
INFORMATION BULLETIN

RAO "UES of Russia"
restructuring process:
results achieved in 2006



TABLE OF CONTENTS

RESTRUCTURING: GOALS, RESULTS AND PROSPECTS	5
THE LEGAL AND REGULATORY FRAMEWORK OF THE REFORM	10
Adopted documents and those submitted for consideration	10
Laws and statutory acts	12
REORGANIZATION OF RAO "UES OF RUSSIA"	16
ISSUE OF ADDITIONAL SHARES BY THERMAL GENERATION COMPANIES	21
RESTRUCTURING OF AO-ENERGO COMPANIES IN TERMS OF UNBUNDLING BY ACTIVITY TYPE	25
GENERATION COMPANIES	41
Wholesale Generation Companies (WGCs)	42
The First Generation Company of the Wholesale Power Market (WGC-1)	46
The Second Generation Company of the Wholesale Power Market (WGC-2)	47
The Third Generation Company of the Wholesale Power Market (WGC-3)	48
The Forth Generation Company of the Wholesale Power Market (WGC-4)	49
The Fifth Generation Company of the Wholesale Power Market (WGC-5)	50
The Sixth Generation Company of the Wholesale Power Market (WGC-6)	51
The Federal Hydrogeneration Company (HydroWGC)	52
Territorial Generation Companies (TGCs)	54
Territorial Generation Company № 1	60
Territorial Generation Company № 2	62
Territorial Generation Company № 3	63
Territorial Generation Company № 4	64
Territorial Generation Company № 5	66
Territorial Generation Company № 6	67
Volzhskaya Territorial Generation Company № 7	69
Southern Generation Company TGC-8	71
Territorial Generation Company № 9	73
Territorial Generation Company № 10	74
Territorial Generation Company № 11	76
Territorial Generation Company № 12	77
Territorial Generation Company № 13	78
Territorial Generation Company № 14	80
SYSTEM OPERATOR – Central Dispatch Administration of the Unified Energy System	81
GRID COMPANIES	82
Federal Grid Company of the Unified Energy System	83
Interregional Distribution Grid Companies (IDGCs)	84
Split off of UNPG (Unified National Power Grid) facilities	91
SALES ACTIVITY	95
MARKET INFRASTRUCTURE	99
Development of the power (capacity) market	99
Administrator of Trading System of the Wholesale Power Market within the Unified Energy System (NP ATS)	105
BASIC TERMS AND DEFINITIONS	110



RESTRUCTURING: GOALS, RESULTS AND PROSPECTS

Creation of new market entities and introduction of new wholesale and retail market rules were among the main directions of the reform in 2006.

Besides, 2006 saw the launch of the investment stage of electricity industry restructuring.

RAO UESR RESTRUCTURING SCHEDULE STATUS AS OF 31.12.2006

The Structural Reform: main directions	FU ¹	TGCs total	Merger-based TGCs total	including lease	Other TGCs ²	WGCs	IDGCs	ITGCs
Total number of restructuring (establishment) projects in the Structural reform	72	14	11	5	3	7	4	7
Number of projects approved by the RAO UESR Board of Directors	71	14	11	10	3	7	4	7
<i>including those approved in 2005</i>	<i>16</i>	<i>8</i>	<i>8</i>	<i>3</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>1³</i>
<i>including those approved in 2006</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>1 (TGC-12)⁴</i>	<i>–</i>	<i>–</i>	<i>–</i>
Number of projects with state registration stage implemented	65	13	11	5	2 (TGC-3, TGC-7)	7	4	7
<i>including those approved in 2005</i>	<i>50</i>	<i>11</i>	<i>9</i>	<i>3</i>	<i>2 (TGC-3, TGC-7)</i>	<i>4</i>	<i>2</i>	<i>–</i>
<i>including those approved in 2006</i>	<i>10</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
The 1st stage of reorganization in terms of a merger completed (for TGCs, HydroWGC, ITGCs – entries in the Uniform State Register of Legal Entities on cessation of activities by joined companies)	–	6	6 (TGC-1,2, 8,9,10,13)	3 (TGC- 1,8,9)	–	–	–	–
Creation of a Holding company completed (for HydroWGC, TGCs, IDGCs)	–	1	1 (TGC-6)	–	–	1 (HydroWGC) ⁵	–	1 (FGC UES) ⁶
Project implementation completed (for AO-Energos – complete unbundling by activity type, for TGCs and WGCs – target structure)	59	4	3 (TGC-4,5,14)	2 (TGC-5, TGC-14)	1 (TGC-3)	6 (WGC-1,2,3,4,5,6)	–	–
<i>including those approved in 2005</i>	<i>46</i>	<i>1 (TGC-3)</i>	<i>–</i>	<i>–</i>	<i>1 (TGC-3)</i>	<i>–</i>	<i>–</i>	<i>–</i>
<i>including those approved in 2006</i>	<i>11</i>	<i>3 (TGC-4,5,14)</i>	<i>3 (TGC-4,5,14)</i>	<i>2 (TGC-5,14)</i>	<i>–</i>	<i>6 (WGC-1,2,3,4,5,6)</i>	<i>–</i>	<i>–</i>

- FU** – projects for functional unbundling of AO-Energos companies
TGC – projects for establishing territorial generation companies
WGC – (Holding) – projects for establishing wholesale generation companies
IDGC – projects for establishing interregional distribution grid companies
ITGC – projects for establishing interregional trunk grid companies

1) **260** new companies were established.

2) **TGC-3** (Moscow Generation Company) – created under Mosenergo unbundling into sales companies, network companies and AO-power plants included in the configuration of WGCs.

TGC-7 (Volga Territorial Generation Company) – to be established under restructuring of SMUEK (Samaraenergo, Saratovenergo, and Ulyanovskenergo) by the "non-basic" model.

TGC-12 (Kuzbassenergo) – establishment model: purchase of Altaienergo generation property by Kuzbassenergo (under purchase and sale contract).

3) The model for consolidation of UNPG facilities being part of the RAO UES Holding into ITGC "Center" was approved.

4) TGC-12 establishment model was approved: the company is formed on the basis of Kuzbassenergo assets, without establishment of a separate company TGC-12.

5) Additional shares issued by HydroWGC were paid for in RAO UES-owned shares of AO-HEPPs.

6) Additional shares issued by FGC UES were paid for in RAO UES-owned shares of AO-TrunkGCs.



As of the beginning of 2007, the RAO UESR Board of Directors has approved restructuring projects for 71 out of 72 AO-Energos.

All seven WGCs have undergone the state registration procedure. All thermal WGCs have been formed according to their target models. Shares of all thermal WGCs have been admitted to trading on the stock market. Besides, HydroWGC Holding was formed – placement of HydroWGC additional shares was completed with payment for them in RAO UES-owned property.

13 out of 14 TGCs have undergone the state registration procedure. The RAO UESR Board of Directors approved establishment projects for all 14 TGCs. Mosenergo (TGC-3) has been established. TGC-4, TGC-5 and TGC-14 have been formed according to their target models. TGC-6 has been established as a holding company. Besides, the 1st stage of establishment of TGC-1, TGC-2, SGC TGC-8, TGC-9, TGC-10 and Yeniseyskaya TGC (TGC-13) has been completed. Shares of nine TGCs have been admitted to trading on the Russian stock market.

Spin-off of grid companies from AO-Energos has been almost completed. *55 out of 56 trunk grid companies* have been established on the basis of reorganized AO-Energos. It is scheduled for the 1st quarter of 2007 to convene extraordinary general meetings of shareholders of ITGC South, ITGC Ural, ITGC Siberia, ITGC North-West, ITGC East, ITGC Volga and 50 established trunk grid companies to address reorganization of the mentioned companies in terms of a merger with and into ITGC "Center".

By now all 4 interregional distribution grid companies have undergone the state registration procedure. The development strategy for the electricity distribution system has been worked out. According to it, the number of IDGCs will increase: the strategy implies creation of 12 IDGCs, which will be comparable in terms of asset value.

As far as regulation of the power sector is concerned, adoption of two resolutions by the Russian Federation Government, namely the Russian Federation Government Resolution № 529 "On Improving Operations of the Wholesale Electricity (Capacity) Market" and the Russian Federation Government Resolution № 530 "On Approving the Rules of Operation of Retail Electricity Markets during the Transition Period of Electricity Industry Restructuring", was among the key events of 2006. Both resolutions are dated August 31, 2006. Due to the adoption of the new market rules on September 1, 2006, the following changes took place in the wholesale market: transition to the system of regulated contracts (between buyers and generation companies), liquidation of the free trade sector (FTS), launch of the spot market – day ahead market (DAM). According to the wholesale market rules, starting from 2007 the number of regulated contracts will gradually reduce – they will be replaced by free (unregulated) contracts. According to the decision adopted by the Russian Federation Government on November 30, 2006, since 1 January 2007 5% of electricity will be traded in the free market. Starting from July 2007 the share of electricity covered by unregulated contracts will increase up to 10%. Retail market rules imply that gradual liberalization of retail markets will go along with liberalization of the wholesale market. During the transition period electricity will be supplied to the population at regulated prices.

Attraction of private investments in generation and infrastructure companies is one of the main trends of the power sector reform. In order to finance investments we are going to use various financial instruments. They include everything from long-term credits to direct private investments.

According to the suggestions made by the corporate management of RAO "UES of Russia" it is supposed to encourage flow of investments in thermal generation by issuing additional shares of WGCs and TGCs. Shares will be either publicly offered on the stock market or privately placed among strategic investors. Share allocation is possible on both Russian and foreign stock markets. The RAO UESR Board of Directors approved the list of pilot projects on allocation of additional shares or alienation of shares issued by thermal generation companies with the aim of financing investment projects. The first group of projects to be implemented includes WGC-3, WGC-4, WGC-5, Mosenergo (TGC-3), and TGC-9. The second group of projects includes WGC-1, WGC-2, WGC-6, TGC-1, TGC-4, TGC-5, Volzhskaya TGC (TGC-7) (by selling its shares from the balance), SGC TGC-8, TGC-10, Kuzbassenergo (TGC-12), and Yeniseyskaya TGC (TGC-13).



The first project designed to attract private investments in generation companies by allocating additional shares was implemented in November 2006. By allocating 5,1 billion of its shares among the Russian and foreign investors, WGC-5 managed to attract 459 USD million. It is scheduled for the 1st half year of 2007 to allocate additional shares issued by Mosenergo, WGC-3 and TGC-5.

The Russian Federation Government decided that in 2007-2009 the State should participate in the authorized capitals of FGC UES, SO-CDA UES and Hydro WGC. The State will purchase additional shares of the mentioned companies using money from the federal budget. Implementation of these measures will help to increase the Russian Federation participation share in the authorized capitals of the mentioned companies up to the level specified in the legislation. The cash proceeds will be used for implementation of promising investment projects involving FGC UES, SO-CDA UES and HydroWGC.

The market cannot be functioning properly without capacity and ancillary services markets. 2007 will see adoption of corresponding regulations by the Russian Federation Government. Pilot projects involving ancillary services (for example, frequency regulation) will be launched as soon as the corresponding resolution is approved. Besides, it is scheduled for 2007 to develop and approve the rules, according to which auctions of suppliers of last resort will take place, and examples of standard tender documentation.

On December 8, 2006 the RAO UESR Board of Directors decided that the basic method of allocation of shares of energy sales companies should include the sale of RAO UES-owned shares of ESCs through a public auction. The initial price of shares should be no less than their market price calculated by an independent appraiser. The sale of energy sales companies' shares in 2007-2008 is currently in preparation.

As of the beginning of 2007, most problems concerning implementation of the structural reform have been practically solved. This year it is necessary to complete establishment of HydroWGC and reorganization of AO-Energos, to make decisions on the remaining restructuring projects and on the increase of the State's interest in FGC UES and SO-CDA UES. Some of these problems should be solved by RAO "UES of Russia", some fall under the competence of the Russian Federation Government. Decisions on reorganization of RAO "UES of Russia" fall under the competence of the Government.

Reorganization of RAO "UES of Russia" is one of main strategic goals of the reform. Reorganization of the parent company will involve two stages. At the first stage, two thermal generation companies will be spun off from the Holding company (years 2006-2007). At the second stage (mid 2008), the company will be reorganized in the form of division. Thus, the sector structure will correspond to the target model: the functions previously exercised by RAO "UES of Russia" will be transferred to the State, infrastructure and self-regulating organizations. In February 2007 the RAO UESR Board of Directors is planning to consider the model for the second (final) stage of reorganization.

Information note:

Restructuring of the Russian power sector started in 2000. The very first step was the development of the reform concept by RAO "UES of Russia". Russian Federation Government Resolution № 526 of July 11, 2001 "On Restructuring the Electric Power Industry of the Russian Federation" was the first normative act to regulate the changes to take place in the electric power industry. Federal Laws of the Russian Federation, approved in the 1st quarter of 2003, identified the main trends and principles related to future functioning of the electric power industry in competitive conditions. Regulatory and legal framework being in force now includes more than 40 documents.

According to the Concept of RAO UESR's Strategy for 2005-2008 (the "5+5"), reorganization is aimed at increasing efficiency of power plant operations and creating conditions for electric power industry development on the basis of private investments.



Main goals and objectives of reorganization of RAO "UES of Russia" include:

- to provide consumers of companies, included in the configuration of RAO "UES of Russia", with reliable and sustainable electricity and heat supply during the transition period;
- to increase market value of both the RAO UES Holding and companies being created during the restructuring process;
- to increase current efficiency and development of profile businesses of RAO "UES of Russia";
- to observe all rights and protect legitimate interests of shareholders of the company (not only of RAO "UES of Russia", but also of its subsidiaries and affiliates), including minority shareholders;
- to increase transparency of the company and improve corporate governance system, thus making the company business-oriented;
- to separate from RAO "UES of Russia" most efficient and investment attractive companies;
- to ensure implementation of RAO UESR's restructuring plans, participate actively in suggesting to the Russian Federation Government in accordance with the Russian Federation legislation on restructuring of the power sector in the way that most suits the requirements and goals imposed by the State, as well as guarantees observance of rights and maximization of value for shareholders of RAO "UES of Russia".

With this end in view, natural monopoly functions (power transmission, dispatching) are being separated from potentially competitive ones (power generation and sales, repair works and services); new structures responsible for separate activity types are being created instead of former vertically integrated companies, which exercised all the above mentioned functions. Generation, sales and repair companies will become mainly private and enter into mutual competition. On the contrary, state control tightening occurs in natural monopoly spheres. Thus conditions for competitive power market development are being created, which implies that market prices are not regulated by the State, but formed on demand and supply basis, while market participants compete reducing their costs.

By now, main infrastructure organizations have already been formed. They are responsible for the formation of the electricity market. ***The following companies have already been created:***

- **FGC UES** – the management organization, which controls the Unified National (All-Russian) Power Grid (UNPG), thus providing unity of technological management, and renders paid services to market entities on a contractual basis. These are transmission services, involving power transmission through the UNPG.
- **SO-CDA UES** (System Operator – Central Dispatch Administration of the Unified Energy System) – the organization, which renders dispatching services to wholesale market participants.
- **Administrator of Trading System of the wholesale power market** (Non-commercial partnership "Administrator of Trading System of the Wholesale Power Market within the Unified Energy System") (further – **NP ATS**). Since November 1, 2003 this company has been organizing the trade in the wholesale market free trade sector. Since 2005, a **closed joint-stock company Financial Settlement Center (ZAO CFR)** has been making financial arrangements for participants of the wholesale electricity market. ZAO CFR is a wholly-owned subsidiary of NP ATS. Before 2005, the company CDR FOREM (Settlement and Contract Center of the Federal Wholesale Power (Capacity) Market) was the organizer of trade.

In this Information Bulletin on the Restructuring Process of RAO "UES of Russia" we offered for your consideration the results and key events related to the Company's restructuring in 2006. We hope that here you will be able to find the most complete and reliable information on the restructuring process.

At the end of this Information Bulletin you can find a list of RAO UESR's basic terms and definitions related to the restructuring of the electric power industry.



RAO UESR RESTRUCTURING SCHEDULE FOR 2005-2007

Measure description	2004		2005				2006				2007			
	Total	Period	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Functional unbundling of AO-Energy companies														
Restructuring projects approved by the RAO UESR Board of Directors, number of AO-Energy companies	18	over current period	7	2	5	2	0	0	1	0	2*			
adjustments introduced (Kolenergo)	52	accumulative result	59	61	66	68	68	68	69	69	71*			
over current period	1	introduced	0	0	1	2	(Altaienergo, Kurzbassenergo)							
AO-Energy companies	5	accumulative result	22	11	7	10	2	0	7	1	2	1		
Formation of Territorial Generation Companies (TGC)														
Restructuring projects approved by the RAO UESR Board of Directors	9	over current period	3	0	1	1	1	2	2	3	1	2		
merger-based reorganization		accumulative result	12	12	13	14	1	2	3	3	3	2	1	2
Formation of target structure		Holding target structure		1			1	1	2	2	3	4	1	2
Formation of Wholesale Generation Companies (WGC)														
Transition to a single share (completion of placement of additional shares of WGCs, other than WGC-5)		over current period			1	1	1	2			1			
Completion of WGC restructuring based on merger		accumulative result		1		2	1	4	2	4	5			
Formation of Interregional Distribution Grid Companies (IDGC)														
IDGC of the Central and North Caucasus Regions (total: 31 DGCs)		DGC included from the start												
IDGC of the North-Western Region (total: 6 DGCs)		DGC included from the start												
IDGC of the Ural and Mid-Volga Regions (total: 15 DGCs)		DGC included from the start												
IDGC of Siberia (total: 9 DGCs)		DGC included from the start												
State registration of Trunk Grid Companies														
State registration of Trunk Grid Companies	1	over current period	1	2	31	10	0	2	8	0	1			
accumulative result	1	accumulative result	2	4	35	45	45	47	55	55	56***			
<p>Creation and state registration of 12 newly established IDGCs</p> <p>Approval of the development strategy for distribution system by the RAO UESR Board of Directors</p> <p>Consideration of both the development strategy for RAO UES distribution system and reconfiguration model for IDGCs</p> <p>Formation of thermal WGCs as per their target models completed; shares of 6 thermal WGCs admitted to trading on the organized market; reorganization of HydroWGC in terms of a merger with 5 (100% - 1 share) subsidiaries (merger completion – June 2007)</p> <p>Merger of 51 TrunkGDCs and 5 ITGCs with and into ITGC Center</p>														

* Indicative timeframe ** Forecasted dates, excluding Sakhalinenergo, Magadanenergo, Chukotenergo, Yantarenergo *** HydroWGC - formed as a holding company, additional shares issued by HydroWGC were paid for in RAO UES-owned shares of AO-HEPPs **** Excluding Altaenergo, Kalmenergo, Sevskavkazenergo, Yantarenergo (these companies are subject to implementation of the "non-basic" model of contribution of their UNPG facilities to the authorized capital of ITGC "Center")

THE LEGAL AND REGULATORY FRAMEWORK OF THE REFORM

DOCUMENTS ADOPTED AND SUBMITTED FOR CONSIDERATION IN 2006

ADOPTED **Federal Laws**

1. Federal Law № 54-FZ of March 31, 2006 «*On Amending the Article 6 of the Federal Law "On the Specifics of Electric Power Industry Functioning during the Transition Period, Introduction of Amendments into Certain Legislative Acts of the Russian Federation, and Repeal of Certain Legislative Acts of the Russian Federation due to the Adoption of the Federal Law "On the Electric Power Industry" №36-FZ dated March 26, 2003"*».
2. Federal Law № 146-FZ of July 27, 2006 «*On Amending the Federal Law "On Joint-Stock Companies"*».

Russian Federation Government Resolutions

1. Russian Federation Government Resolution № 41 of January 26, 2006 «*On Criteria for the Assignment of Electric Grid Facilities to the Unified National (All-Russian) Power Grid*».
2. Russian Federation Government Resolution № 151 of March 20, 2006 «*On Licensing Activities Performed by Assignees of Joint-Stock Power and Electrification Companies and Other Natural Monopoly Subjects in the Electric Power Industry*».
3. Russian Federation Government Resolution № 273 of May 6, 2006 «*On Amending the Russian Federation Government Resolution № 854 dated December 27, 2004*».
4. Russian Federation Government Resolution № 355 of June 6, 2006 «*On the Specifics of Functioning of Business Entities that Operate in the Power Sector Mainly with the Purpose of Satisfying their own Production Needs*».
5. Russian Federation Government Resolution № 529 of August 31, 2006 «*On Improving Operations of the Wholesale Electricity (Capacity) Market*».
6. Russian Federation Government Resolution № 530 of August 31, 2006 «*On Approving the Rules of Operation of Retail Electricity Markets during the Transition Period of Electricity Industry Restructuring*».

4th QUARTER REVIEW

7. Russian Federation Government Resolution № 628 of October 27, 2006 «*On approving the rules for implementing control over legal entities and individual entrepreneurs in order to prevent them from combining transmission and dispatching activities with generation and sales ones and on amending the Provision on the Federal Antimonopoly Service approved by the Russian Federation Government Resolution № 331 of June 30, 2004*».

This Resolution has been worked out in order to ensure implementation of Article 6 of the Federal Law №36-FZ dated March 26, 2003. At present all the necessary rules are being approved and all the necessary amendments are being made to the Provision on FAS with regard to functions performed by this body.

8. Russian Federation Government Resolution № 830 of December 29, 2006 «*On Amending the Russian Federation Government Resolutions Concerning the Electric Power Industry*».

This Resolution amends the Russian Federation Government Resolution № 643 of October 24, 2003 "On the Rules of the Transition Wholesale Power (Capacity) Market" and "Basic Rules of Formation of Prices for Electric and Thermal Power in the Russian Federation" approved by the Russian Federation Government Resolution № 109 of February 26, 2004, which are related to the procedure of tariff setting for electric power sold (bought) by energy facilities and customers that are performing their activities on the territories not included in the price zones of the wholesale market.



Russian Federation Government Decree

1. Russian Federation Government Decree №77-р dated January 26, 2006 «*On Contributing Shares of Open Joint Stock Power and Electrification Companies to the Authorized Capital of IDGCs*».

4th QUARTER REVIEW

2. Russian Federation Government Decree №1802-р of December 22, 2006, which approves *the list of electric power (capacity) buyers, who participate in electric power (capacity) trading at regulated prices (tariffs) and according to conditions specified in long-term contracts concluded in 2006. Conditions of long-term contracts are specified in the Rules of wholesale electric power (capacity) market of the transition period.*



THE LIST OF REGULATORY DOCUMENTS RELATED TO THE POWER SECTOR

Federal Laws of the Russian Federation

1. Federal Law № 35-FZ dated March 26, 2003 «*On the Electric Power Industry*».
2. Federal Law № 36-FZ dated March 26, 2003 «*On the Specifics of Electric Power Industry Functioning during the Transition Period, Introduction of Amendments into Certain Legislative Acts of the Russian Federation, and Repeal of Certain Legislative Acts of the Russian Federation due to the Adoption of the Federal Law "On the Electric Power Industry"*».
3. Federal Law № 41-FZ dated April 14, 1995 «*On State Regulation of Tariffs for Electric and Thermal Power in the Russian Federation*».
4. Federal Law № 147-FZ dated August 17, 1995 «*On Natural Monopolies*».
5. Civil Code of the Russian Federation № 14-ФЗ dated January 26, 1996 § 6 (Part two).
6. Federal Law № 28-FZ dated April 3, 1996 «*On Energy Saving*».
7. Federal Law № 127-ФЗ dated October 26, 2002 «*On Bankruptcy*». Chapter XII.
8. Federal Law № 128-ФЗ dated August 8, 2001 «*On Licensing Certain Activity Types*».

Russian Federation Government Resolutions

1. Russian Federation Government Resolution № 526 of July 11, 2001 «*On Restructuring the Electric Power Industry of the Russian Federation*».
2. Russian Federation Government Resolution № 516 of August 22, 2003 «*On Limited Tariffs for Electric and Thermal Power*».
3. Russian Federation Government Resolution № 576 of September 16, 2003 «*On Federal Bodies of Executive Power Authorized to Provide State Control over Activities Performed by the Administrator of Trading System of the Wholesale Power (Capacity) Market*».
4. Russian Federation Government Resolution № 638 of October 20, 2003 «*On the Accounting System to be Presented to the Federal Body of Executive Power Regulating Natural Monopolies*».
5. Russian Federation Government Resolution № 643 of October 24, 2003 «*On the Rules of the Transition Wholesale Power (Capacity) Market*».
6. Russian Federation Government Resolution № 648 of October 28, 2003 «*On the Assignment of Electric Grid Facilities to the Unified National (All-Russian) Power Grid and on Maintaining the Register of Electric Grid Facilities of the Unified National Power Grid*».
7. Russian Federation Government Resolution № 674 of November 5, 2003 «*On the Consideration Procedure for Disagreements Arising between the Executive Power Bodies of the Subjects of the Russian Federation in the field of State Regulation of Tariffs, Organizations Carrying out Regulated Types of Activities, and Consumers*».
8. Russian Federation Government Resolution № 792 of December 30, 2003 «*On the List of Services Related to Ensuring the Functioning and Development of the Unified Energy System of Russia*».
9. Russian Federation Government Resolution № 19 of January 19, 2004 «*On Adoption of Rules for the Approval of Investment Programs of Natural Monopoly Entities of the Electric Power Industry*».
10. Russian Federation Government Resolution № 24 of January 21, 2004 «*On Approval of Standards for the Information Disclosure by Participants of Wholesale and Retail Power Markets*».
11. Russian Federation Government Resolution № 109 of February 26, 2004 «*On Formation of Prices for Electric and Thermal Power in the Russian Federation*».
12. Russian Federation Government Resolution № 123 of March 3, 2004 «*On Approval of the Rules for the Revocation of both Tariff Regulation Decisions Made by Executive Authorities of the Russian Federation Constituents and Decisions Made By Institutions of Local Governing in pursuance of their Powers with regard to State Regulation of Tariffs for Thermal Power*».
13. Russian Federation Government Resolution № 136 of March 4, 2004 «*On Approval of a Standard Provision for the Body of Executive Power of the Russian Federation Constituents Functioning in the field of State Regulation of Tariffs*».



14. Russian Federation Government Resolution № 854 of December 27, 2004 *«On Approval of Dispatching Rules in Electric Power Industry»*.
15. Russian Federation Government Resolution № 861 of December 27, 2004 *«On approval of rules for non-discriminatory access to power transmission services and rendering of these services, rules for non-discriminatory access to dispatching services in electric power industry and rendering of these services, rules for non-discriminatory access to services rendered by the Administrator of Trading System functioning within the wholesale power market and rendering of these services, and rules for technological attachment of power receiving devices (power plants) owned by legal entities and natural persons to power grids»*.
16. Russian Federation Government Resolution № 81 of February 16, 2005 *«On identification of sources to reimburse exploiting organizations, which are working in the field of nuclear power use, their costs involved in guaranteeing their appropriate functioning and executing their functions»*.
17. Russian Federation Government Resolution № 291 of May 6, 2005 *«On Approval of the Provision which Allows Citizens to be Granted a License to Sell Electric Power»*.
18. Russian Federation Government Resolution № 738 of December 7, 2006 *«On forming the source of funds to be used as payment for services related to ensuring capacity reserve and financing generation companies in order to prevent capacity deficit»*.
19. Russian Federation Government Resolution № 41 of January 26, 2006 *«On Criteria for the Assignment of Electric Grid Facilities to the Unified National (All-Russian) Power Grid»*.
20. Russian Federation Government Resolution № 151 of March 20, 2006 *«On Licensing Activities Performed by Assignees of Joint-Stock Power and Electrification Companies and Other Natural Monopoly Subjects in the Electric Power Industry»*.
21. Russian Federation Government Resolution № 355 of June 6, 2006 *«On the Specifics of Functioning of Business Entities Operating in the Power Sector Mainly with the Purpose of Satisfying their Own Production Needs»*.
22. Russian Federation Government Resolution № 530 of August 31, 2006 *«On Approving the Rules of Operation of Retail Electricity Markets during the Transition Period of Electricity Industry Restructuring»*.

Russian Federation Government Decrees

1. Russian Federation Government Decree № 865-r of June 27, 2003 *[On the Plan of Measures for Power Industry Restructuring in 2005-2006]*.
2. Russian Federation Government Decree № 1252-r of September 1, 2003 *[On Assignment of Representatives of Federal Executive Authorities to the Supervisory Board of the Non-Commercial Partnership «Administrator of the Trading System of the Wholesale Power (Capacity) Market»]*.
3. Russian Federation Government Decree № 1254-r of September 1, 2003 *[On Formation of Generation Companies of the Wholesale Power Market]*.
4. Russian Federation Government Decree № 1754-r of December 1, 2003 *[On Approval of the Program for Changing Levels of State Regulated Prices (Tariffs) in Electric Power Industry]*.
5. Russian Federation Government Decree № 1939-r of December 29, 2003 *[On the Establishment of Seven Interregional Trunk Grid Companies]*.
6. Russian Federation Government Decree № 1288-r of October 7, 2004 *[On Amending the List of Representatives of Federal Executive Authorities to Become Members of the Supervisory Board of the Non-Commercial Partnership «Administrator of the Trading System of the Wholesale Power (Capacity) Market»]*.
7. Russian Federation Government Decree № 1367-r of October 25, 2004 *[On Establishment of the 7th Generation Company of the Wholesale Power Market]*.
8. Russian Federation Government Decree № 77-r of January 26, 2006 *[On Contributing Shares of Open Joint-Stock Power and Electrification Companies to the Authorized Capital of IDGCs]*.



Orders by the Ministry for Industry and Energy of the Russian Federation and FTS (Federal Tariff Service) and FEC (Federal Energy Commission) Regulations

1. Order by the Ministry for Industry and Energy of the Russian Federation № 58 dated March 28, 2005 «*On Approval of the List of Technical Regulations in the Electric Power Industry*»
2. Order by the Ministry for Industry and Energy of the Russian Federation № 119 dated June 14, 2005 «*On the minimum size of assets (capital) to be owned by companies wishing to sell electric power to the population*»
3. Order by the Ministry for Industry and Energy of the Russian Federation № 136 dated June 28, 2006 «*On approval of the rules for calculating generation capacity of plants to be commissioned proceeding from the results of a tender of investment projects designed to create an adequate capacity reserve, as well as the rules for finding an appropriate location for the mentioned generation facilities and determining the dates of their establishment and commissioning*».
4. Order by the Ministry for Industry and Energy of the Russian Federation № 137 dated June 29, 2006 «*On approval of rules for conducting tenders of investment projects designed to create an adequate capacity reserve to be used for producing electric power*».
5. Order by the Ministry for Industry and Energy of the Russian Federation № 164 of July 20, 2006 «*On certification of persons working in the field of dispatching in the electric power industry*».
6. Order by the Ministry for Industry and Energy of the Russian Federation № 256 of October 13, 2006 «*On approval of types of power plants, which are subject to differentiation of economically feasible expenses on electricity generation (capacity not included) in order to reveal price manipulation in the wholesale market*».
7. FTS Order № 20-e/1 of August 6, 2004 «*On approval of the procedure, according to which joint-stock companies established in the process of reorganization will gain the status of wholesale electricity (capacity) market participants*».
8. FTS Order № 20-e/2 of August 6, 2004 (as amended on December 14, 2004) «*On Approval of Instructional Guidelines for the Calculation of Regulated Tariffs and Prices for Electric (Thermal) Power in the Retail (Consumer) Market*»
9. FTS Order № 43-e/2 of August 24, 2004 «*On Approval of Instructional Guidelines for the Calculation of Tariffs for Services Provided to Ensure Functioning of the Trading System of the Wholesale Power (Capacity) Market*».
10. FTS Order № 44-e/3 of August 24, 2004 (as amended on May 24, 2005) «*On approval of instructional guidelines for the calculation of the cost of deviations of real-time quantities of electric power produced (consumed) by market participants from the volumes preplanned in the hourly production (consumption) schedule*».
11. FTS Order № 45-e/4 of August 24, 2004 (as amended on May 24, 2005) «*On Approval of Instructional Guidelines for the Calculation of Tariffs for Dispatching Services in the Electric Power Industry*».
12. FTS Order № 69-e/4 of September 7, 2004 (as amended on August 2, 2005) «*On threshold levels of tariffs for electric and thermal power set for 2005-2006*».
13. FTS Order № 111-k of October 11, 2004 «*On approval of the consideration procedure with regard to issues concerning repeal of certain decisions taken by executive authorities of the subjects of the Russian Federation in the field of tariff regulation, as well as decisions taken by local authorities in pursuance of their powers in the field of regulation of tariffs for thermal power, and on approval of the list of documents necessary to consider repeal applications*».
14. FTS Order № 236-e of December 7, 2004 (as amended August 7, 2006) «*On approval of the procedure of consideration of decisions, taken by executive authorities of the subjects of the Russian Federation in the field of tariff regulation, on setting of tariffs that are above or under threshold levels fixed by federal executive authorities in connection with tariff regulation*».
15. FTS Order № 22-e/5 of February 15, 2005 (as amended on January 24, 2006) «*On Approval of Instructional Guidelines for the Calculation of the Amount of Payment for Interconnection to Electric Grids*»
16. FTS Order № 130-e of April 8, 2005 (as amended on November 22, 2005) «*On adoption of regulations to set tariffs for electric (thermal) power (capacity) (and (or) their threshold levels) and for services provided in wholesale and retail power (capacity) markets*».

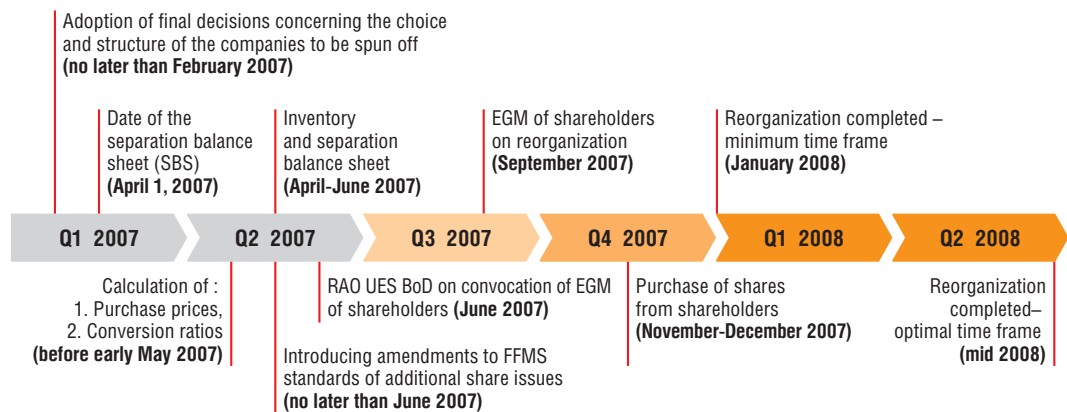


17. FTS Order № 275-e/4 of July 5, 2005 «On Approval of Instructional Guidelines for the Calculation of Threshold (Maximum and (or) Minimum) Tariff Levels and of Tariffs for the Output (Services) Provided by the Companies Performing Regulated Activities»
18. FTS Order № 320-e/1 of July 26, 2005 (as amended on February 14, 2006) «On approval of methods and conditions of making payments for services directed at appropriate work and development of the unified energy system of Russia».
19. FTS Order № 323-e/4 of July 26, 2005 «On approval of methods designed to include costs for maintenance of the social infrastructure of the Federal state unitary enterprise "Russian state concern for electrical and heat energy production in nuclear power plants" and of other nuclear organizations supplying energy to the wholesale market».
20. FTS Order № 853-e/4 of December 29, 2005 (as amended on March 21, 2006) «On approval of the maximum amount by which set tariffs for goods and services provided by communal organizations may be increased/lowered (with account of markups for prices of their goods and services), of threshold amount by which it is permitted to increase/lower accomodation payments and payments for communal services for the population, of maximum tariffs for thermal power, excluding thermal power generated by power plants, which produce both electric and thermal power, for 2006».
21. FTS Order № 19-e/4 of February 10, 2006 «On the reporting system, within the framework of which organizations working in the field of regulated pricing in the electric power industry should present information to the Federal Tariff Service».
22. FTS Order № 56-e/1 «On approval of instructional guidelines for the calculation of tariffs for electricity transmission services (transmission of electricity through the Unified National (all-Russian) Power Grid».
23. FTS Order № 60-e/5 of March 21, 2006 (as amended on August 11, 2006) «On approval of the procedure of making the overall pro forma balance sheet with regard to production and supplies of electricity (capacity) in the unified energy system of Russia (differentiated by subjects of the Russian Federation)».
24. FTS Order № 139-e/7 of June 19, 2006 «On exclusion of joint-stock companies from the list of commercial organizations - participants of the federal (all-Russian) wholesale electricity (capacity) market, tariffs for electric power supplied by which (i.e. payment for services provided by these JSC) are set by the Federal Tariff Service, and on the deprivation of their right to participate in the regulated sector of the wholesale electricity (capacity) market».
25. FTS Order № 166-e/1 of August 1, 2006 «On threshold levels of tariffs for thermal and electric power set for 2007».
26. FTS Order № 168-e/3 of August 1, 2006 «On approval of the maximum amount by which set tariffs for goods and services provided by communal organizations may be increased/lowered (with account of markups for prices of their goods and services), of threshold amount by which it is permitted to increase/lower accomodation payments and payments for communal services for the population, of maximum tariffs for thermal power, excluding thermal power generated by power plants, which produce both electric and thermal power, for 2007».
27. FTS Order № 219-e/4 of October 17, 2006 «On approval of coefficients used to calculate capacity costs in case suppliers fail to fulfill their obligations related to availability of their generation equipment and power quality requirements».
28. FTS Order № 236-e/13 of October 24, 2006 «On maximum thresholds of economically feasible expenses on electricity generation (capacity not included) for different types of power plants in order to reveal price manipulation in the wholesale market».
29. FTS Order № 302-e/2 of October 24, 2006 «On approval of instructional guidelines for the calculation of a supply surcharge of suppliers of last resort».
30. FTS Order № 484-e/5 of December 29, 2006 «On tariffs for electric power (capacity) sold in the wholesale market under contracts concluded within the framework of threshold (maximum and minimum) volumes of trade in electric power (capacity) at regulated prices (tariffs)».
31. FTS Order № 485-e/6 of December 29, 2006 «On threshold levels of economically feasible expenses on electricity generation (capacity not included) used to reveal price manipulation in the wholesale electricity (capacity) market».



REORGANIZATION OF RAO "UES OF RUSSIA"

Pursuant to the decisions adopted by the Russian Federation Government, restructuring of the Russian power sector should result in completion of most changes to occur in the structure of companies of the RAO UES Holding during the year 2006. This is necessary to start reorganization of the parent company – RAO "UES of Russia". In November 2005 the Committee on reorganization of RAO "UES of Russia" was established*.



By now RAO "UES of Russia" has worked out the reorganization procedure for the company. Reorganization will involve two stages.

At the first stage (late 2006 - early 2007) two thermal generation companies (WGC-5 and TGC-5) will be spun off from RAO "UES of Russia". Selection of spin-off candidates among existing WGCs/TGCs is based on the following criteria:

- if all corporate procedures concerning formation of the companies are completed;
- if the company is ready for the attraction of private investments and at the same time is investment attractive;
- if the company is ready to implement investment projects designed to improve existing capacities and build new ones;
- if the company has a professional management team, which tries to increase efficiency of the company.

The spin-off procedure involves proportional distribution of 50% of WGC-5 shares (following the results of allocation of WGC-5 additional shares) and of all RAO UES-owned shares of TGC-5 (following the results of allocation of TGC-5 additional shares) among shareholders of RAO "UES of Russia". In accordance with the current legislation on joint-stock companies, reorganization of RAO "UES of Russia" should involve spin-off of the companies owning shares of the companies included in the target sector structure (Holding of WGC-5, Holding of TGC-5) and ensure their merger with and into target companies of the sector (WGC-5 and TGC-5). Spin-offs and mergers will take place simultaneously.

Alongside with the spin-off it is scheduled to implement measures related to the attraction of private investments (mainly by issuing and then placing additional shares among both Russian and foreign strategic and portfolio investors). In pursuance of the Russian Federation Government's order, on June 23, 2006 the RAO UESR Board of Directors decided to issue additional shares of Mosenergo (TGC-3), TGC-9, WGC-3, WGC-4, and WGC-5.

* Order № 744 of November 14, 2005.



On July 26 the RAO UESR Board of Directors commissioned representatives of RAO "UES of Russia" participating in the general meeting of shareholders of WGC-5 to vote in favour of the issue of WGC-5 additional shares and support approval of the issue procedure. The Board also decided to reduce the company's participation in WGC-5 from 87,67% to 75,03% due to the change in WGC-5 authorized capital. As the result of placement of 5,1 billion shares (share price – 9 US cents per share), which completed in November 2006, WGC-5 earned 459 USD million.

Preparations for the first stage of reorganization of RAO "UES of Russia" have started since the beginning of 2006. On July 28, 2006 the RAO UESR Board of Directors approved the model for the 1st stage of reorganization. On September 22, 2006 the Board of Directors decided to convene the extraordinary general meeting of shareholders of RAO "UES of Russia" to address reorganization of the parent company.

The key event – the general meeting of shareholders of RAO "UES of Russia" on reorganization - took place on December 6, 2006. The shareholders approved the implementation plan for the 1st stage of reorganization of the company prepared by the RAO UESR Board of Directors. The shares of WGC-5 Holding and TGC-5 Holding will be allocated among the shareholders of RAO "UES of Russia".

Completion of the 1st stage of reorganization of RAO "UES of Russia" is scheduled for the 3rd quarter of 2007.

The RAO UESR Board of Directors is planning to discuss the 2nd stage of reorganization at its meeting on February 9, 2007.

Completion of measures related to the second stage of reorganization, which will be accompanied by creation of companies implied by the target sector structure, is scheduled for the middle of 2008.

KEY MEASURES RELATED TO REORGANIZATION OF THE PARENT COMPANY RAO "UES OF RUSSIA"

Established companies	Date of the separation balance sheet	Reorganized subsidiaries of RAO "UES of Russia"	Type of reorganization	The RAO UESR Board of Directors on approval of the type of reorganization	The RAO UESR Board of Directors on convocation of the EGM of shareholders on reorganization	EGM of shareholders of RAO "UES of Russia" on reorganization	EGM of shareholders of the reorganized subsidiary of RAO "UES of Russia" on reorganization	Target condition (entry in the Uniform State Register of Legal Entities on state registration/liquidation)
1st stage of reorganization								
WGC-5 Holding	31.03.2006	WGC-5	Spin-off and merger	№ 225 of 28.07.2006	№ 229 of 22.09.2006	06.12.2006	30.06.2007	September 2007
TGC-5 Holding	31.03.2006	TGC-5	Spin-off and merger	№ 225 of 28.07.2006	№ 229 of 22.09.2006	06.12.2006		time frame to be determined following the results of approval of the spin-off schedule for TGC-5



It is the main aim of the second stage of reorganization of RAO "UES of Russia" to protect interests of the company's shareholders by means of:

- separation of RAO UES assets into two groups: assets that should be transferred to the State and assets that should be transferred to minority shareholders. The amount of assets given to the parties is determined proceeding from the current stake of the State and minority shareholders in RAO "UES of Russia";
- direct participation of the State in FGC UES (no less than 75% + 1 share); FGC UES will get investment resources after selling state-owned shareholdings in thermal generation companies (WGCs and TGCs);
- the stakes of minority shareholders in RAO UES assets will be proportional to their stakes in the authorized capital of RAO "UES of Russia".

The general scheme for the 2nd stage of reorganization of RAO "UES of Russia" *implies* creation of several holding companies, which will merge with and into target companies, thus becoming owners of their shares:

1. State holding, which will acquire state-owned stakes (52% of RAO UES-owned shares) in:
 - FGC UES;
 - thermal generation companies (WGCs and TGCs) or assets to be acquired as a result of sale of any other state-owned shareholdings in WGCs/TGCs.

Establishment of the state holding will take place during reorganization of RAO "UES of Russia", being accompanied by its merger with and into FGC UES.

In accordance with the current legislation, FGC UES must sell its shares of thermal generation companies, which it will acquire after completion of reorganization of RAO "UES of Russia". Cash proceeds from the sale of generation companies' shares will be used by FGC UES for modernization and development of grids.

2. Several minority holding companies:
 - Minority FGC Holding, which owns a minority share in FGC UES (48% of RAO UES-owned shares).
 - 5 minority holdings of WGCs, with each of them owning a minority stake in one of WGCs.
 - 13 minority holdings of TGCs, with each of them owning a minority stake in one of TGCs.

All shares of minority holdings of WGCs/TGCs are allocated among minority shareholders in proportion to the participatory share they have in RAO "UES of Russia".

Establishment of minority holdings will go in parallel with their merger with and into target companies the shares of which they own.

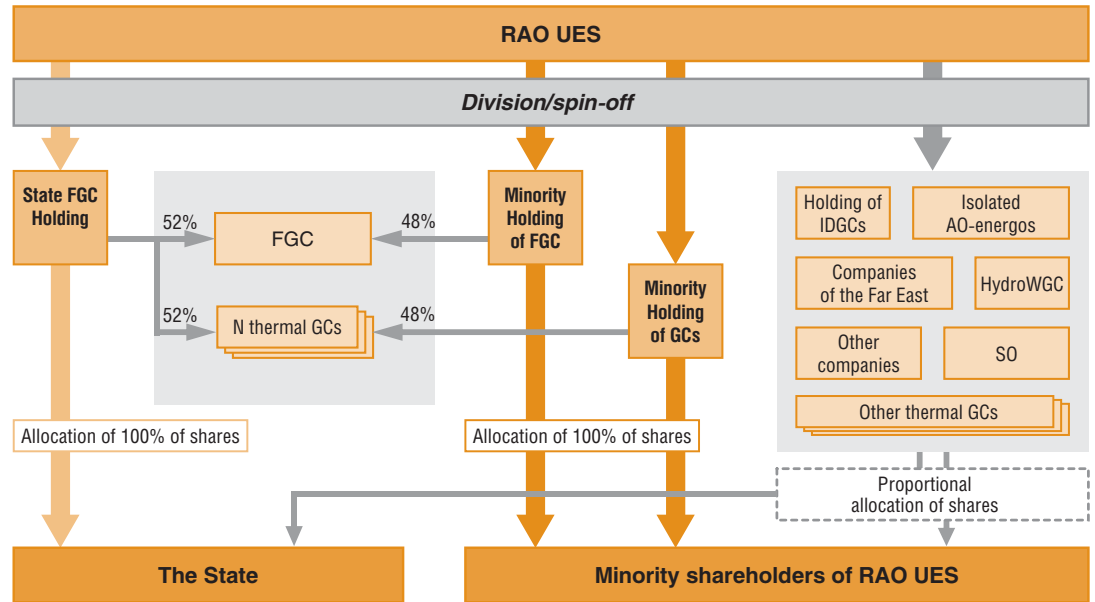
According to the general scheme for reorganization of RAO "UES of Russia", it is possible to create holding companies, each of which will own shares of:

- SO-CDA UES (with a simultaneous merger);
- HydroWGC;
- IDGCs;
- Holding of the Far East and, probably, of isolated AO-Energos;
- Other companies, in accordance with the decision taken by the general meeting of shareholders of RAO "UES of Russia".

Shares of the above-mentioned holding companies, which have stakes in SO-CDA UES, HydroWGC, IDGCs, Holding of the Far East and in other companies owning shares of corresponding target companies, will be allocated among all shareholders (in other words, converted into their shares) in proportion to the stake they have in RAO "UES of Russia".

In case RAO "UES of Russia" sells state-owned shareholdings in thermal generation companies (WGCs and TGCs) before completion of reorganization (no more than 52% of the RAO UES-owned shareholding in the corresponding company), cash proceeds from the sale of shares will be used as payment for additional shares issued by FGC UES.





Additional shares purchased from FGC UES will be transferred to the state holding, the shares of which can be placed only in favour of the State (instead of state-owned shares of WGCs/TGCs).

Thus, after reorganization of RAO “UES of Russia” is completed and its shareholders finally acquire their stakes in target companies, it will be possible to increase the state-owned stake in the authorized capital of FGC UES up to 75% + 1 share.

In accordance with the reorganization scheme, there will be no sale of RAO UES minority shareholders’ stakes in thermal generation companies (WGCs and TGCs) (these stakes amount to no more than 48% of the RAO UES-owned stake in a corresponding thermal generation company).

After reorganization of RAO “UES of Russia” target power sector structure will include the following entities:

- FGC UES;
- SO-CDA UES;
- HydroWGC;
- 6 thermal WGCs; 14 TGCs;
- Holding of IDGCs, owning blocks of shares of the established interregional distribution grid companies;
- Holding of isolated AO-Energos;
- Far East Energy Company.

By the time the 2nd stage of reorganization will have been completed, system-wide functions exercised by RAO “UES of Russia” should be fully transferred to the State, infrastructure and self-regulating organizations.



KEY EVENTS

IMPLEMENTATION OF MEASURES RELATED TO THE 1st STAGE OF REORGANIZATION OF RAO "UES OF RUSSIA"

December 6, 2006 – The extraordinary general meeting of shareholders of RAO "UES of Russia":

- **decided** to reorganize the company by splitting off WGC-5 Holding and TGC-5 Holding. RAO UES-owned shares of WGC-5 and TGC-5 are the only assets of the above-mentioned companies. Besides, Boards of Directors of the companies to be established were elected;
- **approved** reorganization of WGC-5 Holding and TGC-5 Holding in terms of a merger with and into WGC-5 and TGC-5 correspondingly;
- **approved** the procedure for placement of shares owned by WGC-5 Holding and TGC-5 Holding by allocating them among shareholders of RAO "UES of Russia".

In accordance with the decision made by the extraordinary general meeting of shareholders of RAO "UES of Russia", as a result of reorganization **each shareholder of the company will get:**

- 0,41 common shares of WGC-5 and 13,59 common shares of TGC-5 per one common share of RAO "UES of Russia";
- 0,37 common shares of WGC-5 and 12,45 common shares of TGC-5 per one preference share of RAO "UES of Russia".



ISSUE OF ADDITIONAL SHARES BY THERMAL GENERATION COMPANIES

It is one of the main aims of the RAO UES reform to improve conditions for the attraction of private investments in the electric power industry. In 2006, when the structural reform is almost completed, there are lots of opportunities to start the investment stage of the reform.

On June 7, 2006 the Russian Federation Government adopted a decision to attract private investments in thermal generation companies, including measures related to placement of additional shares issued by these companies on stock exchanges.

On June 23, 2006 the RAO UESR Board of Directors approved the list of "pilot" projects involving additional share issues. The list of companies includes WGC-3, WGC-4, WGC-5, Mosenergo and TGC-9. The Board of Directors also approved the maximum threshold for changing RAO UES interest in the authorized capitals of the following companies (due to the change of their authorized capitals): in the authorized capital of WGC-3 – from 59,72% to no less than 25%+1 share, in the authorized capital of WGC-4 – from 89,60% to no less than 50% + 1 share, in the authorized capital of TGC-9 – from 50,03% to no less than 25%+1 share. The programs for placement of additional shares by WGC-3,4,5 and TGC-9 were approved on July 28 and August 30, 2006.

With the aim of attracting investments in thermal generation, on September 29 the RAO UESR Board of Directors approved the list of companies (WGCs and TGCs) additional shares of which will be placed in the second turn (after placement of additional shares issued by the first group of companies is completed). This list includes WGC-1, WGC-2, WGC-6, TGC-1, TGC-4, TGC-5, Volzhskaya TGC (TGC-7), SGC TGC-8, TGC-10, Kuzbassenergo (TGC-12) and TGC-13.

Thus, **as of December 31, 2006** 11 projects designed to attract private investments by means of issuing additional shares have been launched. Besides, the program and the method of placement for additional shares issued by six generation companies – WGC-3, WGC-4, WGC-5, Mosenergo, TGC-5 and TGC-9 – have been approved. During the same period extraordinary general meetings of shareholders of generation companies decided to increase their authorized capitals by means of issuing additional shares with the aim of attracting investments in WGC-3, WGC-5 and Mosenergo.

In November 2006 the first project involving placement of additional shares was completed, namely IPO (Initial Public Offering) by WGC-5. The placement price ranged from 7,6 to 6,5 US cents per share. The number of bids exceeded supply by 8,7 times. On October 31 the placement price was 9 cents per share. A total of 5,1 bln shares were placed (14,4% of the authorized capital). The cash proceeds from placement of shares amounted to 459 mln USD (about 12 275 billion rubles). Following the results of placement, the interest of RAO "UES of Russia" in WGC-5 fell from 87,5% to 75,03%. The share of minority shareholders grew up to 24,97%.

Completion of the next project – placement of additional shares issued by WGC-3 – is scheduled for March 2007.



STRUCTURE OF IPO PROGRAM (AS OF DECEMBER 31, 2006)

No	Name of generation company	RAO UES stake in the authorized capitals of GC before placement of additional shares (fact)	Method of placement	Placement price USD (approved by the BoD of the gen. company)	BoD of RAO UES to decide on the attitude towards additional share issue	EGM of shareholders of gen. companies on the increase of authorized capitals	BoD of gen. companies to set the placement price and the date of start of placement	Completion of placement	RAO UES stake in the authorized capitals of gen. companies following the results of IPO	Actual volume of capital inflow if compared with the authorized capital, %
Pilot projects on attraction of investments (decision of BoD of RAO UES dated June 23, 2006)										
1.	WGC-3	59,71%	Simultaneous preparation to the public and private placement of shares, in the future - choice of public (listing on the Russian and probably foreign stock exchanges), private (strategic investor) or mixed placement.		30.08.2006 08.12.2006*	18.12.2006	March 2007	March 2007		
2.	WGC-4	89,6%	Public offering to the unlimited number of potential investors (public placement) and listing on the Russian and probably foreign stock exchanges.	0,09 per share (at the rate of 26,75 rubles for 1 USD)	30.08.2006 09.02.2007*	March 2007	July 2007	July 2007		
3.	WGC-5	87,7%	Public offering to the unlimited number of potential investors (public placement) and listing on the Russian stock exchanges.		28.07.2006	31.08.2006	price 29.01.2007 date - before 25.04.2007	30.11.2006	75,03%	37,38%
4.	Mosenergo (TGC-3)	50,90%	Private offering to OAO Gasprom and/or its affiliates.		29.09.2006	20.12.2006	October 2007	07.05.2007		
5.	TGC-9	50,03%	Simultaneous preparation to the public and private placement of shares, in the future - choice of public (listing on the Russian and probably foreign stock exchanges), private (strategic investor) or mixed placement.		30.08.2006 09.02.2007*	21.06.2007	October 2007	October 2007		
2nd stage of IPO (decision of BoD of RAO UES dated September 29, 2006)										
1.	WGC-1	92,16%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	June 2007	November 2007	November 2007		
2.	WGC-2	84,65%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	May 2007	July 2007	July 2007		
3.	WGC-6	96,91%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	August 2007	November 2007	November 2007		
4.	TGC-1	55,56%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		09.02.2007	May 2007	July 2007	July 2007		
5.	TGC-4	47,31%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	August 2007	November 2007	November 2007		
6.	TGC-5	64,83%	Public offering to the unlimited number of potential investors (public placement).		08.12.2006	18.01.2007	May 2007	May-June 2007		
7.	Voizhskaya TGC (TGC-7)	**	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	May 2007	August 2007	August 2007		
8.	SGC TGC-8	50,01%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	May 2007	September 2007	September 2007		
9.	TGC-10	81,60%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		June 2007	August 2007	November 2007	November 2007		
10.	Kuzbassenergo (TGC-12)	49,00%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		March 2007	May 2007	August 2007	August 2007		
11.	TGC-13	57,00%	To be determined following the results of the approval of the share placement program by the RAO UESR Board of Directors.		June 2007	August 2007	November 2007	November 2007		

* specification of the procedure on the RAO UESR BoD.

** merger-based reorganization not yet completed.

KEY EVENTS

LAUNCH OF PLACEMENT OF ADDITIONAL SHARES

December 31, 2006 – As of December 31, 2006 **11 generation companies** have started to implement investment attraction projects by means of issuing additional shares. With the aim of organizing placement of additional shares and developing both the strategy and the best way of attraction of funds, these companies have announced that they would conduct competitive negotiations concerning the choice of investments banks (consultants), including:

- **29.06.2006** – WGC-5
- **10.07.2006** – WGC-3
- **11.07.2006** – Mosenergo (TGC-3)
- **31.07.2006** – TGC-9
- **08.08.2006** – WGC-4
- **27.09.2006** – TGC-5
- **17.10.2006** – TGC-1
- **04.12.2006** – SGC TGC-8
- **06.12.2006** – WGC-1, WGC-2, TGC-10.

ADOPTION OF DECISIONS ON THE PROCEDURE AND THE METHOD OF PLACEMENT OF ADDITIONAL SHARES

The procedure and the method of placement of additional shares issued by generation companies are currently under consideration by the RAO UESR Board of Directors.

December 31, 2006 – As of December 31, 2006 the RAO UESR Board of Directors has approved the procedure and the method of placement of additional shares issued **by 6 generation companies**, including:

- **28.07.2006** – WGC-5
- **30.08.2006** – WGC-3 and 08.12.2006 – updating of the procedure of placement
- **30.08.2006** – WGC-4, TGC-9
- **29.09.2006** – Mosenergo (TGC-3) and 18.10.2006 – updating of the procedure of placement
- **08.12.2006** – TGC-5.

IMPLEMENTATION OF INVESTMENT ATTRACTION PROJECTS

Extraordinary general meetings of shareholders of **3 generation companies** decided to increase authorized capitals of the companies by means of issuing additional shares in order to attract investments, including:

- **31.08.2006** – WGC-5
- **15.12.2006** – Mosenergo (TGC-3)
- **18.12.2006** – WGC-3.

COMPLETION OF PLACEMENT OF ADDITIONAL SHARES WITH THE AIM OF INVESTMENT ATTRACTION

November – Placement of additional shares issued by **WGC-5** was completed. 12,3 billion rubles (459 mln USD) were attracted. Cash proceeds from placement of shares will be used for implementation of WGC-5 investment programs.



PLANS FOR THE 1st QUARTER OF 2007

LAUNCH OF PLACEMENT OF ADDITIONAL SHARES

January – It is scheduled to announce competitive negotiations for the choice of investment banks (consultants), which will guide additional share issues by *WGC-6, TGC-4, Volzhskaya TGC (TGC-7), Kuzbassenergo (TGC-12), TGC-13*.

ADOPTION OF DECISIONS ON THE PROCEDURE AND THE METHOD OF PLACEMENT OF ADDITIONAL SHARES

January – The RAO UESR Board of Directors is planning to consider the procedure and method of placement of additional shares issued by *TGC-1* with the aim of attracting investments, and to specify the placement procedure with regard to *TGC-9 and WGC-4*.

March – The RAO UESR Board of Directors is planning to consider the procedure and method of placement of additional shares issued by *WGC-1, WGC-2, WGC-6, TGC-4, Volzhskaya TGC (TGC-7), SGC TGC-8, and Kuzbassenergo (TGC-12)* with the aim of attracting investments.

IMPLEMENTATION OF INVESTMENT ATTRACTION PROJECTS

January 8, 2007 – It is scheduled to convene an extraordinary general meeting of shareholders of *TGC-5* to address the increase of the company's authorized capital by means of issuing additional shares.

March – It is scheduled to convene an extraordinary general meeting of shareholders of *WGC-4* to address the increase of the company's authorized capital by means of issuing additional shares.

COMPLETION OF PLACEMENT OF ADDITIONAL SHARES WITH THE AIM OF INVESTMENT ATTRACTION

March – It is scheduled to complete placement of additional shares issued by *WGC-3*.



RESTRUCTURING OF AO-ENERGO COMPANIES IN TERMS OF UNBUNDLING BY ACTIVITY TYPE

The requirement to split off core activities of existing AO-Energo companies was affirmed by the Russian Federation Government Resolution № 526 of July 11, 2001 "The Main Directions of Electric Power Industry Reform". Pursuant to this Resolution, the RAO UESR Board of Directors developed and approved the "basic" model for AO-Energo restructuring. This "basic" model entails reorganization of AO-Energos in terms of their unbundling by activity type into generation, transmission and sales companies with proportional distribution of shares of newly established companies among the shareholders of AO-Energos being under reorganization. The RAO UESR Board of Directors approved a whole range of projects for AO-Energo restructuring, implemented individually in accordance with the schemes, different from the "basic" model. The second stage of the restructuring process includes interregional consolidation of mono-profile companies.

It is **scheduled for 2007** to complete functional unbundling of AO-Energos.

Implementation of AO-Energo restructuring projects is coming to an end. **As of December 31, 2006** the RAO UESR Board of Directors has approved restructuring projects for 71 out of 72 AO-Energo companies; 50 of them are being implemented in accordance with the "basic" model, and 21 – in accordance with the "non-basic" (individual) model. General meetings of shareholders of 57 AO-Energos decided to reorganize the companies by splitting off. 65 projects have been implemented at the stage of state registration of newly established companies. Functional unbundling has been completed in 59 AO-Energos. 260 newly established companies have undergone the state registration procedure.

The decision on restructuring of Yantarenergo hasn't been adopted yet. All questions related to the restructuring of this company will be addressed only after the development strategy for the energy system of Kaliningrad region is developed and discussed with the regional administration.

As part of AO-Energo restructuring, implementation of measures designed to liquidate management companies established under unbundling of regional energy companies by activity type continues. **As of December 31**, 34 out of 37 management companies have been liquidated*.

* For more detailed information, see the table "Status of companies established in the process of reorganization of AO-Energos".



STATUS OF COMPANIES ESTABLISHED IN THE PROCESS OF REORGANIZATION OF AO-ENERGOS (beginning)

No. AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	expected	actual	date	Ordinary Shares reg. №	Preference Shares date	Preference Shares reg. №
"Basic" Restructuring Model						
1. Arkhenergo						
Arkhangelsk Generation Company	01.04.2005	01.04.2005	30.06.2005	1-01-50126-A	30.06.2005	2-01-50126-A
Arkhangelsk Sales Company	01.04.2005	01.04.2005	30.06.2005	1-01-65125-D	30.06.2005	2-01-65125-D
Arkhangelsk Trunk Grid Company	01.09.2005	01.09.2005	10.11.2005	1-01-55133-E	10.11.2005	2-01-55133-E
2. Astrakhanenergo						
Astrakhan Regional Generation Company	<i>liquidated, merged with and into TGC-8, liquidation certificate of 01.06.2006</i>					
Astrakhan Power Management Company	<i>liquidated, liquidation certificate of 13.02.2006</i>					
Astrakhan Power Sales Company	05.01.2005	11.01.2005	05.04.2005	1-01-55064-E	—	—
Astrakhan Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55117-E	—	—
3. Belgorodenergo						
Heat Energy Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Belgorod Sales Company	01.10.2004	01.10.2004	05.11.2004	1-01-65065-D	05.11.2004	2-01-65065-D
Power Grid Company	01.04.2005	01.04.2005	17.05.2005	1-01-55071-E	17.05.2005	2-01-55071-E
Belgorod Trunk Grid Company	01.04.2005	01.04.2005	17.05.2005	1-01-55070-E	17.05.2005	2-01-55070-E
4. Bryanskenergo						
Bryansk Power Management Company	<i>liquidated, liquidation certificate of 11.04.2006</i>					
Bryansk Generation Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Bryansk Sales Company	01.10.2004	01.10.2004	02.12.2004	1-01-65070-D	02.12.2004	2-01-65070-D
Bryansk Trunk Grid Company	01.09.2005	01.09.2005	03.11.2005	1-01-55110-E	03.11.2005	2-01-55110-E
5. Buryatenergo						
Buryatgeneration	<i>liquidated, merged with and into TGC-14, liquidation certificate of 29.09.2006</i>					
Buryat Management Company	31.12.2005	30.12.2005	13.07.2006	1-01-55209-E	—	—
Buryatenergosbyt	31.12.2005	30.12.2005	03.03.2006	1-01-55176-E	—	—
Buryat Trunk Power Grids	31.12.2005	30.12.2005	27.06.2006	1-01-55201-E	—	—
6. Vladimenergo						
Vladimir Generation Company	05.01.2005	01.01.2005	01.03.2005	1-01-55044-E	—	—
Vladimir Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-50087-A	—	—
Vladimir Power Company	<i>liquidated, liquidation certificate of 15.03.2006</i>					
Vladimir Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55116-E	—	—
7. Volgogradenergo						
Volga Generation Company	<i>liquidated, merged with and into TGC-8, liquidation certificate of 01.06.2006</i>					
Volga Don Power Complex MG	<i>liquidated, liquidation certificate of 29.09.2006</i>					
Volgogradenergosbyt	05.01.2005	01.01.2005	14.04.2005	1-01-65103-D	14.04.2005	2-01-65103-D
Volgograd Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55126-E	03.11.2005	2-01-55126-E
8. Vologdaenergo						
Cherepovets SDPP	<i>liquidated, merged with and into WGC-6, liquidation certificate of 29.09.2006</i>					
Vologda HPP	<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>					
Vologda Sales Company	01.10.2005	01.10.2005	22.12.2005	1-01-55149-E	—	—
Vologda Trunk Grids	01.10.2005	01.10.2005	03.11.2005	1-01-55109-E	—	—
9. Voronezhenergo						
Voronezh Generation Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Voronezh Management Power Company	<i>liquidated, liquidation certificate of 19.09.2006</i>					
Voronezh Power Sales Company	20.09.2004	31.08.2004	30.11.2004	1-01-55029-E	30.11.2004	2-01-55029-E
Voronezh Trunk Grid Company	01.09.2005	01.09.2005	10.11.2005	1-01-55132-E	10.11.2005	2-01-55132-E
10. Dagenergo						
Dagestan Regional Generation Company	01.07.2005	01.07.2005	23.08.2005	1-01-50141-A	—	—
Dagestan Heat Generation Company	<i>liquidated, merged with and into TGC-8, liquidation certificate of 01.06.2006</i>					
Dagenergo Management Company	<i>liquidated, liquidation certificate of 01.11.2006</i>					
Dagestan Power Sales Company	01.07.2005	01.07.2005	25.08.2005	1-01-55094-E	—	—
Dagestan Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55108-E	—	—
11. Ivenergo						
Ivanovo Generation Company	05.01.2005	01.01.2005	10.03.2005	1-01-65082-D	10.03.2005	2-01-65082-D
Ivanovo Power Sales Company	05.01.2005	01.01.2005	10.03.2005	1-01-65081-D	10.03.2005	2-01-65081-D
Ivanovo Management Power Company	<i>liquidated, liquidation certificate of 17.03.2006</i>					
Ivanovo Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55128-E	03.11.2005	2-01-55128-E
12. Kalugaenergo						
Kaluga Power management Company	<i>liquidated, liquidation certificate of 24.11.2006</i>					
Kaluga Generation company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Kaluga Trunk Grid Company	01.04.2004	01.04.2004	18.05.2004	1-01-65056-D	—	—
Kaluga Sales Company	01.04.2004	01.04.2004	18.05.2004	1-01-65057-D	—	—



STATUS OF COMPANIES ESTABLISHED IN THE PROCESS OF REORGANIZATION OF AO-ENERGOS (continued)

No. AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	expected	actual	Ordinary Shares date	Ordinary Shares reg. №	Preference Shares date	Preference Shares reg. №
13. OAO "Карелэнерго" (PCK)	<i>liquidated, merged with and into TGC-1, liquidation certificate of 01.11.2006</i>					
<i>Karolenergogeneration</i>	<i>liquidated, liquidation certificate of 05.06.2006</i>					
<i>Karolenergo Management Company</i>	<i>liquidated, liquidation certificate of 05.06.2006</i>					
Karelian Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-50088-A	—	—
Karelian Trunk Grids	01.09.2005	01.09.2005	10.11.2005	1-01-55131-E	—	—
14. Kirovenergo	<i>liquidated, liquidation certificate of 01.02.2006</i>					
<i>Kirovenergo Management Company</i>	<i>liquidated, liquidation certificate of 01.02.2006</i>					
Kirovenergosbyt	01.05.2005	01.05.2005	14.07.2005	1-01-65175-D	14.07.2005	2-01-65127-D
<i>Vyatka Heat Power Company</i>	<i>liquidated, merged with and into TGC-5, liquidation certificate of 31.03.2006</i>					
Kirov Trunk Power Grids	01.09.2005	01.09.2005	24.11.2005	1-01-55141-E	24.11.2005	2-01-55141-E
15. OAO "Колэнерго" (PCK)	<i>liquidated, merged with and into TGC-1, liquidation certificate of 01.11.2006</i>					
<i>Apatity HPP</i>	<i>liquidated, merged with and into TGC-1, liquidation certificate of 01.11.2006</i>					
Murmansk HPP	01.10.2005	01.10.2005	29.11.2005	1-01-55148-E	29.11.2005	2-01-55148-E
<i>Kola Generation Company</i>	<i>liquidated, merged with and into TGC-1, liquidation certificate of 01.11.2006</i>					
Kola Power Sales Company	01.10.2005	01.10.2005	22.12.2005	1-01-55159-E	22.12.2005	2-01-55159-E
Kola Trunk Grids	01.10.2005	01.10.2005	08.12.2005	1-01-55144-E	08.12.2005	2-01-55144-E
16. Komienergo	<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>					
Komi Regional Generation Company	01.07.2006	01.07.2006	17.10.2006	1-01-55238-E	17.10.2006	2-01-55238-E
Komi Republic Trunk Power Grid	01.07.2006	01.07.2006	—	—	—	—
Komi Power Sales Company	01.07.2006	01.07.2006	17.10.2006	1-01-55237-E	17.10.2006	2-01-55237-E
17. Kostromaenergo	<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>					
<i>Kostroma Generation Company</i>	<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>					
Kostroma Sales Company	05.01.2005	01.01.2005	04.03.2005	1-01-55051-E	04.03.2005	2-01-55051-E
Kostroma Trunk Grids	01.09.2005	31.08.2005	03.11.2005	1-01-55125-E	03.11.2005	2-01-55125-E
18. Krasnoyarskenergo	<i>liquidated, merged with and into Khakas Generation Company (TGC-13), liquidation certificate of 31.12.2006</i>					
<i>Krasnoyarsk Generation</i>	<i>liquidated, merged with and into Khakas Generation Company (TGC-13), liquidation certificate of 31.12.2006</i>					
Krasnoyarskenergosbyt	01.10.2005	01.10.2005	29.11.2005	1-01-55147-E	29.11.2005	2-01-55147-E
Krasnoyarsk Trunk Grids	01.10.2005	01.10.2005	06.12.2005	1-01-55152-E	06.12.2005	2-01-55152-E
Tyvaenergoholding	01.10.2005	01.10.2005	08.12.2005	1-01-55150-E	08.12.2005	2-01-55150-E
19. Kubanenergo	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Kuban Generation Company	01.07.2006	01.07.2006	12.09.2006	1-01-55221-E	—	—
Kuban Power Sales Company	01.07.2006	01.07.2006	14.09.2006	1-01-55218-E	—	—
Kuban Trunk Grids	01.07.2006	01.09.2006	21.11.2006	1-01-55247-E	—	—
20. Kuzbassenergo	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
West-Siberian HPP	01.07.2006	01.07.2006	12.09.2006	1-01-55223-E	—	—
South-Kuzbass SDPP	01.07.2006	01.07.2006	14.09.2006	1-01-55215-E	—	—
Kuzbass Regional Power Grid Company	01.07.2006	01.07.2006	29.08.2006	1-01-55216-E	—	—
Kuzbass Power Sales Company	01.07.2006	01.07.2006	29.08.2006	1-01-55214-E	—	—
Kuzbassenergo Trunk Power Grids	01.07.2006	01.07.2006	19.09.2006	1-01-55224-E	—	—
21. Kurganenergo	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Kurgan Generation Company	01.07.2006	01.07.2006	26.09.2006	1-01-55226-E	26.09.2006	2-01-55226-E
Kurgan Power Sales Company	01.07.2006	01.07.2006	26.09.2006	1-01-55230-E	26.09.2006	2-01-55230-E
Kurgan Trunk Grid Company	01.07.2006	01.07.2006	26.09.2006	1-01-55229-E	26.09.2006	2-01-55229-E
22. Kurskenergo	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
<i>Kursk Generation Company</i>	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
<i>Kursk Power Management Company</i>	<i>liquidated, liquidation certificate of 24.01.2006</i>					
Kurskenergosbyt	01.02.2005	01.02.2005	29.03.2005	1-01-65094-D	29.03.2005	2-01-65094-D
Kursk Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55111-E	03.11.2005	2-01-55111-E
23. Lenenergo	<i>liquidated, merged with and into TGC-1, liquidation certificate of 01.11.2006</i>					
North-Western Power Management Company	01.10.2005	01.10.2005	11.01.2006	1-01-55158-E	11.01.2006	2-01-55158-E
<i>Petersburg Generation Company</i>	<i>liquidated, merged with and into TGC-1, liquidation certificate of 01.11.2006</i>					
Petersburg Sales Company	01.10.2005	01.10.2005	17.01.2006	1-01-55168-E	17.01.2006	2-01-55168-E
Petersburg Trunk Grids	01.12.2005	01.12.2005	09.03.2006	1-01-55181-E	09.03.2006	2-01-55181-E
24. Lipetskenergo	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
<i>Lipetsk Generation Company</i>	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
<i>Lipetsk Power Management Company</i>	<i>liquidated, liquidation certificate of 07.02.2006</i>					
Lipetsk Power Sales Company	05.01.2005	11.01.2005	19.04.2005	1-01-65097-D	—	—
Lipetsk Trunk Grids	01.09.2005	01.09.2005	10.11.2005	1-01-55124-E	—	—
25. Marienergo	<i>liquidated, merged with and into TGC-5, liquidation certificate of 31.03.2006</i>					
<i>Mari Regional Generation Company</i>	<i>liquidated, merged with and into TGC-5, liquidation certificate of 31.03.2006</i>					
<i>Mari Regional Management Company</i>	<i>liquidated, liquidation certificate of 07.02.2006</i>					
Marienergosbyt	05.01.2005	01.01.2005	01.03.2005	1-01-55086-E	01.03.2005	2-01-55086-E
Mari Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55130-E	03.11.2005	2-01-55130-E



STATUS OF COMPANIES ESTABLISHED IN THE PROCESS OF REORGANIZATION OF AO-ENERGOS (continued)

No. AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	expected	actual	Ordinary Shares date	Ordinary Shares reg. №	Preference Shares date	Preference Shares reg. №
26. Mordovenergo						
Mordovian Generation Company	01.02.2005	01.02.2005	29.03.2005	1-01-55061-E	—	—
Mordovian Heat Network Company	01.02.2005	01.02.2005	29.03.2005	1-01-55056-E	—	—
Mordovian Power Management Company	<i>liquidated, liquidation certificate of 06.02.2006</i>					
Mordovian Power Sales Company	01.02.2005	01.02.2005	29.03.2005	1-01-55055-E	—	—
Mordovian Trunk Grid Company	01.09.2005	01.09.2005	10.11.2005	1-01-55122-E	—	—
27. Mosenergo						
Management Power Company	01.04.2005	01.04.2005	31.05.2005	1-01-50073-E	—	—
Trunk Grid Company	01.04.2005	01.04.2005	31.05.2005	1-01-50074-E	—	—
Moscow City Power Grid Company	01.04.2005	01.04.2005	31.05.2005	1-01-50075-E	—	—
Moscow Power Network Company	01.04.2005	01.04.2005	31.05.2005	1-01-50076-E	—	—
Moscow Region Power Grid Company	01.04.2005	01.04.2005	31.05.2005	1-01-65116-D	—	—
Mosenergosbyt	01.04.2005	01.04.2005	26.05.2005	1-01-65113-D	—	—
Specialized PCB for Repairs and Reconstruction	01.04.2005	01.04.2005	26.05.2005	1-01-50116-A	—	—
Mosteplosetenergoemont	01.04.2005	01.04.2005	31.05.2005	1-01-65117-D	—	—
Mosenergosetstroy	01.04.2005	01.04.2005	26.05.2005	1-01-65110-D	—	—
SDPP №4	<i>liquidated, merged with and into WGC-1, liquidation certificate of 29.09.2006</i>					
SDPP №5	<i>liquidated, merged with and into WGC-4, liquidation certificate of 01.07.2006</i>					
SDPP №24	<i>liquidated, merged with and into WGC-6, liquidation certificate of 29.09.2006</i>					
Zagorsk HEPSP	01.04.2005	01.04.2005	31.05.2005	1-01-55081-E	—	—
28. Nizhnovenergo						
Nizhni Novgorod Generation Company	01.02.2005	01.02.2005	31.03.2005	1-01-50104-A	31.03.2005	2-01-50104-A
Nizhni Novgorod Management Power Company	<i>liquidated, liquidation certificate of 31.03.2006</i>					
Nizhni Novgorod Sales Company	01.04.2005	01.04.2005	26.05.2005	1-01-55072-E	26.05.2005	2-01-55072-E
Nizhni Novgorod Power Repair Company	01.04.2005	01.04.2005	25.08.2005	1-01-50122-A	25.08.2005	2-01-50122-A
Nizhni Novgorod Trunk Grid Company	01.09.2005	01.09.2005	10.11.2005	1-01-55121-E	10.11.2005	2-01-55121-E
29. Novgorodenergo						
Novgorod Generation Company	<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>					
Novgorod Power Management Company	<i>liquidated, liquidation certificate of 19.07.2006</i>					
Novgorod power Sales Company	01.04.2005	01.04.2005	26.05.2005	1-01-50115-A	26.05.2005	2-01-50115-A
30. Omskenergo						
Omsk Power Generation Company	01.08.2005	03.08.2005	18.10.2005	1-01-50151-A	18.10.2005	2-01-50151-A
Omsk Management Company	<i>liquidated, liquidation certificate of 30.06.2006</i>					
Omsk Power Sales Company	01.08.2005	03.08.2005	18.10.2005	1-01-55101-E	18.10.2005	2-01-55101-E
Omsk Trunk Grid Company	01.09.2005	01.09.2005	03.11.2005	1-01-55114-E	03.11.2005	2-01-55114-E
31. Orelenergo						
Orel Power Management Company	<i>liquidated, liquidation certificate of 06.02.2006</i>					
Orel Generation Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Orel Trunk Grid Company	01.10.2005	01.10.2005	01.12.2005	1-01-55135-E	01.12.2005	2-01-55135-E
Orel Sales Company	01.04.2005	01.04.2005	21.06.2005	1-01-65122-D	21.06.2005	2-01-65122-D
32. Orenburgenergo						
Orenburg Heat Generation Company	01.07.2005	01.07.2005	06.09.2005	1-01-55095-E	—	—
Irkutinsk SDPP	<i>liquidated, merged with and into WGC-1, liquidation certificate of 29.09.2006</i>					
Orenburgenergosbyt	01.07.2005	01.07.2005	25.08.2005	1-01-55096-E	—	—
Orenburg Trunk Power Grids	01.10.2005	01.10.2005	08.12.2005	1-01-55155-E	—	—
33. Penzaenergo						
Penza Generation Company	05.01.2005	01.01.2005	01.03.2005	1-01-55047-E	01.03.2005	2-01-55047-E
Penza Power Management Company	<i>liquidated, liquidation certificate of 09.03.2006</i>					
Penza Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-55041-E	01.03.2005	2-01-55041-E
Penza Power Repair Company	05.01.2005	01.01.2005	01.03.2005	1-01-55040-E	01.03.2005	2-01-55040-E
Penza Trunk Grid Company	01.09.2005	01.09.2005	10.11.2005	1-01-55134-E	10.11.2005	2-01-55134-E
34. Permenergo						
Perm Power Management Company	<i>liquidated, liquidation certificate of 31.03.2006</i>					
Perm Generation Company	<i>liquidated, merged with and into TGC-9, liquidation certificate of 01.05.2006</i>					
Yayvinsk SDPP	<i>liquidated, merged with and into WGC-4, liquidation certificate of 01.07.2006</i>					
Perm Power Sales Company	01.04.2005	01.04.2005	21.06.2005	1-01-55084-E	21.06.2005	2-01-55084-E
Perm trunk Grid Company	01.10.2005	03.10.2005	27.12.2005	1-01-55156-E	27.12.2005	2-01-55156-E
Permenergoemont	01.04.2005	01.04.2005	21.06.2005	1-01-50125-A	21.06.2005	2-01-50125-A
Permenergospetsremont	01.04.2005	01.04.2005	21.06.2005	1-01-65120-D	21.06.2005	2-01-65120-D



STATUS OF COMPANIES ESTABLISHED IN THE PROCESS OF REORGANIZATION OF AO-ENERGOS (continued)

No. AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	expected	actual	date	Ordinary Shares reg. №	Preference Shares date	Preference Shares reg. №
35. Rostovenergo						
Rostov Generation Company	<i>liquidated, merged with and into TGC-8, liquidation certificate of 01.06.2006</i>					
Management Company Rostovenergo	<i>liquidated, liquidation certificate of 08.09.2006</i>					
Rostovenergo Energosbyt	05.01.2005	11.01.2005	10.03.2005	1-01-50095-A	10.03.2005	2-01-50095-A
Trunk Grid Company Rostovenergo	01.09.2005	01.09.2005	03.11.2005	1-01-55127-E	03.11.2005	2-01-55127-E
36. Ryazanenergo						
Ryazan Heat Supply Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Ryazan Management Company	<i>liquidated, liquidation certificate of 27.01.2006</i>					
Ryazan Power Sales Company	05.01.2005	11.01.2005	04.03.2005	1-01-50092-A	—	—
Ryazan Trunk Grids	01.09.2005	01.09.2005	01.12.2005	1-01-55143-E	—	—
37. Sverdlovennergo						
Sverdlovsk Generation Company	<i>liquidated, merged with and into TGC-9, liquidation certificate of 01.05.2006</i>					
Sverdlovsk Power Management Company	<i>liquidated, liquidation certificate of 28.03.2006</i>					
Sverdlovskenergosbyt	01.04.2005	01.04.2005	26.05.2005	1-01-55080-E	26.05.2005	2-01-55080-E
Serov SDPP	<i>liquidated, merged with and into WGC-2, liquidation certificate of 29.09.2006</i>					
Sverdlovsk Power Service Company	01.04.2005	01.04.2005	26.05.2005	1-01-55079-E	26.05.2005	2-01-55079-E
Sverdlovsk Trunk Grids	01.10.2005	03.10.2005	22.12.2005	1-01-55160-E	22.12.2005	2-01-55160-E
38. Smolenskenergo						
Smolensk Management Power Company	<i>liquidated, liquidation certificate of 31.01.2006</i>					
Smolensk Generation Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Smolenskenergosbyt	01.02.2005	01.02.2005	31.03.2005	1-01-50107-A	31.03.2005	2-01-50107-A
Smolensk SDPP	<i>liquidated, merged with and into WGC-4, liquidation certificate of 01.07.2006</i>					
Smolensk Power Repair Company	01.02.2005	01.02.2005	31.03.2005	1-01-50106-A	31.03.2005	2-01-50106-A
Smolensk Trunk Power Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55119-E	03.11.2005	2-01-55119-E
39. Stavropolenergo						
Stavropol Power Generation Company	01.04.2005	01.04.2005	02.06.2005	1-01-50118-A	02.06.2005	2-01-50118-A
Stavropol Management Company	<i>liquidated, liquidation certificate of 15.06.2006</i>					
Stavropolenergosbyt	01.04.2005	01.04.2005	02.06.2005	1-01-50119-A	02.06.2005	2-01-50119-A
Stavropol Heat Generation Company	<i>liquidated, merged with and into TGC-8, liquidation certificate of 01.06.2006</i>					
40. Tambovenergo						
Tambov Generation Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Tambov Power Management Company	<i>liquidated, liquidation certificate of 07.02.2006</i>					
Tambov Power Sales Company	05.01.2005	11.01.2005	31.03.2005	1-01-65100-D	31.03.2005	2-01-65100-D
Tambov Trunk Grid Company	01.09.2005	01.09.2005	03.11.2005	1-01-55120-E	03.11.2005	2-01-55120-E
41. Tverenergo						
Tver Generation Company	<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>					
Tver Management Power Company	<i>liquidated, liquidation certificate of 09.03.2006</i>					
Tver Power Sales Company	05.01.2005	11.01.2005	22.03.2005	1-01-65091-D	22.03.2005	2-01-65091-D
Tver Power Repair Company	05.01.2005	11.01.2005	22.03.2005	1-01-65089-D	22.03.2005	2-01-65089-D
Tver Trunk Grids	01.09.2005	01.09.2005	03.11.2005	1-01-55118-E	03.11.2005	2-01-55118-E
42. Tomskenergo						
Tomsk Power Management Company	<i>liquidated, liquidation certificate of 02.03.2006</i>					
Tomsk Distribution Company	01.04.2005	31.03.2005	28.06.2005	1-01-50128-A	28.06.2005	2-01-50128-A
Tomsk Power Sales Company	01.04.2005	31.03.2005	28.06.2005	1-01-50130-A	28.06.2005	2-01-50130-A
Tomsk Trunk Grids	01.04.2005	31.03.2005	28.06.2005	1-01-55087-E	28.06.2005	2-01-55087-E
Tomskenergoremont	01.04.2005	31.03.2005	28.06.2005	1-01-55088-E	28.06.2005	2-01-55088-E
Tomskselectrosretremont	01.04.2005	31.03.2005	28.06.2005	1-01-50129-A	28.06.2005	2-01-50129-A
43. Tulaenergo						
Prilsk Territorial Generation Company	<i>liquidated, merged with and into TGC-4, liquidation certificate of 15.09.2006</i>					
Tula Power Management Company	<i>liquidated, liquidation certificate of 31.01.2006</i>					
Tula Sales Company	01.04.2005	01.04.2005	26.05.2005	1-01-50112-A	—	—
Tula Trunk Grid Company	01.09.2005	01.09.2005	01.12.2005	1-01-55127-E	—	—
44. Tyumenenergo						
Surgut SDPP 1	<i>liquidated, merged with and into WGC-2, liquidation certificate of 29.09.2006</i>					
Surgut SDPP 2	<i>liquidated, merged with and into WGC-4, liquidation certificate of 01.07.2006</i>					
Nizhnevartovsk SDPP	<i>liquidated, merged with and into WGC-1, liquidation certificate of 29.09.2006</i>					
Urangoy SDPP	<i>liquidated, merged with and into WGC-1, liquidation certificate of 29.09.2006</i>					
Tyumen Trunk Grid Company	01.09.2005	01.09.2005	03.11.2005	1-01-55115-E	—	—
Tyumen Regional Generation Company	01.07.2005	01.07.2005	20.09.2005	1-01-55090-E	—	—
Tyumen Power Sales Company	01.07.2005	01.07.2005	13.09.2005	1-01-50139-A	—	—



STATUS OF COMPANIES ESTABLISHED IN THE PROCESS OF REORGANIZATION OF AO-ENERGOS (continued)

No. AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	expected	actual	date	Ordinary Shares reg. №	Preference Shares date	Preference Shares reg. №
45. Udmurtenergo						
<i>Udmurtian Territorial Generation Company</i>						
<i>liquidated, merged with and into TGC-5, liquidation certificate of 31.03.2006</i>						
<i>Udmurtian Management Power Company</i>						
<i>liquidated, liquidation certificate of 31.01.2006</i>						
Udmurtian Power Sales Company	05.01.2005	01.01.2005	01.03.2005	1-01-65085-D	01.03.2005	2-01-65085-D
Udmurtian Trunk Grids	01.09.2005	01.09.2005	24.11.2005	1-01-55142-E	24.11.2005	2-01-55142-E
46. Khakasenergo						
Khakas Generation Company	01.07.2005	01.07.2005	30.08.2005	1-01-55093-E	—	—
Khakasenergosbyt	01.07.2005	01.07.2005	30.08.2005	1-01-50143-A	—	—
Khakas Trunk Company	01.07.2005	01.07.2005	22.09.2005	1-01-65136-D	—	—
<i>Khakas Power Management Company</i>						
<i>liquidated, liquidation certificate of 12.05.2006</i>						
47. Chelyabenergo						
<i>Chelyabinsk Generation Company</i>						
<i>liquidated, merged with and into Tyumen Generation Company (TGC-10), liquidation certificate of 01.12.2006</i>						
<i>Chelyabinsk Management Power Company</i>						
<i>liquidated, liquidation certificate of 07.03.2006</i>						
Chelyabenersosbyt	01.02.2005	31.01.2005	29.03.2005	1-01-55059-E	29.03.2005	2-01-55059-E
<i>Yuzhno-Ural'sk SDPP</i>						
<i>liquidated, merged with and into WGC-3, liquidation certificate of 01.04.2006</i>						
Chelyabinsk Trunk Power Grids	01.09.2005	01.09.2005	06.12.2005	1-01-55154-E	06.12.2005	2-01-55154-E
48. Chitaenergo						
<i>Chita Generation Company</i>						
<i>liquidated, merged with and into TGC-14, liquidation certificate of 29.09.2006</i>						
Chita Power Sales Company	30.12.2005	30.12.2005	04.04.2006	1-01-55178-E	04.04.2006	2-01-55178-E
Chita Trunk Grids	30.12.2005	30.12.2005	04.05.2006	1-01-55193-E	04.05.2006	2-01-55193-E
49. Chuvashenergo						
<i>Chuvashi Generation Company</i>						
<i>liquidated, merged with and into TGC-5, liquidation certificate of 31.03.2006</i>						
<i>Chuvashi Management Company</i>						
<i>liquidated, liquidation certificate of 29.03.2006</i>						
Chuvashi Power Sales Company	05.01.2005	01.01.2005	24.02.2005	1-01-65080-D	—	—
Cheboksary HEPP	05.01.2005	01.01.2005	24.02.2005	1-01-65079-D	—	—
Chuvashi Trunk Grids	01.09.2005	01.09.2005	08.12.2005	1-01-55112-E	—	—
50. Yarenergo						
Yarenergoremont-holding	05.01.2005	22.11.2004	20.01.2005	1-01-50082-A	20.01.2005	2-01-50082-A
DTP Yarenergoholding	05.01.2005	22.11.2004	20.01.2005	1-01-50081-A	20.01.2005	2-01-50081-A
<i>Yaroslavl Power Company</i>						
<i>liquidated, merged with and into TGC-2, liquidation certificate of 01.07.2006</i>						
<i>Yaroslavl Management Power Company</i>						
<i>liquidated, liquidation certificate of 30.01.2006</i>						
<i>Yaroslavl Sales Company</i>						
<i>RAO UESR-owned block of shares (47,36%) was sold, auction date – July 6, 2006</i>						
Yaroslavl Trunk Grids	01.09.2005	31.08.2005	03.11.2005	1-01-55129-A	03.11.2005	2-01-55129-A
"Non-basic" Restructuring Model						
51. Kalmenergo						
Kalmenersosbyt	28.10.2005	28.10.2005	08.06.2006	1-01-34595-E	—	—
52. Pskovenergo						
Pskovenergosbyt	30.08.2004	18.08.2004	31.12.2004	1-01-03189-D	—	—
Pskovenergoagent	30.08.2004	18.08.2004	31.12.2004	1-01-03186-D	—	—
Pskovenergoservice	30.08.2004	23.08.2004	31.12.2004	1-01-03188-D	—	—
Pskovenergoavto	30.08.2004	23.08.2004	31.12.2004	1-01-03187-D	—	—
Samaraenergo, Saratovenergo, Ulyanovskenergo						
Volzhsk Interregional Distribution Company	01.09.2005	26.08.2005	24.11.2005	1-01-55105-E	—	—
Volzhsk Territorial Generation Company	01.08.2005	01.08.2005	01.11.2005	1-01-55113-E	—	—
Volzhsk Interregional Power Sales Company	not yet created; decisions concerning the establishment of the company not yet approved					
53. Samaraenergo						
Samara Territorial Generation Company (is splitting off)	01.04.2006	01.04.2006	02.11.2006	1-01-55232-E	02.11.2006	2-01-55232-E
Samara Distribution Company (is splitting off)	01.04.2006	01.04.2006	04.07.2006	1-01-55204-E	04.07.2006	2-01-55204-E
Samara Trunk Company (is splitting off)	01.04.2006	01.04.2006	08.11.2006	1-01-55203-E	08.11.2006	2-01-55203-E-A
54. Saratovenergo						
Saratov Territorial Generation Company (is splitting off)	01.04.2006	03.04.2006	02.11.2006	1-01-55212-E	02.11.2006	2-01-55212-E
Saratov Distribution Company" (is splitting off)	01.04.2006	03.04.2006	06.07.2006	1-01-55208-E	06.07.2006	2-01-55208-E
Saratov Trunk Company" (is splitting off)	01.04.2006	03.04.2006	28.09.2006	1-01-55233-E	28.09.2006	2-01-55233-E
55. Ulyanovskenergo						
Ulyanovsk Territorial Generation Company (is splitting off)	01.04.2006	01.04.2006	01.08.2006	1-01-55123-E	01.08.2006	2-01-55123-E
Ulyanovsk Distribution Company" (is splitting off)	01.04.2006	01.04.2006	04.07.2006	1-01-55202-E	04.07.2006	2-01-55202-E
Ulyanovsk Trunk Grids (a wholly-owned subsidiary of Ulyanovskenergo)	01.08.2005	29.07.2005	10.11.2005	1-01-55107-E	—	—



STATUS OF COMPANIES ESTABLISHED IN THE PROCESS OF REORGANIZATION OF AO-ENERGOS (end)

No. AO-Energo	Date of state registration of singled out companies		Securities issue registration			
	expected	actual	Ordinary Shares date	Ordinary Shares reg. №	Preference Shares date	Preference Shares reg. №
56. Kamchatskenergo						
Kamchatka CHPs (a wholly-owned subsidiary of Kamchatskenergo)	26.07.2005	21.06.2005	20.10.2005	1-01-55104-E	—	—
Central Electric Grids (a wholly-owned subsidiary of Kamchatskenergo)	26.07.2005	21.06.2005	20.10.2005	1-01-55103-E	—	—
Southern Electric Grids of Kamchatka (a wholly-owned subsidiary of Kamchatskenergo)	26.07.2005	23.06.2005	20.10.2005	1-01-65139-Д	—	—
Pauzhetsk GeoPP (a wholly-owned subsidiary of Kamchatskenergo)	26.07.2005	21.06.2005	07.10.2005	1-01-32484-F	—	—
Automobile Operating Company (a wholly-owned subsidiary of Kamchatskenergo)	26.07.2005	30.06.2005	07.10.2005	1-01-32485-F	—	—
Kamchatka Heat Transportation Company (a wholly-owned subsidiary of Kamchatskenergo)	26.07.2005	23.06.2005	07.10.2005	1-01-32486-F	—	—
57. Ingushenergo	Project completion date – October 2007 (Additionally issued KEUK shares are to be paid for by power grid property, alienation of KEUK shares)					
58. Kabbalkenergo	Project implemented in September 2006 (Additionally issued KEUK shares are to be paid for by power grid property, alienation of KEUK shares)					
Kabardino-Balkaria Hydrogeneration Company (a wholly-owned subsidiary of Kabbalkenergo)	20.11.2005	09.11.2005	19.01.2006	1-01-55169-E	—	—
59. Sevkavkazenergo	Project implemented in September 2006 (Additionally issued KEUK shares are to be paid for by power grid property, alienation of KEUK shares)					
North Ossetian Hydrogeneration Company (a wholly-owned subsidiary of Sevkavkazenergo)	20.10.2005	13.10.2005	21.02.2006	1-01-34535-E	—	—
60. Karachaicherkessenergo	Project implemented in September 2006 (Additionally issued KEUK shares are to be paid for by power grid property, alienation of KEUK shares)					
Karachai Cherkess Hydrogeneration Company (a wholly-owned subsidiary of Karachaev-Cherkesskenergo)	30.10.2005	29.10.2005	01.03.2006	1-01-34491-E	—	—
61. Altaienergo	Generation property is transferred to Kuzbassenergo, UNPG facilities are sold to FGC UES, signing of contracts – no later than January 1, 2007; settlement of payments – in March 2007					
Altaienergobyty (is being established as RAO UESR's wholly-owned subsidiary)	01.07.2006	06.07.2006	19.09.2006	1-01-12302-F	—	—
62-65. AO-Energo Companies of the Far East Region						
Amurenergo, Dalenergo, Khabarovskenergo, Yakutskenergo (Southern Energy Zone)						
Far East Trunk Grid Company	31.12.2005	22.12.2005	12.09.2006	1-01-32531-F	—	—
Far East Generation Company	31.12.2005	19.12.2005	05.09.2006	1-01-32532-F	—	—
Far East Power Company	31.12.2006					
Southern Yakutskenergo (is being established)	15.02.2006	14.02.2006	30.03.2006	1-01-55185-E	—	—
Amur Trunk Grid Company (is being established)	01.09.2006	01.09.2006	26.10.2006	1-01-55241-E	—	—
Primorsk Trunk Grid Company (is being established)	01.09.2006	05.09.2006	07.12.2006	1-01-55243-E	—	—
Khabarovsk Trunk Grid Company (is being established)	01.09.2006	01.09.2006	14.12.2006	1-01-55244-E	—	—
Yakutsk Trunk Grid Company (is being established)	01.09.2006	01.09.2006				
Yakutskenergo (isolated part)						
Energotransnsab (is being established)	01.08.2006	31.07.2006				
Teploenergосervice (is being established)	март 2007					
Southern Yakutsk Power Company (is splitting off)	01.11.2006	01.11.2006				
66. Taimyrenergo	<i>The RAO UESR-owned block of shares was sold through a public auction on July 19, 2006</i>					
The RAO UESR Board of Directors approved termination of the Company's membership in Taimyrenergo (journal № 211 of 23.12.2005) by means of alienation of 100% of Taimyrenergo shares. The public auction was arranged by the Company's Accredited Agent, OAO "Alfa-Bank", on July 19, 2006.						
A.P.Zavenyagin Norilsk Mining and Metallurgical Combine has won the auction. The cash proceeds from the sale of Taimyrenergo shares are expected to be used to finance investment projects of RAO "UES of Russia" and measures related to reorganization of the Parent Company (RAO UES).						
67. Chukotenergo	Pursuant to the RAO UESR Management Board's Decision (journal № 1292pr/1 of 12.09.2005) it is scheduled to integrate assets of Chukotenergo with energy assets of Chukot Autonomous Area within the Anadyr Power Centre, when this process is agreed with Administration of Chukot Autonomous Area.					
68. Sakhalinenergo	The RAO UESR Management Board (№ 1334pr/1 of October 31, 2005) decided that it is expedient to reorganize Sakhalinenergo and approved the development strategy for 2006-2014 (with the outlook for 2020).					
69. Tyvaenergo (a wholly-owned subsidiary of Krasnoyarskenergo)						
Tyvaenergobyty (is being established as a wholly-owned subsidiary of RAO "UES of Russia")	October 06	25.10.2006				
Kyzylskaya CHP (under establishment as a wholly-owned subsidiary of Tyvaenergo)	March 2007					
Tyva Trunk Grids (under establishment as a wholly-owned subsidiary of Tyvaenergo)	March 2007					
70. Kolymaenergo, Magadanenergo - development strategy for the energy system of Magadan region and the financial model are being worked out (forecasted date - March 2007)						
Ust-Srednekanskaya HEPP (under establishment)	April 2007					
UstSrednekanGESstroy (under establishment)	April 2007					



IMPLEMENTATION OF AO-ENERGO RESTRUCTURING PROJECTS AS OF 31.12.2006

TOTAL number of AO-Energo companies included in RAO UESR Holding: 72		"Basic" Restructuring Model	"Non-basic" Restructuring Model	TOTAL
Project Implementation Stages				
APPROVED by the Board of Directors of RAO UES of Russia		50	21	71
NOT YET APPROVED by the Board of Directors of RAO UES of Russia				1*
including approved projects:				
I	HELD: EGM on restructuring	50	7	57
II	HELD: AGM on approval of the Articles of Association and election of management bodies of the companies being created	50	4	54
III	COMPLETED: unbundling (state registration of newly established companies), including:	50	15	65
	<i>Complete unbundling (registration of all singled out companies / completion of project implementation)</i>	50	9 (Kamchatskenergo, Pskovenergo, Samaraenergo, Saratovenergo, Ulyanovskenergo, Taimyrenenergo, Sevkavkazenergo, Karachaevo-Cherkessenergo, Kabbalkenergo)	59
	<i>Partial unbundling (separate companies not yet registered / project implementation continues)</i>		6 (Amurenergo, Dalenergo, Khabarovskenergo, Yakutskenergo, Kalmenergo, Altaienergo)	6
IV	SUSPENDED implementation of restructuring project	0	2 (Sakhalinenergo, Chukotenergo)	2**

* Decisions concerning reorganization of Yantarenergo haven't yet been adopted; reorganization procedure for this company will be addressed after discussion of the development strategy for the energy system of Kaliningrad region with regional administration.

** **Sakhalinenergo** – The RAO UESR Management Board decided that it is expedient to reorganize Sakhalinenergo and approved the development strategy for 2006-2014 (with the outlook for 2020).

** **Chukotenergo** – Reorganization of the company was suspended until all questions concerning integration of assets are settled with the Administration of Chukot Autonomous Area (forecast – June 2007).



KEY EVENTS

ADOPTION OF DECISIONS ON REORGANIZATION OF AO-ENERGO COMPANIES

March 27, 2006 – The RAO UESR Management Board approved the Development Strategy for *Sakhalinenergo* for 2006-2014 (with the outlook for 2020).

Previously, the RAO UESR Management Board found it necessary to work out the Development Strategy for Sakhalinenergo (proceedings № 1334pr/1 dated October 31, 2005). The Strategy is designed to find some possible solutions to problems arising for the company. The mentioned above Management Board's decision also confirms that it is inexpedient to implement restructuring project of Sakhalinenergo until 2010 (the project involves the company's reorganization in terms of unbundling by activity type).

May 26, 2006 – The RAO UESR Board of Directors:

■ Approved participation of *Khabarovskenergo, Southern Yakutskenergo, Amurenergo, Dalenergo, and Luchegorsk Fuel and Energy Complex in Far East Generation Company and Far East Distribution Company*. Additional shares of Far East Generation Company and Far East Distribution Company will be paid for in corresponding assets of the mentioned energy companies.

■ Decided to reorganize *Khabarovskenergo, Southern Yakutskenergo, Amurenergo, Dalenergo, and Luchegorsk Fuel and Energy Complex* in terms of a merger and to approve the Article of Association of the *Far East Energy Company*, which will be established as the result of the merger of the above-mentioned companies.

August 7, 2006 – The RAO UESR Management Board decided to improve the development strategy for the energy system of the Magadan Region, including measures designed to increase reliability of *Magadanenergo* and improve the unbundling procedure in *Kolymaenergo* (according to the concept of RAO "UES of Russia", some of Kolymaenergo spin-offs won't be involved in electricity production or transmission business).

August 30, 2006 – The RAO UESR Board of Directors approved the restructuring project for *Tyvaenergo* (a wholly-owned subsidiary of Krasnoyarskenergo) according to the "non-basic" restructuring model, which includes creation of Kyzylskaya CHP (a wholly-owned subsidiary of Tyvaenergo), Tyvaenergobyt (a wholly-owned subsidiary of RAO "UES of Russia"), and Tyva Trunk Grids (a wholly-owned subsidiary of Tyvaenergo). The project also implies integration of generation property owned by Kyzylskaya CHP and TGC-13, acquisition of Tyvaenergo sales assets by Tyvaenergobyt, and reorganization of Tyva Trunk Grids in terms of a merger with and into ITGC "Center".

CREATION OF NEW COMPANIES*

February 14, 2006 – State registration of *Southern Yakutskenergo* (a wholly-owned subsidiary of JSC Yakutskenergo) in the Federal Tax Service in Neryungri city (the Republic of Sakha (Yakutia)). Established on the basis of the Southern energy zone of Yakutskenergo, Southern Yakutskenergo will produce electric and thermal power.

April 1, 2006 – State registration of the companies spun off from *Samaraenergo*.

April 3, 2006 – State registration of the companies spun off from *Saratovenergo and Ulyanovskenergo*.

July 1, 2006 – State registration of the companies, established in the process of reorganization of *Joint Stock Energy Company Komienergo, Kubanenergo, Kuzbassenergo, Kurganenergo*.

July 6, 2006 – State registration of the companies, established in the process of reorganization of *Altaienergo*.

* For more detailed information, see the table "Status of companies established in the process of reorganization of AO-Energos".



July 31, 2006 – State registration of the companies, established in the process of reorganization of *Joint Stock Company Yakutskenergo*.

September 1, 2006 – State registration of the companies, established in the process of reorganization of *Kubanenergo, Amurenergo, Khabarovskenergo, Joint Stock Company Yakutskenergo*.

September 5, 2006 – State registration of the companies, established in the process of reorganization of *Dalenergo*.

October 25, 2006 – State registration of Tyvanenergosbyt as a wholly-owned subsidiary of RAO “UES of Russia”, which was established with the aim of separating sales from other types of businesses in the process of restructuring of *Tyvaenergo*.

November 1, 2006 – State registration of South-Yakutian Energy Company (the assets of this company include 100% shareholding in the previously established generation company Southern Yakutskenergo). South-Yakutian Energy Company was spun off from a reorganized *Joint Stock Company Yakutskenergo*.

IMPLEMENTATION OF BASIC REFORM PROJECTS

Quarter 1, 2006

■ Boards of Directors of *Petersburg Sales Company and North-Western Energy Management Company* (spun off from previously reorganized Lenenergo), *Buryatgeneration and Buryatenergosbyt* (spun off from previously reorganized Buryatenergo), *Chita Generation Company and Chita Power Sales Company* (spun off from previously reorganized Chitaenergo) considered actual initial balance sheets formation results.

■ Restructuring of *Vologdaenergo, Kolenergo, Krasnoyarskenergo, Mosenergo, and Tyumenenergo* has been completed. Boards of Directors of **12 companies** spun off from these AO-Energos considered actual *initial balance sheets* formation results.

Quarter 2, 2006 – Restructuring of *Lenenergo and Chitaenergo* has been completed. Boards of Directors of *Lenenergo, Chitaenergo, and Petersburg Generation Company* (spun off from Lenenergo) considered actual initial balance sheet formation results.

KURGANENERGO

April 18, 2006 – The general meeting of shareholders of *Kurganenergo* approved Articles of Association and elected management bodies of *Kurgan Generation Company, Kurgan Power Sales Company, and Kurgan Trunk Grid Company*.

JOINT-STOCK ENERGY COMPANY KOMIENERGO

May 18, 2006 – The general meeting of shareholders of *Joint-Stock Energy Company Komienergo* approved Articles of Association and elected management bodies of *Komi Regional Generation Company, Komi Republic Trunk Power Grid, and Komi Power Sales Company*.

KUZBASSENERGO

May 18, 2006 – The general meeting of shareholders of *Kuzbassenergo* approved Articles of Association and elected management bodies of *Kuzbassenergo – Regional Power Grid Company, Kuzbassenergo Trunk Power Grids, Kuzbass Power Sales Company, West-Siberian CHP, and South-Kuzbass SDPP*.



KUBANENERGO

May 18, 2006 – The general meeting of shareholders of *Kubanenergo* approved Articles of Association and elected management bodies of *Kuban Generation Company, Kuban Power Sales Company, and Kuban Trunk Grids*.

IMPLEMENTATION OF NON-BASIC REFORM PROJECTS

ALTAIENERGO

June 22, 2006 – Under implementation of Altaienergo reform project, Altaienergoby (a wholly-owned subsidiary of RAO "UES of Russia") was established by the resolution № 155r of June 22, 2006 issued by RAO "UES of Russia".

September 29, 2006 – The Board of Directors of Altaienergo approved conclusion of a purchase and sale contract for Altaienergo property between Altaienergo and Altaienergoby (cessation of sales activities by Altaienergo).

October 1, 2006 – Altaienergoby, a wholly-owned subsidiary of RAO "UES of Russia" established with the aim of separating sales activities performed by Altaienergo from other types of activities, started its operations.

December 26, 2006 – The extraordinary general meeting of shareholders of Altaienergo approved purchase and sale contracts for the following assets owned by this company:

- UNPG facilities (contract to be signed with FGC UES),
- generation property (contract to be signed with Kuzbassenergo).

INGUSHENERGO

November 24, 2006 – The extraordinary general meeting of shareholders of KEUK decided to issue additional shares of the company. Additional shares will be paid for in transmission property of Ingushenergo (functional unbundling of this company).

KALMENERGO

February 1, 2006 – Kalmenergoby started its operations. The company purchases electric power in the wholesale market and then sells it to consumers. The Federal Tariff Service gave Kalmenergoby (a wholly owned subsidiary of RAO "UES of Russia", which leases necessary assets from Kalmenergo) the status of an independent participant of the wholesale power (capacity) market.

SAMARAENERGO, SARATOVENERGO, AND ULYANOVSKENERGO

February 12, 2006 – The general meeting of shareholders of Saratovenergo approved the Article of Association and elected management bodies of Saratov Territorial Generation Company, Saratov Distribution Company, and Saratov Trunk Company.

February 14, 2006 – The general meeting of shareholders of Ulyanovskenergo approved the Article of Association and elected management bodies of Ulyanovsk Territorial Generation Company and Ulyanovsk Distribution Company.

February 16, 2006 – The general meeting of shareholders of Samaraenergo approved the Article of Association and elected management bodies of Samara Territorial Generation Company, Samara Distribution Company, and Samara Trunk Company.



TYVAENERGO

November 27, 2006 – The Board of Directors of Tyvaenergo-Holding decided to establish Kyzylskaya CHP (a wholly-owned subsidiary of Tyvaenergo).

December 21, 2006 – The Board of Directors of Tyvaenergo-Holding decided to establish Tyva Trunk Grids (a wholly-owned subsidiary of Tyvaenergo).

AO-ENERGO COMPANIES OF THE FAR EAST REGION

February 9, 2006 – In order to complete unbundling of Yakutskenergo by activity type (separation of activities related to generation of electricity and heat), the Board of Directors of **Yakutskenergo** decided to establish its wholly owned subsidiary – **Southern Yakutskenergo**.

June 9, 2006 – Boards of Directors of **Amurenergo, Dalenergo, Luchegorsk Fuel and Energy Complex, Khabarovskenergo, and Southern Yakutskenergo** approved participation of these companies in the **Far East Generation Company and Far East Distribution Company**. General meetings of shareholders of these companies were scheduled for June 26, 2006 to address reorganization in terms of a merger (establishment of the Far East Energy Company).

June 28, 2006 – The general meeting of shareholders of **Yakutskenergo** decided to reorganize the company by separating **South-Yakutian Energy Company**.

July 3, 2006 – The extraordinary general meeting of shareholders of **Far East Generation Company** decided to increase the company's authorized capital by placing additional shares, which will be paid for in generation property owned by **Khabarovskenergo, Amurenergo, Southern Yakutskenergo, Dalenergo, and LuTEK** (Luchegorsk Fuel and Energy Complex).

July 6, 2006 – The extraordinary general meeting of shareholders of **Far East Distribution Grid Company** decided to increase the company's authorized capital by placing additional shares, which will be paid for in generation property owned by **Khabarovskenergo, Amurenergo, Southern Yakutskenergo, Dalenergo, and LuTEK** (Luchegorsk Fuel and Energy Complex).

July 25, 2006 – The Board of Directors of JSC Yakutskenergo decided to establish a wholly-owned subsidiary of the company, namely **Energotranssnab**.

July 26, 2006 – Extraordinary general meetings of shareholders of **Khabarovskenergo, Amurenergo, Southern Yakutskenergo, Dalenergo, and LuTEK** (Luchegorsk Fuel and Energy Complex) approved transactions, according to which these companies will purchase additional shares of Far East Generation Company and Far East Distribution Grid Company, and specified the list of their property to be transferred to FEGC and FEDGC as payment for their additional shares.

July 26, 2006 – Extraordinary general meetings of shareholders of **Amurenergo, Dalenergo, LuTEK, Khabarovskenergo, and Southern Yakutskenergo** decided to reorganize the companies in terms of a merger, approved merger agreements for **Amurenergo, Dalenergo, LuTEK, Khabarovskenergo, and Southern Yakutskenergo** and the Article of Association of Far East Energy Company to be created as a result of the merger.



August 18, 2006 – Boards of Directors of *Amurenergo, Dalenergo, LuTEK, Khabarovskenergo, and Southern Yakutskenergo* scheduled it for November 7, 2006 to hold the extraordinary general meeting of shareholders to address election of management bodies of Far East Energy Company.

August 22, 2006; August 24, 2006; August 25, 2006 – Boards of Directors of *Amurenergo, Dalenergo, Khabarovskenergo, and JSC Yakutskenergo* decided that these AO-Energos would participate in creation of trunk grid companies.

September 20, 2006 – The general meeting of shareholders of *JSC Yakutskenergo* approved the Article of Association and elected management bodies for *South-Yakutian Energy Company*, which is now separating from Yakutskenergo.

November 7, 2006 – Joint general meeting of shareholders of *Amurenergo, Dalenergo, Khabarovskenergo, Southern Yakutskenergo and LuTEK* (Luchegorsk Fuel and Energy Complex) elected management bodies of Far East Management Company.

December 27, 2006 – Extraordinary general meetings of shareholders of *Amurenergo, Dalenergo, Khabarovskenergo, Southern Yakutskenergo and LuTEK* (Luchegorsk Fuel and Energy Complex) decided to alienate their profile property to Far East Generation Company and Far East Distribution Grid Company with the aim of launching operations of the latter since January 1, 2007.

CAUCASIAN ENERGY MANAGEMENT COMPANY

January 23, 2006 – The extraordinary general meeting of shareholders of *Kabbalkenergo* approved the transaction to be entered between this company and KEUK. The transaction involves placement of additional shares issued by KEUK. These additionally issued shares will be paid for in Kabbalkenergo-owned electric transmission property that doesn't belong to UNPG facilities.

February 28, 2006 – The Board of Directors of *Karachaevo-Cherkessenergo* decided to cancel participation in its previously established wholly owned subsidiary Karachayev-Cherkessk Hydrogeneration Company by selling shares of this company to Zelenchuki HEPPs.

March 29, 2006 – The extraordinary general meeting of shareholders of *Sevkavkazenergo* decided to approve transactions, which will launch debt-restructuring program for Sevkavkazenergo so that the company will be able to pay its debt to Stavropol SDPP, Nevinomyssk SDPP, and Novocherkassk SDPP. In particular, the extraordinary general meeting:

- Decided to cancel Sevkavkazenergo's participation in North-Ossetian Hydrogeneration Company and Zaramagsk HEPPs;
- Approved agreements which involve transfer of Sevkavkazenergo's debt to Nevinomyssk SDPP from the company to Zaramagsk HEPPs;
- Approved agreement which involves transfer of Karachaevo-Cherkessenergo's debt to RAO "UES of Russia" from the company to Sevkavkazenergo;
- Approved the sales contract under which the company will sell its electric transmission facilities (not belonging to UNPG) to RAO "UES of Russia".



March 29, 2006 – The extraordinary general meeting of shareholders of **Kabbalkenergo** approved transactions, which will launch debt-restructuring program for Kabbalkenergo so that the company will be able to pay its debt to Stavropol SDPP, Nevinomyssk SDPP, and Novocherkassk SDPP. In particular, the extraordinary general meeting approved:

- Alienation of shares of Nizhni-Chereksk Cascade of HEPPs by Kabbalkenergo;
- Decision to cancel Kabbalkenergo's participation in Kabardino-Balkarian Hydrogeneration Company;
- Agreements which involve transfer of Kabbalkenergo's debt to Stavropol SDPP and Nevinomyssk SDPP from the company to Nizhni-Chereksk Cascade of HEPPs;
- Debt assignment agreement to be entered between Kabbalkenergo and Nizhni-Chereksk Cascade of HEPPs. Under this agreement Kabbalkenergo assigns the debt KabbalkHEPP owes the company and all rights associated with it to Nizhni-Chereksk Cascade of HEPPs.

May 25, 2006 – The Board of Directors of **Karachaev-Cherkessenergo** approved alienation of KEUK shares owned by the company (under measures for financial rehabilitation of the company).

June 1, 2006 – Registration of the report on the issue of additional ordinary shares by Caucasian Energy Management Company (KEUK); the shares were placed by closed subscription (private offering). Additional shares of **KEUK** were paid for in transmission facilities (not belonging to UNPG) **owned by Kabbalkenergo, Karachaev-Cherkessenergo, and Sevkavkazenergo.**

June 19, 2006 – Extraordinary general meetings of shareholders of **Kabbalkenergo and Sevkavkazenergo** approved alienation of **KEUK shares** owned by these companies (under measures for financial rehabilitation of the companies).

September 27, 2006 – Projects for restructuring of **Kabbalkenergo, Sevkavkazenergo, and Karachaev-Cherkessenergo were completed.** The latest transactions involving alienation of KEUK shares owned by these companies and paid for by their transmission property were closed.



ADMISSION OF SHARES ISSUED BY COMPANIES ESTABLISHED UNDER AO-ENERGO RESTRUCTURING TO THE ORGANIZED MARKET*

Quarter 1, 2006 – As of the 1st quarter of 2006, securities of *78 newly established companies* spun off from reorganized AO-Energos have been admitted to trading on the stock market:

■ **RTS Stock Exchange** – shares of **76** companies

■ **NP RTS** – shares of **71** companies

■ **MICEX** – shares of **73** companies

Quarter 2, 2006 – As of the 2nd quarter of 2006, securities of *84 newly established companies* spun off from reorganized AO-Energos have been admitted to trading on the stock market:

■ **RTS Stock Exchange** – shares of **81** companies

■ **NP RTS** – shares of **72** companies

■ **MICEX** – shares of **73** companies

Quarter 3, 2006 – As of the 3rd quarter of 2006, securities of *90 newly established companies* spun off from reorganized AO-Energos have been admitted to trading on the stock market:

■ **RTS Stock Exchange** – shares of **88** companies

■ **NP RTS** – shares of **83** companies

■ **MICEX** – shares of **77** companies

Quarter 4, 2006 – As of the 4th quarter of 2006, securities of *91 newly established companies* spun off from reorganized AO-Energos have been admitted to trading on the stock market:

■ **RTS Stock Exchange** – shares of **88** companies

■ **NP RTS** – shares of **84** companies

■ **MICEX** – shares of **78** companies

In the course of the structural reform 35 newly established generation companies ceased their operations because of their merger with and into corresponding wholesale (WGCs) or territorial (TGCs) generation companies.

Thus, **as of December 31, 2006 56 newly established companies** have been trading their shares on the stock exchanges, including **39** sales, **13** generation and **4** distribution grid companies.

* For more detailed information, see the table "Status of companies established in the process of reorganization of AO-Energos".



PLANS FOR THE 1st QUARTER OF 2007

ADOPTION OF DECISIONS ON THE DEVELOPMENT STRATEGY AND RESTRUCTURING OF AO-ENERGOS

January – The RAO UESR Management Board is planning to consider the company's participation in the following companies being established: ***Ust-Srednekanskaya HEPP and UstSrednekanGESstroy*** (restructuring of Kolymaenergo).

March – It is scheduled to submit the development strategy for the energy system of Magadan region (including the financial model and measures to increase reliability and transparency of ***Kolymaenergo and Magadanenergo***) for approval by the RAO UESR Management Board.

CREATION OF NEW COMPANIES

Under implementation of "non-basic" reform projects for AO-Energos of the Far East, JSC Yakutskenergo and Tyvaenergo are planning to complete state registration of the companies being established, including:

↓ **February 1, 2007** – *AO-Energos of the Far East*

Far East Energy Company – *the company being established as a result of merger-based reorganization of Amurenergo, Dalenergo, Khabarovskenergo, Southern Yakutskenergo, and LuTEK.*

↓ **March** – *JSC Yakutskenergo*

Teploenergoservice – *is now being established, a wholly-owned subsidiary of JSC Yakutskenergo.*

↓ **March** – *Tyvaenergo (a wholly-owned subsidiary of Krasnoyarskenergo)*

Kyzylskaya CHP – *is now being established, a wholly-owned subsidiary of Tyvaenergo*

Tyva Trunk Grids – *is now being established, a wholly-owned subsidiary of Tyvaenergo.*

IMPLEMENTATION OF "NON-BASIC" REFORM PROJECTS

Establishment of FAR EAST ENERGY COMPANY, FAR EAST GENERATION COMPANY AND FAR EAST DISTRIBUTION GRID COMPANY

January 1, 2007 – Far East Generation Company and Far East Distribution Grid Company will start their operations.

February 1, 2007 – It is scheduled that Dalenergo, Khabarovskenergo, Amurenergo, Southern Yakutskenergo (a wholly-owned subsidiary of South-Yakutian Energy Company) and LuTEK will cease their operations because of their merger with and into Far East Energy Company.

Measures related to functional unbundling of ALTAIENERGO

March – It is scheduled to settle all payments under concluded contracts for purchase of generation property owned by Altaienergo by Kuzbassenergo and for purchase of UNPG facilities by FGC UES.

Measures related to functional unbundling of TYVAENERGO (a wholly-owned subsidiary of Tyvaenergoholding)

March 1, 2007 – Tyvaenergobytt (a wholly-owned subsidiary of RAO "UES of Russia") is planning to start its operations.

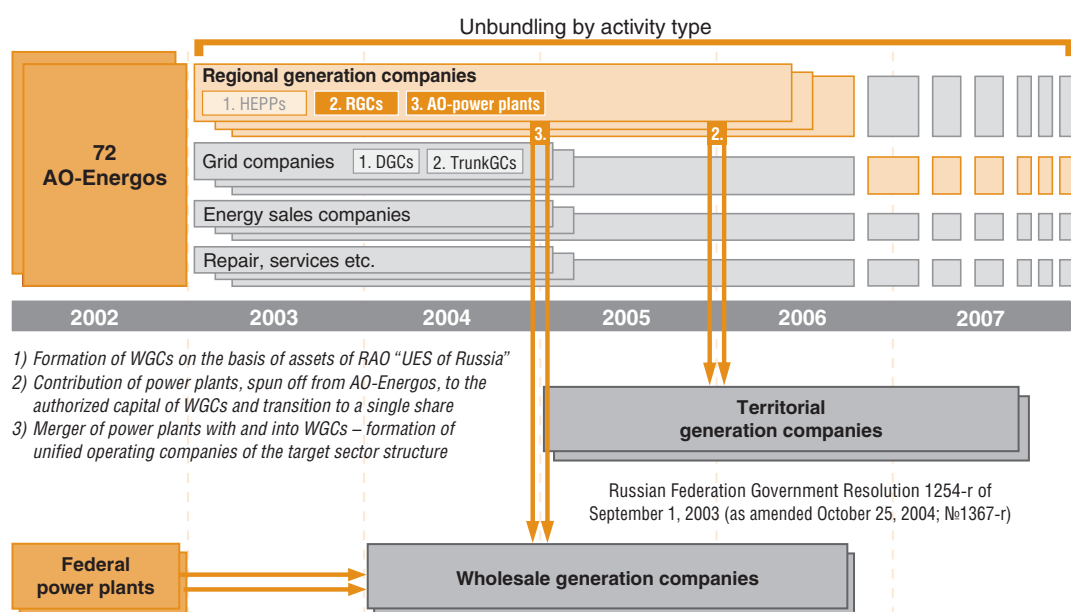
March – It is scheduled to sign an acceptance certificate for property to be used as payment for authorized capitals of Kyzylskaya CHP (separation of generation property) and Tyva Trunk Grids (split-off of UNPG facilities).



GENERATION COMPANIES

In the process of restructuring RAO "UES of Russia" is undergoing major changes. Functional unbundling of AO-Energo companies has been practically completed. Amalgamated companies have been established, following the principle of horizontal interregional integration.

Assets of generation companies are also being consolidated. Thus, the companies become comparable in size and functioning conditions.



Wholesale generation companies (WGCs) are formed on the basis of large federal power plants owned by RAO "UES of Russia" and AO-Energos.

Territorial generation companies (TGCs) are formed on the basis of generation assets of AO-Energos with account of maximum possible integration of generation companies, which doesn't affect formation of free prices in the competitive electricity market. TGCs include generation assets owned by AO-Energos, excluding power plants, which are included in the configuration of WGCs, power plants located in isolated energy systems and certain generation assets (that require individual solutions). Thermal power plants are included in the configuration of TGCs with account of regional peculiarities implied by reform projects for correspondong AO-Energos.

GENERATION COMPANIES OF THE WHOLESALE POWER MARKET (WGCs)

Pursuant to the Appendix to the Concept of RAO UESR's Strategy for 2003-2008 (the "5+5"): "**Generation companies of the wholesale power market**" WGCs will become the largest generators in the wholesale market. In an effort to restrict the monopoly influence on the competitive wholesale power market, thermal WGCs are being formed on an extraterritorial basis. In order to increase transparency and openness of the companies for shareholders and investors as well as to increase liquidity of thermal WGCs shares, WGCs are supposed to enter Russian and possibly foreign stock markets by implementing depositary receipts program immediately after their formation is completed.

It is very important to make WGCs attractive for investors, thus ensuring that their shares will fall under the "blue chips" category on the Russian stock market.

The target model for HydroWGC functioning implies that after its formation is completed, HydroWGC will become an operating company, which controls affiliates included in its configuration - hydroelectric power plants, and implement corporate governance as far as its subsidiaries (established to organize new activity types, i.e. types of businesses, and implement investment projects) are concerned. The participatory interest of the Russian Federation in the authorized capital of HydroWGC operating company should amount to no less than 50%+1 share.

In order to attract investments to HydroWGC as well as to increase both liquidity of HydroWGC's shares and the company's value, shares of HydroWGC are supposed to be admitted to trading on Russian and possibly on foreign (by implementing depositary receipts program) trading floors. Thereby shares of HydroWGC will become some of most attractive energy assets for investors, thus ensuring that the company will fall under the "blue chips" category on the Russian stock market.

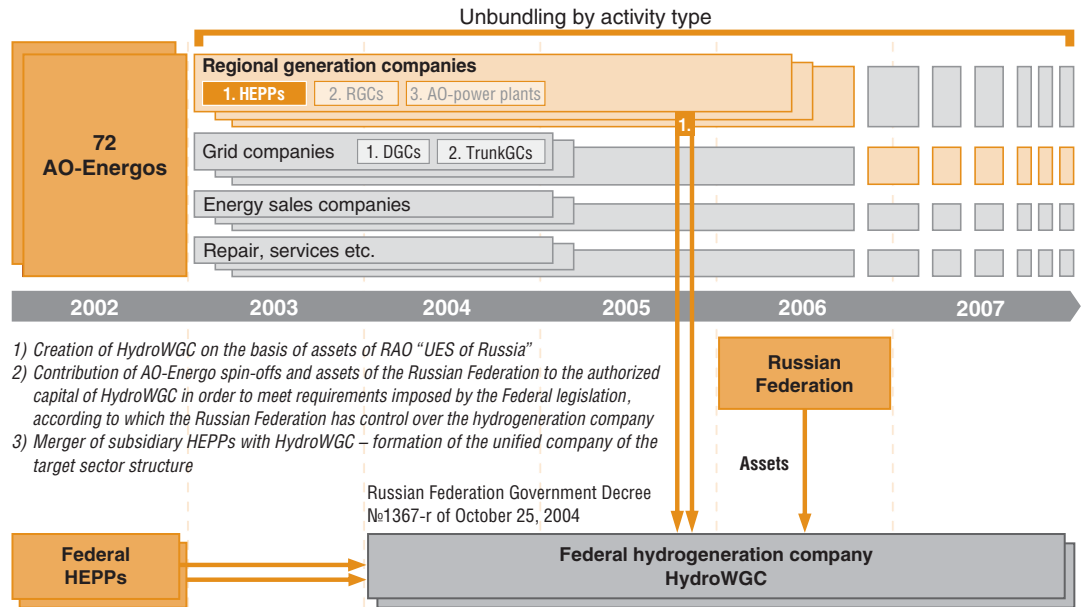
A total of seven WGCs have been established: six of them contain thermal power plants; one is purely hydroelectric.



WGCs have been formed according to the following principles:

- large scale: actual installed capacity of WGCs is between 8,5-22 GW, which equals to generation capacity in small European countries. In many states restructuring of the power sector resulted in creation of companies of a similar size;
- equal starting conditions (in terms of installed capacity, value of assets, average equipment wear);
- minimization of possibilities for monopoly abuse;
- consolidation of companies is based on the type of power generation facilities: thermal WGCs contain thermal power plants (TPPs) and HydroWGC – hydroelectric power plants (HEPPs).





The “basic” model for WGCs establishment, approved by the RAO UESR Board of Directors on September 29, 2003, involves two stages:

- at the first stage, WGCs are established as wholly-owned subsidiaries of RAO "UES of Russia" with payment for their authorized capitals in RAO UESR-owned shares and property of AO-power plants;
- at the second stage, RAO UESR-owned shares of AO-power plants spun off from AO-Energos are used as payment for the shares of WGCs. Transition to a single share also takes place during this stage. It is implemented by exchanging shares on the basis of the uniform appraisal methodology.

The decision to form a Unified Federal Hydrogeneration Company (HydroWGC) was adopted by the Russian Federation Government proceeding from peculiarities of functioning of hydroelectric power plants in the wholesale power market.

Implementation of HydroWGC target model involves creation of a unified operating company, which comprises affiliated hydroelectric power plants. In order to organize new activity types, i.e. types of business, and implement investment projects, HydroWGC may create subsidiaries and affiliates.

At the first stage, two alternatives are possible: to reorganize subsidiaries of HydroWGC in terms of a merger with and into HydroWGC (this reorganization is applied only to those subsidiaries, in which the company has 100% - 1 share participatory interest) or to contribute property of HEPPs owned by those subsidiaries of HydroWGC, in which the company has 100% - 1 share participatory interest, to the authorized capital of HydroWGC.

Under measures towards formation of HydroWGC, including measures designed to increase the State's interest in the company, the annual general meeting of shareholders of RAO "UES of Russia" held **on June 28, 2006** approved the transaction under which RAO "UES of Russia" will purchase additional shares of HydroWGC. HydroWGC additional shares will be paid for in RAO UESR-owned shares and other property of hydroelectric power plants, AO-HEPPs and hydrogeneration companies established in the process of AO-Energo restructuring.



As of December 31, 2006 placement of HydroWGC additional shares has been completed with payment for them in RAO UESR-owned property, including shares of 4 AO-HEPPs and 2 hydrogeneration companies. Besides, measures were launched to reorganize HydroWGC in terms of a merger with 5 subsidiaries (hydroelectric power plants), in which the company has 100%-1 share.

As of December 31, 2006 the RAO UESR Board of Directors has approved participation of RAO "UES of Russia" in all seven WGCs. All of them have undergone state registration procedure. All thermal WGCs have been formed as per their target models. Shares of these companies have been admitted to trading on NP RTS, RTS Stock Exchange, and MICEX.

WGC TARGET STRUCTURE FORMATION

The company	State registration of WGC	Progress in target structure formation	RAO UES share in the authorized capital of WGCs (before IPO), %	RAO UES share in the authorized capital of WGCs (after IPO), %	Admission of securities to the organized market	Capitalization of WGCs as of December 31, 2006, USD bln	Creation of target company (reorganization of RAO "UES of Russia")
WGC-1	23.03.2005	completed 29.09.2006	91,68	*	completed 29.11.2006	to be determined following the results of the first transactions	**
WGC-2	09.03.2005	completed 29.09.2006	84,65	*	completed 17.07.2006	3,36	**
WGC-3	23.11.2004	completed 01.04.2006	59,72	*	completed 09.02.2006	3,06	**
WGC-4	04.03.2005	completed 01.07.2006	89,60	*	completed 14.07.2006	3,88	**
WGC-5	27.10.2004	completed 01.04.2006	87,67	75,03	completed 14.09.2005	3,96	September 2007
WGC-6	17.03.2005	completed 29.09.2006	96,91	*	completed 04.08.2006	3,34	**
Hydro WGC	24.12.2004	***	100	*	not yet determined	a wholly-owned subsidiary of RAO "UES of Russia"	**

* To be determined following the results of placement of additional shares.

** To be determined following the results of approval of measures related to reorganization of RAO "UES of Russia".

*** Additional shares issued by Hydro WGC were placed with payment for them in RAO UESR-owned property (including shares of 4 AO-HEPPs and 2 hydroGCs). Launch of measures related to the company's merger with 5 (100% - 1 share) subsidiaries (AO-HEPPs) of Hydro WGC.



PLANS FOR THE
1st QUARTER
OF 2007

REDUCTION OF AUTHORIZED CAPITALS OF THERMAL WGCs

March – It is scheduled to convene extraordinary general meetings of shareholders of *WGC-2 and WGC-4* to address reduction of authorized capitals of these companies.

ESTABLISHMENT OF HYDROWGC ACCORDING TO ITS TARGET STRUCTURE

January – It is scheduled that the RAO UESR Board of Directors will consider the procedure of reorganization of HydroWGC in terms of a merger with 5 (100%-1 share) subsidiaries, including *Kama HEPP, Nizhni Novgorod HEPP, Upper Volga Cascade of HEPPs, Cheboksary HEPP and Saratov HEPP*.

February – It is scheduled to hold extraordinary general meetings of shareholders of 5 (100% - 1 share) subsidiaries of HydroWGC, including *Kama HEPP, Nizhni Novgorod HEPP, Upper Volga Cascade of HEPPs, Cheboksary HEPP and Saratov HEPP*, to address reorganization of these companies in terms of a merger.



OPEN JOINT-STOCK COMPANY**"THE FIRST GENERATION COMPANY OF THE WHOLESALE POWER MARKET" (WGC-1)**

WGC-1 was established on March 23, 2005. The company includes:

- **Perm SDPP** (Perm region);
- **Kashira SDPP-4** (Moscow region);
- **Nizhneartovskaya SDPP** (Khanty-Mansi Autonomous Area);
- **Urengoykaya SDPP** (Yamalo-Nenets Autonomous Area);
- **Irkliino SDPP** (Orenburg region);
- **Verkhnetagilskaya SDPP** (Sverdlovsk region).

Director General – Khlebnikov Vladimir Viktorovich.

Chairman of the Board of Directors – Makushin Yuri Pavlovich.

PRODUCTION CHARACTERISTICS*

Installed capacity, MW	9 231
Installed capacity, Gcal	
Amount of power produced, mln kWh	35 021,4
Capacity utilization rate, %	57,9
Fuel type	Gas

FINANCIAL AND ECONOMIC INDICATORS*

Revenues from sales, mln rubles	21 823,81
Production costs, mln rubles	18 832,16
Gross profit, mln rubles	2 991,65
Net profit, mln rubles	-565,13
Profitability, %	13,71

Measures for the implementation of establishment projects

February 28, 2006 – Extraordinary general meetings of shareholders of **Perm SDPP**, **Kashira SDPP-4**, **Irkliino SDPP** (under the competence of the RAO UESR Management Board), **Nizhneartovsk SDPP** (under the competence of the RAO UESR Management Board), and **Urengoy SDPP** (under the competence of the RAO UESR Management Board) decided to reorganize the companies in terms of a merger with and into WGC-1 and approved merger agreements.

May 25, 2006 – Joint general meeting of shareholders of **WGC-1**, **Nizhneartovsk SDPP**, **Urengoy SDPP**, **Irkliino SDPP**, **SDPP-4 (Kashira SDPP)**, and **Perm SDPP** decided to introduce amendments and additions to WGC-1 Article of Association due to its reorganization in terms of a merger.

September 29, 2006 – **Completion of WGC-1 establishment**. Entry was made in the Uniform State Register of Legal Entities that **Nizhneartovsk SDPP**, **Urengoy SDPP**, **Irkliino SDPP**, **Kashira SDPP**, and **Perm SDPP** cease functioning because of their merger with and into WGC-1.

Participation in the stock market

November 29, 2006 – Shares of WGC-1 were included in the list of securities admitted to trading (without listing) on NP RTS, RTS Stock Exchange and MICEX.

117393, Russia, Moscow,
Profsoyuznaya street, 56

Tel: (495) 225-40-00
Fax: (495) 225-40-90
E-mail: info@ogk1.ru
Web: www.ogk1.com

* As of 9 months of 2006.



OPEN JOINT-STOCK COMPANY**"THE SECOND GENERATION COMPANY OF THE WHOLESALE POWER MARKET" (WGC-2)**

WGC-2 was established on March 9, 2005. The company includes:

- **Pskov SDPP** (Pskov region);
- **Serov SDPP** (Sverdlovsk region);
- **Stavropol SDPP** (Stavropol territory);
- **Surgut SDPP-1** (Khanty-Mansi Autonomous Area);
- **Troitsk SDPP** (Chelyabinsk region).

Director General – Kuzichev Mikhail Vasilyevich.

Chairman of the Board of Directors – Lisyansky Mikhail Eduardovich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	8 695	Revenues from sales, mln rubles	32 391,93
Installed capacity, Gcal		Production costs, mln rubles	32 723,67
Amount of power produced, mln kWh	35 085,5	Gross profit, mln rubles	-331,74
Capacity utilization rate, %	61,6	Net profit, mln rubles	-1 975,70
Fuel type	Gas, coal	Profitability, %	-1,02

Measures for the implementation of establishment projects

February 28, 2006 – Extraordinary general meetings of shareholders of *Pskov SDPP, Stavropol SDPP, Troitsk SDPP, Serov SDPP, and Surgut SDPP-1* (under the competence of the RAO UESR Management Board) decided to reorganize the companies in terms of a merger with and into WGC-2 and approved merger agreements.

May 15, 2006 – Joint general meeting of shareholders of *WGC-2, Pskov SDPP, Stavropol SDPP, Troitsk SDPP, Serov SDPP, and Surgut SDPP* decided to introduce amendments and additions to WGC-2 Article of Association due to its reorganization in terms of a merger.

September 29, 2006 – *Completion of WGC-2 establishment*. Entry was made in the Uniform State Register of Legal Entities that *Pskov SDPP, Stavropol SDPP, Troitsk SDPP, Serov SDPP, and Surgut SDPP-1* cease functioning because of their merger with and into WGC-2.

Participation in the stock market

July 17, 2006; July 20, 2006; July 19, 2006 – Shares of WGC-2 were admitted to trading on RTS Stock Exchange, NP RTS, and MICEX correspondingly.

117393, Russia, Moscow,
Profsoyuznaya street, 56

Tel: (495) 981-30-39

Fax: (495) 981-34-82

E-mail: office@ogk2.ru

Web: www.ogk2.ru/home/

* As of 9 months of 2006.



OPEN JOINT-STOCK COMPANY "THE THIRD GENERATION COMPANY OF THE WHOLESALE POWER MARKET" (WGC-3)

WGC-3 was established on November 23, 2004. The company includes:

- **Kostroma SDPP** (Kostroma region);
- **Cherepetsk SDPP** (Tula region);
- **Pechora SDPP** (Komi Republic);
- **Yuzhournorsk SDPP** (Chelyabinsk region);
- **Kharanorsk SDPP** (Chita region);
- **Gusinozersk SDPP** (Republic of Buryatia).

Director General – Kuznezov Maxim Nikolayevich.

Chairman of the Board of Directors – Chikunov Aleksandr Vasilyevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	8 497	Revenues from sales, mln rubles	16 733,04
Installed capacity, Gcal	1 615	Production costs, mln rubles	15 442,24
Amount of power produced, mln kWh	21 858,5	Gross profit, mln rubles	1 290,79
Capacity utilization rate, %	39,2	Net profit**, mln rubles	209,41
Fuel type	Gas	Profitability, %	7,7

Measures for the implementation of establishment projects

January 31, 2006 – Joint general meeting of shareholders of **WGC-3, Gusinozersk SDPP, Kostroma SDPP, Pechora SDPP, Kharanorsk SDPP, and Yuzhournorsk SDPP** decided to introduce amendments and additions to WGC-3 Article of Association due to its reorganization in terms of a merger.

April 1, 2006 – **Establishment of WGC-3 was completed.** Entry was made in the Uniform State Register of Legal Entities that Kostroma HEPP, Pechora HEPP, Gusinozersk HEPP, Kharanorsk HEPP, Cherepetsk HEPP, and Yuzhournorsk HEPP cease their operations because of their merger with and into WGC-3.

Participation in the stock market

February 6, 2006 – Shares of WGC-3 were admitted to trading by NP RTS and RTS Stock Exchange.

121596, Russia, Moscow,
Mozhayskoe highway, 165

Tel: (495) 380-02-05
Fax: (495) 380-02-06
E-mail: secretary@ogk3.ru
Web: www.ogk3.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



OPEN JOINT-STOCK COMPANY**"THE FORTH GENERATION COMPANY OF THE WHOLESALE POWER MARKET" (WGC-4)**

WGC-4 was established on March 4, 2005. The company includes:

- **Surgut SDPP-2** (Khanty-Mansi Autonomous Area);
- **Berezovsk SDPP-1** (Krasnoyarsk region);
- **Shatura SDPP-5** (Moscow region);
- **Smolensk SDPP** (Smolensk region);
- **Yayva SDPP** (Perm region).

Director General – Kitashev Andrey Vladimirovich.

Chairman of the Board of Directors – Makushin Yuri Pavlovich.

PRODUCTION CHARACTERISTICS*

Installed capacity, MW	8 630
Installed capacity, Gcal	
Amount of power produced, mln kWh	36 664,2
Capacity utilization rate, %	64,8
Fuel type	Gas, coal

FINANCIAL AND ECONOMIC INDICATORS*

Revenues from sales, mln rubles	19 796,92
Production costs, mln rubles	17 834,32
Gross profit, mln rubles	1 962,60
Net profit, mln rubles	47,38
Profitability, %	9,91

Measures for the implementation of establishment projects

February 28, 2006 – Extraordinary general meetings of shareholders of *Berezovsk SDPP, Smolensk SDPP, Shatura SDPP-5, Yayva SDPP, and Surgut SDPP-2* (under the competence of the RAO UESR Management Board) decided to reorganize the companies in terms of a merger with and into **WGC-4** and approved merger agreements.

May 22, 2006 – Joint general meeting of shareholders of *WGC-4, Berezovsk SDPP, Smolensk SDPP, SDPP-5 (Shatura SDPP), Yayva SDPP, and Surgut SDPP-2* decided to introduce amendments and additions to WGC-4 Article of Association due to its reorganization in terms of a merger.

July 1, 2006 – **Completion of WGC-4 establishment.** Entry was made in the Uniform State Register of Legal Entities that *Berezovsk SDPP, Smolensk SDPP, Shatura SDPP-5, Yayva SDPP, and Surgut SDPP-2* cease functioning because of their merger with and into WGC-4.

Participation in the stock market

July 18, 2006; August 15, 2006; August 2, 2006 – Shares of WGC-4 were admitted to trading on RTS Stock Exchange, NP RTS, and MICEX correspondingly.

119017, Russia, Moscow,
Bolshaya Ordynka street 40,
bld. 4, office 704

Tel: (495) 411-50-55
Fax: (495) 411-87-60
E-mail: ogk@ogk-4.ru
Web: www.ogk-4.ru

* As of 9 months of 2006.



OPEN JOINT-STOCK COMPANY**"THE FIFTH GENERATION COMPANY OF THE WHOLESALE POWER MARKET" (WGC-5)**

WGC-5 was established on October 27, 2005. The company includes:

- **Nevinomyssk SDPP** (Stavropol region);
- **Reftino SDPP** (Sverdlovsk region);
- **Sredneuralsk SDPP** (Sverdlovsk region);
- **Konakovo SDPP** (Tver region).

Director General – Bushin Anatoli Vladimirovich.

Chairman of the Board of Directors – Orudzhev Eldar Valeryevich.

PRODUCTION CHARACTERISTICS*

Installed capacity, MW	8 671,5
Installed capacity, Gcal	2 425,3
Amount of power produced, mln kWh	29 743,1
Capacity utilization rate, %	52,2
Fuel type	Gas, coal

FINANCIAL AND ECONOMIC INDICATORS*

Revenues from sales, mln rubles	22 418,65
Production costs, mln rubles	20 901,84
Gross profit, mln rubles	1 516,80
Net profit**, mln rubles	317,32
Profitability, %	6,8

Measures for the implementation of establishment projects

January 25, 2006 – Joint general meeting of shareholders of **WGC-5, Konakovo SDPP, and Nevinomyssk SDPP** decided to introduce amendments and additions to WGC-5 Article of Association due to its reorganization in terms of a merger.

April 1, 2006 – **Establishment of WGC-5 was completed.** Entry was made in the Uniform State Register of Legal Entities that Konakovo SDPP, Nevinomyssk SDPP, Reftino SDPP (Sverdlovsk region), and Sredneuralsk SDPP cease their operations because of their merger with and into WGC-5.

October 31, 2006 – Issue of additional shares by WGC-5***.

Participation in the stock market

Since September 2005 – Shares of WGC-5 have been traded on the Russian stock exchanges.

119136, Russia, Moscow,
4th Setunsky proezd, 10A,
bld. 2

Tel: (495) 380-02-32
Fax: (495) 380-02-32
E-mail: Office@ogk-5.com
Web: www.ogk-5.com

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.

*** For more information, please see the section "Additional share issues by thermal generation companies" (page 21).



OPEN JOINT-STOCK COMPANY "THE SIXTH GENERATION COMPANY OF THE WHOLESALE POWER MARKET" (WGC-6)

WGC-6 was established on March 17, 2005. The company includes:

- **Novocherkassk SDPP** (Rostov region);
- **Kirishi SDPP** (Leningrad region);
- **Ryazan SDPP** (Ryazan region);
- **Krasnoyarsk SDPP-2** (Krasnoyarsk territory);
- **SDPP-24** (Ryazan region);
- **Cherepovetsk SDPP** (Vologda region).

Director General – Sanko Valentin Mikhailovich.

Chairman of the Board of Directors – Vainzikher Boris Feliksovich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	9 052	Revenues from sales, mln rubles	20 963,47
Installed capacity, Gcal	2 625	Production costs, mln rubles	20 578,69
Amount of power produced, mln kWh	24 785,2	Gross profit, mln rubles	384,78
Capacity utilization rate, %	41,7	Net profit**, mln rubles	732,09
Fuel type	Gas, coal	Profitability, %	1,8

Measures for the implementation of establishment projects

March 17, 2006 – Extraordinary general meetings of shareholders of *Kirishi SDPP, Krasnoyarsk SDPP-2, Novocherkassk SDPP, Ryazan SDPP, SDPP-24, and Cherepovets SDPP* decided to reorganize the companies in terms of a merger with and into WGC-6 and approved merger agreements.

June 9, 2006 – Joint general meeting of shareholders of *WGC-6, Kirishi SDPP, Krasnoyarsk SDPP, Novocherkassk SDPP, Ryazan SDPP, SDPP-24, and Cherepovets SDPP* decided to introduce amendments and additions to WGC-6 Article of Association due to its reorganization in terms of a merger.

September 29, 2006 – *Completion of WGC-6 establishment.* Entry was made in the Uniform State Register of Legal Entities that *Kirishi SDPP, Krasnoyarsk SDPP, Novocherkassk SDPP, Ryazan SDPP, SDPP-24, and Cherepovets SDPP* cease functioning because of their merger with and into WGC-6.

Participation in the stock market

August 15, 2006, August 15, 2006, August 4, 2006 – Shares of WGC-6 were admitted to trading on RTS Stock Exchange, NP RTS, and MICEX correspondingly.

115162, Russia, Moscow,
Mytnaya street, 21

Tel: (495) 380-04-10
Fax: (495) 380-04-11
E-mail: office@ogk6.ru
Web: www.ogk6.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



OPEN JOINT-STOCK COMPANY "THE FEDERAL HYDROGENERATION COMPANY" (HYDROWGC)

HydroWGC was established on December 26, 2004. The company includes:

- **Neporozhny Sayano-Shushensk HEPP** (Republic of Khakassia);
- **Bureya HEPP** (Amur region);
- **Zeya HEPP** (Amur region);
- **Zhigulyovsk HEPP** (Samara region);
- **Votkinsk HEPP** (Perm territory). *Leased by TGC-9 until 01.01.2007;*
- **Kama HEPP** (Perm territory). *Leased by TGC-9 until 01.01.2007;*
- **Boguchansk HEPP** (Krasnoyarsk territory);
- **Zaramagsk HEPPs** (Republic of North Ossetia-Alania);
- **North Ossetian Hydrogeneration Company** (Republic of North Ossetia-Alania);
- **Zelenchuki HEPPs** (Republic of Karachaevo-Cherkessia);
- **Karachai-Cherkessk Hydrogeneration Company** (Republic of Karachaevo-Cherkessia);
- **KabbalkHEPP** (Republic of Kabardino-Balkaria);
- **Kabardino-Balkarian Hydrogeneration Company** (Republic of Kabardino-Balkaria);
- **Nizhni Chereksk Cascade of HEPPs** (Republic of Kabardino-Balkaria);
- **Dagestan Regional Generation Company** (Republic of Dagestan);
- **Sulakenergo** (Republic of Dagestan);
- **Saratov HEPP** (Saratov region);
- **Nizhni Novgorod HEPP** (Nizhegorodskaya region);
- **Upper Volga Cascade of HEPPs** (Yaroslavl region);
- **Zagorsk HEPSPP** (Moscow region);
- **Stavropol Electricity Generation Company** (Stavropol region);
- **Volghskaya HEPP** (Volgograd region);
- **Cheboksary HEPP** (Republic of Chuvashia);
- **Scientific Research Institute of Energy Structures (NIIES)** (Moscow);
- **The B.E. Vedeneev all-Russian Research Institute of Hydraulic Engineering (VNIIG)** (St. Petersburg);
- **ESKO UES** (St. Petersburg);
- **Malaya Mezenskaya Tidal Power Plant** (Arkhangelsk region).

Director General – Siniugin Vyacheslav Yuryevich.

Chairman of the Board of Directors – Khristenko Boris Viktorovich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	18 319	Revenues from sales, mln rubles	18 374
Installed capacity, Gcal		Production costs, mln rubles	13 808
Amount of power produced, mln kWh	59 010,8	Gross profit, mln rubles	2 442
Capacity utilization rate, %		Net profit, mln rubles	1 479
Fuel type		Profitability, %	8,1

Measures for the implementation of establishment projects

March 9, 2006 – The Board of Directors of HydroWGC approved the lease of the following facilities by the company: property of HydroWGC's subsidiaries used for power generation and property of subsidiaries of RAO "UES of Russia", which are within the jurisdiction of Business Unit "Hydrogeneration". These measures will help HydroWGC to become a participant of the wholesale power (capacity) market in 2006.

May 1, 2006 – HydroWGC became a participant of the wholesale power (capacity) market. The decision to give HydroWGC the status of a market entity has been taken by the Federal Tariff Service of the Russian Federation (FTS RF).

119526, Russia, Moscow,
Prospect Vernadskogo, 8a

Tel: (495) 540-30-12
Fax: (495) 540-30-14
E-mail: info@gidroogk.ru
Web: www.gidroogk.ru

* As of 9 months of 2006.



July 25, 2006 – HydroWGC Management Board decided that it is expedient to reorganize the company by joining its 100%-1 share subsidiaries, including *Kama HEPP, Nizhni Novgorod HEPP, Cascade of Upper Volga HEPPs, and Saratov HEPP*.

December – *State registration of the report on the results of placement of additional shares issued by HydroWGC* with payment for them in RAO UESR-owned property, including shares of Zagorsk HEPSP, Stavropol Power Generation Company, Dagestan Regional Generation Company, Cheboksary HEPP, Zaramagsk HEPPs, Zelenchuki HEPPs, Scientific Research Institute of Energy Structures (NIIES), and the B.E. Vedeneev All-Russian Research Institute of Hydraulic Engineering (VNIIG) (inclusion of hydrogeneration assets in HydroWGC Holding).

Commissioning and developing new plant

March 1, 2006 – *Malaya Agulskaya HEPP* was commissioned (Dagestan Regional Generation Company, installed capacity - 0,6 MW, river Chirahchai, Dagestan).

September 21, 2006 – *The first unit of Irganayskaya HEPP* was commissioned (Sulakenergo, installed capacity - 400 MW, river Aivarskoe Koisu, Dagestan).

December 18, 2006 – *The third launch complex of Zelenchuki HEPP* was commissioned (Zelenchuki HEPPs, installed capacity - 160 MW, without any changes, increased output, river Bolshoy Zelenchuk, Karachaevo-Cherkessia).

Participation in the stock market

March 21, 2006 – The Russian Federal Financial Markets Service (FFMS of Russia) registered the issue of common uncertificated shares of HydroWGC placed by closed subscription in favor of RAO "UES of Russia". The total volume of issue is 120 billion rubles. The decision to issue additional shares was taken by the RAO UESR Board of Directors (which performed functions of the general meeting of shareholders of HydroWGC) on October 28, 2005.

June 28, 2006 – The annual general meeting of shareholders of RAO "UES of Russia" approved the transaction under which the company will purchase additional *shares of HydroWGC*. HydroWGC additional shares will be paid for in RAO UESR-owned property, *including shares of hydroelectric power plants and hydrogeneration companies* being established in the process of AO-Energo restructuring.

September 30, 2006 – Pursuant to the decisions taken by the EGM of shareholders of HydroWGC on October 28, 2005 and the general meeting of shareholders of RAO "UES of Russia" on June 28, 2006, allocation of *HydroWGC additional shares* started. These shares are paid for in RAO UESR-owned shares of *Zagorsk HEPSP, Stavropol Power Generation Company, Dagestan Regional Generation Company, Cheboksary HEPP, Zaramagsk HEPPs, Zelenchuki HEPPs, Scientific Research Institute of Energy Structures (NIIES), and the B.E. Vedeneev All-Russian Research Institute of Hydraulic Engineering (VNIIG)*.

July – Five-year bonds of HydroWGC Management Company were listed on MICEX. Overall value of bonds was 5 billion rubles.

Quarter 1, 2007 – It is not planned to commence trading of shares of HydroWGC and its subsidiaries on the stock market.



TERRITORIAL GENERATION COMPANIES (TGCs)

Pursuant to the Appendix to the Concept of RAO UESR's Strategy for 2003-2008 (the "5+5"): "**Territorial generation companies created on the basis of assets of the RAO UESR Holding**" TGCs are formed according to the following principles:

- the need to establish major financially secure companies;
- minimization of possibilities for monopoly abuse in the wholesale electricity market;
- amalgamation of power plants on a territorial basis;
- reduction of the state control over electric power generation.

Taking into account TGCs formation dynamics, some companies will attract additional funds to support their development, for instance by implementing measures designed to issue additional shares. Funds to be attracted during placing of shares are supposed to be used mainly for implementation of promising investment projects designed to increase working capacity of generation assets and make use of new equipment, as well as to improve applied technologies and ensure following contemporary world standards.

While TGCs shares are entering the market, transparency and openness of companies for shareholders and investors is substantially increasing, as well as liquidity of TGCs shares. Implementation of the above-mentioned measures should encourage TGCs shares to become some of the most attractive energy assets for investors.

Interregional integration of generation assets of regional energy companies into TGCs provides opportunities for the establishment of financially secure companies, which will be able to successfully operate in the competitive wholesale electricity market, as well as to supply regional consumers with electric power and heat.



Pursuant to the Russian Federation Government Resolution "The Main Directions of the Electric Power Industry Reform" №526 of July 11, 2001 the Board of Directors of RAO "UES of Russia" held on April 23, 2004 approved the establishment of 14 TGCs. Their configuration was specified in the Board of Directors' decision of February 3, 2006.



Target operating model for each TGC involves formation of integrated operating companies due to reorganization of regional generation companies (RGCs) and TGCs.

The basic model for TGCs formation implies that at the initial stage TGCs are established as wholly-owned subsidiaries of RAO "UES of Russia" with minority shareholders of RGCs being able to participate in the authorized capitals of TGCs. Alongside with the basic model, it is possible to use the alternative model, which allows for joint establishment of TGCs by several AO-Energo companies (RGCs).

In the process of reorganization shareholders of RGCs may convert their shares to shares of TGCs at fair conversion ratios.

In order to launch operating activities as soon as possible, formation models for some TGCs allow for implementation of the following intermediate mechanisms:

- lease of generation capacities of corresponding RGCs (AO-Energos) by TGCs;
- transfer of executive powers of corresponding RGCs to TGCs.

As of December 31, 2006, the RAO UESR Board of Directors has approved restructuring projects for all 14 TGCs:

- 10 TGCs are being established on the basis of wholly-owned subsidiaries of RAO "UES of Russia" established during 2004-2005;
- TGC-3 was established on the basis of Mosenergo generation facilities as a result of the company's unbundling by activity type (completed on April 1, 2005);
- Volzhskaya TGC (TGC-7) was jointly established by Samaraenergo, Saratovenergo, and Ulyanovskenergo;
- TGC-1 was jointly established by Kolenergo, Karelenegero, and Lenenergo;
- TGC-12 was established on the basis of Kuzbassenergo generation facilities (functional unbundling of Kuzbassenergo was completed on July 1, 2006).

As of December 31, 2006 formation of 13 TGCs as per their target models has started (according to the schemes approved by the RAO UESR Board of Directors):

- Mosenergo (TGC-3) has been established on the basis of generation assets of OAO Mosenergo (reorganized on April 1, 2005);
- TGC-4, TGC-5, and TGC-14 have been created as per their target models (reorganization in terms of a merger with regional generation companies);
- TGC-6 has been formed as a Holding company (additional shares issued by this TGC have been placed with payment for them in shares of 5 RGCs included in its configuration);
- the 1st stage of TGC-1, TGC-2, SGC TGC-8, TGC-10, and Eniseyskaya TGC (TGC-13) reorganization has been completed.

It is scheduled that **by the end of 2007** formation of all TGCs will have been completed.

By now shares of nine TGCs (TGC-1, TGC-2, Mosenergo (TGC-3), TGC-4, TGC-5, TGC-6, SGC TGC-8, TGC-9, Kuzbassenergo (TGC-12)) have been admitted to trading on RTS Stock Exchange, NP RTS, and MICEX.



TGC ESTABLISHMENT SCHEDULE AS OF 31.12.2006

Ref. TGC	AO-Energo Split-off		Lease/ Co-establishment		Takeover of RGC by TGC / establishment of the Holding Company	
	AO-Energo/RGC	State Registration of RGC	State Registration of TGC	Operating Activities Start	Takeover beginning	Takeover completion (entry in the Uniform State Register of Legal Entities on cessation of RGC functioning)
TGC-1	Karelennergogeneration	01.01.2005				1.11.06 (1st stage, 4 RGCs)
	Kola Generation Company	01.10.2005	25.03.2005	01.10.2005	01.10.2005	01.05.2007
	Petersburg Generation Company	01.10.2005	(completed)	(completed)	(completed)	(holding of Murm. CHP)
TGC-2	Arkhangelsk Generation Company	01.04.2005				
	Vologda HPP	01.10.2005				
	Kostroma Generation Company	01.01.2005				
	Novgorod Generation Company	01.04.2005				1.07.06 (1st stage, 5 RGCs)
	Tver Generation Company	11.01.2005	19.04.2005	not based on the lease model	01.04.2005	01.10.2007
	Yaroslavl Power Company	11.01.2005	(completed)		(completed)	(holding of Arkhangelsk GC)
TGC-3	Mosenergo	01.04.2005	01.04.2005 (compl.)	Company was established upon Mosenergo unbundling		
TGC-4	Bryansk Generation Company	01.10.2004				
	Voronezh Generation Company	31.08.2004				
	Kaluga Generation Company	01.04.2004				
	Kursk Generation Company	01.02.2005				
	Lipetsk Generation Company	11.01.2005				
	Orel Generation Company	01.04.2005				
	Ryazan Heat Supply Company	11.01.2005				
	Smolensk Generation Company	01.02.2005				
	Tambov Generation Company	11.01.2005				15.09.2006 (11 RGCs)
	Heat and Power Company (Belgorodenergo)	01.10.2004	20.04.2005	not based on the lease model	01.04.2005	(completed, TGC target structure)
	Priokskaya Territorial Generation Company (Tulenergo)	01.04.2005	(completed)		(completed)	
TKK-5	Vyatka Power Heat Company (Kirovenergo)	01.05.2005				
	Mari Regional Generation Company	01.01.2005				31.03.2006
	Udmurtia Territorial Generation Company	01.01.2005	22.03.2005	01.07.2005	01.05.2005	(completed, TGC target structure)
	Chuvashi Generation Company	01.01.2005	(completed)	(completed)	(completed)	
TGC-6	Vladimir Generation Company	01.01.2005				13.06.2006
	Ivanovo Generation Company	01.01.2005				(creation of a HOLDING company completed)
	Mordovia Generation Company	01.02.2005				
	Nizhni Novgorod Generation Company	01.02.2005	27.04.2005	not based on the lease model	01.04.2005	01.03.2007
	Penza Generation Company	01.01.2005	(completed)		(completed)	merged with 6 subsidiaries
TGC-7	Orenburg Heat Generation Company	01.07.2005				
	Samara Territorial Generation Company	01.04.2006		co-establishment, without lease		01.04.2007 (3 RGCs)
	Saratov Territorial Generation Company	01.04.2006	01.08.2005	01.01.2006	01.11.2005	March, 2007
	Ulyanovsk Territorial Generation Company	01.04.2006	(completed)	(completed)	(completed)	(holding of OrTGC)
TGC-8	Astrakhan Regional Generation Company	11.01.2005				
	Volzhskaya Generation Company (Volgogradenergo)	01.01.2005				
	Dagestan Heat Generation Company	03.05.2005				
	Kuban Generation Company	01.07.2006				01.06.2006
	Rostov Generation Company	11.01.2005	22.03.2005	01.07.2005	03.05.2005	(1st stage, 5 RGCs)
	Stavropol Heat Generation Company	01.04.2005	(completed)	(completed)	(completed)	01.04.2007 (Kuban GC)
TGC-9	Komi Regional Generation Company	01.07.2006				01.05.2006
	Perm Generation Company	01.04.2005	09.12.2004	01.04.2005	01.04.2005	(1st stage, 2 RGCs)
	Sverdlovsk Generation Company	01.04.2005	(completed)	(completed)	(completed)	01.02.2007 (Komi GC)
	Kurgan Generation Company	01.07.2006				01.12.2006 (1st stage, Chelyab. GC and TGC-10)
TGC-10	Tyumen Regional Generation Company	01.07.2005	30.03.2005	not based on the lease model	01.10.2005	
	Chelyabinsk Generation Company	01.02.2005	(completed)		(completed)	01.07.2007 (Kurgan GC)
	Omsk Power Generation Company	03.08.2005	26.08.2005	not based on the lease model	03.08.2005	
TGC-11	Tomskenergo	01.04.2005	(completed)		(completed)	01.05.2007
TGC-12	Altaienergo	"non-basic" model	Target structure of TGC-12 is formed on the basis of Kuzbassenergo, the project implies purchase of Altaienergo's generation assets by Kuzbassenergo			March, 2007
	Kuzbassenergo	01.07.2006				(purchase contract)
	Krasnoyarsk Generation	01.10.2005				
TGC-13	Tyvaenergo	"non-basic" model	28.06.2005	not based on the lease model	01.10.2005	31.12.2006 (1st stage, Kras. GC and TGC-13)
	Khakass Generation Company	01.07.2005	(completed)		(completed)	
	Buryatenergo	30.12.2005	07.12.2004	01.02.2005	30.12.2005	29.09.2006 (completed TGC target structure)
TGC-14	Chitaenergo	30.12.2005	(completed)	(completed)	(completed)	



TGC ESTABLISHMENT KEY EVENTS SCHEDULE

No	Name of TGC	TGC State Registration	Target structure formation: stages	RGC/TGC shareholders meeting on reorganization in terms of a merger/issue of additional shares	Target structure (completion of merger/Holding)	RAO UES share in the authorized capitals of TGCs (before IPO), %	Admission of securities to trading on the stock market	Capitalization of TGC, USD bln.	Creation of target companies (reorganization of RAO "UES of Russia")	Remarks
1.	TGC-1	25.03.2005	I	21.07.2006	01.11.2006*	55,66	to be determined according to trade results	according to the RAO UESR BoD decision	* EGRUL 4 RGCs **Murmansk CHP to become part of the Holding	
			II	21.07.2006	01.05.2007**	55	29.12.2006		* EGM of shareholders of Kostroma Generation Company and Yaroslavl Energy Company	
2.	TGC-2	19.04.2005	I	27.02.2006 27.03.2006*	01.07.2006**	49,19		according to the RAO UESR BoD decision	** Completed EGRUL 5 RGCs *** Arkhangelsk GC to become part of the Holding	
			II	May 2007	October 2007***	50,10	18.10.2006	0,69		
3.	TGC-3	01.04.2005*	—	—	—	50,9	—	5,5	according to the RAO UESR BoD decision	* TGC created upon Mosenergo unbundling
4.	TGC-4	20.04.2005		28.02.2006 21.07.2006**	15.09.2006*	47,32	28.11.2006	1,38	according to the RAO UESR BoD decision	** Repeated EGM of shareholders of Heat and Power GC
5.	TGC-5	22.03.2005		05.12.2005	31.03.2006	64,83	17.07.2006	0,99	according to the RAO UESR BoD decision	Completed EGRUL 4 RGCs
6.	TGC-6	27.04.2005	I	27.01.2006	05.05.2006*	61,85			according to the RAO UESR BoD decision	* Completed HOLDING 6 RGCs ** EGRUL 6 RGCs (subsidiaries of TGC-6)
			II	18.12.2006**	01.03.2007**	50,23	12.07.2006	1,04		* Orenburg TGC to become part of the Holding
7.	TGC-7	01.08.2005	I	11.08.2006	March 2007*	10,54	to be determined according to trade results	according to the RAO UESR BoD decision	** EGRUL Samara, Saratov, and Ulyanovsk TGCs	
			II	15.01.2007	01.04.2007**	54,47	July 2007			
8.	TGC-8	22.03.2005	I	23.12.2005	01.06.2006*	50,01			according to the RAO UESR BoD decision	* Completed EGRUL 5 RGCs ** EGRUL Kuban GC
			II	22.01.2007	01.04.2007**	49,80	15.08.2006	1,19		
9.	TGC-9	09.12.2004	I	19.12.2005	01.05.2006*	50,03			according to the RAO UESR BoD decision	* Completed EGRUL 5 RGCs ** EGRUL KomiRGC
			II	15.11.2006	01.02.2007**	50,05	15.09.2006	1,44		* Completed EGRUL Chelyabinsk GC and TGC-10 (merged with Tyumen GC)
10.	TGC-10	30.03.2005	I	24.07.2006*	01.12.2006*	81,6	to be determined according to trade results	February 2007	according to the RAO UESR BoD decision	** EGRUL Kurgan GC *** following the results of merger with Kurgan GC
			II	17.04.2007**	01.07.2007**	***				
11.	TGC-11	26.08.2005		23.06.2006* 22.01.2007**	01.05.2007**	50,32	June 2007	XX	according to the RAO UESR BoD decision	* EGM of shareholders of Tomskenergo failed to approve the merger ** New time frame for EGRUL
12.	TGC-12	TGC-12 is formed on the basis of Kuzbassenergo, with Kuzbassenergo purchasing generation property from Altaienergo			March 2007*	49,0	—	1,18	according to the RAO UESR BoD decision	* Payments under purchase and sale contract for generation property owned by Altaienergo
13.	TGC-13	28.06.2005	I	18.08.2006 *	31.12.2006*	57,0	to be determined according to trade results	February 2007	according to the RAO UESR BoD decision	* Completed EGRUL: Krasnoyarsk GC and TGC-13 (merged with Khakass GC) ** Kyzylskaya CHP to become part of the Holding (after Tyvaenergo reorg.) *** after inclusion of Kyzylskaya CHP
			II	May 2007	October 2007**	***				* Completed EGRUL 2 RGCs
14.	TGC-14	07.12.2004		28.07.2006	29.09.2006*	49,45	31.12.2006		according to trade results	according to the RAO UESR BoD decision



IMPLEMENTATION OF TGC ESTABLISHMENT PROJECTS AS OF 31.12.2006

TOTAL number of Territorial Generation Companies (TGCs) to be established		14
The procedure of target structure formation APPROVED by the RAO UESR Board of Directors		14
including those of approved projects:		
I	COMPLETED TGC state registration	13* (TGC-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14)
II	Operating activities (lease-based model/transition period) <i>including TGCs in which transition period is over</i>	6 (TGC-1, 5, 7, 8, 9, 14) 5 (TGC-1, 5, 8, 9, 14)
III	EGMs of shareholders of TGCs and RGCs APPROVED reorganization in terms of a merger	10 (TGC-1, 2, 4, 5, 6, 8, 9, 10, 13, 14)
IV	HELD a joint general meeting of shareholders of reorganized companies to address amendments and additions to TGC Article of Association due to reorganization	8** (TGC-1, 2, 4, 5, 8, 9, 10, 14)
V	COMPLETED THE 1st STAGE OF TGCs REORGANIZATION in terms of a merger (entry in the Uniform State Register of Legal Entities on cessation of activities by joined RGCs, creation of TGC operating company)	6 (TGC-1, 2, 8, 9, 10, 13)
VI	The Holding company FORMED (allocation of TGC additional shares completed, additional shares have been paid for in shares of RGCs included in their configuration)	1 (TGC-6)
VII	Shares of established TGCs have been admitted to trading on stock exchanges	9 (TGC-1, 2, 3, 4, 5, 6, 8, 9, 12)
VIII	COMPLETE FORMATION of target structure (creation of operating companies completed and/or all RGCs included into TGCs configuration merged with corresponding TGCs/included into the Holding companies)	4 (TGC-3, 4, 5, 14)

* TGC-12 is created on the basis of Kuzbasenergo assets. TGC-12 establishment project implies purchase of Altaienergo generation property by Kuzbasenergo.

** On July 27, 2006 the Law "On Joint Stock Companies" was amended. According to the amendments, it is no longer necessary to convene a joint general meeting of shareholders of reorganized companies, because amendments to the Article of Association of reorganized TGCs will be approved at the meeting on merger-based reorganization.



PLANS FOR THE 1st QUARTER OF 2007

ADOPTION OF DECISIONS ON TGCS FORMATION AS PER THEIR TARGET MODELS

Quarter I, 2006 – The RAO UESR Board of Directors is planning to decide on the procedure of reorganization of *Kurgan Generation Company and TGC-10* in terms of a merger and on the procedure of inclusion of *Arkhangelsk Generation Company in TGC-2 Holding*.

IMPLEMENTATION OF TGC ESTABLISHMENT PROJECTS

January 15, 2007 – It is scheduled to convene extraordinary general meetings of shareholders of *Volzhskaya TGC (TGC-7) and Samara TGC, Saratov TGC, Ulyanovsk TGC* to address reorganization of the mentioned companies in terms of a merger.

January 18, 2007 and January 22, 2007 – It is scheduled to convene extraordinary general meetings of shareholders of *Kuban Generation Company and TGC-8* to address reorganization of the mentioned companies in terms of a merger.

January 22, 2007 – It is scheduled to convene extraordinary general meetings of shareholders of *Tomskenergo and Omsk Generation Company* to address reorganization of the mentioned companies in terms of a merger with and *into TGC-11*.

March – It is scheduled that in March *Orenburg Heat Generation Company will join TGC-7 Holding*. This will be done through payment for TGC-7 additional shares in shares of Orenburg Heat Generation Company, 100% of which are owned by RAO "UES of Russia".

COMPLETION OF TARGET TGC FORMATION

February 1, 2007 – It is scheduled that *Komi Regional Generation Company* will cease functioning due to its merger with and *into TGC-9*.

March 1, 2007 – It is scheduled that *Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Nizhni Novgorod Generation Company, Penza Generation Company and Mordovian Heat Network Company* will cease functioning due to their merger with and *into TGC-6*.

ADMISSION OF SECURITIES ISSUED BY ESTABLISHED TGCS TO THE ORGANIZED MARKET

January – It is scheduled to admit shares of *TGC-14* to trading on the stock exchanges.

February – It is scheduled to admit shares of *TGC-10 and TGC-13* to trading on the stock exchanges.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №1" (TGC-1)

TGC-1 was established on March 25, 2005. The company includes:

- **Petersburg Generation Company** (St. Petersburg);
- **Kola Generation Company** (Murmansk region);
- **Karelerenergo** (Republik of Karelia);
- **Apatity CHP** (Murmansk region);
- **Murmansk CHP** (Murmansk region).

Director General – Rodin Valeriy Nikolaevich.

Chairman of the Board of Directors – Chikunov Aleksandr Vasilyevich.

PRODUCTION CHARACTERISTICS*

Installed capacity, MW	6 056,8
Installed capacity, Gcal	13 364,0
Amount of power produced, mln kWh	16 738,2
Capacity utilization rate, %	42,1
Fuel type	Gas

FINANCIAL AND ECONOMIC INDICATORS*

Revenues from sales, mln rubles	14 808,29
Production costs, mln rubles	14 191,64
Gross profit, mln rubles	616,65
Net profit**, mln rubles	191,13
Profitability, %	4,2

Adoption of decisions on TGCs formation as per their target models

May 26, 2006 – The RAO UESR Board of Directors with regard to completion of **TGC-1 formation**:

- **Approved** completion of TGC-1 formation as per its target model by reorganizing **Petersburg Generation Company, Karelerenergo, Kola Generation Company, and Apatity CHP** in terms of a merger with and into TGC-1, and also approved contribution of Murmansk CHP shares as payment for additional shares of TGC-1;
- If extraordinary general meetings of shareholders of one or several RGCs fail to approve reorganization, **decided** to issue additional shares of TGC-1 with payment for them in shares of Petersburg Generation Company, Karelerenergo, Kola Generation Company, Apatity CHP, and Murmansk CHP owned by RAO "UES of Russia" and those shareholders who supported the merger or didn't participate in voting (formation of TGC-1 holding company);
- **Approved** ratios for converting shares of Petersburg Generation Company, Karelerenergo, Kola Generation Company, and Apatity CHP to those of TGC-1, and ratios for converting shares of Murmansk CHP to additional shares of TGC-1.

Measures for the implementation of establishment projects

July 21, 2006 – The extraordinary general meeting of shareholders of TGC-1 decided to reorganize the company in terms of a merger with **Petersburg Generation Company, Kola Generation Company, Karelerenergo, and Apatity CHP**, and to place the company's additional shares with payment for them in shares of **Murmansk CHP**.

July 21, 2006 – Extraordinary general meetings of shareholders of **Petersburg Generation Company, Kola Generation Company, Karelerenergo, and Apatity CHP**, included in TGC-1 configuration, decided to reorganize the companies in terms of a merger with and into TGC-1 and approved merger agreements.

September 11, 2006 – Joint general meeting of shareholders of TGC-1 and **Petersburg Generation Company, Kola Generation Company, Karelerenergo, Apatity CHP** decided to introduce amendments and additions to TGC-1 Article of Association due to the companies' reorganization in terms of a merger.

191186, Russia, St.
Petersburg, Marsovo field, 1

Tel: (812) 318-31-71
Fax: (812) 318-34-77
E-mail: office@upr.energo.ru
Web: www.tgc-1.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



November 1, 2006 – *The 1st stage of TGC-1 formation as per its target model has been completed* (excluding generation assets of Murmansk CHP). Petersburg Generation Company, Karelenenergogeneration, Kola Generation Company and Apatity CHP ceased their operations due to their merger with and into TGC-1. It is scheduled to include Murmansk CHP in TGC-1 Holding no later than May 1, 2007.

Participation in the stock market

December 27, 2006 – TGC-1 shares were admitted to trading on the Russian stock market.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №2" (TGC-2)

TGC-2 was established on April 19, 2005. The company includes:

- **Tver Generation Company** (Tver region);
- **Novgorod Generation Company** (Novgorod region);
- **Kostroma Generation Company** (Kostroma region);
- **Vologda CHP** (Vologda region);
- **Yaroslavl Energy Company** (Yaroslavl region);
- **Arkhangelsk Generation Company** (Arkhangelsk region);
- generation assets of **Pskovenergo** (Pskov region).

Director General – Vagner Andrei Aleksandrovich.

Chairman of the Board of Directors – Kaigorodov Dmitri Alekseevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	1 345	Revenues from sales, mln rubles	6 871,26
Installed capacity, Gcal	8 981,5	Production costs, mln rubles	6 620,17
Amount of power produced, mln kWh	4 397,5	Gross profit, mln rubles	251,08
Capacity utilization rate, %	49,8	Net profit**, mln rubles	-440,65
Fuel type	Gas	Profitability, %	3,7

Adoption of decisions on TGCs formation as per their target models

December 8, 2006 – With regard to completion of TGC-2 formation as per its target model, the RAO UESR Board of Directors commissioned the RAO UESR Management Board with the task of submitting the scheme *of joining Arkhangelsk Generation Company to TGC-2 Holding* for consideration by the RAO UESR Board of Directors in February 2007.

Measures for the implementation of establishment projects

February 27, 2006 – Extraordinary general meetings of shareholders of *Arkhangelsk Generation Company, Vologda CHP, Novgorod Generation Company, and Tver Generation Company*, included in the configuration of *TGC-2*, decided to reorganize the companies in terms of a merger with and into TGC-2 and approved merger agreements.

March 27, 2006 – Extraordinary general meetings of shareholders of *Kostroma Generation Company and Yaroslavl Generation Company*, included in the configuration of *TGC-2*, decided to reorganize the companies in terms of a merger with and into TGC-2 and approved merger agreements.

May 20, 2006 – Joint general meeting of shareholders of *TGC-2, Arkhangelsk Generation Company, Vologda CHP, Novgorod Generation Company, and Tver Generation Company* introduced amendments and additions to TGC-2 Article of Association due to the companies' reorganization in terms of a merger.

July 1, 2006 – *The 1st stage of TGC-2 formation* as per its target model *has been completed (excluding generation assets of Arkhangelsk Generation Company)*. Entry was made in the Uniform State Register of Legal Entities that Vologda CHP, Kostroma Generation Company, Novgorod Generation Company, Tver Generation Company, and Yaroslavl Energy Company cease functioning because of their merger with and into TGC-2. The time frame for taking over Arkhangelsk Generation Company will be set later proceeding from the results of analysis of the company's financial condition.

150040, Russia, Yaroslavl,
prospekt Oktyabrya, 42

Tel: (0852) 72-12-60

Fax: (0852) 32-00-05

E-mail: yar@yarene.elektra.ru

Web: www.tgc-2.ru:8101

Participation in the stock market

18.10.2006 – TGC-2 shares were admitted to trading on the Russian stock market.

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №3" (TGC-3)

TGC-3 was established on April 1, 2005. The company includes:

■ **Mosenergo** (Moscow, Moscow region).

Director General – Kopsov Anatoli Yakovlevich.

Chairman of the Board of Directors – Udaltsov Yuri Arkadyevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	10 532,9	Revenues from sales, mln rubles	50 315,50
Installed capacity, Gcal	34 000	Production costs, mln rubles	47 904,84
Amount of power produced, mln kWh	45 744,7	Gross profit, mln rubles	2 410,66
Capacity utilization rate, %	66,1	Net profit**, mln rubles	-1 504,58
Fuel type	Gas	Profitability, %	4,8

Measures for the implementation of establishment projects

Mosenergo has been formed as per its target model.

Participation in the stock market

Shares of the company are being traded on the stock market.

115035, Russia, Moscow,
Raushskaya naberezhnaya, 8

Tel: (495) 957-35-30
Web: www.mosenergo.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №4" (TGC-4)

TGC-4 was established on April 20, 2005. The company includes:

- **Bryansk Generation Company** (Bryansk region);
- **Voronezh Generation Company** (Voronezh region);
- **Kaluga Generation Company** (Kaluga region);
- **Kursk Generation Company** (Kursk region);
- **Lipetsk Generation Company** (Lipetsk region);
- **Orel Generation Company** (Orel region);
- **Prioksk Territorial Generation Company** (Tula region);
- **Ryazan Heat Supply Company** (Ryazan region);
- **Smolensk Generation Company** (Smolensk region);
- **Heat and Power Company** (Belgorod region);
- **Tambov Generation Company** (Tambov region).

Director General – Kochetkov Gennadi Aleksandrovich.

Chairman of the Board of Directors – Dmitrenko Aleksandr Andreevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	3 311,5	Revenues from sales, mln rubles	14 416,00
Installed capacity, Gcal	15 899,8	Production costs, mln rubles	13 919,00
Amount of power produced, mln kWh	8 241,0	Gross profit, mln rubles	497,00
Capacity utilization rate, %	37,9	Net profit**, mln rubles	90,85
Fuel type	Gas	Profitability, %	3,4

Measures for the implementation of establishment projects

February 28, 2006 – Extraordinary general meetings of shareholders of *Bryansk Generation Company, Voronezh Generation Company, Kaluga Generation Company, Kursk Generation Company, Orel Generation Company, Ryazan Generation Company, Smolensk Generation Company, and Prioksk Territorial Generation Company*, included in the configuration of TGC-4, decided to reorganize the companies in terms of a merger with and into TGC-4 and approved merger agreements.

April 8, 2006 – Extraordinary general meetings of shareholders of *Lipetsk Generation Company and Tambov Generation Company*, included in the configuration of TGC-4, decided to reorganize the companies in terms of a merger with and into TGC-4 and approved merger agreements.

July 21, 2006 – Extraordinary general meetings of shareholders of TGC-4 and *Heat and Power Company (Belgorod city)* included in its configuration decided to reorganize the companies in terms of a merger and approved merger agreements.

August 25, 2006 – Joint general meeting of shareholders of TGC-4 and *Bryansk Generation Company, Voronezh Generation Company, Kaluga Generation Company, Kursk Generation Company, Lipetsk Generation Company, Orel Generation Company, Ryazan Heating Supply Company, Smolensk Generation Company, Tambov Generation Company, Heat and Power Company (Belgorod city), Prioksk Territorial Generation Company* decided to introduce amendments and additions to TGC-4 Article of Association due to reorganization of the mentioned companies in terms of a merger.

300600, Russia,
Tulskaya oblast, Tula,
Timiryazeva street, 99

Tel: (4872) 32-77-59
Fax: (4872) 32-77-44
E-mail: kochetkov@tula.elektra.ru
Web: www.tgk-4.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



September 15, 2006 – TGC-4 has been formed according to its target structure. Entry was made in the Uniform State Register of Legal Entities that Bryansk Generation Company, Voronezh Generation Company, Kaluga Generation Company, Kursk Generation Company, Lipetsk Generation Company, Orel Generation Company, Ryazan Heating Supply Company, Smolensk Generation Company, Tambov Generation Company, and Prioksk Territorial Generation Company cease functioning because of their merger with and into TGC-4.

Participation in the stock market

November 28, 2006 – TGC-4 shares were admitted to trading on the Russian stock market.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №5" (TGC-5)

TGC-5 was established on March 22, 2005. The company includes:

- **Kirov branch** (Kirov region);
- **Mari branch** (Republic of Mari El);
- **Udmurtian branch** (Republic of Udmurtia);
- **Chuvashi branch** (Republic of Chuvashia).

Director General – Lebedev Vladimir Albertovich.

Chairman of the Board of Directors – Kolushov Vladimir Nikolaevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	3 837,5	Revenues from sales, mln rubles	8 146,61
Installed capacity, Gcal	7 560,0	Production costs, mln rubles	8 167,36
Amount of power produced, mln kWh	8 705,2	Gross profit, mln rubles	-20,75
Capacity utilization rate, %	34,5	Net profit**, mln rubles	54,97
Fuel type	Gas	Profitability, %	-0,3

Measures for the implementation of establishment projects

February 14, 2006 – Joint general meeting of shareholders of **TGC-5 and RGCs** to be merged with and into this TGC, namely **Vyatka Electric Heating Company, Mari Regional Generation Company, Udmurtian Territorial Generation Company, Chuvashi Generation Company** decided to introduce amendments and additions to TGC-5 Article of Association due to the companies' reorganization in terms of a merger.

March 31, 2006 – **TGC-5 has been established as per its target model.** The entry was made in the Uniform State Register of Legal Entities that **Vyatka Electric Heating Company, Mari Regional Generation Company, Udmurtian Territorial Generation Company, and Chuvashi Generation Company** cease functioning because they have merged with and **into TGC-5.**

Participation in the stock market

July 17, 2006 – TGC-5 shares were admitted to trading on the Russian stock market.

610044, Russia, Kirov,
Luganskaya street, 51

Tel: (8332) 57-44-01

Fax: (8332) 57-44-39

Web: www.tgc5.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №6" (TGC-6)

TGC-6 was established on April 27, 2005. The company includes:

- **Mordovian Generation Company** (Republic of Mordovia);
- **Mordovian Heat Network Company** (Republic of Mordovia);
- **Penza Generation Company** (Penza region);
- **Ivanovo Generation Company** (Ivanovo region);
- **Vladimir Generation Company** (Vladimir region);
- **Nizhni Novgorod Generation Company** (Nizhni Novgorod region).

Director General – Privalov Vladimir Vitalyevich.

Chairman of the Board of Directors – Avetisyan Vladimir Yevgenyevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	2 543,5	Revenues from sales, mln rubles	8 740,58
Installed capacity, Gcal		Production costs, mln rubles	9 016,21
Amount of power produced, mln kWh	7 512,2	Gross profit, mln rubles	-275,63
Capacity utilization rate, %	45,08	Net profit, mln rubles	-276,43
Fuel type	Gas	Profitability, %	-3,15

Adoption of decisions on TGCs formation as per their target models

October 27, 2006 – With regard to completion of TGC-6 formation as per its target model, the RAO UESR Board of Directors **approved the reorganization procedure** for TGC-6, which implies reorganization of this company in terms of a merger with its subsidiaries, including Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Nizhni Novgorod Generation Company, Penza Generation Company and Mordovian Heat Network Company.

Measures for the implementation of establishment projects

January 27, 2006 – The extraordinary general meeting of shareholders of TGC-6 (under the competence of the RAO UESR Management Board) decided to issue (and then place) additional shares of the company. These shares will be paid for in shares of **Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Mordovian Heat Network Company, Nizhni Novgorod Generation Company, and Penza Generation Company**.

April 6, 2006 - May 5, 2006 – Additional shares of TGC-6 were placed. The shares were paid for in shares of **Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Mordovian Heat Network Company, Nizhni Novgorod Generation Company, and Penza Generation Company**, included in the configuration of TGC-6.

May 12, 2006 – The Board of Directors of TGC-6 **approved the report** on the results of placement of additional shares.

June 13, 2006 – **Completion of TGC-6 formation as a holding company**. State registration of the report on the results of placement of TGC-6 additional shares with payment for them in shares of **Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Mordovian Heat Network Company, Nizhni Novgorod Generation Company, and Penza Generation Company**, which comprise the holding.

603950, Russia, GSP-62
Nizhni Novgorod,
Gorkogo street, 117

Tel: (8312) 61-82-54
Fax: (8312) 61-82-54
E-mail: info@tgc6.ru
Web: www.tgc6.ru

* As of 9 months of 2006.



December 18, 2006 – Extraordinary general meetings of shareholders of **TGC-6 and its 6 subsidiaries**, namely Vladimir Generation Company, Ivanovo Generation Company, Mordovian Generation Company, Nizhni Novgorod Generation Company, Penza Generation Company and Mordovian Heat Network Company, **decided to reorganize the companies** in terms of a merger.

Participation in the stock market

12.07.2006 – TGC-6 shares were admitted to trading on the Russian stock market.



OPEN JOINT-STOCK COMPANY

"VOLZHSKAYA TERRITORIAL GENERATION COMPANY №7" (VOLZHSKAYA TGC-7)

Volzhskaya TGC-7 was established on August 1, 2005. The company includes:

- 8 CHPs and 2 heating network enterprises in Samara region;
- 5 CHPs and 1 heating network enterprise in Saratov region;
- 3 CHPs and 1 heating network enterprise in Ulyanovsk region;
- Since October 2006 OTGC will become part of Volzhskaya TGC. It comprises 3 CHPs and 1 heating network enterprise in Orenburg region.

Director General – Nikonov Vasili Vladislavovich.

Chairman of the Board of Directors – Avetisyan Vladimir Yevgenyevich.

PRODUCTION CHARACTERISTICS*

Installed capacity, MW	6 879,7
Installed capacity, Gcal	
Amount of power produced, mln kWh	19 089,6
Capacity utilization rate, %	42,35
Fuel type	Gas

FINANCIAL AND ECONOMIC INDICATORS*

Revenues from sales, mln rubles	23 601,72
Production costs, mln rubles	22 806,28
Gross profit, mln rubles	795,44
Net profit, mln rubles	-234,97
Profitability, %	3,37

Adoption of decisions on TGCs formation as per their target models

June 23, 2006 – The RAO UESR Board of Directors with regard to *formation of TGC-7*:

- **Approved participation** of RAO "UES of Russia" in **Volzhskaya TGC (TGC-7)**: RAO "UES of Russia" will exchange its shares of **Orenburg Heat Generation Company** for additional shares of Volzhskaya TGC.
- **Set** alienation price for shares of Orenburg Heat Generation Company and placement price for shares of Volzhskaya TGC (TGC-7).

December 8, 2006 – With regard to completion of Volzhskaya TGC (TGC-7) formation as per its target model, the RAO UESR Board of Directors **approved the reorganization procedure** for Volzhskaya TGC. The company will merge with Samara TGC, Saratov TGC and Ulyanovsk TGC.

Measures for the implementation of establishment projects

January 1, 2006 – TGC-7 (co-established by Samaraenergo, Saratovenergo, and Ulyanovskenergo) **started its operations** without using a lease-based model.

June 26, 2006 – The Board of Directors of Volzhskaya TGC (TGC-7) **approved a Consortium comprising closed joint-stock company Financial Broker Troika Dialog and an Institute for Property Management and Expertise**. The Consortium will be responsible for organizing reorganization of the companies in terms of a merger, i.e. its members will appraise the market value of shares and calculate conversion ratios at which shares of RGCs will be converted to those of TGC-7.

June 29, 2006 – Boards of Directors of Samara Territorial Generation Company, Saratov Territorial Generation Company, and Ulyanovsk Territorial Generation Company **approved a Consortium comprising closed joint-stock company Financial Broker Troika Dialog and an Institute for Property Management and Expertise**. The Consortium will be responsible for organizing reorganization of the companies in terms of a merger, i.e. its members will appraise the market value of shares and calculate conversion ratios at which shares of RGCs will be converted to those of TGC-7.

443100, Russia, Samara,
Mayakovskogo street, 15

Tel: (846) 332-24-31
Fax: (846) 242-43-94
E-mail: info@votgk.com
Web: www.votgk.com

* As of 9 months of 2006.



August 11, 2006 – The extraordinary general meeting of shareholders of *Volzhskaya TGC* decided to issue additional shares of the company with payment for them in RAO UESR-owned shares (100%) of *Orenburg TGC*.

Participation in the stock market

Quarter III, 2007 – It is scheduled to admit shares of the company to trading on the Russian stock market.



OPEN JOINT-STOCK COMPANY "SOUTHERN GENERATION COMPANY TGC-8" (SGC TGC-8)

SGC TGC-8 was established on March 22, 2005. The company includes:

- **Astrakhan Regional Generation Company** (Astrakhan region);
- **Volzhskaya Generation Company** (Volgograd region);
- **Kubanenergo** (Krasnodar territory);
- **Rostov Generation Company** (Rostov region);
- **Dagestan Heat Generation Company** (Republic of Dagestan);
- **Stavropol Heat Generation Company** (Stavropol territory).

Director General – Gvozdev Viktor Sergeevich.

Chairman of the Board of Directors – Melnikov Dmitry Aleksandrovich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	3 305,8	Revenues from sales, mln rubles	10 229,34
Installed capacity, Gcal	12 238,0	Production costs, mln rubles	10 451,81
Amount of power produced, mln kWh	11 010,0	Gross profit, mln rubles	-222,47
Capacity utilization rate, %	50,7	Net profit**, mln rubles	-264,26
Fuel type	Gas	Profitability, %	-2,2

Adoption of decisions on TGCs formation as per their target models

July 28, 2006 – With regard to **completion of TGC-8 formation as per its target model**, the RAO UESR Board of Directors:

- **Approved completion** of SGC TGC-8 formation as per its target model. There are two opportunities – either to reorganize **Kuban Generation Company** in terms of a merger with SGC TGC-8 or to include **Kuban Regional Generation Company** in TGC-8 holding company. The second variant is possible if extraordinary general meetings of reorganized companies fail to approve the merger.

December 8, 2006 – With regard to completion of SGC TGC-8 formation as per its target model, the RAO UESR Board of Directors **approved the reorganization procedure** for TGC-8, which implies the company's reorganization in terms of a merger with **Kuban Generation Company**. Besides, if the extraordinary general meeting of shareholders of **Kuban Generation Company** fails to approve merger-based reorganization, TGC-8 will issue additional shares. The shares will be placed with payment for them in shares of **Kuban Generation Company** owned by RAO "UES of Russia" and shareholders, who supported reorganization or didn't participate in voting at all (formation of SGC TGC-8 as a holding company).

Measures for the implementation of establishment projects

March 17, 2006 – Joint general meeting of shareholders of **TGC-8 and RGCs** to be merged with and into this TGC, namely **Astrakhan Regional Generation Company, Volzhskaya Generation Company, Dagestan Heat Generation Company, Rostov Generation Company, and Stavropol Heat Generation Company** decided to introduce amendments and additions to TGC-8 Article of Association due to the companies' reorganization in terms of a merger.

344006, Russia,
Rostovskaya oblast, Rostov-on-Don, pr. Sokolova, 13

Tel: (863) 255-50-70
Fax: (863) 255-50-71
E-mail: info@tgk-8.ru
Web: www.tgk-8.ru

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



June 1, 2006 – *Completion of the 1st stage of TGC-8 formation as per its target model* exclusive of generation assets of *Kubanenergo*, which hasn't yet finished unbundling by activity type. Entry has been made in the Uniform State Register of Legal Entities that *Astrakhan Regional Generation Company, Volzhskaya Generation Company, Dagestan Heat Generation Company, Rostov Generation Company, and Stavropol Heat Generation Company* cease functioning because of their merger with and into TGC-8.

Participation in the stock market

August 15, 2006 – Shares of TGC-8 were admitted to trading on the Russian stock market.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №9" (TGC-9)

TGC-9 was established on December 9, 2004. The company owns the following generation assets (CHPs, SDPPs, and HEPPs) on a leasehold basis:

- **Perm Generation Company** (Perm territory);
- **Sverdlovsk Generation Company** (Sverdlovsk region);
- **Joint-Stock Energy Company Komienergo** (Komi Republic);
- federal hydroelectric power plants – **Kama and Votkinsk HEPPs**.

Director General – Makarov Andrey Yurievich.

Chairman of the Board of Directors – Chikunov Aleksandr Vasilyevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	4 788,8	Revenues from sales, mln rubles	20 092,38
Installed capacity, Gcal	16 926,0	Production costs, mln rubles	18 405,78
Amount of power produced, mln kWh	14 356,7	Gross profit, mln rubles	1 686,60
Capacity utilization rate, %	45,6	Net profit**, mln rubles	621,88
Fuel type	Gas	Profitability, %	8,4

Adoption of decisions on TGCs formation as per their target models

July 28, 2006 – With regard to *completion of TGC-9 formation as per its target model*, the RAO UESR Board of Directors:

- **Approved completion** of TGC-9 formation as per its target model by reorganizing **Komi Regional Generation Company** in terms of a merger with and into TGC-9.

September 29, 2006 – With regard to *completion of TGC-9 formation as per its target model*, the RAO UESR Board of Directors:

- **Approved conversion** ratios for converting shares of **Komi Regional Generation Company** into shares of TGC-9 under reorganization of the companies in terms of a merger.

Measures for the implementation of establishment projects

February 20, 2006 – Joint general meeting of shareholders of **TGC-9 and RGCs** to be merged with and into this TGC, namely **Perm Generation Company and Sverdlovsk Generation Company** decided to introduce amendments and additions to **TGC-9** Article of Association due to the companies' reorganization in terms of a merger.

May 1, 2006 – *Completion of the 1st stage of TGC-9 formation as per its target model* exclusive of generation assets of **Komienergo**, which hasn't yet finished unbundling by activity type. Entry has been made in the Uniform State Register of Legal Entities that **Sverdlovsk Generation Company and Perm Generation Company** cease functioning because of their merger with and into TGC-9.

November 15, 2006 – Extraordinary general meetings of shareholders of **TGC-9 and Komi Regional Generation Company** decided to reorganize the companies in terms of a merger.

614990, Russia, Perm,
Komsomolsky prospekt, 48

Tel: (342) 240-73-59

Fax: (342) 240-66-48

E-mail: mail@tgc-9.ru

Web: www.tgc-9.ru

Participation in the stock market

September 15, 2006 – Shares of TGC-9 were admitted to trading on the Russian stock market.

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №10" (TGC-10)

TGC-10 was established on March 30, 2005. The company includes:

- **Tyumen Regional Generation Company** (Tyumen region);
- **Chelyabinsk Generation Company** (Chelyabinsk region);
- It is scheduled for **July 1, 2007** to complete the merger of **Kurgan Generation Company** with and into TGC-10; TGC-10 is exercising production activities in Chelyabinsk and Tyumen regions and on the territory of Khanty-Mansi Autonomous Area.

Director General – Shishkin Andrei Nikolayevich.

Chairman of the Board of Directors – Avetisyan Vladimir Yevgenyevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	2 593	Revenues from sales, mln rubles	12 318,22
Installed capacity, Gcal		Production costs, mln rubles	12 198,67
Amount of power produced, mln kWh	11 763,5	Gross profit, mln rubles	119,55
Capacity utilization rate, %	69,2	Net profit, mln rubles	-61,49
Fuel type	Gas, coal	Profitability, %	0,97

Adoption of decisions on TGCs formation as per their target models

May 26, 2006 – The RAO UESR Board of Directors with regard to completion of **TGC-10 formation**:

- **Approved** the 1st stage of TGC-10 formation as per its target model (not including the assets of **Kurganenergo** that hasn't yet completed unbundling) by reorganizing **TGC-10 and Chelyabinsk Generation Company** in terms of a merger with and into Tyumen Regional Generation Company. After the merger is completed, Tyumen Regional Generation Company will be renamed TGC-10.
- If extraordinary general meeting of shareholders of Chelyabinsk Generation Company fails to approve reorganization, **decided** to issue additional shares of TGC-10 with payment for them in shares of Tyumen Generation Company and Chelyabinsk Generation Company owned by shareholders of these companies.
- **Approved** ratios for converting shares of TGC-10 and Chelyabinsk Generation Company to those of Tyumen Regional Generation Company.

Measures for the implementation of establishment projects

July 24, 2006 – The extraordinary general meeting of shareholders of *Chelyabinsk Generation Company* decided to reorganize the company in terms of a merger with and into Tyumen Regional Generation Company and approved the merger agreement.

July 29, 2006 – Extraordinary general meetings of shareholders of TGC-10 (under the competence of the RAO UESR Management Board) and **Tyumen Regional Generation Company** (under the competence of the RAO UESR Management Board) decided to reorganize the companies in terms of a merger with and into Tyumen Regional Generation Company and approved the merger agreement.

October 6, 2006 – Joint general meeting of shareholders of **TGC-10 and Tyumen Regional Generation Company, Chelyabinsk Generation Company** decided to introduce amendments and additions to the Article of Association of Tyumen Regional Generation Company due to the company's merger with and into TGC-10 and Chelyabinsk Generation Company.

454000, Russia, Chelyabinsk,
Revolutsii square, 5

Tel: (351) 267-82-77
Fax: (351) 267-85-07
E-mail: kov.30@chelelektra.ru
Web: www.tgc10.ru

* As of 9 months of 2006.



December 1, 2006 – *The 1st stage of TGC-10 formation as per its target model has been completed* (excluding generation assets of Kurgan Generation Company). TGC-10 and Chelyabinsk Generation Company ceased their operations due to their merger with and into Tyumen Regional Generation Company. It is scheduled to include generation assets of Kurgan Generation Company no later than July 1, 2007.

Participation in the stock market

February 2007 – It is scheduled to commence trading of TGC-10 shares on the Russian stock market.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №11" (TGC-11)

TGC-11 was established on August 26, 2005. The company includes:

- **Tomskenergo** (Tomsk region);
- **Omsk Power Generation Company** (Omsk region).

Director General – Kozhemyako Sergey Ivanovich.

Chairman of the Board of Directors – Fedorchuk Dmitry Vasilievich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	2 026	Revenues from sales, mln rubles	8 865,20
Installed capacity, Gcal		Production costs, mln rubles	8 660,63
Amount of power produced, mln kWh	6 000,1	Gross profit, mln rubles	204,57
Capacity utilization rate, %	45,2	Net profit, mln rubles	-99,26
Fuel type	Gas, coal	Profitability, %	2,31

Adoption of decisions on TGCs formation as per their target models

April 21, 2006 – With regard to *formation of TGC-11* the RAO UESR Board of Directors:

- **Approved** completion of TGC-11 formation as per its target model (reorganization of **Omsk Power Generation Company and Tomskenergo** in terms of a merger with and into TGC-11);
- If extraordinary general meetings of shareholders of the mentioned above RGCs fail to approve reorganization, **decided** to issue additional shares of TGC-11 with payment for them in shares of Omsk Power Generation Company and Tomskenergo owned by shareholders of these companies (formation of TGC-11 holding company);
- **Approved** ratios for converting shares of Omsk Power Generation Company and Tomskenergo to those of TGC-11.

September 29, 2006 – With regard to *formation of TGC-11*, the RAO UESR Board of Directors:

- **Amended** the reorganization procedure for TGC-11 approved by the RAO UESR Board of Directors on April 21, 2006;
- **Approved formation** of TGC-11 as per its target model by reorganizing **Tomskenergo and Omsk Power Generation Company** in terms of a merger with and into TGC-11.

Participation in the stock market

January 2007 – It is scheduled to commence trading of the company's shares on the Russian stock market.

630091, Russia, Novosibirsk,
Krasniy prospekt street, 55

Tel: (383) 354-98-00
Fax: (383) 354-98-02
E-mail: tgk11@tgk11.com
Web: www.tgk11.com

* As of 9 months of 2006.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №12" (TGC-12)

TGC-12 is formed on the basis of Kuzbassenergo, which is purchasing generation assets owned by Altaienergo.

Measures for the implementation of establishment projects

December 25, 2006 and December 26, 2006 – Extraordinary general meetings of shareholders of *Kuzbassenergo* and *Altaienergo* approved conclusion of a purchase and sale contract for generation property owned by Altaienergo.

Participation in the stock market

January 5, 2000 – Kuzbassenergo shares entered the stock market.



OPEN JOINT-STOCK COMPANY

"YENISEYSKAYA TERRITORIAL GENERATION COMPANY (TGC-13)" (YENISEYSKAYA TGC (TGC-13))

Yeniseyskaya TGC (TGC-13) was established on June 28, 2005. The company includes:

- **Krasnoyarsk Generation** (Krasnoyarsk territory);
- **Tyvaenergo** (the Republic of Tuva);
- **Khakassia Generation Company** (the Republic of Khakassia).

Director General – Salkov Oleg Ivanovich.

Chairman of the Board of Directors – Makushin Yuri Pavlovich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	2 458	Revenues from sales, mln rubles	6 842,53
Installed capacity, Gcal		Production costs, mln rubles	7 277,08
Amount of power produced, mln kWh	7 280,8	Gross profit, mln rubles	-434,56
Capacity utilization rate, %	45,2	Net profit, mln rubles	-521,51
Fuel type	Coal	Profitability, %	-6,35

Adoption of decisions on TGCs formation as per their target models

June 23, 2006 – The RAO UESR Board of Directors with regard to **formation of TGC-13 approved** the reorganization procedure for **TGC-13, Krasnoyarsk Generation, and Khakass Generation Company** in order thus to complete formation of TGC-13, including the following measures:

- **Approved** two models for asset consolidation that should be submitted for consideration by shareholders of Krasnoyarsk Generation:
 - 1) Reorganization of **Krasnoyarsk Generation and TGC-13** in terms of a merger with and into **Khakass Generation Company**;
 - 2) Reorganization of **TGC-13 and Khakass Generation Company** in terms of a merger with and into **Krasnoyarsk Generation**;
- If none of these models is accepted by the extraordinary general meeting of shareholders of Krasnoyarsk Generation, **decided** to create a holding company by means of placing additional shares of TGC-13 with payment for them in shares of Krasnoyarsk Generation and Khakass Generation Company owned by shareholders of these companies;
- **Determined** the manner of payment for TGC-13 additional shares and the alienation price for RAO UESR-owned shares of Krasnoyarsk Generation and Khakass Generation Company.

Measures for the implementation of establishment projects

August 18, 2006 – The extraordinary general meeting of shareholders of **Krasnoyarsk Generation** decided to reorganize the company in terms of a merger with and into Khakass Generation Company, approved the merger agreement and decided to introduce amendments and additions to the Article of Association of Khakass Generation Company.

August 28, 2006 – The extraordinary general meeting of shareholders of **TGC-13** (under the competence of the RAO UESR Management Board) and **Khakass Generation Company** (under the competence of the RAO UESR Management Board) decided to reorganize the company in terms of a merger with and into Khakass Generation Company, approved the merger agreement and decided to introduce amendments and additions to the Article of Association of Khakass Generation Company.

660021, Russia, Krasnoyarsk,
Bograda street, 144-A

Tel: (3912) 56-56-56
Fax: (3912) 56-54-60
E-mail: info@tgk13.ru
Web: www.tgk13.ru

* As of 9 months of 2006.



December 31, 2006 – *The 1st stage of TGC-13 formation as per its target model has been completed* (excluding generation assets of Kyzylskaya CHP (a wholly-owned subsidiary of Tyvaenergo). TGC-13 and Krasnoyarsk Generation ceased their operations due to their merger with and into Khakass Generation Company. It is scheduled to include generation assets of Kyzylskaya CHP no later than October 1, 2007.

Participation in the stock market

February 2007 – It is scheduled to commence trading of shares of Yeniseyskaya TGC (TGC-13) on the Russian stock market.



OPEN JOINT-STOCK COMPANY "TERRITORIAL GENERATION COMPANY №14" (TGC-14)

TGC-14 was established on December 7, 2004. The company includes:

- **Chita Generation** (Chita region);
- **Buryatia Generation** (Buryatia region);
- **Chita Region Heating Networks.**

Director General – Alferov Vladimir Gennadievich.

Chairman of the Board of Directors – Rukosuev Maxim Arkadyevich.

PRODUCTION CHARACTERISTICS*		FINANCIAL AND ECONOMIC INDICATORS*	
Installed capacity, MW	633,4	Revenues from sales, mln rubles	3 343,81
Installed capacity, Gcal	3 005,5	Production costs, mln rubles	3 224,21
Amount of power produced, mln kWh	2 046,2	Gross profit, mln rubles	119,61
Capacity utilization rate, %	49,2	Net profit**, mln rubles	16,13
Fuel type	Coal	Profitability, %	3,6

Adoption of decisions on TGCs formation as per their target models

June 23, 2006 – The RAO UESR Board of Directors with regard to completion of **TGC-14 formation**:

- **Approved reorganization** of TGC-14 in terms of a merger with **Buryatgeneration and Chita Generation Company**;
- If extraordinary general meetings of shareholders of one or several RGCs fail to approve reorganization, **decided** to issue additional shares of TGC-14 with payment for them in shares of Buryatgeneration and Chita Generation Company owned by shareholders;
- **Approved ratios** for converting shares of Buryatgeneration and Chita Generation Company to additional shares of TGC-14;
- **Approved growth** of the RAO UESR share in the authorized capital of TGC-14 (from 49,45% up to 49,66%) by placing additional shares of TGC-14 with payment for them in RAO UESR-owned property, namely launch facilities of boiler unit № 3, which is included in the configuration of Ulan-Ude CHP-2 (RAO "UES of Russia" is a co-owner of these facilities).

Measures for the implementation of establishment projects

July 28, 2006 – Extraordinary general meetings of shareholders of TGC-14, **Chita Generation Company, and Buryatgeneration** decided to reorganize the companies in terms of a merger with and into TGC-14 and approved the merger agreement.

September 15, 2006 – Joint general meeting of shareholders of TGC-14 **and Chita Generation Company, Buryatgeneration** decided to introduce amendments and additions to TGC-14 Article of Association due to reorganization of the mentioned companies in terms of a merger.

September 29, 2006 – **TGC-14 has been formed** according to its target structure. Entry was made in the Uniform State Register of Legal Entities that Chita Generation Company and Buryatgeneration cease functioning because of their merger with and into TGC-14.

672090, Russia, Chita,
Profsoyuznaya street, 23

Tel: (3022) 38-23-59

Fax: (3022) 38-22-39

E-mail: tgk14@energy.elektra.ru

Web: www.tgk-14.com

Participation in the stock market

January 2007 – It is scheduled to commence trading of TGC-14 shares on the Russian stock market.

* As of 9 months of 2006.

** Net profit is indicated for each operating company, other figures have been consolidated since the beginning of the year.



SYSTEM OPERATOR – Central Dispatch Administration of the Unified Energy System

Open joint-stock company "System Operator – Central Dispatch Administration of the Unified Energy System" (SO-CDA UES) **was established on June 13, 2002** as a wholly-owned subsidiary of RAO "UES of Russia". The company includes 7 integrated dispatch administrations (IDAs) and 57 regional dispatch administrations (RDAs).



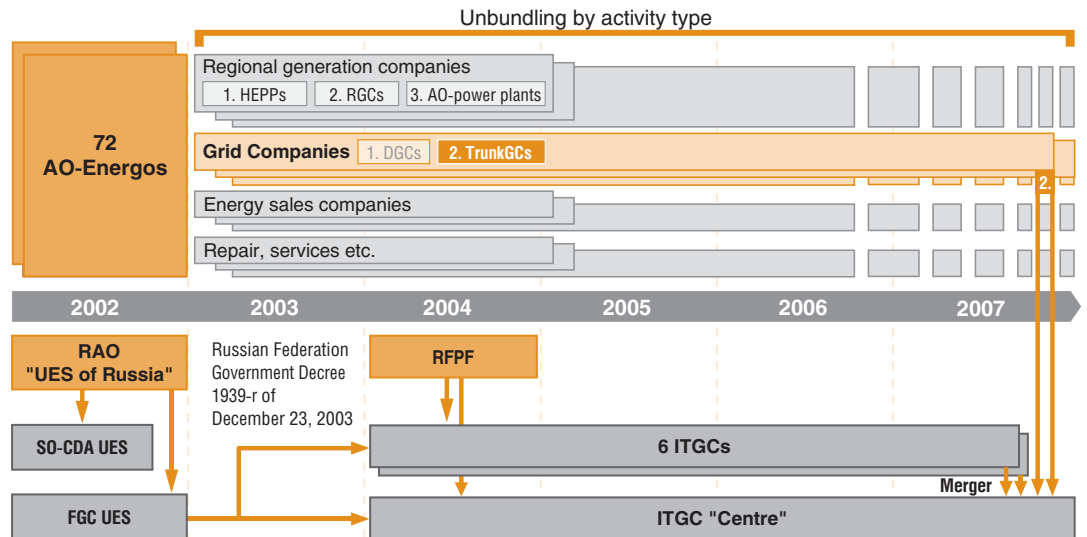
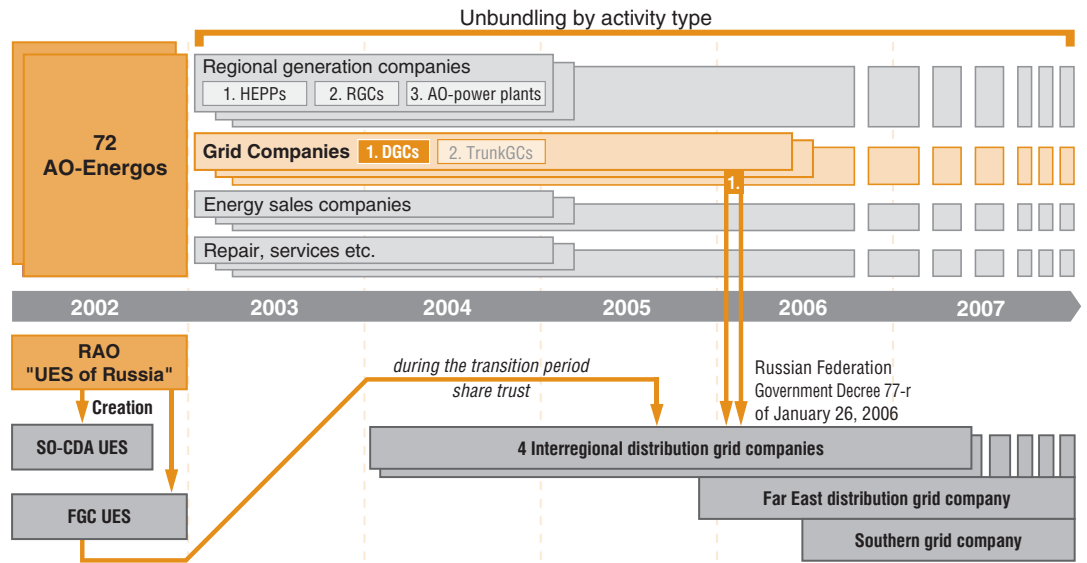
It is one of the main goals of SO-CDA UES **to encourage development of markets and ensure reliability** of the unified energy system of Russia. With the aim to develop market technologies, it is scheduled for 2007 to launch pilot projects in the ancillary services market. Creation of the **ancillary services market** will help to enhance reliability of the unified energy system using economic methods, to keep balance of power generation and consumption on the same level, to increase reliability of transmission grids, to ensure that power plants have the capability of working in case of emergency, and to control the work of the energy system.

The first steps towards the **development of the balancing market** will be the following: to transfer to the new system, in which dispatch schedules may be changed up to 4 times in a 24-hour period, and to create possibilities for market participants to set new schedules up to 12 times in a 24-hour period.

In the future, the System Operator will implement transition to one-level updating of the calculation model during a 24-hour period, improve the quality of the consumption forecast and controlling systems, organize the transition to the system in which power plants are working upon dispatcher's commands received in electronic format and take part in planning external power flows.

GRID COMPANIES

Restructuring of the electric power industry implies consolidation of transmission (belonging to the Unified National Power Grid – UNPG) and distribution assets of regional energy companies.



OPEN JOINT-STOCK COMPANY "FEDERAL GRID COMPANY OF THE UNIFIED ENERGY SYSTEM"

Federal Grid Company of the Unified Energy System (FGC UES) **has been established** by a joint decision of the RAO UESR Board of Directors **dated June 25, 2002**. The authorized capital of the company amounts to 121 607 billion rubles. It is based on cash assets and resources of the electricity transmission system previously owned by RAO "UES of Russia". RAO "UES of Russia" is the only shareholder of FGC UES.

FGC UES was established in the process of functional unbundling as the organization responsible for managing the Unified National Power Grid (UNPG), which consolidates power transmission lines. FGC UES is performing the following functions:

- control over the Unified National Power Grid;
- rendering of services to market participants (these services involve power transmission and connection to the electric grid);
- investment activities in the field of development of the Unified National Power Grid;
- maintenance of equipment (electric grids) in proper condition;
- technical supervision over the condition of transmission facilities of the UES of Russia.

The Federal Law № 35-FZ of March 26, 2003 *"On the Electric Power Industry"*, the Federal Law № 36-FZ of March 26, 2003 *"On the Specifics of Electric Power Industry Functioning during the Transition Period, Introduction of Amendments into Certain Legislative Acts of the Russian Federation, and Repeal of Certain Legislative Acts of the Russian Federation due to the Adoption of the Federal Law "On the Electric Power Industry"*, and the Concept of RAO UESR's Strategy for 2003-2008 specify that by the time when the transition period of the electricity industry restructuring is completed, the state's share in the authorized capital of FGC UES should be no less than 52%.

In the future, according to the current legislation, the state's interest in the authorized capital of FGC UES will increase up to 75% plus one voting share.

On October 27, 2006 the RAO UESR Board of Directors decided to reduce the share of RAO "UES of Russia" in the authorized capital of FGC UES from 100% to 76,94% by placing part of additional shares issued by FGC UES in favour of the Federal Agency for Federal Property Management. This is done in order to ensure that the state is participating in FGC UES investment program. On December 6, 2006 the meeting of shareholders approved the transaction for the purchase of FGC UES additional shares to the amount of 10 billion rubles. Cash proceeds from the sale of additional shares will be used to increase reliability of the UES of Russia and eliminate risks of failures, as well as with the aim of purchasing property owned by RAO "UES of Russia".

In pursuance of Article 4 of the Federal Law dated March 26, 2003 *"On the Specifics of Electric Power Industry Functioning during the Transition Period..."* and in accordance with the consolidation procedure for UNPG facilities approved by the RAO UESR Board of Directors (Minutes № 188 of February 25, 2005), RAO UESR-owned shares of trunk grid companies (TrunkGCs) established in the process of AO-Energo restructuring are transferred to the authorized capital of FGC UES.

Pursuant to Articles 7-8 of the Federal Law № 35-FZ *"On the Electric Power Industry"* dated March 26, 2003, rights of proprietors or other rightful owners of transmission facilities belonging to the UNPG are restricted and transferred to FGC UES as the organization, which controls the UNPG. The mentioned regulations of the Federal Law *"On the Electric Power Industry"* will come into force, when wholesale market rules, which are currently being approved by the Russian Federation Government, come into effect.

In order to create a centralized management system governing the transmission complex and to ensure its reliability and efficiency during the restructuring period, the RAO UESR Board of Directors (Minutes № 209 of November 25, 2005) decided to transfer shares of interregional distribution grid companies (IDGCs) to trust management by FGC UES.

During the issue of additional shares of IDGCs, RAO "UES of Russia" will contribute its shares of distribution grid companies to the authorized capital of IDGCs.



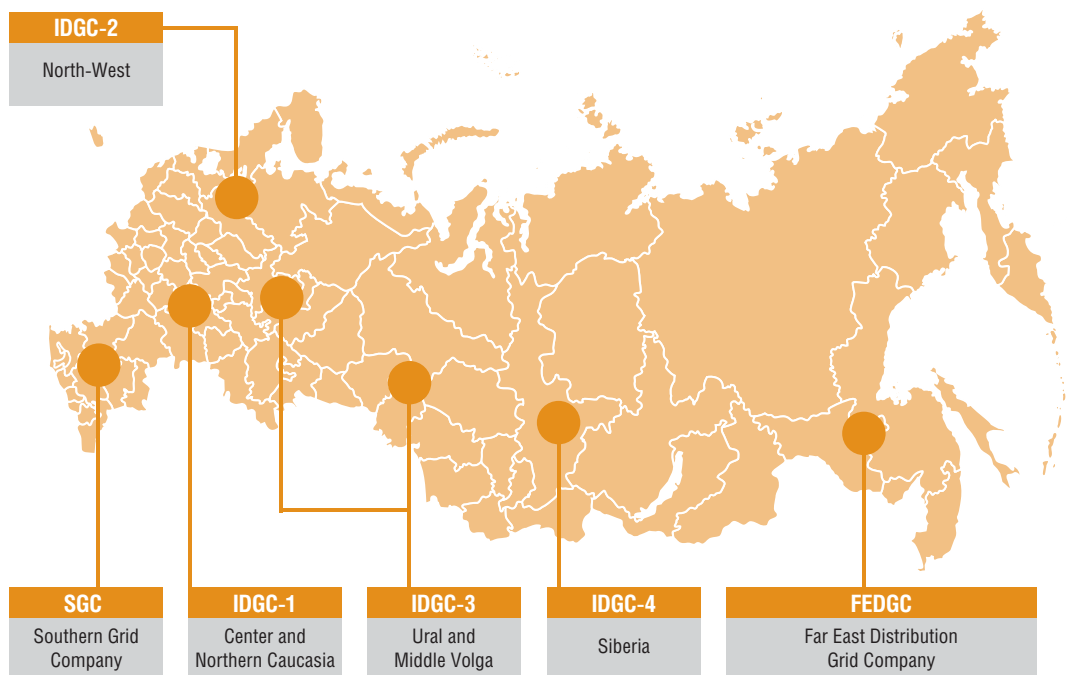
INTERREGIONAL DISTRIBUTION GRID COMPANIES (IDGCs)

In the process of restructuring interregional distribution grid companies are being formed as the result of AO-Energo unbundling by activity type. By now IDGCs have been established in most energy systems.

Pursuant to the Concept of RAO UESR's Strategy for 2003-2008, at the stage of interregional integration distribution companies merge into holding companies – interregional distribution grid companies (IDGCs).

In April 2004 the RAO UESR Board of Directors approved the following configuration of four IDGCs: IDGC-1 as part of Center and Unified Energy System of Northern Caucasia; IDGC-2 as part of Unified Energy System of North-West; IDGC-3 as part of Unified Energy Systems of Ural and Middle Volga; IDGC-4 as part of Unified Energy System of Siberia.

In August 2006 *Southern Grid Company* (a wholly-owned subsidiary of RAO "UES of Russia") was established. This management organization is responsible for dispatching operation of network and sales companies in the south of Russia during the transition period of electricity industry restructuring.



In October 2004 the RAO UESR Board of Directors decided that at the first stage IDGCs should be established as wholly-owned subsidiaries of RAO "UES of Russia". At the second stage, there will be additional issue of shares of IDGCs. In exchange for them RAO "UES of Russia" will give its shares of DGCs.

By now all IDGCs have undergone state registration procedure and started their operations. Their functions include corporate governance over DGCs and control over DGCs operations and activities (including measures designed to introduce new technologies).

Russian Federation Government Decree №77-r dated January 26, 2006 "On Contributing Shares of Open Joint-Stock



Power and Electrification Companies to the Authorized Capital of IDGCs" specifies the list of joint-stock companies, shares of which should be contributed to the authorized capital of IDGCs **until December 31, 2007**. Contributions should be made in RAO UESR-owned shares of regional AO-Energos, provided that the interest of RAO "UES of Russia" in the authorized capital of IDGCs is no less than 50% plus one voting share.

In 2006-2007 we are planning to implement a whole range of measures related to the establishment of IDGCs as per their target models. Besides, RAO "UES of Russia" has worked out the new development strategy for the Russian distribution complex. This strategy implies transition to the new tariff regulation system (as far as regulation of DGCS tariffs is concerned) based on the RAB (regulated asset base) method. In order to implement this strategy, we should not only amend normative and regulatory base in the field of tariff regulation, but also increase the number of IDGCs and create approximately 12 IDGCs, assets of which will be comparable in value.

At the present moment this strategy is under consideration by profile ministries and departments of the Russian Federation Government. After the consideration procedure is completed, RAO "UES of Russia" will take final decisions concerning adoption of the proposed strategy.

In order to create a centralized management system governing the distribution complex and to ensure its reliability and efficiency during reorganization of RAO "UES of Russia", the RAO UESR Board of Directors decided to transfer shares of interregional distribution grid companies (IDGCs) to trust management by FGC UES.

In the future, IDGCs will be established proceeding from the necessity to ensure reliability of transmission services and efficient development of regional transmission systems (first and foremost of those that carry heavy load). Establishment of IDGCs will be aimed at creating investment attractive companies, taking into account interests of shareholders of DGCS.



IDGC ESTABLISHMENT SCHEDULE (beginning)

№ AO-Energo	2004				2005				2006				2007			
	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IDGC Volga and Ural																
1. Volgskaya IDC (wholly-owned subsidiary of Samara DC, Saratov DC, and Ulyanovsk DC)																
2. Samara Distribution Company (Holding)																
3. Saratov Distribution Company (Holding)																
4. Ulyanovsk Distribution Company (Holding)																
5. Kirovenergo																
6. Kurganenergo																
7. Marienergo																
8. Mordovenergo																
9. Orenburgenergo (100)																
10. Penzaenergo																
11. Permenergo																
12. Sverdlovenergo																
13. Tyumenenergo (100)																
14. Udmurtenergo																
15. Chelyabenergo																
16. Chuvashenergo (100)																
IDGC North-West																
1. Arkhenergo																
2. Karelenergo (100)																
3. Kolenergo																
4. AEC Komienergo																
5. Lenenergo																
6. Novgorodenergo																
7. Pskovenergo																
8. Yantarenergo																
IDGC Siberia																
1. Buryatenergo																
2. Krasnoyarskenergo																
3. Kuzbassenergo Trunk Power Grids																
4. Omskenergo																
5. Tomsk Distribution Company																
6. Khakasenergo (100)																
7. Chitaenergo																
Consideration of the new development strategy for the distribution complex of RAO "UES of Russia" by the RAO UESR Board of Directors.																
Introduction of amendments and additions to the Russian Federation Government Resolution № 109 of February 26, 2004 in order to introduce a new system of tariff regulation on the basis of cost-effective rate of return from the invested capital.																
Target structure																
EGRUL merged DGCs																
Reconfiguration, creation of 12 IDGCs, state registration of newly established IDGCs (forecast)																

g.r. date of unbundling completion (without spin-off of TrunkDCs)

tgc spin-off of a trunk grid company

nod launch of operating activities by the established company

Functional unbundling of AO-Energo company is completed (trunk grid company is spun off)

IDGC ESTABLISHMENT SCHEDULE (end)

№ AO-Energo	2004				2005				2006				2007			
	Q2	Q3	Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IDGC Center-North Caucasia																
1. Astrakhanenergo			g.r.				✓									
2. Belgorodenergo			g.r.													
3. Corporate Service Systems (reorganized Belgorodenergo)			g.r.	✓												
4. Bryanskenergo			g.r.				✓									
5. Vladimirenergo			g.r.				✓									
6. Volgogradenergo			g.r.				✓									
7. Vologdaenergo								✓								
8. Voronezhenergo			g.r.				✓									
9. Ivenergo							✓									
10. Kalugaenergo		✓														
11. Kostromaenergo			g.r.					✓								
12. Kubanenergo											g.r.					
13. Kurskenergo				g.r.				✓								
14. Lipetskenergo			g.r.					✓								
15. Nizhnovenergo				g.r.				✓								
16. Orelenergo				g.r.												
17. Rostovenergo				g.r.				✓								
18. Ryazanenergo				g.r.				✓								
19. Smolenskenergo				g.r.				✓								
20. Tambovenergo			g.r.					✓								
21. Tverenergo			g.r.					✓								
22. Tulenergo				g.r.				✓								
23. Yarenergo				g.r.				✓								
Not included in the configuration of IDGCs																
1. Moscow City Power Grid Company																
2. Moscow Region Power Grid Company																
3. Moscow Heat Network Company																
4. Moscow Management Power Grid Company																
Southern Grid Company																
1. Dagestan power supply Company																
2. Dagenergo																
3. Ingushenergo																
4. Kabalkenergo (sales)																
5. Kalmenergo (96,3)																
6. Kalmenergosbyt																nod
7. Karachaev-Cherkesskenergo (sales)																
8. KEUK (DGC)																
9. Nurenergo																
10. Sevskavkazenergo (сбпг)																
11. Stavropolenergo																
Introduction of amendments and additions to the Russian Federation Government Resolution № 109 of February 26, 2004 in order to introduce a new system of tariff regulation on the basis of cost-effective rate of return from the invested capital.																
Consideration of the new development strategy for the distribution complex of RAO "UES of Russia" by the RAO UESR Board of Directors.																
Reconfiguration, creation of 12 IDGCs, state registration of newly established IDGCs (forecast)																

KEY EVENTS

DEVELOPMENT STRATEGY FOR THE DISTRIBUTION COMPLEX OF RAO "UES OF RUSSIA"

January 26, 2006 – *The Russian Federation Government* approved the Decree № 77-r of January 26, 2006, which determines that by December 31, 2007 *RAO UESR-owned* shares of *distribution grid companies (DGCs)* should be contributed to the authorized capital of *interregional distribution grid companies (IDGCs)*. Shares of DGCs will be the payment for the issue of additional shares of *IDGCs*, provided that the interest of RAO "UES of Russia" in IDGC of Center and Northern Caucasia, IDGC of North-West, IDGC of Ural and Volga, and IDGC of Siberia is no less than 50% + 1 share.

September 18, 2006 – The Committee on restructuring of RAO "UES of Russia" made the following decisions related to the development of the Russian distribution grids:

- to prepare a list of necessary amendments and additions to be made to the Russian legislation with the aim of introducing a new system of tariff regulation based on the RAB method;
- to discuss reconfiguration of IDGCs (creation of 12 IDGCs) with interested ministries and departments (the Ministry for Industry and Energy of the Russian Federation, the Ministry for Economic Development, FTS, FAS) and minority shareholders;
- to improve the draft development strategy for the RAO UESR distribution complex, taking into account proposed changes to the ownership structure of IDGCs and distribution of powers between FTS and regional regulators.

4th quarter of 2006 – Pursuant to the instructions received from the Committee on restructuring of RAO "UES of Russia" (**minutes of September 18, 2006**) connected with the development strategy for the distribution complex, the following measures were taken:

- **development of the plan** of measures, which imply gradual transition to the system of tariff regulation based on cost-effective rate of return from the invested capital in the sphere of distribution since January 1, 2008;
- **preparation of the list** of the necessary amendments and additions to the Russian legislation with the aim of introducing the system of tariff regulation based on cost-effective rate of return from the invested capital;
- **discussion of the new configuration** of IDGCs with interested ministries and departments (the Ministry for Industry and Energy, FTS, FAS), which involves fragmentation of IDGC of Center and Northern Caucasia, IDGC of North-West, IDGC of Ural and Volga, IDGC of Siberia and creation of 12 new IDGCs;
- **further updating of the draft strategy** for the Russian distribution complex, including description of modifications to take place in the IDGCs ownership structure. Following the results of consideration procedure, this draft will be referred to the RAO UESR Board of Directors in the 1st quarter of 2007.

FORMATION OF IDGCs AS PER THEIR TRANSITION MODELS

January 19, 2006 – The extraordinary general meeting of shareholders of *Belgorodenergo* approved transfer of executive powers to *IDGC of Center and Northern Caucasia*.

February 14, 2006 – The extraordinary general meeting of shareholders of *Karelenenergo* (under the competence of the *RAO UESR Management Board*) approved transfer of executive powers to *IDGC of North-West*.

March 28, 2006 – The Board of Directors of *Karelenenergo* approved the terms of a contract with the management company of *IDGC of North-West*. Under this contract, executive powers of *Karelenenergo* are transferred to the management company of this IDGC.



March 30, 2006 – The Board of Directors of *Belgorodenergo* approved the terms of a contract with the management company of *IDGC of Center and Northern Caucasia*. Under this contract, executive powers of *Belgorodenergo* are transferred to the management company of this IDGC.

March 31, 2006 – The extraordinary general meeting of shareholders of *Lipetskenergo* approved transfer of executive powers to the management company of *IDGC of Center and Northern Caucasia*.

April 14, 2006 – The extraordinary general meeting of shareholders of *Krasnoyarskenergo* approved transfer of executive powers to *IDGC of Siberia*.

May 3, 2006 – *Lipetskenergo* signed the contract for exercising executive powers with *IDGC of Center and Northern Caucasia*.

May 18, 2006 – The extraordinary general meeting of shareholders of *Kolenergo* approved transfer of executive powers to *IDGC of North-West*.

June 1, 2006 – *Krasnoyarskenergo* signed the contract for exercising executive powers with *IDGC of Siberia*.

October 2, 2006 – The extraordinary general meeting of shareholders of *Omskenergo* decided to transfer executive powers of the company to the management company of *IDGC of Siberia*.

November 28, 2006 – The extraordinary general meeting of shareholders of *Orelenergo* decided to transfer executive powers of the company to the management company of *IDGC of Center and Northern Caucasia*.

December 6, 2006 – Extraordinary general meetings of shareholders of *Kirovenergo and Marienergo* decided to transfer executive powers of the companies to the management company of *IDGC of Ural and Volga*.

December 7, 2006 – The extraordinary general meeting of shareholders of *Udmurtenergo* decided to transfer executive powers of the company to the management company of *IDGC of Ural and Volga*.

As of December 31, 2006, under formation of 4 IDGCs as per their transition models, executive powers of 25 distribution grid companies have been transferred to corresponding interregional distribution grid companies.

ESTABLISHMENT OF VOLGA INTERREGIONAL DISTRIBUTION COMPANY

Target structure of Volga Interregional Distribution Company is formed by means of the company's reorganization in terms of a merger with *Samara Distribution Company, Saratov Distribution Company, and Ulyanovsk Distribution Company* created in the process of restructuring of *Samaraenergo, Saratovenergo, and Ulyanovskenergo*.

4th quarter, 2006 – Market value of shares of the companies being reorganized in terms of a merger was estimated with the aim of calculating share conversion ratios used during the merger procedure. The list of companies includes Volga Interregional Distribution Company, Samara Distribution Company, Saratov Distribution Company, and Ulyanovsk Distribution Company. Reorganization procedure for these companies will be submitted for approval by the RAO UESR Board of Directors in January 2007.



PLANS FOR THE 1st QUARTER OF 2007

DEVELOPMENT STRATEGY FOR THE DISTRIBUTION COMPLEX OF RAO "UES OF RUSSIA"

March – It is scheduled to submit the *updated draft of the development strategy* for the distribution complex of RAO "UES of Russia" for consideration by the RAO UESR Board of Directors.

FORMATION OF IDGCS AS PER THEIR TRANSITION MODELS

March – It is scheduled to convene extraordinary general meetings of shareholders of *Tambovergo, Khakasenergo, and Permenergo* to address the transfer of executive powers of these companies to management companies of *IDGC of Center and Northern Caucasia, IDGC of Siberia, and IDGC of Ural and Volga* correspondingly.

ESTABLISHMENT OF VOLGA INTERREGIONAL DISTRIBUTION COMPANY

January – It is scheduled that the RAO UESR Board of Directors will consider reorganization procedures for *Volga Interregional Distribution Company, Samara Distribution Company, Saratov Distribution Company, and Ulyanovsk Distribution Company*, which should be reorganized in terms of a merger.

March – It is scheduled to convene extraordinary general meetings of shareholders of *Volga Interregional Distribution Company, Samara Distribution Company, Saratov Distribution Company, and Ulyanovsk Distribution Company* to address reorganization of these companies in terms of a merger.



SPLIT OFF OF UNPG (UNIFIED NATIONAL POWER GRID) FACILITIES

Electricity transmission belongs to natural monopoly activities. The Unified (all-Russian) Power Grid (UNPG) provides the technological basis for this type of activity and at the same time forms the Unified Energy System of the Russian Federation. The Federal Grid Company (FGC UES), a subsidiary of RAO "UES of Russia", is the management company of the Unified National Power Grid.

Consolidation of trunk grids into FGC UES is necessary because:

- there is a need to meet the requirements imposed by the legislation, which requires that one management organization should control the whole UNPG complex;
- there is a need to create a single management center, which will control transmission assets. State regulation and control over this integrated center are to be implemented on the federal level
- there is a need to introduce unified standards for the functioning of grids that belong to UNPG and to ensure not only that all entities have equal access to them but also that services provided by them are of equal quality;
- there is a need to introduce centralized dispatch system as far as trunk grids are concerned, thus maintaining reliability of the electric power industry.

In February 2004, pursuant to the decisions taken by the Committee on power sector restructuring under the Russian Federation Government and the RAO UESR Board of Directors, seven interregional grid companies (ITGCs) were established: ITGC South, ITGC Centre, ITGC Ural, ITGC Siberia, ITGC North-West, ITGC East, and ITGC Volga.

In 2005 the RAO UESR Board of Directors approved the procedure according to which ITGCs should be formed. This procedure involves that:

- trunk grid companies (TrunkGCs), spun off from AO-Energos, will acquire power grid facilities that belong to UNPG;
- RAO "UES of Russia" will contribute its shares of trunk grid companies to the authorized capital of FGC UES;
- while trunk grid companies are separating from AO-Energos, they will merge with one ITGC (ITGC Centre), which at the same time may join other ITGCs (provided that shareholders of trunk grid companies support this decision);
- in 2005 contracts with ITGCs (ITGC Centre) are concluded, under which the company may use UNPG facilities (contracts for the use of facilities). Since 2006 such contracts will be concluded with FGC UES.

In the 1st quarter of 2006 the Federal Financial Markets Service registered the issue of 160 billion ordinary personal uncertificated stocks of FGC UES of 50 kopeck par value each (the total cost of shares is 80 billion rubles). The shares are placed by closed subscription (private placement) in favor of the only shareholder of FGC UES - RAO "UES of Russia" – and are paid for in cash assets and with the following property: shares of established trunk grid companies and production facilities of the RAO UESR power grid complex.

The general meeting of shareholders of RAO "UES of Russia" held on **June 28, 2006** approved placement of FGC UES additional shares. These shares will be paid for in RAO UESR-owned shares of trunk grid companies spun off from AO-Energos. Pursuant to the Board's decision, the first shares to be contributed to FGC UES authorized capital are those of 42 trunk grid companies. They were transferred to the authorized capital of FGC UES **in August 2006**. The shares of the remaining 9 trunk grid companies will be transferred to the authorized capital of FGC UES as payment for the second additional share issue. According to the schedule, placement of shares issued during the 2nd stage will start **in June 2007**.

Since 2006 (pursuant to the RAO UESR Board of Directors' decision), UNPG facilities have been transferred to FGC UES.

Creation of TrunkGCs has been practically completed. As of **December 31, 2006 55 out of 56** trunk grid companies have been established on the basis of reorganized AO-Energos.

It is scheduled **for late November 2007** to complete reorganization of the established TrunkGCs and six ITGCs in terms of a merger with and into ITGC Centre. As a result, a unified Interregional Trunk Grid Company will be created. This company will unite all UNPG facilities. FGC UES will be its major shareholder.



TRUNK GRID COMPANY REGISTRATION SCHEDULE

	2004 Total	Q1	2005			2006			2007 Q1	
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	
For the current period	1	1	2	31	10	0	2	8	0	1
Accumulative total	1	2	4	35	45	45	47	55	55	56*

STATE REGISTRATION DATES FOR TRUNK GRID COMPANIES

№ AO-Energo/TrunkGC	Time frame (not later) Date of state registration of TrunkGC	№ AO-Energo/TrunkGC	Time frame (not later) Date of state registration of TrunkGC
1. Kaluga Trunk Grid Company	01.04.2004	31. Tula Trunk Grid Company	01.09.2005
2. Tomsk Trunk Grids	31.03.2005	32. Tyumen Trunk Grid Company (a wholly-owned subsidiary of RAO "UES of Russia")	01.09.2005
3. Belgorod Trunk Grid Company	01.04.2005	33. Udmurtian Trunk Grids	01.09.2005
4. Trunk Grid Company (Mosenergo)	01.04.2005	34. Chelyabinsk Trunk Power Grids	01.09.2005
5. Khakas Trunk Company (a wholly-owned subsidiary of RAO "UES of Russia")	01.07.2005	35. Chuvashi Trunk Grids (a wholly-owned subsidiary of RAO "UES of Russia")	01.09.2005
6. Ulyanovsk Trunk Grids (a wholly-owned subsidiary of Ulyanovskenergo)	29.07.2005	36. Vologda Trunk Grids (SEUK)	01.10.2005
7. Kostroma Trunk Grids	31.08.2005	37. Kola Trunk Grids	01.10.2005
8. Yaroslavl Trunk Grids	31.08.2005	38. Krasnoyarsk Trunk Grids	01.10.2005
9. Arkhangelsk Trunk Grid Company	01.09.2005	39. Orel Trunk Grid Company	01.10.2005
10. Astrakhan Trunk Grids	01.09.2005	40. Orenburg Trunk Power Grids (a wholly-owned subsidiary of RAO "UES of Russia")	01.10.2005
11. Bryansk Trunk Grid Company	01.09.2005	41. Perm Trunk Grid Company	03.10.2005
12. Vladimir Trunk Grids	01.09.2005	42. Sverdlovsk Trunk Grids	03.10.2005
13. Volgograd Trunk Grids	01.09.2005	43. St.Petersburg Trunk Grids	01.12.2005
14. Voronezh Trunk Grid Company	01.09.2005	44. Buryatia Trunk Power Grids	30.12.2005
15. Dagestan Trunk Grids	01.09.2005	45. Chita Trunk Grids	30.12.2005
16. Ivanovo Trunk Grids	01.09.2005	46. Samara Trunk Company	01.04.2006
17. Karelian Trunk Grids (a wholly-owned subsidiary of RAO "UES of Russia")	01.09.2005	47. Saratov Trunk Company	03.04.2006
18. Kirov Trunk Power Grids	01.09.2005	48. Kurgan Trunk Grid Company	01.07.2006
19. Kursk Trunk Grids	01.09.2005	49. Komi Republic Trunk Power Grid	01.07.2006
20. Lipetsk Trunk Grids	01.09.2005	50. Kuzbassenergo Trunk Power Grids	01.07.2006
21. Rostovenergo Trunk Grid Company	01.09.2005	51. Kuban Trunk Grid Company	01.09.2006
22. Mari Trunk Grids	01.09.2005	52. Amur Trunk Grid Company (a wholly-owned subsidiary of Amurenergo)	01.09.2006
23. Mordovian Trunk Grid Company	01.09.2005	53. Primorsk Trunk Grid Company (a wholly-owned subsidiary of Dalenergo)	01.09.2006
24. Nizhni Novgorod Trunk Grid Company	01.09.2005	54. Khabarovsk Grid Company (a wholly-owned subsidiary of Khabarovskenergo)	01.09.2006
25. Omsk Trunk Grid Company	01.09.2005	55. Yakutsk Trunk Grid Company (a wholly-owned subsidiary of Yakutskenergo)	01.09.2006
26. Penza Trunk Grid Company	01.09.2005	56. Tyva Trunk Grids (a wholly-owned subsidiary of Tyvaenergo)	March 2007
27. Ryazan Trunk Grids	01.09.2005		
28. Smolensk Trunk Power Grids	01.09.2005		
29. Tambov Trunk Grid Company	01.09.2005		
30. Tver Trunk Grids	01.09.2005		

* Excluding "non-basic" projects for UNPG facilities split-off:

- Altaienergo – conclusion of purchase and sale contract between Altaienergo and FGC UES (expected time frame – December 2006);

- Kalmenergo – additional shares of ITGC "Center" paid for in UNPG facilities (forecast – 2nd quarter of 2008);

- Kabbalkenergo, Sevkvkazenergo – lease of RAO UES-owned UNPG facilities of these companies by FGC UES (under the lease contract, expected date – quarter 1, 2007);

- Yantarenergo – decisions on restructuring not yet approved, the spin-off procedure for UNPG facilities and time frame not yet determined.



KEY EVENTS

January 26, 2006 – The Russian Federation Government Resolution № 41 «On Criteria for the Assignment of Electric Grid Facilities to the Unified National (All-Russian) Power Grid» was adopted, which set criteria under which power transmission facilities belong to those of UNPG.

March 21, 2006 – State registration of additional issue of **FGC UES** shares. Additional shares will be paid for in **RAO UESR-owned** shares of **trunk grid companies** established under reorganization of AO-Energos.

April 01, 2006 – State registration of **Samara Trunk Company** (the company separated from reorganized Samaraenergo).

April 03, 2006 – State registration of **Saratov Trunk Company** (the company separated from reorganized Saratovenergo).

May 26, 2006 – The RAO UESR Board of Directors advised the general meeting of shareholders of the company to approve placement of **FGC UES** additional shares, which are to be paid for in RAO UESR-owned shares of trunk grid companies established under reorganization of AO-Energos.

June 23, 2006 – Boards of Directors of **Vologda Trunk Grids, Kola Trunk Grids, Krasnoyarsk Trunk Grids, Orenburg Trunk Power Grids, Orel Trunk Grid Company, Perm Trunk Grid Company, Sverdlovsk Trunk Grids, and Chita Trunk Grids** spun off from previously reorganized AO-Energos considered their initial balance sheet formation results.

June 28, 2006 – The general meeting of shareholders of RAO "UES of Russia" approved placement of **FGC UES** additional shares, which are to be paid for in RAO UESR-owned shares of trunk grid companies established under reorganization of AO-Energos.

August 4, 2006 – RAO UESR-owned shares of **42 trunk grid companies** established in the process of AO-Energo restructuring were transferred to the authorized capital of **FGC UES**.

September 1, 2006 – State registration of **Kuban Trunk Grids** spun off from previously reorganized **Kubanenergo**.

September 1, 2006 – State registration of newly established **Amur Trunk Grid Company** (a wholly-owned subsidiary of Amurenergo), **Khabarovsk Trunk Grid Company** (a wholly-owned subsidiary of Khabarovskenergo).

September 5, 2006 – State registration of newly established **Primorsk Trunk Grid Company** (a wholly-owned subsidiary of Dalenergo), **Yakutia Trunk Grid Company** (a wholly-owned subsidiary of Yakutskenergo).

September 29, 2006 – The RAO UESR Board of Directors approved the purchase of FGC UES shares to the amount of 10 billion rubles by RAO "UES of Russia". These shares are privately placed in favour of RAO "UES of Russia".

October 27, 2006 – The RAO UESR Board of Directors decided to *reduce the share* of RAO "UES of Russia" in the authorized capital of FGC UES *from 100% to 76,94%* by placing additional shares issued by FGC UES in favour of the Federal Agency for Federal Property Management. This will help to ensure the State's participation in financing FGC UES investment program.

December 6, 2006 – The extraordinary general meeting of shareholders of RAO "UES of Russia" approved the transaction under which the company will purchase additional shares of FGC UES to the amount of 10 billion rubles (the second stage of additional share placement by FGC UES).



December – Appraisal of the market value of shares of *ITGC "Center", ITGC "South", ITGC "Ural", ITGC "Siberia", ITGC "North-West", ITGC "East", ITGC "Volga"* and 54 trunk grid companies established under reorganization of AO-energос was completed with the aim of calculating conversion ratios used in the course of reorganization of the mentioned companies in terms of a merger with and into ITGC "Center".

December 21, 2006 – The Board of Directors of Tyvaenergo-Holding decided to establish *Tyva Trunk Grids* (a wholly-owned subsidiary of Tyvaenergo). In the future *additional shares issued by ITGC Center* will be paid for in property owned by Tyva Trunk Grids ("non-basic" model for the split-off of UNPG facilities).

December 26, 2006 – The extraordinary general meeting of shareholders of *Altaienergo approved* conclusion of purchase and sale contract for the company's UNPG facilities between the company and FGC UES ("non-basic" model for the split-off of UNPG facilities).

December – Signing of delivery and acceptance certificates for UNPG facilities between *Kabbalkenergo, Sevkavkazenergo and RAO "UES of Russia"*. In the 1st quarter of 2007 these UNPG facilities (purchased by RAO "UES of Russia") will be alienated in favour of FGC UES ("non-basic" model for the split-off of UNPG facilities).

PLANS FOR THE 1st QUARTER OF 2007

FORMATION OF TARGET STRUCTURES OF FGC UES AND ITGC CENTER

January – It is scheduled that the Appraisal Committee under the RAO UESR Board of Directors will consider the appraisal reports concerning the market value of shares of *trunk grid companies and interregional trunk grid companies* and share conversion ratios at which shares of the mentioned companies will be converted to shares of ITGC "Center".

March – It is scheduled to hold extraordinary general meetings of shareholders of *ITGC "South", ITGC "Ural", ITGC "Siberia", ITGC "North-West", ITGC "East", ITGC "Volga"* and 50 trunk grid companies established under reorganization of AO-energос to address reorganization of these companies in terms of a merger with and into ITGC "Center".

SPLIT-OFF OF UNPG FACILITIES OWNED BY AO-ENERGOS

March 1, 2007 – State registration of *Tyva Trunk Grids* – a wholly-owned subsidiary of Tyvaenergo.

March – It is scheduled to sign the delivery and acceptance certificate for UNPG facilities of *Kabbalkenergo and Sevkavkazenergo* between RAO "UES of Russia" and FGC UES ("non-basic" model for the split-off of UNPG facilities).

March – It is scheduled to sign the delivery and acceptance certificate for the property to be contributed as payment for the authorized capital of *Tyva Trunk Grids* ("non-basic" model for the split-off of UNPG facilities).



SALES ACTIVITY

Restructuring of the Russian power sector is aimed at demonopolization and development of competition in the field of electricity sales.

As of January 1, 2007, as a result of functional unbundling of regional AO-Energos, 57 energy sales companies (ESCs) have undergone the state registration procedure.

The legal status of energy sales companies and all peculiarities of sales activity during the transition period of restructuring are clearly specified in the Federal Law № 35-FZ of March 26, 2003 "On the Electric Power Industry" and in the Russian Federation Government Resolution № 530 of August 31, 2006, which approved *the rules of operation of retail electricity markets during the transition period of electricity industry restructuring*.

As of January 1, 2007 all energy sales companies of the Holding, as well as those AO-Energos that haven't yet finished unbundling by activity type (a total of 68 companies), have become suppliers of last resort. This status was given to them by regional regulatory bodies. According to the energy legislation or obligations freely undertaken by the companies, this obliges them to conclude energy supply or energy sales/purchase contracts with any consumer who applies to them.

In order to ensure that during the transition period energy sales companies are financially stable, **in 2006** the RAO UESR Board of Directors approved the "basic" model for disposition of the companies' shares. According to this model, RAO UESR-owned shares of energy sales companies are transferred to trust management by territorial generation companies by means of concluding share trust agreements valid for a one-year period.

Besides, in accordance with the RAO UESR Board of Directors' decision, "pilot" projects for disposition of shares of 8 energy sales companies were implemented. These projects include transfer of sales companies' shares to trust management by regional authorities (3 projects), wholesale generation companies (1 project), independent sales companies (3 projects), and sale of sales companies' shares through a public auction (1 project).

As of January 1, 2007 share trust agreements have been concluded by 42 out of 45 energy sales companies. The following companies have not yet concluded share trust agreements:

- SGC TGC-8 (Kuban Energy Sales Company),
- TGC-9 (Komi Energy Sales Company),
- TGC-12 (Kuzbass Energy Sales Company).

ELECTRIC POWER SALES LEVEL THROUGHOUT THE HOLDING (DIFFERENTIATED BY SECTORS) DURING 11 MONTHS OF 2005-2006

	Sales level		
	11 months of 2005	11 months of 2006	+/-
TOTAL	98,3%	99,1%	0,7%
I. Industry	99,5%	99,7%	0,3%
II. Agricultural sector	99,5%	99,3%	-0,2%
III. Forest sector	96,9%	97,4%	0,5%
IV. Transport and communications	98,8%	99,9%	1,0%
V. Construction	98,5%	98,7%	0,2%
VI. Housing and utilities infrastructure	96,4%	98,3%	1,9%
VII. Population	98,3%	97,5%	-0,8%
VIII. Other sectors	96,2%	98,3%	2,1%

Source: Data provided by IAS "Energosbyt RAO"



With regard to two companies – Mosenergo (Mosenergosbyt) and TGC-7 (Samaraenergo, Saratovenergo, Ulyanovskenergo, Orenburgenergosbyt) – it was decided not to conclude share trust agreements.

By now one "pilot" project has already been implemented. On July 6, 2006 there was a public auction for the sale of 47,36% of Yaroslavl Sales Company shares owned by RAO "UES of Russia". The final bid exceeded the initial price by more than twice (by 2,3 times).

As of January 1, 2007 the progress achieved in conclusion of surety contracts between trustees and creditors of energy sales companies has been as follows:

A) surety contracts concluded as per the "basic" model for disposition of energy sales companies shares:

- with DGCs – 35 out of 38;
- with wholesale suppliers – 20 out of 149;
- with NP ATS, ZAO "ZFR" – 20 out of 67.

B) surety contracts concluded in pursuance of "pilot" projects for disposition of energy sales companies shares:

- with DGCs – 7 out of 7;
- with wholesale suppliers – 13 out of 41;
- with NP ATS, ZAO "ZFR" – 8 out of 14;
- with RAO "UES of Russia" – 3 out of 7.

The main reason for the failure to conclude surety contracts in 2006 was the refusal of contracting parties to enter into contracts drawn up in a typical form.

The results achieved during 11 months of 2006 show that the actual sales level of electric power throughout the Holding was 99,1%. During the same period of 2005 the sales level was 98,3%, with receivables turnover approximately 16 days.

If compared with 2005, **during 11 months of 2006** the sales level grew significantly in the following sectors: industry, transport and communications, housing and utilities infrastructure. However, in the agricultural sector and with regard to energy supplies to the population the sales level decreased.

As far as share trust agreements are concerned, **in 2006** trust management of shares of energy sales companies didn't have any significant impact on performance of the companies. However, it is important to note that during the one-year period none of the contracting parties used his right to claim to the trustee to make the latter to fulfill obligations not yet fulfilled by an energy sales company (this right is given to the contracting party by the surety agreement). As far as "pilot" projects are concerned, in 2006 the most successful ones were projects involving transfer of energy sales companies' shares to trust management by administrations of corresponding regions.

On December 8, 2006 the RAO UESR Board of Directors adopted the main decisions concerning the method of disposition of RAO UESR-owned shares of energy sales companies. It was decided that the basic model for disposition of shares will involve their sale in a public auction; in this case the initial price of shares should be no less than the market price calculated by an independent appraiser. According to this, RAO "UES of Russia" has already started to develop measures designed to prepare shares of energy sales companies for sale in 2007-2008.



KEY EVENTS **1st QUARTER OF 2006**

While measures to improve corporate governance in power sales companies during the transition period were implemented, **46 power sales companies**, established under reorganization of AO-Energos, concluded **share trust agreements**.

All creditors of **established sales companies** received offers to conclude surety agreements.

With the aim to improve the work of power sales companies, the Committee on coordination of operations conducted by the **established sales companies** approved new forms of accountability for parties to share trust agreements (minutes of the Committee on coordination of operations conducted by power sales companies of February 8, 2006).

Under implementation of pilot projects, six out of eight preplanned share trust agreements were concluded with the following sales companies:

- Vologda Sales Company
- Kaluga Sales Company
- Tambov Power Sales Company
- Chelyabenergosbyt
- Novgorod Power Sales Company
- Udmurtian Power Sales Company

Measures to calculate the price of Yaroslavl Sales Company shares have been completed. In order to ensure transparent implementation of pilot projects, RAO "UES of Russia" will invite interested parties, i.e. ministries and departments, to take part in consideration and approval of appraisal results.

The Governor of the Yaroslavl region agreed that **Yaroslavl Sales Company** should participate in pilot projects. In particular, he gave the sanction to hold an open auction to sell shares of this company.

2nd QUARTER OF 2006

After the decision was taken to reduce the amount of surety provided to transmission companies by TGCs (RGCs) (it should be no more than 2% of the balance cost of TGC (RGC) assets), **34 established power sales companies concluded surety agreements** with transmission companies.

In order to execute the previously taken decisions, the RAO UESR Board of Directors prepared the new draft scheme for paying a compensation to the trustee.

The auction sale of **Yaroslavl Sales Company** shares has been practically completed. Results will be summarized on July 6, 2006 (the planned date).

Share trust agreement with **Nizhni Novgorod Sales Company** has been agreed upon with **Rusenergosbyt**.

Guarantees were made under the majority of surety agreements concluded within the framework of pilot projects.



3rd QUARTER OF 2006

Share trust agreements were concluded with **44 energy sales companies** established under reorganization of AO-Energos.

The draft strategy for energy sales companies' share administration is currently under preparation. The prepared document will be submitted for consideration to the RAO UESR Board of Directors **in October 2006**.

4th QUARTER OF 2006

December 8, 2006 – The RAO UESR Board of Directors approved the **strategy for disposition of shares** of energy sales companies, including:

- **the basic model** for disposition of shares of energy sales companies implies the sale of RAO UESR-owned shares of ESCs in the public auction. The initial price of shares should be no less than their market price calculated by the independent appraiser. All possible variants that are not connected with the public auction sale of shares will be examined by the Board of Directors individually;
- **approved the list** of energy sales companies, in which RAO "UES of Russia" ceases participation by alienating the shares owned by RAO UES;
- **extended the period** of validity of trust agreements for RAO UESR-owned shares of energy sales companies concluded with territorial generation companies pursuant to the RAO UESR Board of Directors' decision dated July 1, 2005. The period of validity was extended with account of date of sale or other ways of share disposition.

The Committee for coordination of activities performed by energy sales companies decided to dissolve the share trust agreement (for **shares of Vologda ESC**) concluded with WGC-6 within the framework of a pilot project.

PLANS FOR THE 1st QUARTER OF 2007

It is scheduled that the RAO UESR Board of Directors will consider the plan-schedule of auctions for the sale of shares of energy sales companies.

It is scheduled to take measures for appraisal of shares of energy sales companies.

The following measures are scheduled for the 1st quarter of 2007: selection of sales agents and measures to prepare and hold auctions for the sale of energy sales companies' shares.

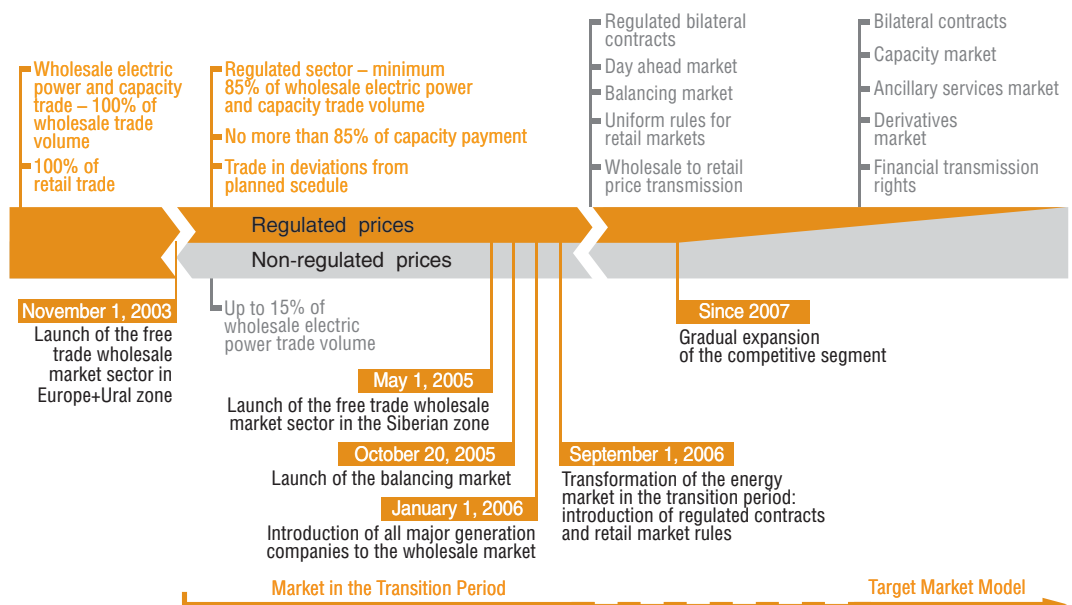


MARKET INFRASTRUCTURE

DEVELOPMENT OF THE POWER (CAPACITY) MARKET

Creation of the competitive power market is one of the main objectives of the reform. All prices in this market should be formed on a demand and supply basis instead of being regulated by the State. The target model for the electricity market involves the following principles, according to which wholesale and retail markets are working:

- a unified wholesale electricity (capacity) market in the European Russia, Ural, and Siberia (excluding isolated energy systems, located in these regions);
- competitive electricity trading: long- and middle-term financial bilateral contracts, day-ahead market, balancing market;
- competitive capacity trading: long- and middle-term bilateral contracts, purchase/sale of capacity through year-long and long-term auctions (for several years ahead);
- competitive ancillary services – competitive selection of service providers and purchase of services necessary to ensure the quality of power supply in the unified energy system of Russia by the System Operator;
- wholesale to retail price transmission – retail end user price depends on purchase price of electricity in the wholesale market;
- retail end users have an opportunity to choose a retailing company – electricity supplier.



Wholesale market infrastructure includes the following organizations:

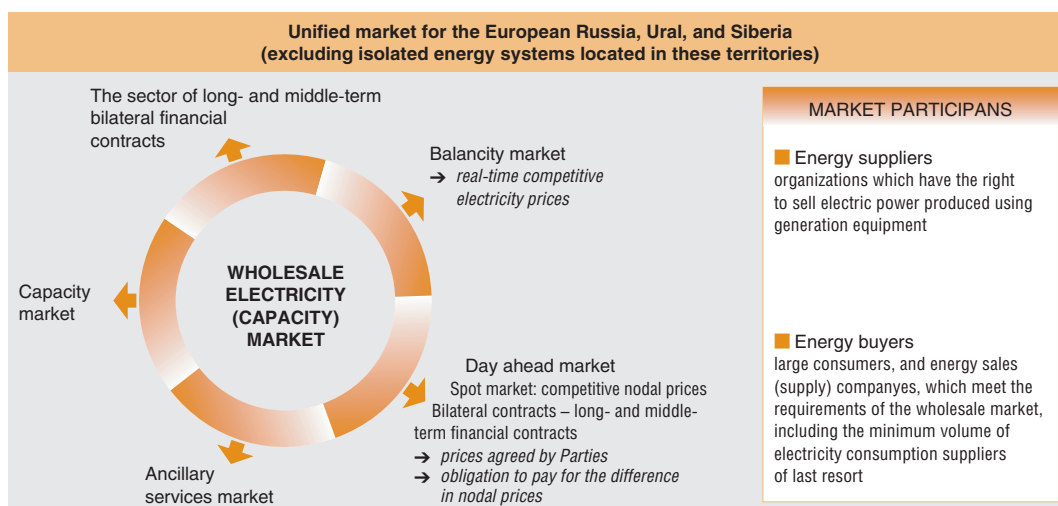
- **NP ATS** – Not-for-profit partnership "Administrator of Trading System" (NP ATS). The company was established *in 2001*. Later it became a wholesale electricity (capacity) market operator.
- **SO-CDA UES** – System Operator of the wholesale market. *In 2004* the company completed creation of the new dispatching vertical: it started to perform functions previously exercised by regional dispatch administrations.
- **FGC UES** – the company that controls operation of the unified (all-Russian) power grid.



WHOLESALE MARKET

Wholesale electricity (capacity) market of the transition period has started operation **since November 1, 2003**. The work of the market is regulated by the Russian Federation Government Resolution № 643 of October 24, 2003 *"On the Rules of Operation of the Transition Wholesale Electricity (Capacity) Market"*. This resolution laid a foundation for competitive pricing in the wholesale market.

In early 2005, the Operation Center for improving the model of the transition wholesale electricity (capacity) market was created by a joint Decree issued by RAO "UES of Russia" and other infrastructure organizations. The Operation Center is responsible for making decisions related to successful functioning and development of wholesale and retail electricity (capacity) markets (further Operation Center). Member of the Management Board, Head of Reform Management Center of RAO "UES of Russia" Udaltsov Yu.A. is the Head of the Operation Center.



Adoption of the new rules of wholesale electricity (capacity) market of the transition period has become one of most important measures designed to achieve the target wholesale electricity (capacity) market model. The new rules were specified in the Russian Federation Government Resolution № 529 of August 31, 2006 *"On Improving Operations of the Wholesale Electricity (Capacity) Market"*. They have come into effect **since September 1, 2006**. The rules determine mechanisms of competitive electricity trading implied by the target market model. Gradual reduction of electricity volumes sold in the wholesale market at regulated prices (tariffs) (as specified in the rules) helps to ensure that competition is introduced gradually.

Liberalization of the wholesale market continues. In spite of the fact that during the 1st stage, i.e. by the end of 2006, 100% of electricity included in the FTS consumption forecast was covered by regulated bilateral contracts concluded between all wholesale market participants (buyers and sellers) and thus sold at regulated prices, the volume of trade in the day-ahead market has substantially increased if compared with the free trade sector. This was caused by the fact that since September 1, 2006 all electricity included in production/consumption schedules have been participating in competitive selection of price bids in the day ahead market. The volumes of electricity sold in the wholesale market at unregulated prices (excluding electricity supplied to the population) will gradually reduce. As a result, those volumes of electricity that are no longer covered by regulated contracts (alongside with those electricity volumes that exceed the FTS forecast for 2007) and all electricity produced by new generators will be traded at free competitive prices.



The Russian Federation Government has already defined the pace of reduction of electricity sold/bought at regulated prices. Reductions will correspond to the certain shares of electricity from the electricity volumes included by FTS in the forecasted balance for 2007. These shares may be seen below:

- from January 1, 2007 to June 31, 2007 – 95%,
- from July 1, 2007 to December 31, 2007 – 90%,
- from January 1, 2008 to June 31, 2008 – 85%,
- from July 1, 2008 to December 31, 2008 – 75%,
- from January 1, 2009 to June 31, 2009 – 70%,
- from July 1, 2009 to December 31, 2009 – 50%,
- from January 1, 2010 to June 31, 2010 – 40%,
- from July 1, 2010 to December 31, 2010 – 20%.

Since January 1, 2011 all electricity (excluding electricity supplied to the population) will be sold at unregulated prices.

In July-August 2006 a lot of work was done to prepare the launch of the new wholesale market model in order to ensure gradual transition to the target wholesale market design: NP ATS Advisory Board approved the whole package of regulations, contracts and agreements that ensure successful operation of wholesale market participants according to the new market rules. Within the framework of simulation trading, NP ATS and RAO "UES of Russia" have worked out the new mechanism for trading and accounting systems of the wholesale market. This was done to help market participants to adapt to the new market rules. Besides, a whole range of training seminars was held for wholesale market participants.

Among measures to prepare the launch of the new wholesale electricity (capacity) market, a contractual campaign was held **in August 2006**. In order to hold this campaign, the procedure has been worked out, according to which contractors under regulated contracts for 2006 were selected. On the basis of this procedure, wholesale buyers and suppliers concluded regulated contracts. Besides, during this contractual campaign new market participants signed a whole range of other contracts necessary to operate in the market under the new rules. The next contractual campaign started in December 2006. Market participants were entering into contracts, which will enable them to participate in the wholesale market in 2007.

According to the new rules, in 2006-2007 all capacity is covered by regulated contracts and traded at regulated prices. Starting from 2008, competition will be introduced in the sphere of capacity trading. With this end in view, different ministries and departments are developing the corresponding draft resolution of the Russian Federation Government.

In the 4th quarter of 2006 the Operation Center continued to work towards improving the wholesale electricity (capacity) market of the transition period. The following measures were completed:

- preparation of special regulations in the sphere of purchase and sale of capacity in the new wholesale electricity (capacity) market in 2007;
- solution of problems in the sphere of reliability of electricity supplies to customers living in the areas with peak load arising in the autumn and winter seasons;
- preparation of decisions on pilot projects involving conclusion of long-term regulated contracts;
- organization of training seminars for participants of the new wholesale electricity (capacity) market, which addressed taxation and accounting issues regarding wholesale market transactions;
- constant monitoring of activities performed and financial results achieved in the new wholesale electricity (capacity) market;
- preparation for the contractual campaign to be held in the wholesale market in 2007.



It is scheduled **for the 1st quarter of 2007** to continue working towards improvement of the wholesale electricity (capacity) market:

- monitoring of activities performed and financial results achieved by the market participants in the new wholesale electricity (capacity) market;
- development of the rules for competitive capacity trade in the wholesale market;
- continuation of work towards development of the concept and draft regulations for the ancillary services market.

CAPACITY MARKET

Competitive capacity market implies short-term (for a year ahead), which is to be held during the first years of operation of the competitive capacity market, and long-term (for several years ahead) competitive procedures for the choice of capacity suppliers. Capacity suppliers and competitive capacity prices will be determined proceeding from the results of such competitive procedures (auctions). Starting from 2008 capacity volumes sold/bought under regulated contracts will be gradually reducing in accordance with the pace of liberalization determined by the Russian Federation Government. Since 2008, excessive capacity (not covered by regulated contracts) and capacity of all newly built power plants (commissioned since 2008) will be sold at competitive prices.

Long-term competitive capacity trading will help to ensure long-term generation adequacy. Contractual obligations for several years ahead will stimulate investments in modernization and construction of new generation capacities.

ANCILLARY SERVICES MARKET

Ancillary services market provides efficient mechanisms for maintaining reliability and ensuring successful performance of the energy system. Ancillary services include:

- frequency response and active power flow control;
- reactive support and voltage control service;
- black start facilities and emergency control schemes.

With the aim of preparing the launch of the ancillary services market we've developed the list of pilot projects for rendering ancillary services, defined the volume of these services and worked out auction rules (auctions are designed to choose service providers). We are planning to start implementation of pilot projects **in 2007**. Launch of the ancillary services market will help to improve reliability and quality of power supply.

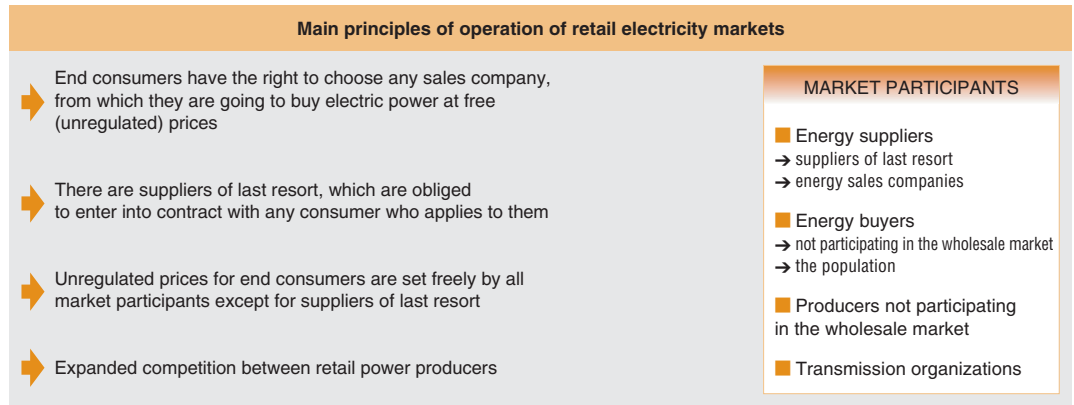
RETAIL ELECTRICITY MARKETS

Pursuant to the Russian Federation Government Resolution № 530 of August 31, 2006 "*On adoption of rules of operation of retail energy markets in the transition period of electricity industry restructuring*", **since September 1, 2006** the new retail market rules have come into force. These rules determine how wholesale and retail market participants should interact with each other during a transition period of electricity industry restructuring. Adoption of the new rules is a very important step to achieve the target retail market model (description of the target market model may be found in the Concept of RAO UESR's Strategy for 2003-2008 (the "5+5")).

Changes in retail market rules depend greatly on changes in the wholesale market. First of all, these changes are connected with transition to the system of regulated contracts with further gradual liberalization of electricity (capacity) trading.

The new retail market rules specify powers of a supplier of last resort*, the rules of its operation, pricing mechanisms, and the procedure of concluding contracts for rendering of transmission services in retail markets.





The Rules contain regulations concerning the procedure of conclusion and execution of public contracts in the retail market and an example of the contract for electricity supplies to the population. The Rules determine how wholesale and retail market participants (suppliers of last resort, energy sales and supply companies, generators, grid companies and electricity consumers) should interact with each other.

As a result of structural transformations that are currently taking place in the electric power industry, the retail market design includes a sales company, a network organization and a generation company instead of one energy supply company.

The rules give consumers an opportunity to choose an energy supplier: a consumer may either stay with a supplier, who entered into contract with him before, or switch to another supplier. Not all energy suppliers are obliged to enter into contracts with a consumer. This refers only to suppliers of last resort. If a buyer is not satisfied with his energy supplier, he may always apply to a supplier of last resort. Besides, a consumer may choose whether to enter into an energy supply contract with an energy supplier, thus commissioning the supplier with the task of settling all transmission problems with a transmission organization, or to conclude two contracts: an energy purchase and sale contract with an energy supplier and a transmission contract with a transmission organization.

Since September 1, 2006 all suppliers of last resort have been appointed to their position by the Russian Federation Government. Suppliers of last resort are working on the whole territory of the Russian Federation. In each region their areas of operation were defined individually by regional authorities proceeding from servicing areas of those suppliers of last resort that have already been appointed to their position. Since January 2008 those suppliers of last resort that were selected proceeding from the results of public auctions to be held during 2007 will start their operation.

Regional authorities are constantly monitoring activities performed by suppliers of last resort, including their financial condition.

The main peculiarity of the new retail pricing is that the pricing system is synchronized with liberalization of wholesale prices. This means that electricity volumes will be partially supplied at regulated prices, and partially – at prices that reflect cost of electricity in the competitive wholesale electricity market within the limits of threshold levels of unregulated prices. Threshold levels of unregulated prices are calculated using a special formula, which is specified in the Rules, proceeding from the information on the average cost of one unit of electric power (1 KWh) in the wholesale market (as of the last month) monthly published by NP ATS, taking into account regulated tariffs for transmission and infrastructure services and the sales surcharge. This will help to stimulate a supplier of last resort to reduce its expenses for the purchase of electric power in the wholesale market and to protect electricity consumers from careless pricing policy

* Please see the section "Basic terms and definitions" (page 110).



The main results of operation of retail markets achieved **in the 4th quarter of 2006:**

- AO-Energos (subsidiaries of RAO "UES of Russia"), energy supply companies, energy sales organizations, which took over sales from a single business entity Russian Railways, and business entities not connected to the UES and not included in the list of technologically isolated energy systems were appointed to the position of suppliers of last resort;
- a contract campaign designed to update ongoing contracts with consumers in accordance with the new rules and because of modifications in the pricing methodology continued;
- campaigns designed to explain fundamental issues of retail market rules to consumers and regional authorities were taking place in regions;
- monitoring of operation of energy sales companies in retail electricity markets;
- work with consumers in order to ensure that they pay electricity bills involving wholesale to retail price transmission;
- updating of current legislation in accordance with the new rules;
- according to the Order №318-e/15 of November 28, 2006, the Federal Tariff Service amended the instructional guidelines for the calculation of regulated tariffs and prices for electric (thermal) power in the retail (consumer) market approved by the FTS Order №20-e/2 of August 6, 2004;
- according to the Order №302-e/5 of November 24, 2006, the Federal Tariff Service approved the instructional guidelines for the calculation of a sales surcharge of suppliers of last resort.

The following measures designed to improve the design and operation of retail electricity markets are scheduled for 2007:

- to complete the procedure of conclusion of energy supply contracts (for purchase and sale of electric power) in accordance with the rules, paying special attention to budget-dependent consumers, because they aren't treated as the population and have to pay for part of their electricity at free prices;
- the FTS is planning to approve the rules according to which the cost of electric power (capacity) supplied in the retail market at regulated prices (tariffs) will be calculated;
- FTS of Russia is planning to form the register of suppliers of last resort and their areas of operation;
- the Ministry for Industry and Energy of the Russian Federation is planning to develop the rules, according to which auctions for the choice of suppliers of last resort will be held, and examples of standard tender documentation.



NON-COMMERCIAL PARTNERSHIP "ADMINISTRATOR OF TRADING SYSTEM OF THE WHOLESALE POWER MARKET WITHIN THE UNIFIED ENERGY SYSTEM"

Non-commercial partnership "Administrator of Trading System of the Wholesale Power Market within the Unified Energy System" (NP ATS) **was established on November 23, 2001** pursuant to the Russian Federation Government Resolution № 526 of July 11, 2001 "On Restructuring the Electric Power Industry of the Russian Federation".

The main purposes of NP ATS are as follows: to organize trade and arrange financial payments in the wholesale power market, to increase efficiency of power generation and consumption and to protect interests of power suppliers and buyers. NP ATS renders infrastructure services (which are related to organization of trade) in the wholesale power market, thus ensuring closing of transactions, fulfillment of mutual obligations and execution of transactions.

The company **Financial Settlement Center (ZAO CFR)** is one of the members of NP ATS Group. It provides the following comprehensive services: organizes contractual relations in the wholesale electricity market and makes financial arrangements among market participants. ZAO CFR is a wholly-owned subsidiary of NP ATS. By now near 400 people have been working in NP ATS Group.

On November 7, 2003 both the competitive market segment and the new wholesale power market model were launched. **Since January 1, 2005 NP ATS has become the world's largest trade operator** among organized electricity trading floors, combining management functions directed at regulated and free trade sectors on the whole territory of the Russian Federation. **On May 1, 2005** the wholesale market free trade sector started operating within the territory of Siberia.

On September 1, 2006 the new wholesale electricity (capacity) market model was launched.

As of December 31, 2006 a total of 262 organizations have joined the trading system; 104 of them acted as independent participants.

	2005*	Q1 2006	Q2 2006	August 2006	Q3 2006**	Q4 2006
Bidders, total	138	187	192	180	181	
including						
buyers	68	103	111	107	108	
sellers	33	78	75	69	69	
buyers and sellers	47	6	6	4	4	
Among the traders - those not controlled by RAO	50	56	63	60	61	
of them in the Price Zone of the European part of Russia and Ural	128	161	167	154	155	149
including						
buyers	67	93	99	95	96	111
sellers	24	65	64	56	56	33
buyers and sellers	37	3	4	3	3	5
Among the traders - those not controlled by RAO	44	49	55	53	54	
of them in the Price Zone of Siberia	25	30	30	33	33	37
including						
buyers	6	14	15	16	16	18
sellers	9	13	12	15	15	16
buyers and sellers	10	3	3	2	2	3
Among the traders - those not controlled by RAO	10	10	12	11	11	
Share of the Free Trade Sector in total generation in the Price Zone of the European part of Russia and the Ural Region	9,6	13,4	14	13,5	13,6	
Share of the Free Trade Sector in total generation in the Siberian Price Zone	3,0	3,0	3,1	5,8	5,9	

* Data on the 2nd Price Zone since May 2005.

** Data as of July-August 2006.



FUNCTIONING OF THE WHOLESALE ELECTRICITY MARKET IN SEPTEMBER 2006

EUROPE
AND URAL

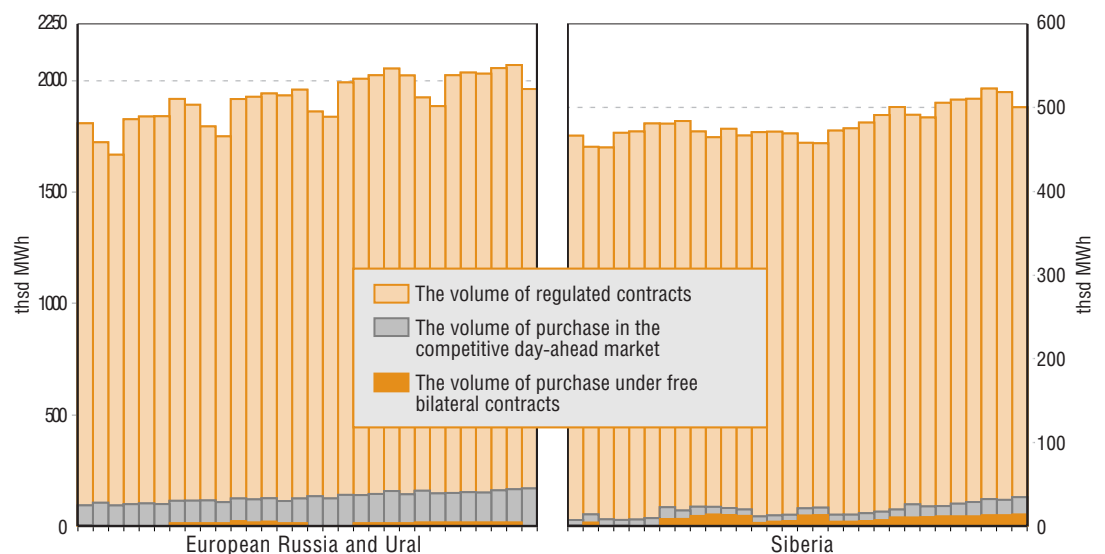
On average, 47 sellers, 108 buyers and 5 organizations that were both selling and buying electric power participated daily in trading in September.

The amount of electricity purchased during this period was 52 901,6 mln KWh, 49 324,4 mln KWh of which were purchased at regulated prices (covered by regulated contracts) and 3 577,2 mln KWh – at unregulated prices (day ahead market price). The figure “Trade results in September 2006” shows daily dynamics of purchase volumes. Gradual increase of consumption volumes that occurred in September was caused by climatic factor. The minimum volume of electricity purchased was observed on September 3 (1 660 mln KWh), maximum – on September 29 (2 060 mln KWh). The share of electric power purchased by consumers at unregulated prices was 6,8% from the total purchase amount.

The average weighted free (unregulated) purchase price for consumers amounted to 471,69 rub/MWh. The minimum average daily price was observed on September 3 (223,30 rub/MWh), maximum – on September 21 (746,91 rub/MWh).

The figure “Dynamics of the system equilibrium price in September 2006” shows fluctuation of maximum and minimum prices. The system equilibrium price* charged from consumers for the electricity they purchase was 475,05 rub/MWh. Volatility of the system equilibrium price was 70,4%. The maximum and minimum equilibrium prices were observed on the same days as the maximum and minimum average weighted unregulated prices: the minimum price was observed on September 3 (229,26 rub/MWh), maximum – on September 21 (773,32 rub/MWh).

TRADE RESULTS IN SEPTEMBER 2006



* System equilibrium price – the nodal price, which corresponds to the consumption weighted average price for planned hourly electricity volumes in different nodes of the system.



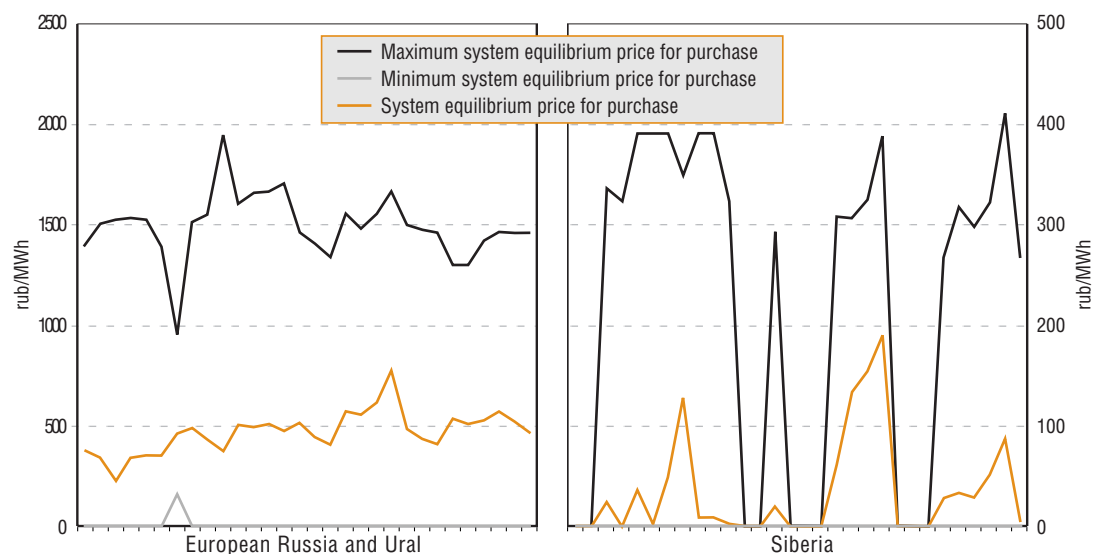
SIBERIA On average, 14 sellers, 17 buyers and 1 organization that was both selling and buying electric power participated daily in trading in September.

The amount of electricity purchased during this period was 12 668,4 mln KWh, 12 366,6 mln KWh of which were purchased at regulated prices (covered by regulated contracts) and 301,8 mln KWh – at unregulated prices (in the day ahead market). The figure “Trade results in September 2006” shows daily dynamics of purchase volumes during the month. The minimum volume of electricity purchased was observed on September 3 (451 mln KWh), maximum - on September 28 (521 mln KWh). The share of electric power purchased by consumers at unregulated prices was 2,4% from the total purchase amount.

The average weighted free (unregulated) purchase price for consumers amounted to 41,14 rub/MWh. The minimum average daily price was observed several times, amounting to 0,00 rub/MWh, maximum – on September 21 (195,93 rub/MWh). Such low prices (sometimes even zero prices) may be explained by high water content, which forced HEPPs to generate more electricity than needed.

The figure “Dynamics of the system equilibrium price in September 2006” shows fluctuation of prices in September. The system equilibrium price charged from consumers for the electricity they purchase was 35,74 rub/MWh. The maximum equilibrium price was observed on September 21 (189,62 rub/MWh). The minimum equilibrium price (as in case of the minimum weighted average unregulated price) was observed several times, amounting to 0,00 rub/MWh. Volatility of the system equilibrium price was 100%.

DYNAMICS OF THE SYSTEM EQUILIBRIUM PRICE IN SEPTEMBER 2006



FUNCTIONING OF THE WHOLESALE POWER MARKET (SINCE OCTOBER 1, 2006 UNTIL DECEMBER 31, 2006)

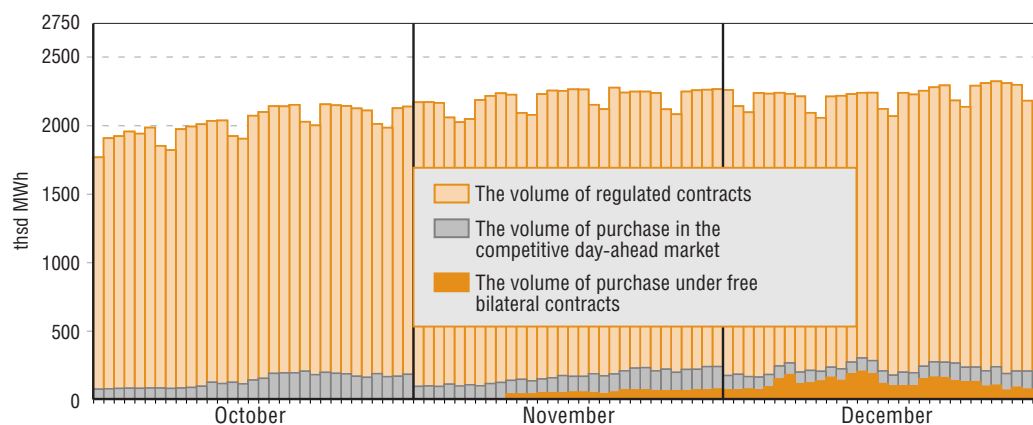
EUROPE
AND URAL

By the end of December the daily average number of market participants has reached the following figures: **33 sellers**, **111 buyers** and 5 companies, which filed applications for both sale and purchase of electric power.

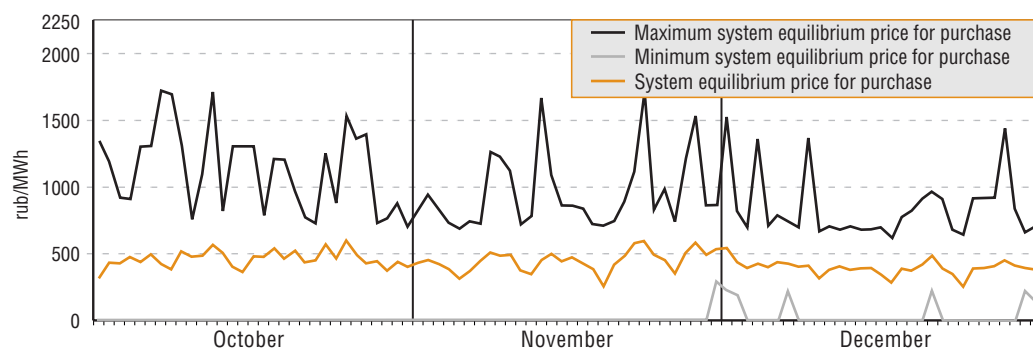
In the 4th quarter of 2006 a total of 196,5 mln MWh of electric power was bought. Most of electricity (181,1 mln MWh) was bought at regulated prices (under regulated contracts), the rest of electricity (15,4 mln MWh) was bought at free prices (in the day ahead market). The figure "Trade results in the European Russia and Ural in the 4th quarter of 2006" shows daily dynamics of purchase volumes. During the accounting period we observed the substantial increase of consumption, which was caused by the climatic factor. But due to the warm weather (uncommon for this season) the increase in consumption was not so significant as expected. The minimum demand (1 760 thsd MWh) was observed on October 1, the maximum demand (2 318 thsd MWh) – on December 27. The share of electricity bought at free prices in the total amount of electricity bought by consumers was 7,9%. The share of electricity bought in the day ahead market under free bilateral contracts was 28,7%.

The figure "Dynamics of the system equilibrium price in the European Russia and Ural in the 4th quarter of 2006" shows fluctuation of maximum and minimum prices. The system equilibrium price charged from consumers for the electricity they purchased was 435,83 rub/MWh. Volatility of the system equilibrium price was 57,7%. The minimum price was observed on December 24 (253,70 rub/MWh), the maximum price – on October 25 (600,00 rub/MWh).

TRADE RESULTS IN THE EUROPEAN RUSSIA AND URAL IN THE 4TH QUARTER OF 2006



DYNAMICS OF THE SYSTEM EQUILIBRIUM PRICE IN THE EUROPEAN RUSSIA AND URAL IN THE 4TH QUARTER OF 2006



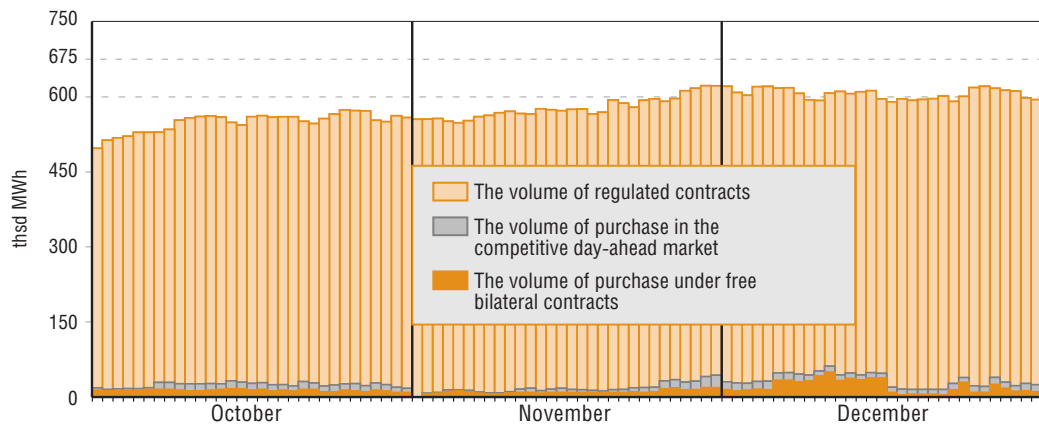
SIBERIA

By the end of 2006 the daily average number of market participants has reached the following figures: **16 sellers, 18 buyers** and 3 companies, which filed applications for both sale and purchase of electric power.

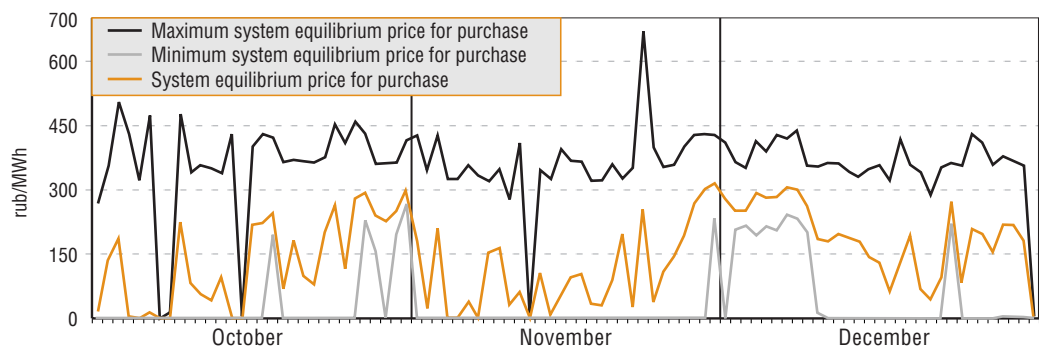
In the 4th quarter of 2006 a total of 53,1 mln MWh of electric power was bought. Most of electricity (50,9 mln MWh) was bought at regulated prices (under regulated contracts), the remaining electricity volumes (2,2 mln MWh) were bought at free prices (in the day ahead market). The figure "Trade results in Siberia in the 4th quarter of 2006" shows daily dynamics of purchase volumes. The minimum volume of electricity purchased was observed on October 1 (496 thsd MWh), maximum – on December 26 (620,3 thsd MWh). The share of electricity bought at free prices in the total amount of electricity bought by consumers was 4,8%. The share of electricity bought in the day ahead market under free bilateral contracts was 54,7%.

The figure "Dynamics of the system equilibrium price in Siberia in the 4th quarter of 2006" shows fluctuation of prices. The system equilibrium price charged from consumers for the electricity they purchased was 146,53 rub/MWh. The maximum equilibrium price was observed on November 30 (314,31 rub/MWh). The minimum equilibrium price was observed several times, amounting to 0,00 rub/MWh. Low and even zero prices were observed on holidays and weekends. Thus, volatility of the system equilibrium price was 100%.

TRADE RESULTS IN SIBERIA IN THE 4TH QUARTER OF 2006



DYNAMICS OF THE SYSTEM EQUILIBRIUM PRICE IN SIBERIA IN THE 4TH QUARTER OF 2006



BASIC TERMS AND DEFINITIONS

ABBREVIATIONS

AC	– Authorized capital
AO-Energo	– Open Joint-Stock Power and Electrification Company
ATS	– Administrator of Trading System
CDA UES of Russia	– Central Dispatch Administration of Unified Energy System of Russia
CHP	– Combined Heat and Power Plant (also: Heat Power Plant)
CSC FOREM	– Contract and Settlement Center of the Federal Wholesale Market of Electric Power and Capacity
DAM	– Day Ahead Market
DGC	– Distribution Grid Company
EGRUL	– Uniform State Register of Legal Entities
FEC	– Federal Energy Commission
FGC	– Federal Grid Company
FOREM	– Federal Wholesale Market of Electric Power and Capacity
HEPP	– Hydroelectric Power Plant
HPP	– Heat Power Plant
IES	– Integrated Energy Systems
IDA	– Integrated Dispatch Administration
IDGC	– Interregional Distribution Grid Company
Interregional Trunk GC	– Interregional Trunk Grid Company
NOREM	– New Wholesale Electricity (Capacity) Market
RBC	– Regulated Bilateral Contract
REC	– Regional Energy Commission
RDA	– Regional Dispatch Administration
RGC	– Regional Generation Company
S&A	– Subsidiaries and Affiliates
SDPP	– State District Power Plant (heat power plants in Russia)
SO-CDA UES of Russia	– System Operator – Central Dispatch Administration of Unified Energy System of Russia
TGC	– Territorial Generation Company
TrunkGC	– Trunk Grid Company
UESR	– Unified Energy System of Russia
UNPG	– Unified National Power Grid
WCR	– Wholesale Electric and Heat Energy Consumers and Resellers
WGC	– Generation Company of the Wholesale Electricity Market

TERMS AND DEFINITIONS*

Administrator of Trading System (ATS) – nonprofit partnership company, the main purpose of which is to render trade services on the wholesale electric power (capacity) market; as well as financial management of electric power supplies and services being rendered to wholesale market entities; ensuring equal opportunities for all entities of the wholesale electric power market; protection of electric power suppliers and buyers; enhancement of efficiency of the electric power production and consumption.

"Basic Scenario" of the AO-Energo reform – reform of the AO-Energo through AO-Energo re-organization by means of proportional distribution of shares between the shareholders of the re-organized company, and creation of network, generating, sales and other special-purpose companies. (Decision of RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Initial Balance Sheets – balance sheets of the companies emerging following the re-organization, and the bookkeeping balance sheet of the re-organized company as on the date of state registration of companies founded resulting from re-organization (RAO UESR adjustment standard for separation balance sheets of AO-Energo, budgeted initial balance sheets and initial balance sheets of the companies emerging following the re-organization).

* RAO UES of Russia - Basic Terms and Definitions Reference Book.



Guaranteeing Supplier – a profit-making company bound to execute electric power sales contracts with any applicant consumer or any individual acting for and on behalf of the consumer and willing to purchase the electric power, pursuant to the electric power industry regulations or in accordance with voluntary commitments. (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Wholesale Generation Companies (WGC) – generation companies founded on the basis of electric power plants pursuant to the Guidelines for Reform of the Electric Power Industry of the Russian Federation (approved by Russian Government Resolution No. 526 of July 11, 2001; Russian Government Order No. 1254-p of September 1, 2003; Russian Government Order No. 1367-p of October 25, 2004; and Decision of RAO UESR Board of Directors No. 125 of August 15, 2002).

Unified National (All-Russian) Power Grid (UNPG) – the total of power transmission lines and electric grid facilities subject to the unified operational and engineering control, being of strategic importance for a non-interrupted electric power supply of consumers and functioning of the wholesale electric power market, as well as to ensure parallel functioning of the UES of Russia and electric power systems of other countries, including the electric power export and import (Russian Government Resolution No. 881 of December 21, 2001 "On the Criteria of Trunk Transmission Lines and Grid Facilities Attribution to the Unified National Power Grid").

Unified Energy System of Russia (UESR) – the total of production facilities and other property items of electric power industry interconnected by the unified process of electric energy production (including the combined-cycle production of electric and heat energy) and transmission under the centralized dispatching control of the electric power industry (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Interregional Trunk Grid Companies (Interregional Trunk GC) – companies formed by means of consolidation of network or generation companies created in the course of the Russian electric power industry reform, following the AO-Energo reform (Interregional Distribution Grid Companies, Trunk Grid Companies, Territorial Generation Companies), as well as by means of foundation on the basis of AO-FESs and AO-stations (generation companies of the wholesale electric power market) (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002).

Interregional Distribution Grid Companies (IDGC) – open joint-stock companies founded on the territorial basis and receiving the shares of Distribution Grid Companies. (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Trunk Grid Companies (TrunkGC) – open joint-stock companies emerging from the AO-Energo reform and acquiring the electric grid facilities within the Unified National (all-Russian) Power Grid (Federal Law No. 36-FZ of March 26, 2003 "On the Specifics of Electric Power Industry Functioning during the Transition Period"; Decision of the RAO UES of Russia Board of Directors No. 125 of 15.08.2002).

"Non-Basic Scenario" of the AO-Energo Reform – reform scenario that differs from the basic one and provides for segregation of AO-Energo by the type of activity, which is applicable in cases requiring the individual approach (reform of the Far East Power Systems, low-competition power systems, companies with financial uncertainty, etc.) (2003-2008 RAO UESR Strategy Concept).

Integrated Energy System – the total of several power systems integrated by a common operating regime and the unified dispatching control.

Electric Grid Facilities – electric transmission lines, transformer and other substations, distributing points and other equipment meant for ensuring the electric connection and electric power transmission (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Electric Power Industry Facilities – items of property used directly in the process of electric power production and transmission, dispatching control in the electric power industry and electric power sales, including electric grid facilities (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").



Wholesale Market of Electric Power (OREM) – sphere of circulation of a specific product – electric power (capacity) within the Unified Energy System and the Common Economic Space of the Russian Federation, involving big electric power producers and consumers with the status of wholesale market entities and operating on the basis of the wholesale market regulations approved by the Russian Government in accordance with the Federal Law "On the Electric Power Industry". The criteria allowing to attribute the electric power producers and consumers to the category of big producers and consumers are established by the Russian Government (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Cross-Subsidy – settlement of damages arising from low rates established for a specific consumer group (population, consumers funded from budgets of different levels, etc.) at the expense of consumers paying higher rates.

Budgeted Initial Balance Sheet – forecast bookkeeping figures of the AO-Energo separation balance sheets as on the anticipated registration date of companies emerging in the process of re-organization.

Unbundling by activity type – structural breakdown of naturally monopolistic and potentially competitive activities involving their detachment into independent companies (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry"; Federal Law No. 36-FZ of March 26, 2003 "On the Specifics of Electric Power Industry Functioning During the Transition Period", 2003-2008 RAO UESR Strategy Concept "5+5").

Separation Balance Sheet – document (package) to be approved by the Annual General Meeting of the company undergoing re-organization, complete with provisions for legal succession of all rights and obligations of the company undergoing re-organization, on the basis of which a certain part of rights and obligations of the above company shall be transferred to each emerging company.

Distribution Grid Companies (DGC) – open joint stock companies resulting from the AO-Energo reform on the basis of electric grid facilities not included in the Unified National (All-Russian) Power Grid (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Regional Generation Companies (RGC) – open joint stock companies resulting from the AO-Energo reform, based on the generation assets not subject to inclusion into the WGC (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept).

Repair and Service Company in the Electric Power Industry – a company whose basic activity is scientific-and-design support and (or) repair and maintenance of equipment, buildings and structures ensuring the electric and heat power production, transmission, distribution and sales, including the dispatching control.

Electric Power Industry Reform – transformation of the federal wholesale electric power (capacity) market into an adequate and competitive electric power market, including the creation of efficient retail electric power markets to ensure smooth power supply to consumers (Russian Government Resolution No. 526 of July 11, 2001 "On the Reform of Electric Power Industry of the Russian Federation").

Free Trade Sector – a sector engaged in wholesale trade of a certain amount of electric power by means of conclusion and execution of bilateral sales contracts, and by means of selection of the buyers' and vendors' price bids in free-market (non-regulated) prices (Russian Government Resolution No. 643 of October 24, 2003 "Electric Power Wholesale Market – Transition Period Regulations").

Wholesale Market Entities – legal entities duly authorized to participate in the relations associated with electric power circulation on the wholesale market pursuant to the wholesale market regulations approved by the Russian Government (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").



Electric Power Industry Entities – entities and persons engaged in the electric power industry, including electric and heat power production, electric power supply (sales), power supply to consumers, rendering of services associated with electric power transmission and dispatching control in the electric power industry and electric power sales including management thereof (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").

Territorial Generation Companies (TGC) – open joint-stock companies founded in the course of interregional integration of generation assets owned by AO-Energo (Regional Generation Companies), except for the generation assets to be included in WGC (Decision of the RAO UESR Board of Directors No. 111 of March 06, 2002; 2003-2008 RAO UESR Strategy Concept; and Decision of the RAO UESR Board of Directors No. 125 of August 15, 2002).

Management Company – company rendering contractual services on performing the functions of the other companies' (AO-Energo, AO-FESs, AO-stations etc.) sole executive bodies (Federal Law "On Joint Stock Companies").

Dispatching Control Services in the Electric Power Industry – package of measures for the centralized management of production cycles of engineering devices employed at electric power plants, power grids and power-receiving equipment of load-controlled electric power consumers for the purpose to ensure a non-interrupted power supply and electric power quality complying with applicable technical regulations and other mandatory requirements (Federal Law No. 35-FZ of March 26, 2003 "On the Electric Power Industry").



DISCLAIMER

The data presented in this Information Bulletin is relevant for the date of its issue. The information may be used for informational purposes only.

All judgements and forecasts presented in this Bulletin are probabilistic and cannot be considered as the only possible and precise. They were made taking into account current economic realities in the country and the current position of RAO "UES of Russia" in the market sector under certain market conditions.

When analysing information presented in this Information Bulletin it is important to keep in mind that if there are some changes in the Russian legislation, in regulation of the power industry or in any other conditions vital for the functioning of this economic sector, all information and conclusions provided in this Bulletin should be modified in the light of these changes.

The Company is not responsible for completeness and accuracy of the data and figures provided in this Information Bulletin.

Financial and production forecasts are presented only for illustrative purposes and should not be used when making a decision about investing in any of the companies.





Russian Open Joint-Stock Company for Power and Electrification "UES of Russia"
Information and Communications Directorate of the Reform Management Center
119526, Russia, Moscow, Prospekt Vernadskogo, house 101, building 3.
Telephone: +7 (495) 620-1668. Fax: (495) 620-1662. E-mail: hech-ov@rao.elektra.ru
