral
14 Alfa Bank	0.069	2.152	113%	30.06.2010	overweight
Consensus	0.057	1.768	75		
Current Price	1.011				

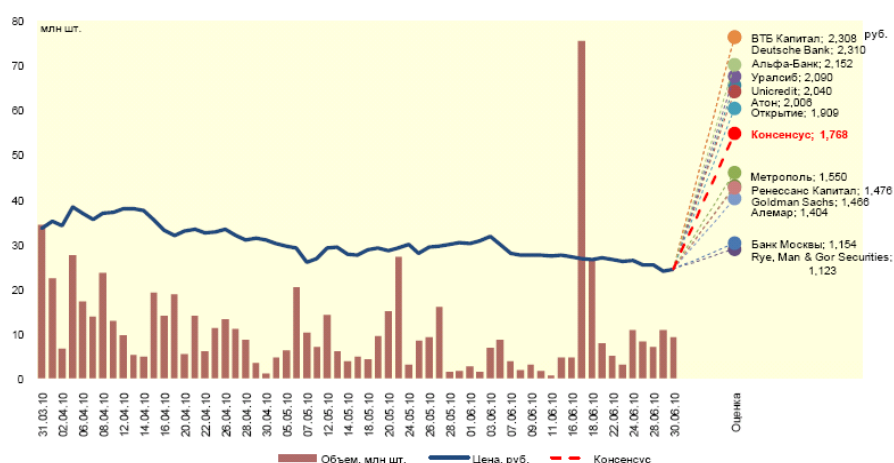
* The valuation of companies not included in the consensus

** According to the exchange rate rouble/ US \$ (30.06.2010)

*** The last price at MICEX (30.06. 2010)

Source: MICEX, quote.ru, calculations: Depository and Corporate Technologies, analysts reports

In diagram form the valuation of the company's shares by the analysts of the investment companies and consensus forecast looks as follows:



Volume, mln shares price, RR Consensus valuation

Source: MICEX, quote.ru, calculations: Depository and Corporate Technologies

As for the analytical report of the IDGC of Centre for the second quarter it is necessary to take the following into consideration:

"Depository and Corporate Technologies" LLC, July 2010

1. In April VTB Capital re-estimated the shares of the whole sector, the prognostic share value of the IDGC of Centre was increased by 78%, recommendation was changed from “hold” to “buy”.
2. In the end of April Goldman Sachs analysts raised the IDGC of Centre share value by 38%, the recommendation remained “neutral”.
3. According to the daily reports, the Bank of Moscow analysts raised the recommendation from “buy” to “hold”, the prognostic price was fixed – at \$ 0.037.
4. At the beginning of June Aton analysts reviewed the sector valuations. As a result the IDGC of Centre prognostic share price grew 31% up to \$ 0.0643, the recommendation “buy” remained.
5. In June UralSib specialists reviewed the sector companies valuations and raised the IDGC of Centre prognostic share price by 24% up to \$ 0.067.
6. In its April report RMG confirmed the rating and the guide lines connected with the IDGC of Centre shares.
7. The Alfa Bank analysts began the covering of the distributing sector. According to them, the 12 months IDGC of Centre valuation corresponds to the price of \$0.069 per share and has one of the highest growth potentials, the recommendation was “overweight”.

The changes of the valuations/ratings of the IDGC of Centre shares in the reporting period are shown in the table:

			Valuation			Recommendation	
№	Bank	Date of update	previous	updated	change	previous	updated
1	VTB Capital	23.04.2010	\$0.042	\$0.074	78%	hold	buy
2	Goldman Sachs	29.04.2010	\$0.034	\$0.047	38%	neutral	neutral
3	Bank of Moscow	07.05.2010	\$0.037	\$0.037	0%	sell	hold
4	Aton	02.06.2010	\$0.0643	\$0.0643	31%	buy	buy
5	Uralsib	16.06.2010	\$0.067	\$0.067	24%	buy	buy

In general in the end of the second quarter the IDGC of Centre shares growth potential was 75% in comparison with 15% a quarter before. The main factors of the growth potential include: an increase in the consensus forecast for the company shares – from 1.431 to 1.768 roubles per share, lowering of the market price of the IDGC of Centre shares from 1.239 to 1.011 roubles, more than 6% weakening of rouble to dollar.

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