



RAO UES OF RUSSIA

Moscow, Russian Federation

September 21, 2007

Dear Holders of Depositary Receipts:

The Board of Directors of Open Joint-Stock Company Unified Energy System of Russia (“RAO UES”) decided on July 27, 2007 to call an extraordinary general meeting of RAO UES shareholders (the “EGM”) for approval of shareholders, including holders of depositary receipts, of a reorganization involving:

- the spin-offs by RAO UES to newly-formed Russian open joint-stock companies established by RAO UES (each, a “Holdco” and collectively, the “Holdcos”) of the entire equity interests of RAO UES in certain of its subsidiaries (the “Spin-Offs”), including (i) six wholesale generating companies (the “OGKs”), comprised of five wholesale thermal generating companies and Open Joint-Stock Company “The Federal Hydro-Generation Company” (“HydroOGK”), (ii) thirteen territorial generating companies (the “TGKs” and together with the OGKs, the “Gencos”), (iii) power companies in the Far East and other isolated areas (the “Far East Energos”), (iv) inter-regional distribution grid companies (“MRSKs”) and distribution grid companies (“RSKs”), (v) Open Joint-Stock Company the Federal Grid Company of Unified Energy System (the “FSK”) and the trunk grid companies, (vi) Closed Joint-Stock Company “Inter RAO UES” (“InterRAO”), (vii) Open Joint-Stock Company Sochinskaya TES (“Sochinskaya TES”) and (viii) Open Joint-Stock Company System Operator-Central Dispatching Office of the Unified Energy System (the “System Operator” and together with the Gencos, the Far East Energos, the MRSKs, the RSKs, the FSK, InterRAO, Sochinskaya TES and the System Operator, the “Subsidiaries”);
- the issuance of ordinary and preferred shares in the Holdcos (each ordinary and preferred share in the Holdcos is referred to herein as a “Holdco Share” and collectively, the “Holdco Shares”) on the date of the state registration of the Holdcos, which is expected to occur in July 2008 (the “Reorganization Date”), to the holders of record of shares and depositary receipts of RAO UES as of the date to be determined by the Board of Directors of RAO UES, which is expected to be in June 2008 (the “Spin-Offs Record Date”), as set out in detail in the Information Statement that accompanies this letter; and
- immediately after the establishment of certain Holdcos (other than certain special purpose Holdcos and the Holdcos established to hold shares in the Far East Energos and the MRSKs), subject to the approval of the shareholders of the relevant Subsidiaries, the approval of FAS and the requirements of applicable law, those Holdcos will be merged into their corresponding Subsidiaries, and in each case, ordinary and preferred Holdco Shares, as applicable, will be exchanged for ordinary shares of the relevant Subsidiary pursuant to conversion ratios set forth in the Information Statement. The special purpose Holdcos and the Holdcos established to hold shares in the Far East Energos and the MRSKs will not undergo a merger upon their establishment into the relevant Subsidiary.

It is expected that, following the completion of the Spin-Offs, subject to the approval of the shareholders of the FSK, RAO UES will be merged into the FSK, with the FSK being the surviving entity, and the ordinary and preferred shares of RAO UES (the “RAO UES Shares”) will be exchanged for ordinary shares of the FSK (the “RAO UES Merger”). **As a result, upon completion of the RAO UES Merger, RAO UES will cease to exist.**

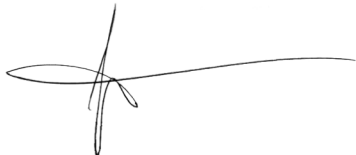
The Information Statement has been prepared to explain the proposed Spin-Offs, as well as the plan for their implementation, to holders of RAO UES Shares and holders of RAO UES American and global depositary receipts (the “RAO UES DRs”). The Spin-Offs are currently expected to occur in July 2008.

On October 26, 2007, the EGM is scheduled to be held to vote on the Spin-Offs and the RAO UES Merger. All persons (other than RAO UES) who held RAO UES Shares on August 23, 2007 (the “EGM Record Date”) will be entitled to vote at the EGM on the Spin-Offs and the RAO UES Merger by absentee ballot voting. Each holder of RAO UES DRs, who held RAO UES DRs on the EGM Record Date, will be entitled to deliver voting instructions to the relevant depositary in accordance with the deposit agreements and the global depositary receipts relating to the RAO UES DRs. Approval of the Spin-Offs and the RAO UES Merger requires the affirmative vote of at least three-quarters of the aggregate voting power of the RAO UES Shares represented at the EGM, with each RAO UES Share representing one vote.

The Board of Directors of RAO UES considers the Spin-Offs and the RAO UES Merger to be in the interests of RAO UES and recommends that holders of RAO UES Shares and RAO UES DRs approve the Spin-Offs and the RAO UES Merger.

We are grateful for the loyalty and support of holders of RAO UES DRs.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Anatoly Chubais
Chairman of the Management Board



RAO UES OF RUSSIA

Russian Open Joint-Stock Company Unified Energy System of Russia

This Information Statement relates to a reorganization of Russian Open Joint-Stock Company Unified Energy System of Russia (“RAO UES” and together with its subsidiaries, the “RAO UES Group”) involving:

- the spin-offs by RAO UES to newly-formed Russian open joint-stock companies established by RAO UES (each, a “Holdco” and collectively, the “Holdcos”) of the entire equity interests of RAO UES in certain of its subsidiaries (the “Spin-Offs”), including (i) six wholesale generating companies (the “OGKs”), comprised of five wholesale thermal generating companies and Open Joint-Stock Company “The Federal Hydro-Generation Company” (“HydroOGK”), (ii) thirteen territorial generating companies (the “TGKs” and together with the OGKs, the “Gencos”), (iii) power companies in the Far East and other isolated areas (the “Far East Energos”), (iv) inter-regional distribution grid companies (“MRSKs”) and distribution grid companies (“RSKs”), (v) Open Joint-Stock Company the Federal Grid Company of Unified Energy System (the “FSK”) and the trunk grid companies, (vi) Closed Joint-Stock Company “Inter RAO UES” (“InterRAO”), (vii) Open Joint-Stock Company Sochinskaya TES (“Sochinskaya TES”) and (viii) Open Joint-Stock Company System Operator-Central Dispatching Office of the Unified Energy System (the “System Operator” and together with the Gencos, the Far East Energos, the MRSKs, the RSKs, the FSK, InterRAO, Sochinskaya TES and the System Operator, the “Subsidiaries”; and each ordinary share in the Subsidiaries is referred to herein as a “Subsidiary Share” and collectively, the “Subsidiary Shares”);
- the issuance of ordinary and preferred shares in the Holdcos (each ordinary and preferred share in the Holdcos is referred to herein as a “Holdco Share” and collectively, the “Holdco Shares”) as set out in the table below to the holders of record indicated in the table below of shares and depositary receipts of RAO UES as of the date to be determined by the Board of Directors of RAO UES, which is expected to be in June 2008 (the “Spin-Offs Record Date”), including the Russian Federation, OOO GazEnergy Company (“GazEnergy”), OAO Norilsk Nickel Mining and Metallurgical Co. (“Norilsk”), Madake Enterprises Company Limited (“Madake” and together with GazEnergy and Norilsk, the “Large Holders”) and holders other than the Russian Federation and the Large Holders (the “Minority Holders”):

<u>Name of Holdco</u>	<u>RAO UES' equity interests in the Subsidiaries to be spun-off to the Holdco</u>	<u>Holders of RAO UES securities receiving ordinary and preferred shares in the Holdco</u>
<i>State Holdcos</i>		
“State Holding”	<p>(a) 52.86% of RAO UES' equity interests in the FSK and the trunk grid companies,</p> <p>(b) a certain portion of RAO UES' equity interests in certain of the Gencos (other than HydroOGK) or cash proceeds from the sale of such equity interest that may be effected by RAO UES prior to the Spin-Offs, and</p> <p>(c) a certain number of ordinary shares in the System Operator or cash proceeds from the sale of such shares that may be effected by RAO UES prior to the Spin-Offs.</p>	<p>(a) Russian Federation</p> <p>(b) the Minority Holders and Large Holders who hold shares as of the Spin-Offs Record Date and either voted against the Spin-Offs or did not vote on the Spin-Offs proposals and who elected not to exercise the redemption rights described below (“Dissenting Holders”)</p>
“State HydroOGK Holding”	<p>(a) a certain portion of RAO UES' equity interest in HydroOGK that corresponds to the equity interest that the Russian Federation holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES, and</p> <p>(b) a certain portion of RAO UES' equity interests in certain of the Gencos (other than HydroOGK) or cash proceeds from the sale of such equity interest that may be effected by RAO UES prior to the Spin-Offs.</p>	<p>(a) Russian Federation</p> <p>(b) the Dissenting Holders</p>
State Holding and State HydroOGK Holding together are referred to herein as the “State Holdcos”.		
<i>Large Holdcos</i>		
“CenterEnergoHolding”	a certain portion of RAO UES' equity interests in the FSK, HydroOGK, the System Operator and the Gencos that corresponds to the equity interest that GazEnergy holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES.	<p>(a) GazEnergy, a company in the OAO Gazprom Group (“Gazprom”)</p> <p>(b) the Dissenting Holders</p>
“Intergeneration”	a certain portion of RAO UES' equity interests in the FSK, HydroOGK, the System Operator and the Gencos that corresponds to the equity interest that Norilsk holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES.	<p>(a) Norilsk</p> <p>(b) the Dissenting Holders</p>

<u>Name of Holdco</u>	<u>RAO UES' equity interests in the Subsidiaries to be spun-off to the Holdco</u>	<u>Holders of RAO UES securities receiving ordinary and preferred shares in the Holdco</u>
"SibenergoHolding"	a certain portion of RAO UES' equity interests in the FSK, HydroOGK, the System Operator and the Gencos that corresponds to the equity interest that Madake holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES.	(a) Madake, a company acting in the interest of the OAO Siberia Coal Energy Company Group ("SUEK") (b) the Dissenting Holders

CenterEnergHolding, Intergeneration and SibenergoHolding together are referred to herein as the "Large Holdcos".

If any Large Holder reduces its shareholding in RAO UES prior to the Spin-Offs Record Date, such Large Holder will be deemed to be a Minority Holder for the purpose of the Spin-Offs, and shares in the relevant Large Holdco will be distributed to all Minority Holders.

<i>Minority Holdcos</i>		
“Minority FSK Holding”	a certain portion of RAO UES’ equity interests in the FSK and the trunk grid companies that corresponds to the equity interest that the Minority Holders hold in the aggregate in RAO UES.	(a) Minority Holders (b) any Large Holder who either (i) is a Dissenting Holder or (ii) reduced its shareholding in RAO UES prior to the Spin-Offs Record Date
“Minority HydroOGK Holding”	a certain portion of RAO UES’ equity interest in HydroOGK that corresponds to the equity interest that the Minority Holders hold in the aggregate in RAO UES.	(a) Minority Holders (b) any Large Holder who either (i) is a Dissenting Holder or (ii) reduced its shareholding in RAO UES prior to the Spin-Offs Record Date
“OGK-1 Holding”	(a) a certain portion of RAO UES’ equity interests in the applicable Genco that corresponds to the equity interest that the Minority Holders hold in the aggregate in RAO UES, and	(a) Minority Holders
“OGK-2 Holding”		(b) any Large Holder who either (i) is a Dissenting Holder or (ii) reduced its shareholding in RAO UES prior to the Spin-Offs Record Date
“OGK-3 Holding”		
“OGK-4 Holding”		
“OGK-6 Holding”		
“TGK-1 Holding”	(b) a certain number of ordinary shares in the System Operator.	
“TGK-2 Holding”		
“Mosenergo Holding”		
“TGK-4 Holding”		
“TGK-6 Holding”		
“Volzhskaya TGK Holding”		
“SGK TGK-8 Holding”		
“TGK-9 Holding”		
“TGK-10 Holding”		
“TGK-11 Holding”		
“Kuzbassenergo Holding”		
“Eniseyskaya TGK Holding”		
“TGK-14 Holding”		

<u>Name of Holdco</u>	<u>RAO UES' equity interests in the Subsidiaries to be spun-off to the Holdco</u>	<u>Holders of RAO UES securities receiving ordinary and preferred shares in the Holdco</u>
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These twenty Holdcos together are referred to herein as the “Minority Holdcos”.

	<i>Shareholder Holdcos</i>	
“MRSK Holding”	all of RAO UES' equity interests in the MRSKs, the RSKs and certain energy sales companies located in southern regions of Russia.	all RAO UES shareholders
“RAO East Energy Systems”	all of RAO UES' equity interests in the Far East Energos and certain energy sales companies.	all RAO UES shareholders
“InterRAO Holding”	(a) all of RAO UES' equity interest in InterRAO, (b) all of RAO UES' equity interest in Sochinskaya TES, and (c) all of RAO UES' equity interests in certain other Subsidiaries.	all RAO UES shareholders

MRSK Holding, RAO East Energy Systems and InterRAO Holding together are referred to herein as the “Shareholder Holdcos”.

- immediately after its establishment, subject to the approval of the shareholders of the relevant Subsidiaries, the approval of the FAS (as defined below) and the requirements of applicable law, (i) State Holding and Minority FSK Holding will be simultaneously merged into the FSK, (ii) State HydroOGK Holding and Minority HydroOGK Holding will be simultaneously merged into HydroOGK, (iii) InterRAO Holding will be merged into Sochinskaya TES and (iv) each of the other Minority Holdcos will be merged into its corresponding Genco, and in each case the ordinary and preferred shares of each Holdco will be exchanged for ordinary shares of the relevant Subsidiary on the basis set forth below. The Large Holdcos, MRSK Holding and RAO East Energy Systems will not undergo a merger upon their establishment into the relevant Subsidiary.

It is expected that, following the completion of the Spin-Offs, subject to the approval of the shareholders of the FSK, RAO UES will be merged into the FSK, with the FSK being the surviving entity, and ordinary shares of RAO UES, each with a par value of RUB 0.50 (each, a “RAO UES Ordinary Share” and collectively, the “RAO UES Ordinary Shares”) and Class “A” preferred shares of RAO UES, each with a par value of RUB 0.50 (each, a “RAO UES Preferred Share” and collectively, the “RAO UES Preferred Shares”) and together with RAO UES Ordinary Shares, the “RAO UES Shares”) will be converted into shares of the FSK on the basis of 2.26600952123458 ordinary shares of the FSK for each RAO UES Ordinary Share and 2.07521151954661 ordinary shares of the FSK for each RAO UES Preferred Share (the “RAO UES Merger”). **As a result, upon completion of the RAO UES Merger, RAO UES will cease to exist.**

On October 26, 2007 (the “EGM Date”), an extraordinary general meeting of RAO UES shareholders (the “EGM”) is scheduled to be held to vote on the Spin-Offs and the RAO UES Merger. All persons (other than RAO UES) who held RAO UES Ordinary Shares or RAO UES Preferred Shares on August 23, 2007 (the “EGM Record Date”) will be entitled to vote at the EGM on the Spin-Offs and the RAO UES Merger by absentee ballot voting. Each holder of RAO UES American depositary receipts (the “RAO UES ADRs”), each of which represents 100 RAO UES Ordinary Shares or 100 RAO UES Preferred Shares, as the case may be, and each holder of RAO UES global depositary receipts (the “RAO UES GDRs” and together with the RAO UES ADRs, the “RAO UES DRs”), each of which represents 100 RAO UES Ordinary Shares, who held RAO UES DRs on the EGM Record Date, will be entitled to deliver voting instructions to either Deutsche Bank Trust Company Americas, the depositary

bank under RAO UES' ADR programs (the "RAO UES ADR Depositary") or The Bank of New York, the depositary bank under RAO UES' unsponsored Regulation S GDR facility (the "RAO UES GDR Depositary" and together with the RAO UES ADR Depositary, the "Depositaries" and each of them, a "Depositary"), under the terms of the deposit agreements relating to the RAO UES ADRs (the "RAO UES ADR Deposit Agreements") and as provided for in the RAO UES GDRs, whichever is applicable. As at June 30, 2007, there were 41,041,753,984 RAO UES Ordinary Shares and 2,075,149,384 RAO UES Preferred Shares issued and outstanding, including 673,145,700 RAO UES Shares in the form of RAO UES ADRs and 5,648,968,800 RAO UES Shares in the form of RAO UES GDRs.

Approval of the Spin-Offs and the RAO UES Merger requires the affirmative vote of at least three-quarters of the aggregate voting power of the RAO UES Shares represented at the EGM, with each RAO UES Ordinary Share and RAO UES Preferred Share representing one vote. Approval of the merger of the State Holdcos, the Minority Holdcos and InterRAO Holding into their corresponding Subsidiaries requires an affirmative vote of at least three-quarters of the aggregate voting power represented at the shareholders' meetings of the relevant Subsidiary, as well as the approval of the Russian Federal Antimonopoly Service (the "FAS"). **If the merger of any of the Holdcos into the relevant Subsidiary, as applicable, is not approved by the shareholders' meeting of the respective Subsidiary or by the FAS, as the case may be, the merger of such Holdco into the relevant Subsidiary will not occur, and such Holdco will continue to exist without being merged into the relevant Subsidiary.**

If the Spin-Offs are approved by the shareholders of RAO UES and all the requirements under Russian law are satisfied:

- The Holdcos will be formed as new and separate open joint-stock companies on the date of their state registration (the "Reorganization Date") in the Russian Unified State Register of Legal Entities (the "USRLE"), which is expected to be the same date for all of the Holdcos. The Reorganization Date is currently expected to occur in July 2008.
- Each of the State Holdcos, the Minority Holdcos and InterRAO Holding, immediately following its formation on the Reorganization Date, subject to the approval of the relevant Subsidiary's shareholders, the approval of the FAS and the requirements of applicable law, will be merged into the relevant Subsidiary, with the Subsidiary being the surviving entity. All of the assets of each of the State Holdcos, the Minority Holdcos and InterRAO Holding, including shares held by it in a Subsidiary, will be transferred to the relevant Subsidiary on the Reorganization Date. Upon the merger, each of the State Holdcos, the Minority Holdcos and InterRAO Holding will cease to exist and will be removed from the USRLE, and its shares will be cancelled.
- On the Reorganization Date, subject to applicable law, the Russian Federation, RAO UES' majority shareholder, will:
 - be entitled to one ordinary share in each of MRSK Holding and RAO East Energy Systems and one preferred share in each of MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by the Russian Federation on the Spin-Offs Record Date;
 - (a) be entitled to all ordinary shares and preferred shares in State Holding, except for the shares which, in accordance with Russian law, will be distributed to Dissenting Holders; and (b) upon the cancellation of the shares in State Holding, receive such number of ordinary shares in the FSK, which, together with the other FSK shares held directly by the Russian Federation, will constitute, as required by Russian law, at least 75% plus 1 share of the issued and outstanding shares of the FSK;
 - (a) be entitled to all ordinary shares and preferred shares in State HydroOGK Holding, except for the shares which, in accordance with Russian law, will be distributed to the Dissenting Holders; and (b) upon the cancellation of the shares in State HydroOGK Holding, receive such number of ordinary shares in HydroOGK, which, together with the other HydroOGK shares held directly by the Russian Federation, will constitute, as required by Russian law, at least 50% plus 1 share of the issued and outstanding shares of HydroOGK;

- be entitled to a number of ordinary and preferred shares in InterRAO Holding equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by the Russian Federation on the Spin-Offs Record Date, and upon the cancellation of the InterRAO Holding shares, receive 41.8643489213398000 ordinary shares in Sochinskaya TES (each, a “Sochinskaya TES Share” and collectively, the “Sochinskaya TES Shares”) for each InterRAO Holding ordinary share and 38.3393707421631000 Sochinskaya TES Shares for each InterRAO Holding preferred share;
 - be entitled to a certain number of shares in any Large Holdco and the Minority Holdcos if the relevant Large Holder or to the extent any of the Minority Holders, respectively, is a Dissenting Holder; and
 - continue to own the same number of RAO UES Shares as the Russian Federation held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.
- On the Reorganization Date, subject to applicable law, each Large Holder who voted for the Spin-Offs at the EGM and has not reduced its shareholding in RAO UES prior to the Spin-Offs Record Date will:
- be entitled to all of the shares in its corresponding Large Holdco, except for the shares which, in accordance with Russian law, will be distributed to the Dissenting Holders;
 - be entitled to one ordinary share in each of MRSK Holding and RAO East Energy Systems and one preferred share in each of MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by such Large Holder on the Spin-Offs Record Date;
 - be entitled to a number of InterRAO Holding ordinary shares and a number of InterRAO Holding preferred shares equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such Large Holder on the Spin-Offs Record Date, and upon the cancellation of the InterRAO Holding shares, receive 41.8643489213398000 Sochinskaya TES Shares for each InterRAO Holding ordinary share and 38.3393707421631000 Sochinskaya TES Shares for each InterRAO Holding preferred share;
 - be entitled to a certain number of shares in other Large Holdcos and the Minority Holdcos if the relevant other Large Holders or to the extent any of the Minority Holders, respectively, are Dissenting Holders; and
 - continue to own the same number of RAO UES Shares as such Large Holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

If any Large Holder reduces its shareholding in RAO UES prior to the Spin-Offs Record Date, such Large Holder will be deemed to be a Minority Holder for the purpose of the Spin-Offs, and shares in the relevant Large Holdco will be distributed to all Minority Holders.

- On the Reorganization Date, subject to applicable law, each Minority Holder who voted for the Spin-Offs and, in the case of each RAO UES DR holder who certifies within 30 days following the Spin-Offs Record Date to the applicable Depository that it is not (and is not acting on behalf of) a U.S. person and was outside the United States at the time of receipt of the Information Statement and when voting on the Spin-Offs, and will be outside the United States when receiving Holdco Shares, Subsidiary Shares or global depository receipts, if any, of the relevant Holdco (collectively, the “Holdco GDRs”) or Subsidiary (collectively, the “Subsidiary GDRs” and together with the Holdco GDRs, the “New GDRs”) representing Holdco Shares and Subsidiary Shares (a “Non-U.S. DR Holder”), as the case may be, will:

- be entitled to one ordinary share in MRSK Holding and RAO East Energy Systems and one preferred share in MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non-U.S. DR Holder, as the case may be, on the Spin-Offs Record Date;
- (a) be entitled to a number of ordinary or preferred shares, as the case may be, in each Minority Holdco based on the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non-U.S. DR Holder, as the case may be, on the Spin-Offs Record Date, (b) be entitled to a number of ordinary or preferred shares, as the case may be, in InterRAO Holding equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non-U.S. DR Holder, as the case may be, on the Spin-Offs Record Date, and (c) upon the cancellation of the ordinary and preferred shares in the Minority Holdcos and InterRAO Holding, receive or, in the case of the Minority Holders of RAO UES DRs, be entitled to, a number of Subsidiary Shares, calculated on the following basis:

Exchange of Shares in Minority FSK Holding for Shares in the FSK

The FSK

10.1056041051790000 ordinary shares in the FSK for each RAO UES Ordinary Share

9.2547122395228300 ordinary shares in the FSK for each RAO UES Preferred Share

Exchange of Shares in Minority HydroOGK Holding for Shares in HydroOGK

HydroOGK

3.4531683396016400 ordinary shares in HydroOGK for each RAO UES Ordinary Share

3.1624115654071800 ordinary shares in HydroOGK for each RAO UES Preferred Share

Exchange of Shares in Minority Holdcos for Shares in the Gencos

OGKs

0.9620205574069320 ordinary shares in OGK-1 for each RAO UES Ordinary Share

0.8810184264732720 ordinary shares in OGK-1 for each RAO UES Preferred Share

0.5008006166421850 ordinary shares in OGK-2 for each RAO UES Ordinary Share

0.4586332047209130 ordinary shares in OGK-2 for each RAO UES Preferred Share

0.4114097481764260 ordinary shares in OGK-3 for each RAO UES Ordinary Share

0.3767690473799700 ordinary shares in OGK-3 for each RAO UES Preferred Share

1.0273778717938000 ordinary shares in OGK-4 for each RAO UES Ordinary Share

0.9408726549887700 ordinary shares in OGK-4 for each RAO UES Preferred Share

0.5836484771577890 ordinary shares in OGK-6 for each RAO UES Ordinary Share

0.5345052753810990 ordinary shares in OGK-6 for each RAO UES Preferred Share

TGKs

38.2331857890853000 ordinary shares in TGK-1 for each RAO UES Ordinary Share

35.0139515456442000 ordinary shares in TGK-1 for each RAO UES Preferred Share

12.9828789875932000 ordinary shares in TGK-2 for each RAO UES Ordinary Share

11.8897205768378000 ordinary shares in TGK-2 for each RAO UES Preferred Share
 0.3359840017950100 ordinary shares in Mosenergo for each RAO UES Ordinary Share
 0.3076941488438700 ordinary shares in Mosenergo for each RAO UES Preferred Share
 15.8654792945781000 ordinary shares in TGK-4 for each RAO UES Ordinary Share
 14.5296059379746000 ordinary shares in TGK-4 for each RAO UES Preferred Share
 15.3258994310428000 ordinary shares in TGK-6 for each RAO UES Ordinary Share
 14.0354586989490000 ordinary shares in TGK-6 for each RAO UES Preferred Share
 0.3344068074269590 ordinary shares in Volzhskaya TGK for each RAO UES Ordinary Share
 0.3062497542416090 ordinary shares in Volzhskaya TGK for each RAO UES Preferred Share
 17.2624772854249000 ordinary shares in SGK TGK-8 for each RAO UES Ordinary Share
 15.8089766979922000 ordinary shares in SGK TGK-8 for each RAO UES Preferred Share
 67.3347215511992000 ordinary shares in TGK-9 for each RAO UES Ordinary Share
 61.6651379965883000 ordinary shares in TGK-9 for each RAO UES Preferred Share
 1.4709712305639300 ordinary shares in TGK-10 for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0088612724541053 for each RAO UES Ordinary Share)
 1.3471154529504400 ordinary shares in TGK-10 for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0081151533134697 for each RAO UES Preferred Share)
 6.1863639563592800 ordinary shares in TGK-11 for each RAO UES Ordinary Share
 5.6654721112338500 ordinary shares in TGK-11 for each RAO UES Preferred Share
 0.6991042495845980 ordinary shares in Kuzbassenergo for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0069910424958460 for each RAO UES Ordinary Share)
 0.6402396717695780 ordinary shares in Kuzbassenergo for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0064023967176958 for each RAO UES Preferred Share)
 1.7232742022754400 ordinary shares in Eniseyskaya TGK for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000761096282252 for each RAO UES Ordinary Share)
 1.5781745144438500 ordinary shares in Eniseyskaya TGK for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000697011975287 for each RAO UES Preferred Share)
 9.7136226718400300 ordinary shares in TGK-14 for each RAO UES Ordinary Share
 8.8957356428711100 ordinary shares in TGK-14 for each RAO UES Preferred Share

Exchange of Shares in InterRAO Holding for Shares in Sochinskaya TES

InterRAO

41.8643489213398000 ordinary shares in Sochinskaya TES for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0041864348921340 for each RAO UES Ordinary Share)
 38.3393707421631000 ordinary shares in Sochinskaya TES for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0038339370742163 for each RAO UES Preferred Share)

- be entitled to a certain number of shares in any Large Holdco if the relevant Large Holder is a Dissenting Holder or reduced its shareholding in RAO UES prior to the Spin-Offs Record Date; and
- continue to own the same number of RAO UES Shares or RAO UES DRs as such holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will be entitled to additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.
- In the case of the Minority Holders of RAO UES DRs, the Non-U.S. DR Holders will:
 - if a Regulation S global depositary receipt facility (“Regulation S GDR Facility”) is established within 90 calendar days of the Reorganization Date in respect of the ordinary and preferred shares in MRSK Holding and RAO East Energy Systems, or certain Subsidiary Shares (not including shares in the Far East Energos, the MRSKs, InterRAO and the System Operator), as the case may be, upon the payment of fees and charges of, and expenses incurred by the Depositaries, including, but not limited to, any taxes or governmental charges, or, provided that the limit on the number of shares allowed to circulate abroad or any other limit set by the New GDR Depositary (as defined below) on the number of shares accepted for deposit in any existing depositary receipt facility in respect of the Holdco Shares or the Subsidiary Shares, as the case may be, has not yet been reached, be entitled to a certain number of Holdco GDRs and Subsidiary GDRs, each of which will represent a certain number of Holdco Shares or Subsidiary Shares on deposit with the custodian to be appointed by the applicable New GDR Depositary;
 - *holders of record of RAO UES DRs on the Spin-Offs Record Date who fail or are unable to certify to the applicable Depositary of the relevant RAO UES DR program (the “Relevant Depositary”) within 30 days following the Spin-Offs Record Date that they are or are acting on behalf of Non-U.S. DR Holders (each holder of RAO UES DRs who is not able to so certify being referred to herein as a “U.S. DR Holder”), will not receive New GDRs or Holdco Shares or Subsidiary Shares, and, instead, will receive, as soon as reasonably practicable, the cash proceeds from the sale by the Relevant Depositary of the relevant Holdco Shares or Subsidiary Shares they would have received had they provided the certification, net of fees and charges of, and expenses incurred by, the Relevant Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution.* Neither Depositary shall be responsible for (i) any failure to determine that it may be lawful or practicable to make the net proceeds of the sale of any Holdco Shares or Subsidiary Shares available to RAO UES DR holders in general or any RAO UES DR holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with the sale of any Holdco Shares or Subsidiary Shares, or (iii) its inability to distribute the net proceeds, or the amount that will be distributed as such net proceeds; and
 - *Non-U.S. DR Holders electing to take New GDRs will not be able to receive the relevant New GDRs or to vote, sell or otherwise transfer any such New GDRs unless and until the Regulation S GDR Facility is established in respect of the relevant Holdco Shares or Subsidiary Shares.* Those Non-U.S. DR Holders who held RAO UES DRs on the Spin-Offs Record Date and who so certify and who wish to receive Holdco Shares and Subsidiary Shares instead of New GDRs in the applicable Regulation S GDR Facility, if any, may, on or after the Spin-Offs Record Date, but in any event prior to the date advised by the Relevant Depositary, notify the Relevant Depositary and provide the Relevant Depositary instructions regarding their Russian securities accounts to which such Non-U.S. DR Holder’s Holdco Shares and Subsidiary Shares may be credited. As soon as reasonably practicable after the receipt of such instructions and certification, and upon the payment of fees and charges of, and expenses incurred by the Relevant Depositary, including, but not limited to, any taxes or governmental charges, the Relevant Depositary will credit, through a Russian custodian, or otherwise in accordance with applicable law, the relevant Holdco Shares and Subsidiary Shares to the Russian securities account of such Non-U.S. DR Holders. In the case of the Far East Energos, the MRSKs, InterRAO, the System Operator and the Large Holdcos, if applicable, which do not currently plan to set up a Regulation S GDR Facility, or if a Regulation S

GDR Facility with respect to the shares in RAO East Energy Systems and MRSK Holding and certain Subsidiary Shares is not established within 90 calendar days of the Reorganization Date, Non-U.S. DR Holders of record on the Spin-Offs Record Date who fail to provide details of their Russian securities accounts to which to credit the relevant Holdco Shares and Subsidiary Shares to the Relevant Depositary by the date advised by the Relevant Depositary in the case of the shares in the Far East Energos, the MRSKs, InterRAO, the System Operator and the Large Holdcos, if applicable, or in respect of shares in RAO East Energy Systems and MRSK Holding and certain Subsidiary Shares, within 30 days after the end of such 90 calendar day period will not receive any such Holdco Shares or Subsidiary Shares, and the Relevant Depositary will, as soon as reasonably practicable, sell such Holdco Shares and Subsidiary Shares in a public or private sale and deliver the cash proceeds pro rata to such holders, net of fees and charges of, and expenses incurred by, the Relevant Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution. Neither Depositary shall be responsible for (i) any failure to determine that it may be lawful or practicable to make the net proceeds of the sale of any Holdco Shares or Subsidiary Shares available to RAO UES DR holders in general or any RAO UES DR holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with the sale of any Holdco Shares or Subsidiary Shares, or (iii) its inability to distribute the net proceeds, or the amount that will be distributed as such net proceeds.

No fractional shares in the Holdcos or the Subsidiaries, or fractional DRs representing such shares, or cash-in-lieu will be issued; however, eligible DR Holders may receive cash-in-lieu from the respective custodian under the applicable RAO UES DR program. Any fractional share that would have been distributed in the Spin-Offs will be rounded (up or down, as the case may be) to avoid the creation of fractional shares.

Under Russian law, holders of RAO UES Shares that are entitled to vote at the EGM, and, subject to compliance with applicable law, holders of RAO UES DRs that are entitled to deliver voting instructions to their respective Depositaries, and in each case that vote against or do not vote on the Spin-Offs proposals, may elect to have RAO UES redeem their RAO UES Shares or the RAO UES Shares represented by their RAO UES DRs, as the case may be, within 45 calendar days of the EGM (the “Redemption Election Period”) if the Spin-Offs are approved.

- In addition, each of the Dissenting Holders will, on the Reorganization Date, subject to applicable law and, in the case of holders of RAO UES DRs, providing the required certifications to the Relevant Depositary:
 - be entitled to a number of ordinary and preferred shares in the Large Holdcos, with the number of ordinary and preferred Large Holdco Shares to which the Large Holders are entitled being adjusted accordingly, calculated on the following basis:

Distribution of Shares in the Large Holdcos

CenterEnergoHolding

1.0489944190557900 ordinary shares in CenterEnergoHolding for each RAO UES Ordinary Share

1.0489944190557900 preferred shares in CenterEnergoHolding for each RAO UES Preferred Share

InterGeneration

3.5168944927650000 ordinary shares in InterGeneration for each RAO UES Ordinary Share

3.5168944927650000 preferred shares in the FSK for each RAO UES Preferred Share

SibenergoHolding

0.9662481705706150 ordinary shares in SibenergoHolding for each RAO UES Ordinary Share

0.9662481705706150 preferred shares in SibenergoHolding for each RAO UES Preferred Share

- be entitled to a number of ordinary and preferred shares in the State Holdcos, the Minority Holdcos and the Shareholder Holdcos pro rata to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, (or, in the case of Minority Holders of RAO UES DRs, represented by such RAO UES DRs) held by such holder on the Spin-Offs Record Date, with the number of ordinary and preferred Holdco Shares to which the other RAO UES shareholders are entitled being adjusted accordingly;
- upon the cancellation of the ordinary and preferred shares in the State Holdcos, the Minority Holdcos and InterRAO Holding, receive or, in the case of the Minority Holders of RAO UES DRs, be entitled to, a number of Subsidiary Shares, calculated on the following basis:

Exchange of Shares in Minority FSK Holding and State Holding for Shares in the FSK
The FSK

22.7734299924221000 ordinary shares in the FSK for each RAO UES Ordinary Share

20.8559071870602000 ordinary shares in the FSK for each RAO UES Preferred Share

*Exchange of Shares in Minority HydroOGK Holding
and State HydroOGK Holding for Shares in HydroOGK*

HydroOGK

4.5042344361292300 ordinary shares in HydroOGK for each RAO UES Ordinary Share

4.1249778966071600 ordinary shares in HydroOGK for each RAO UES Preferred Share

Exchange of Shares in Minority Holdcos for Shares in the Gencos

OGKs

0.3111680046437920 ordinary shares in OGK-1 for each RAO UES Ordinary Share

0.2849676586527860 ordinary shares in OGK-1 for each RAO UES Preferred Share

0.1619852376387550 ordinary shares in OGK-2 for each RAO UES Ordinary Share

0.1483460806295720 ordinary shares in OGK-2 for each RAO UES Preferred Share

0.1330715330825430 ordinary shares in OGK-3 for each RAO UES Ordinary Share

0.1218669099969930 ordinary shares in OGK-3 for each RAO UES Preferred Share

0.3323079947927110 ordinary shares in OGK-4 for each RAO UES Ordinary Share

0.3043276616311660 ordinary shares in OGK-4 for each RAO UES Preferred Share

0.1887825895738680 ordinary shares in OGK-6 for each RAO UES Ordinary Share

0.1728870955317470 ordinary shares in OGK-6 for each RAO UES Preferred Share

TGKs

12.3666215254615000 ordinary shares in TGK-1 for each RAO UES Ordinary Share

11.3253519930176000 ordinary shares in TGK-1 for each RAO UES Preferred Share

4.1993453445427100 ordinary shares in TGK-2 for each RAO UES Ordinary Share

3.8457604665322100 ordinary shares in TGK-2 for each RAO UES Preferred Share

0.1086748829074820 ordinary shares in Mosenergo for each RAO UES Ordinary Share

0.0995244577666725 ordinary shares in Mosenergo for each RAO UES Preferred Share

5.1317297710541400 ordinary shares in TGK-4 for each RAO UES Ordinary Share

4.6996381243313700 ordinary shares in TGK-4 for each RAO UES Preferred Share

4.9572012870321500 ordinary shares in TGK-6 for each RAO UES Ordinary Share

4.5398049386640400 ordinary shares in TGK-6 for each RAO UES Preferred Share

0.1081647353636870 ordinary shares in Volzhskaya TGK for each RAO UES Ordinary Share

0.0990572646460649 ordinary shares in Volzhskaya TGK for each RAO UES Preferred Share
 5.5835923367304100 ordinary shares in SGK TGK-8 for each RAO UES Ordinary Share
 5.1134538619777100 ordinary shares in SGK TGK-8 for each RAO UES Preferred Share
 21.7795875431269000 ordinary shares in TGK-9 for each RAO UES Ordinary Share
 19.9457462719956000 ordinary shares in TGK-9 for each RAO UES Preferred Share
 0.4757893988635290 ordinary shares in TGK-10 for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0028662011917720 for each RAO UES Ordinary Share)
 0.4357279314792190 ordinary shares in TGK-10 for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0026248670514248 for each RAO UES Preferred Share)
 2.0009952110475800 ordinary shares in TGK-11 for each RAO UES Ordinary Share
 1.8325114142773800 ordinary shares in TGK-11 for each RAO UES Preferred Share
 0.2261270538413420 ordinary shares in Kuzbassenergo for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0022612705384134 for each RAO UES Ordinary Share)
 0.2070871559079020 ordinary shares in Kuzbassenergo for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0020708715590790 for each RAO UES Preferred Share)
 0.5573974390126760 ordinary shares in Eniseyskaya TGK for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000246178535029 for each RAO UES Ordinary Share)
 0.5104645746478100 ordinary shares in Eniseyskaya TGK for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000225450302380 for each RAO UES Preferred Share)
 3.1418960451389000 ordinary shares in TGK-14 for each RAO UES Ordinary Share
 2.8773483981382100 ordinary shares in TGK-14 for each RAO UES Preferred Share

Exchange of Shares in InterRAO Holding for Shares in Sochinskaya TES

InterRAO

41.8643489213398000 ordinary shares in Sochinskaya TES for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0041864348921340 for each RAO UES Ordinary Share)
 38.3393707421631000 ordinary shares in Sochinskaya TES for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0038339370742163 for each RAO UES Preferred Share)

- and continue to own the same number of RAO UES Shares as such holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

On September 12, 2007, the State Duma adopted the Federal Law “On Introducing Amendments to the Federal Law “On the Specifics of Electric Power Industry Functioning during the Transition Period, Introduction of Amendments of 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” (the “September 12 Amendment”), which if approved by the Federation Council and the President, will modify the originally proposed treatment of Dissenting Holders with

respect to the distribution of shares to Dissenting Holders described above. Accordingly, if the September 12 Amendment is approved, RAO UES shareholders who do not participate in the vote on the Spin-Offs proposals will receive a distribution of Holdco Shares and Subsidiary Shares as if they had voted for the Spin-Offs and thus will be deemed excluded from the term “Dissenting Holders” as used in this Information Statement with respect to the distribution of Holdco Shares and Subsidiary Shares. **The September 12 Amendment will not affect the redemption rights of RAO UES shareholders, which will be available to all holders of RAO UES Shares and RAO UES DRs that vote against or do not vote on the Spin-Offs proposals.**

If the Spin-Offs are implemented, following the Spin-Offs Record Date, the RAO UES Shares and the RAO UES DRs will no longer reflect the value of the equity interests in the Subsidiaries, which will be spun-off from RAO UES on the Reorganization Date.

Shares of all of the Gencos (except HydroOGK, TGK-4, Volzhskaya TGK, TGK-11 and Eniseyskaya TGK) are currently listed on one or both of the following Russian stock exchanges: the Russian Trading System Stock Exchange (“RTS”) and Moscow Inter-Bank Currency Exchange (“MICEX”). It is currently expected that certain Subsidiaries (except the Far East Energos, the MRSKs, InterRAO and the System Operator) whose shares are not currently listed on a Russian stock exchange will before the Reorganization Date, and MRSK Holding and RAO East Energy Systems will, as soon as practicable after the Reorganization Date, apply for listing on RTS or MICEX. It is also currently expected that, before or as soon as reasonably practicable after the Reorganization Date, each of the Subsidiaries (except the Far East Energos, the MRSKs, InterRAO and the System Operator), MRSK Holding and RAO East Energy Systems that has or obtains a listing on RTS or MICEX, will apply to the Federal Service for Financial Markets of the Russian Federation (the “FSFM”) for approval to establish a Regulation S GDR Facility. Subject to compliance with the requirements of applicable laws and regulations, and receipt of approvals required by applicable laws and regulations, it is expected that the GDRs of such Subsidiaries and Shareholder Holdcos will become tradable over-the-counter in Western Europe. Transfers of New GDRs to U.S. persons in the Regulation S GDR Facility of any Subsidiaries or any of the Shareholder Holdco, if any, will be restricted for 40 days following the date of issuance of Regulation S GDRs, if any, in the applicable Subsidiary or Holdco Regulation S GDR Facility.

D.F. King has been appointed as proxy solicitation agent for the Spin-Offs.

No consideration will be paid by RAO UES shareholders to RAO UES, the Holdcos or the Subsidiaries for the Holdco Shares issued, or the Subsidiary Shares distributed, as a consequence of the Spin-Offs.

The Holdco Shares, the Subsidiary Shares, the Holdco GDRs and the Subsidiary GDRs have not been and will not be registered under the Securities Act or the securities laws of any state of the U.S., and may not be offered, sold, delivered or transferred except pursuant to an available exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable U.S. state securities laws. The Holdco Shares and the Subsidiary Shares are being issued (1) outside the United States in offshore transactions in reliance on Regulation S and (2) within the United States only to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) or “accredited investors” (as defined in Rule 501(a) under the Securities Act) pursuant to an exemption from the registration requirements of the Securities Act provided by Section 4(2) thereunder. The Holdco GDRs and the Subsidiary GDRs will be issued outside the United States in offshore transactions in reliance on Regulation S. Transfers of New GDRs to U.S. persons in the applicable Subsidiary or Holdco Regulation S GDR Facility, if any, will be restricted for 40 days following the date of issuance of Regulation S GDRs in such Regulation S GDR Facility, if any. EACH HOLDER OF RAO UES SHARES OR RAO UES DRS BY VIRTUE OF VOTING ON THE SPIN-OFFS AND ACQUIRING HOLDCO SHARES, HOLDCO GDRs, SUBSIDIARY SHARES OR SUBSIDIARY GDRs, AS APPLICABLE, WILL BE DEEMED TO MAKE THE ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE “NOTICE TO SHAREHOLDERS” SECTION OF THIS INFORMATION STATEMENT. The Holdco Shares, Holdco GDRs, the Subsidiary Shares and the Subsidiary GDRs are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under applicable U.S. federal and state securities laws. Each holder of RAO UES Shares should understand that it will be required to bear the financial risks of its investment for an indefinite period of time.

RAO UES is furnishing this Information Statement solely to provide information to shareholders of RAO UES and holders of RAO UES DRs in connection with the proposed Spin-Offs. This Information Statement is not, and should not be construed as, an inducement or encouragement to buy or sell any securities of RAO UES, the Holdcos or the Subsidiaries.

Neither the FSFM, the U.S. Securities and Exchange Commission (the “U.S. SEC”) nor any other national, state or local securities commission has approved or disapproved of the Holdco Shares, the Subsidiary Shares or the Spin-Offs or passed upon the accuracy or adequacy of this Information Statement or any document referred to herein. Any representation to the contrary may be a criminal offense under U.S. law.

NOTICE TO SHAREHOLDERS

The Holdco Shares, the Subsidiary Shares, the Holdco GDRs and the Subsidiary GDRs have not been and will not be registered under the Securities Act or the securities laws of any state of the U.S., and may not be offered, sold, delivered or transferred except pursuant to an available exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable U.S. state securities laws. **The Holdco Shares and the Subsidiary Shares are being issued (1) outside the United States in offshore transactions in reliance on Regulation S and (2) within the United States only to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) or “accredited investors” (as defined in Rule 501(a) under the Securities Act) pursuant to an exemption from the registration requirements of the Securities Act provided by Section 4(2) thereunder. The Holdco GDRs and the Subsidiary GDRs are being issued outside the United States in offshore transactions in reliance on Regulation S.**

Each holder of RAO UES Shares by virtue of voting on the Spin-Offs and acquiring Holdco Shares or Subsidiary Shares will be deemed to have acknowledged, represented to and agreed with RAO UES that either:

(1) it is not a U.S. person and is acquiring the Holdco Shares or Subsidiary Shares, as applicable, for its own account or for the account of a non-U.S. person in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S, and it acknowledges and agrees that such Holdco Shares or Subsidiary Shares, as applicable, may not be resold in the United States absent registration under the Securities Act and applicable state securities laws or pursuant to an exemption from the Securities Act and such laws; or

(2) (A) it is a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) or an “accredited investor” (as defined in Rule 501(a) under the Securities Act) that is not formed for the purpose of the Spin-Offs and is aware (and each beneficial owner of such RAO UES Shares has been advised) that the issuance of the Holdco Shares or Subsidiary Shares, as applicable, to it is being made in reliance on the exemption provided by Section 4(2) of the Securities Act; (B) it is acquiring the Holdco Shares or Subsidiary Shares, as applicable, for its own account or the account of one or more persons that are qualified institutional buyers or accredited investors, respectively, as to which it exercises sole investment discretion, for investment purposes only and not with a view to any resale, distribution or other disposition in violation of any U.S. federal or state securities laws; (C) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Holdco Shares and Subsidiary Shares, and it, and each person for which it is acting, is able to bear the economic risks of such investment; (D) it has had the opportunity to ask questions and receive answers concerning the terms and conditions of the Spin-Offs, and to request additional information, and has chosen to rely solely on the information contained in this Information Statement; (E) it understands that the Holdco Shares and Subsidiary Shares issued to it will be “restricted securities” as defined in Rule 144 under the Securities Act and may not be resold in the United States absent registration under the Securities Act and applicable state securities laws or pursuant to an exemption from the Securities Act and such laws; (F) it agrees, for the benefit of RAO UES and the Subsidiaries, that, if in the future it decides to offer, resell, pledge or otherwise transfer such Holdco Shares or Subsidiary Shares or any beneficial interest therein, any such offer, resale, pledge or transfer will be made in compliance with the Securities Act and applicable state securities laws; and (G) it agrees, for the benefit of RAO UES, the Holdcos and the Subsidiaries, that the Holdco Shares and the Subsidiary Shares may not be deposited in any “unrestricted” depositary receipt facility that a Holdco or a Subsidiary may establish.

Each holder of RAO UES DRs, by virtue of voting on the Spin-Offs and acquiring Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be, will be deemed to have acknowledged, represented to and agreed with RAO UES that it is not a U.S. person and was outside the United States at the time of receipt of the Information Statement and when voting on the Spin-Offs, and will be outside the United States when receiving Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be, is acquiring the Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs for its own account or for the account of a non-U.S. person in an offshore transaction

(as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S, and it acknowledges and agrees that such Holdco GDRs and Subsidiary GDRs may not be resold in the United States absent registration under the Securities Act and applicable state securities laws or pursuant to an exemption from the Securities Act and such laws. **Holders of RAO UES DRs who are unable to make the foregoing acknowledgements, representations and agreements will not receive Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs and, instead, will receive the net cash proceeds on a pro rata basis from the sale by the Relevant Depositary of the Holdco Shares and Subsidiary Shares they would have received had they provided such acknowledgements, representations and agreements.**

Each holder of RAO UES Shares or RAO UES DRs, by virtue of voting on the Spin-Offs and acquiring Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be, will be deemed to have acknowledged that RAO UES, the Holdcos and the Subsidiaries reserve the right to make inquiries of any holder of the Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs at any time as to such persons' status under the U.S. securities laws and compliance with these transfer restrictions. RAO UES, the Holdcos, the Subsidiaries and their agents shall not be obligated to recognize any resale or other transfer of such Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs or any beneficial interest therein made other than in compliance with these restrictions.

In this Information Statement, references to "rubles" and "RUB" are to the lawful currency for the time being of the Russian Federation and references to "U.S. dollars" and "USD" are to the lawful currency for the time being of the United States.

This Information Statement contains conversions of certain amounts into U.S. dollars at specified rates solely for the convenience of the reader. Except where otherwise stated, the U.S. dollar amounts have been translated from the RUB amounts as specified in "Exchange Rates". The ruble rate for USD 1.00 in the first eight months of 2007 ranged from RUB 25.34 – RUB 26.58, in 2006 it ranged from RUB 26.18 – RUB 28.48, in 2005 it ranged from RUB 27.46 – RUB 28.19, and in 2004 it ranged from RUB 27.75 – RUB 29.45. No representation is made that the RUB or U.S. dollar amounts referred to herein could have been or could be converted into rubles or U.S. dollars, as the case may be, at these rates, or at any particular rate or at all.

ADDITIONAL INFORMATION

It is currently expected that none of the Holdcos and Subsidiaries will be required to file periodic reports under Section 13 or 15 of the Exchange Act.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Information Statement includes:

- summary of historical information of the RAO UES Group for the year ended as at December 31, 2006;
- consolidated balance sheet of the RAO UES Group as at December 31, 2006 disaggregated by certain Subsidiaries (this disaggregation is not part of the RAO UES Group's IFRS financial statements and is presented here solely for illustrative purposes);
- consolidated statement of operations of the RAO UES Group for the year ended December 31, 2006 disaggregated by certain Subsidiaries (this disaggregation is not part of the RAO UES Group's IFRS financial statements and is presented here solely for illustrative purposes);
- a summary of certain differences between U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"); and
- a summary of certain differences between IFRS and Russian accounting standards ("RAS").

The consolidated IFRS financial statements of the RAO UES Group for the year ended December 31, 2004, which are available in their entirety on RAO UES' website (www.rao-ees.ru), have been audited by ZAO KPMG, independent auditors, 11 Gogolevsky Boulevard, Moscow 119019, Russian Federation ("KPMG"), as stated in their reports appearing therein. The consolidated IFRS financial statements of the RAO UES Group for each of the years ended December 31, 2005 and December 31, 2006, which are available in their

entirety on RAO UES' website, have been audited by ZAO PricewaterhouseCoopers Audit, independent auditors, Kosmodamianskaya Nab. 52, Bldg. 5, Moscow, 15054, Russian Federation ("ZAO PricewaterhouseCoopers Audit"), as stated in their reports appearing therein. ZAO PricewaterhouseCoopers Audit and KPMG are members of the Russian Chamber of Auditors (Auditorskaya Palata Rossii) and registered with the Public Company Accounting Oversight Board (PCAOB).

Certain data presented in this Information Statement have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

STATEMENT ON ADJUSTMENT

The audited RAO UES Group's IFRS consolidated financial statements for the year ended December 31, 2004, which are available in their entirety on RAO UES' website, have not been restated for the effect of adjustments made in the RAO UES Group's audited IFRS consolidated financial statements for periods subsequent to December 31, 2004.

In reporting periods up to and including the year ended December 31, 2004, the effect of a decline in the value of available for sale investments, in a total amount of RUB 4,988 million, was recognized directly within a fair value reserve in equity. In the RAO UES Group's view, this decline should have been treated as an impairment and recognized in the consolidated statement of operations. This was retrospectively adjusted in the RAO UES Group's audited IFRS consolidated financial statements for the year ended December 31, 2005. As a result of the adjustment, the fair value reserve for available for sale investments increased and the retained earnings decreased by RUB 4,988 million. The effect of the adjustment, if it had been reflected in the RAO UES Group's audited IFRS consolidated financial statements for the year ended December 31, 2004, would have resulted in a reduction of the reported income for the comparative period, the year ended December 31, 2003, by RUB 4,988 million from RUB 24,282 million to RUB 19,294 million. The adjustment has no effect on the reported income for any period subsequent to the year ended December 31, 2003.

During 2006, the RAO UES Group considered that advances to construction companies and supplies of property, plant and equipment should be disclosed as part of property, plant and equipment. The balance sheet as at December 31, 2005 and 2004 were adjusted to reflect the change in treatment. Consequently, RUB 13,195 million of advances to constructors were reclassified from other Non-current assets to Property, plant and equipment with a simultaneous reclassification of the RUB 2,375 million of related VAT from other Non-current assets to VAT recoverable in the balance sheet as at December 31, 2005. Similar adjustments of RUB 14,422 million and RUB 2,884 were made to the balance sheet as at December 31, 2004. The reclassification had no effect on the income reported for any period or on the net assets of the RAO UES Group.

During 2005, the RAO UES Group also reassessed the amount of value added tax recoverable which was expected to be reclaimed more than 12 months after the balance sheet date and reclassified RUB 6,878 million from Other current assets to Other non-current assets in the balance sheet as at December 31, 2004. The reclassification had no effect on the income reported for any period or on the net assets of the RAO UES Group at any balance sheet date.

The figures presented in "Selected Historical Financial Information of the RAO UES Group" have been adjusted to reflect the effect of the adjustments discussed above on the financial information presented as at December 31, 2004.

LIMITATION ON ENFORCEMENT OF CIVIL LIABILITIES

Judgments rendered by a court in any jurisdiction outside the Russian Federation will generally be recognized by courts in the Russian Federation only if an international treaty providing for recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered and/or a federal law is adopted in Russia providing for the recognition and

enforcement of foreign court judgments. The Russian Federation, the United States and the United Kingdom are parties to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958; however, there is no treaty between the United States and the Russian Federation or the United Kingdom and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters, and no relevant federal law on enforcement of foreign court judgments has been adopted in the Russian Federation.

All or substantially all of the directors and executive officers of RAO UES and the Subsidiaries, respectively, named in this Information Statement reside outside the United States and the United Kingdom. All or a substantial portion of their assets, and the assets of RAO UES and the Subsidiaries, are located outside the United States and the United Kingdom, principally in the Russian Federation. It is expected that, following the Spin-Offs, all or substantially all of the directors and executive officers of the Subsidiaries, the Large Holdcos, MRSK Holding and RAO East Energy Systems will continue to reside outside the United States and the United Kingdom and that all or a substantial portion of their assets will continue to be located outside the United States and the United Kingdom, principally in the Russian Federation. As a result, it may not be possible for holders of RAO UES Shares, RAO UES DRs, Holdco Shares, Subsidiary Shares or, if the Regulation S GDR Facilities are established for the Holdco Shares or Subsidiary Shares, the holders of Holdco GDRs and Subsidiary GDRs to:

- effect service of process within the United States or the United Kingdom upon any of the directors and executive officers of RAO UES, the Holdcos or the Subsidiaries, as the case may be; or
- enforce, in the Russian Federation, court judgments obtained in courts of the United States or the United Kingdom, as the case may be, against any of RAO UES, the Holdcos or the Subsidiaries, as the case may be, or any of their respective directors and executive officers in any action, including actions under the civil liability provisions of federal securities laws of the United States.

In addition, it may be difficult for the holders of RAO UES Shares or RAO UES DRs to enforce, in original actions brought in courts in jurisdictions located in the United States or the United Kingdom, liabilities predicated upon U.S. or U.K. securities laws.

FORWARD-LOOKING STATEMENTS

This Information Statement contains “forward-looking statements” which relate to, without limitation, the RAO UES Group’s, the Holdcos’ and the Subsidiaries’ plans, objectives, goals, strategies, future operations and performance, and anticipated developments in the power utility industry and the Russian and global economies. In addition, the RAO UES Group, the Holdcos and/or the Subsidiaries may make forward-looking statements in future filings with the U.S. SEC or Russian or other securities authorities or in written materials, press releases and oral statements issued by or on behalf of them. These forward-looking statements are characterized by words such as “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “may”, “will”, “should” and similar expressions, but these expressions are not the exclusive means of identifying such statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause circumstances or the actual results, performance or achievements of the RAO UES Group, the Holdcos or the Subsidiaries to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such forward-looking statements are inherently based on numerous assumptions regarding, among other things:

- changes in political, social, legal or economic conditions in Russia;
- changes to the planned reforms of the Russian power sector;
- the effects of government regulations and regulatory actions, including tariff regulations;
- international and domestic energy prices;
- weather conditions, seasonality and temperature extremes;
- the effects of fiscal developments and legal proceedings;
- the state of the power generation equipment (including, but not limited to, power generators, the power supply grid and related systems);

- any expansion, divestiture or acquisition and investment plans of the Subsidiaries and their ability to implement those plans, including their ability to benefit from related cost savings and synergies;
- the Subsidiaries' ability to meet their obligations and develop and maintain additional sources of financing;
- the Subsidiaries' ability to remain competitive in the industries in which they operate;
- inflation, interest rate or exchange rate fluctuations;
- transportation costs;
- the Subsidiaries' ability to obtain or extend the terms of the licenses necessary for their businesses; and
- the effects of Russian and international political events.

This list of important factors is not exhaustive. Neither the RAO UES Group nor the Subsidiaries make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Accordingly, shareholders of RAO UES and holders of RAO UES DRs should not place undue reliance on these forward-looking statements. These forward-looking statements speak only as at the date of this Information Statement. The RAO UES Group and the Subsidiaries expressly disclaim any obligation or undertaking to disseminate after the date of this Information Statement any updates or revisions to any forward-looking statements contained herein, whether as a result of any change in its expectation with regard thereto, any change in events, conditions or circumstances on which any such forward-looking statement is based or otherwise.

No person is authorized to contact holders of depositary receipts to discuss the Spin-Offs or to give any information or to make any representation not contained or incorporated herein by reference, and, if given or made, such information or representation must not be relied upon as having been authorized by the RAO UES Group or the Subsidiaries.

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SHAREHOLDER INQUIRIES

Shareholders of RAO UES with questions relating to the proposed Spin-Offs and distribution of Holdco Shares or Subsidiary Shares should contact RAO UES at:

Department of Corporate Governance and Investor Relations

Prospect Vernadskogo, 101, Korp. 3,

Moscow, 119526, Russia

Tel.: + 7 (495) 620-16-09 (business days between 1:00 pm and 4:00 pm Moscow time)

Fax: +7 (495) 710-41-01

E-mail: ir@rao.elektra.ru

ZAO "Registratorskoe obshchestvo "Status"

ul. Dobrovolcheskaya, bldg. 1/64

Moscow, 109544, Russia

Tel.: +7 (495) 727-12-65, 974-83-50

Fax: +7 (495) 911-14-31

RAO UES ADR HOLDER INQUIRIES

Holders of RAO UES ADRs with questions relating to the proposed Spin-Offs and distribution of New GDRs, Holdco Shares or Subsidiary Shares should contact the RAO UES ADR Depositary at:

Pavel Polyakov

Global Equity Services

Deutsche Bank Ltd., Moscow

Tel.: +7 495 797-52-09

Fax: +7 495 797-50-99

E-mail: pavel.polyakov@db.com

DBTCA ADR Department

Global Equity Services

Deutsche Bank Trust Company Americas

Tel.: +1 212 250-9100

Fax: +1 732 544-6346

E-mail: adr.corporateaction@list.db.com

RAO UES GDR HOLDER INQUIRIES

Holders of RAO UES GDRs with questions relating to the proposed Spin-Offs and distribution of New GDRs, Holdco Shares or Subsidiary Shares should contact the RAO UES GDR Depositary at:

Irina P. Baichorova

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Posledny Pereulok 17

3rd Floor, No. 4

103045, Moscow, Russia

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SUMMARY

The following is a brief summary of certain information contained elsewhere in this Information Statement. This summary is qualified in its entirety by the more detailed information set forth in this Information Statement.

The RAO UES Group..... RAO UES is the largest power holding company in the Russian Federation. In 2006, the RAO UES Group generated approximately 70% of the electricity output and approximately 33% of the heat output in Russia. As at December 31, 2006, the RAO UES Group had approximately 72% of the installed electric capacity in Russia and approximately 33% of Russia's total installed heat capacity. The RAO UES Group owns approximately 96% of the total length of Russia's electric transmission lines. As at August 1, 2007, the market capitalization of RAO UES, based on the market value of the RAO UES Shares traded on the Russian stock markets, totaled approximately USD 57 billion. As at June 30, 2007, the Russian Federation owned a 52.68% interest in RAO UES (22,715,371,537 RAO UES Shares, consisting of 22,569,848,313 RAO UES Ordinary Shares and 145,523,224 RAO UES Preferred Shares).

The Gencos The Gencos are the OGKs and the TGKs, excluding OGK-5 and TGK-5 (in which RAO UES no longer holds any equity interest following their spin-offs from RAO UES, state registration of which was completed on September 3, 2007).

Six wholesale thermal generating companies (OGKs), including OGK-5, which is not involved in the Spin-Offs, and one hydro generating company (HydroOGK) have been established and, except for HydroOGK, their formation has been completed in the course of the RAO UES Group restructuring. The OGKs generate and sell electricity and heat in their respective regions throughout the Russian Federation, and in 2006 had an aggregate installed electric capacity of approximately 76 GW and an aggregate installed heat capacity of approximately 13,381 Gcal/h. All of the OGKs (except HydroOGK) are listed on Russian stock exchanges. As of September 4, 2007, the aggregate market capitalization of the OGKs to be included in the Spin-Offs (except HydroOGK), based on the market value of the relevant OGK shares traded on the Russian stock markets, totaled approximately USD 25 billion.

Fourteen territorial generating companies (TGKs) have been established, although by June 30, 2007, the final corporate structure of three TGKs, which are TGK-10, TGK-11 and Eniseyskaya TGK, has not yet been completed. The TGKs generate and sell electricity and heat in their respective regions throughout the Russian Federation, and in 2006, had an aggregate installed electric capacity of approximately 50 GW and an aggregate installed heat capacity of approximately 228,854 Gcal/h. Except for TGK-4, Volzhskaya TGK, TGK-11 and Eniseyskaya TGK, all the TGKs are

currently listed on a Russian stock exchange. Shares of TKG-4, Volzhskaya TKG, TKG-10 and Eniseyskaya TKG are traded on Russian stock exchanges without a listing. As of September 4, 2007, the aggregate market capitalization of the TKGs (except TKG-11 whose shares are not traded on a Russian stock exchange), based on the market value of the relevant TKG shares traded on the Russian stock markets, totaled approximately USD 26 billion.

OGK-5 and TKG-5 are not included in the Spin-Offs described herein and are no longer part of the RAO UES Group. The RAO UES shareholders approved the spin-offs of OGK-5 and TKG-5 on December 6, 2006, and the state registration of those spin-offs was completed on September 3, 2007.

See “Gencos”.

The Far East Energos The Far East Energos are the power companies in the Far East and other isolated areas of Russia (OAO Far East Energy Company, OAO Yakutskenergo, OAO Kolymaenergo, OAO Magadanenergo, OAO Kamchatskenergo and OAO Sakhalinenergo). Some of these companies and their related assets are still in the process of being reorganized.

MRSKs The MRSKs, eleven of which are currently in existence, are the inter-regional distribution grid companies established as part of the restructuring of the power industry in Russia. These companies manage the distribution grid companies (RSKs), pursuant to management agreements. RSKs carry out distribution of electricity through electricity grids other than the trunk electricity grids and are contemplated by the sector reform to be merged into the MRSKs in 2008.

The FSK The FSK operates the electricity trunk transmission grids that comprise the Unified National Energy Grid. Pending the restructuring of RAO UES, the FSK is responsible for managing the shares of the MRSKs owned by RAO UES. Under Federal Law “On the electric power industry” No. 35-FZ dated March 26, 2003 (the “Electric Power Industry Law”), the Russian Federation will be required to own at least 75% plus 1 share of the issued and outstanding shares of the FSK upon completion of the Spin-Offs. The Gencos are expected continue to have agreements with the FSK with respect to their connection to the Unified National Energy Grid.

InterRAO InterRAO controls the export and import of electricity and manages generation assets outside the Russian Federation. InterRAO is jointly owned by the two largest participants in Russia’s power sector: RAO UES and the Federal State Unitary Enterprise “Russian State Concern for generation of Electricity and Heat power at Nuclear Power Plants”

(“Rosenergoatom”), which hold 60% and 40%, respectively, of the shares in InterRAO.

Sochinskaya TES..... Sochinskaya TES is a generating company located in, and supplying power to, Sochi and the surrounding area, primarily to industrial and municipal purchasers. As at December 31, 2006, the installed electric capacity of Sochinskaya TES was approximately 78 MW.

System Operator The System Operator is responsible for the control of the technical operations of power plants, grids and the power receiving equipment of consumers. Under the Electric Power Industry Law, the Russian Federation will be required to own at least 75% plus 1 share of the issued and outstanding shares of the System Operator upon completion of the Spin-Offs.

RAO UES’ Ownership of the Subsidiaries.....

As at June 30, 2007, RAO UES owned the following direct interests in the total issued and outstanding share capital of the Subsidiaries set forth below:

OGK-1:	91.68%
OGK-2:	80.93%
OGK-3:	37.08%
OGK-4:	89.60%
OGK-6:	93.48%
HydroOGK:	100.00%
TGK-1:	55.70%
TGK-2:	49.36%
Mosenergo:	36.17%
TGK-4:	47.32%
TGK-6:	50.23%
Volzhskaya TGK:	54.47%
SGK TGK-8:	52.82%
TGK-9:	50.06%
TGK-10:	81.56%
TGK-11:	100.00%
Kuzbassenergo:	49.00%
Eniseyskaya TGK:	56.92%
TGK-14:	49.67%
MRSK of Center (as of June 30, 2007, known as OAO MRSK of Center and Northern Caucasia):	100.00%
MRSK of Center and Privoljje:	100.00%
MRSK of South:	100.00%
MRSK of Volga:	100.00%
MRSK of Ural (as of June 30, 2007, known as OAO MRSK of Ural and Volga):	100.00%
MRSK of Northern Caucasia (as of June 30, 2007, known as OAO Southern Grid Company):	100.00%
MRSK of the North-West:	100.00%
MRSK of Siberia:	100.00%

Tyumenergo:.....	100.00%
Lenenergo:.....	56.01%
FSK:.....	87.56%
InterRAO:	60.00%
Sochinskaya TES:	100.00%
System Operator:.....	100.00%

Holdcos..... If the Spin-Offs are approved, separate newly-formed companies, the Holdcos, will be formed as open joint-stock companies on the Reorganization Date (the date of their state registration in the USRLE), which is currently expected to occur in July 2008. It is currently expected that the following four categories of Holdcos will be formed:

State Holdcos — includes both State Holding and State HydroOGK Holding.

- State Holding will be established to hold (a) 52.86% of RAO UES' equity interests in the FSK and the trunk grid companies, (b) a certain portion of RAO UES' equity interests in certain of the Gencos (other than HydroOGK) or cash proceeds from the sale of such equity interest that may be effected by RAO UES prior to the Spin-Offs and (c) a certain number of ordinary shares in the System Operator or cash proceeds from the sale of such shares that may be effected by RAO UES prior to the Spin-Offs.
- State HydroOGK Holding will be established to hold (a) a certain portion of RAO UES' equity interest in HydroOGK that corresponds to the equity interest that the Russian Federation holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES, and (b) a certain portion of RAO UES' equity interests in certain of the Gencos (other than HydroOGK) or cash proceeds from the sale of such equity interest that may be effected by RAO UES prior to the Spin-Offs.

Large Holdcos — includes CenterEnergoHolding, Intergeneration and SibenergoHolding.

- CenterEnergoHolding will be established to hold a certain portion of RAO UES' equity interests in the FSK, HydroOGK, the System Operator and the Gencos that corresponds to the equity interest that GazEnergy holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES.
- Intergeneration will be established to hold a certain portion of RAO UES' equity interests in the FSK, HydroOGK, the System Operator and the Gencos that corresponds to the equity interest that Norilsk holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES.

- SibenergoHolding will be established to hold a certain portion of RAO UES' equity interests in the FSK, HydroOGK, the System Operator and the Gencos that corresponds to the equity interest that Madake holds in RAO UES, adjusted according to certain swap ratios proposed by the Board of Directors of RAO UES.

Minority Holdcos — includes those Holdcos established to hold certain interests of RAO UES to be distributed to the Minority Holders.

- Minority FSK Holding will be established to hold a certain portion of RAO UES' equity interests in the FSK and the trunk grid companies that corresponds to the equity interest that the Minority Holders hold in the aggregate in RAO UES.
- Minority HydroOGK Holding will be established to hold a certain portion of RAO UES' equity interest in HydroOGK that corresponds to the equity interest that the Minority Holders hold in the aggregate in RAO UES.
- A number of other Holdcos will be established to hold (a) a certain portion of RAO UES' equity interests in the applicable Genco that corresponds to the equity interest that the Minority Holders hold in the aggregate in RAO UES, and (b) a certain number of ordinary shares in the System Operator.

Shareholder Holdcos — includes MRSK Holding, RAO East Energy Systems and InterRAO Holding, which will be established to hold all of RAO UES' equity interests in the MRSKs (including the RSKs and certain energy sales companies located in southern regions of Russia), the Far East Energos (including certain energy sales companies) and InterRAO (including Sochinskaya TES and certain other Subsidiaries), respectively.

Each of the Holdcos is expected to issue ordinary and preferred shares.

On the Reorganization Date, each of the State Holdcos, the Minority Holdcos and InterRAO Holding will, subject to the approval of the shareholders of the relevant Subsidiaries, the approval of the FAS and the requirements of Russian law, immediately after its establishment on the Reorganization Date, be merged into the relevant Subsidiary, with the Subsidiary being the surviving entity and legal successor of the respective Holdco. All of the assets of each of the State Holdcos, the Minority Holdcos and InterRAO Holding, including shares held by it in a Subsidiary, will be transferred to the relevant Subsidiary on the Reorganization Date. Upon the merger, each of the State Holdcos, the Minority Holdcos and InterRAO Holding will cease to exist and will be removed from the USRLE, and its shares will be cancelled.

None of the Large Holdcos, MRSK Holding and RAO East Energy Systems will undergo a merger into any Subsidiary.

Capital Structure of each Subsidiary

The table below shows the share capital of each of the following Subsidiaries as of the date hereof:

OGK-1	44,643,192,918 ordinary shares, each with a par value of RUB 0.57478
OGK-2	26,480,895,818 ordinary shares, each with a par value of RUB 0.3627
OGK-3	47,487,999,252 ordinary shares, each with a par value of RUB 1.00
OGK-4	49,130,625,974 ordinary shares, each with a par value of RUB 0.40
OGK-6	26,731,061,492 ordinary shares, each with a par value of RUB 0.48
HydroOGK	140,954,759,856 ordinary shares, each with a par value of RUB 1.00
TGK-1	2,925,245,464,492 ordinary shares, each with a par value of RUB 0.01
TGK-2	1,095,996,358,137 ordinary shares, each with a par value of RUB 0.01 and 16,500,533,681 preferred shares, each with a par value of RUB 0.01
Mosenergo	39,749,359,700 ordinary shares, each with a par value of RUB 1.00
TGK-4	1,321,201,964,859 ordinary shares, each with a par value of RUB 0.01 75,272,938,838 preferred shares, each with a par value of RUB 0.01
TGK-6	1,289,500,236,067 ordinary shares, each with a par value of RUB 0.01
Volzhskaya TGK	26,116,076,165 ordinary shares, each with a par value of RUB 1.00
SGK TGK-8	1,375,859,309,304 ordinary shares, each with a par value of RUB 0.01
TGK-9	5,697,897,869,214 ordinary shares, each with a par value of RUB 0.003
TGK-10	432,425,955 ordinary shares, each with a par value of RUB 1.66
TGK-11	1,000,000,000 ordinary shares, each with a par value of RUB 0.01
Kuzbassenergo	606,163,800 ordinary shares, each with a par value of RUB 1.00

Eniseyskaya TKG . .	5,660,119 ordinary shares, each with a par value of RUB 226.42
TGK-14	777,945,609,114 ordinary shares, each with a par value of RUB 0.001
MRSK of Center . . .	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Center and Privoljie	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of South	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Volga	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Ural	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Northern Caucasia	150,000 ordinary shares, each with a par value of RUB 1.00
MRSK of the North-West	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Siberia . . .	100,000,000 ordinary shares, each with a par value of RUB 0.10
Tyumenenergo	273,738,951 ordinary shares, each with a par value of RUB 10
Lenenergo	691,854,144 ordinary shares, each with a par value of RUB 1 93,264,311 Class A preferred shares, each with a par value of RUB 1
The FSK	361,382,207,920 ordinary shares, each with a par value of RUB 0.5
InterRAO	11,400,000 ordinary shares, each with a par value of RUB 100
Sochinskaya TES . . .	1,000,000 ordinary shares, each with a par value of RUB 1,000
System Operator . . .	600,000,000 ordinary shares, each with a par value of RUB 100

Each ordinary share of the Subsidiaries has, and after the Spin-Offs will have, the right to one vote at meetings of shareholders of the relevant Subsidiary.

Spin-Offs of the Holdcos The establishment of the State Holdcos, the Minority Holdcos and InterRAO Holding will be conducted by means of reorganization (*vydelenie s odnovremennym prisoedineniyem*) under Russian corporate law.

If (i) the Spin-Offs are approved by the shareholders of RAO UES, (ii) the mergers of the State Holdcos, the Minority Holdcos and InterRAO Holding into their

corresponding Subsidiaries are approved by the Subsidiaries and (iii) all requirements under applicable law and regulation, including the obtaining of the FAS approval, are satisfied, on the Reorganization Date, the State Holdcos, the Minority Holdcos and InterRAO Holding will be formed and simultaneously merged into the corresponding Subsidiaries.

The establishment of the Large Holdcos, MRSK Holding and RAO East Energy Systems will be conducted by means of a spin-off (*vydelenie*) under Russian corporate law.

If (i) the Spin-Offs are approved by the shareholders of RAO UES and (ii) all requirements under applicable law and regulation are satisfied, on the Reorganization Date, the Large Holdcos, MRSK Holding and RAO East Energy Systems will be formed. The Large Holdcos, MRSK Holding and RAO East Energy Systems will not be merging into their corresponding Subsidiaries.

The Reorganization Date is currently expected to occur in July 2008. See “Indicative Timetable” and “The Spin-Offs”.

If the Spin-Offs are implemented, following the Spin-Offs Record Date, the RAO UES Shares will no longer reflect the value of the equity interests in the Subsidiaries which will be spun-off from RAO UES on the Reorganization Date.

Share Swap.....

In March 2007, the Board of Directors of RAO UES requested that the RAO UES Management Board prepare proposals for allowing all RAO UES shareholders to create special purpose holding companies that would hold the shares in the Gencos that the shareholders requesting the establishment of such special purpose holding companies would propose to receive in the course of the Spin-Offs. The shareholders of RAO UES who wished to set up such holding companies were required to submit their own or joint proposals for the establishment of such special purpose holding companies to RAO UES by May 21, 2007. As of that date, proposals had been received by three RAO UES shareholders (the Large Holders), which, upon certain modifications, were approved by the Board of Directors of RAO UES. In connection with their proposals, the Large Holders also undertook to vote for the Spin-Offs at the EGM and not to reduce their stakes in RAO UES prior to the Spin-Offs Record Date.

In accordance with the proposals submitted by the Large Holders, the Spin-Offs will include distributions to each Large Holdco of shares in specific Gencos, in accordance with the request of the Large Holders, and the Large Holders will not receive shares in the other Gencos. The additional shares in those specific Gencos that will be distributed to the Large Holdcos will come from the shares to which the Russian Federation and the other Large Holders are entitled.

This share swap procedure will be effected as set out in the separation balance sheet in accordance with exchange ratios, which were proposed by the Board of Directors of RAO UES. If the Spin-Offs are approved at the EGM, the Large Holders will receive the following percentages of the share capital of the following Gencos (in each case calculated as of March 31, 2007):

<u>Subsidiaries</u>	<u>Percentage of Subsidiary's Share Capital to be distributed to CenterErgoHolding</u>	<u>Percentage of Subsidiary's Share Capital to be distributed to Intergeneration</u>	<u>Percentage of Subsidiary's Share Capital to be distributed to SibenergoHolding</u>
OGK-1	—	—	—
OGK-2	54.87%	—	—
OGK-3	—	14.08%	—
OGK-4	—	—	—
OGK-6	51.79%	—	—
HydroOGK	—	3.43%	0.97%
TGK-1.....	—	—	—
TGK-2.....	—	—	—
TGK-3.....	—	—	—
TGK-4.....	—	—	—
TGK-6.....	—	—	—
Volzhskaya TGK..	—	—	—
SGK TGK-8.....	—	—	—
TGK-9.....	—	—	—
TGK-10.....	—	—	—
TGK-11.....	10.53%	—	—
Kuzbassenergo....	5.16%	—	6.00%
Eniseyskaya TGK.	6.00%	—	14.87%
TGK-14.....	—	—	—

RAO UES' investment program envisages that some of the Gencos may conduct share offerings, which would affect the share capital of the relevant Gencos. RAO UES is aware of plans by several of the Gencos to list GDRs representing their shares and complete international offerings of their shares. The percentages of each Genco's share capital shown above do not reflect any share issuances or other changes in the share capital that has occurred, or may occur, after March 31, 2007.

RAO UES Merger It is expected that, following the completion of the Spin-Offs, subject to the approval of the shareholders of the FSK, RAO UES will be merged into the FSK, with the FSK being the surviving entity, and RAO UES Shares will be converted into shares of the FSK on the basis of 2.26600952123458 ordinary shares of the FSK for each RAO UES Ordinary Share and 2.07521151954661 ordinary shares of the FSK for each RAO UES Preferred Share. **As a result, upon completion of the RAO UES Merger, RAO UES will cease to exist.**

**Shareholder Approval of the Spin-Offs
and the RAO UES Merger.....**

Approval of the Spin-Offs requires the affirmative vote of at least three-quarters of the aggregate voting power of the RAO UES Shares represented at the EGM, with each RAO UES Ordinary Share and RAO UES Preferred Share representing one vote. On the EGM Date, scheduled for October 26, 2007, an extraordinary general meeting of RAO UES shareholders is scheduled to be held to vote on the Spin-Offs and the RAO UES Merger. All persons who held RAO UES Ordinary Shares and who held RAO UES Preferred Shares on the EGM Record Date, which was August 23, 2007, will be entitled to vote at the EGM on the Spin-Offs and the RAO UES Merger by absentee ballot voting. Each holder of RAO UES DRs who held RAO UES DRs on the EGM Record Date will be entitled to deliver voting instructions to the Relevant Depository, under the terms of the applicable deposit agreement.

D.F. King has been appointed as proxy solicitation agent in connection with the Spin-Offs.

Approval of the merger of the State Holdcos, the Minority Holdcos and InterRAO Holding into their corresponding Subsidiaries requires the affirmative vote of at least three-quarters of the aggregate voting power represented at the shareholders' meeting of the relevant Subsidiary.

If the Spin-Offs are not approved at the EGM, the Spin-Offs described herein will not occur, and holders of RAO UES Shares and RAO UES DRs will not receive any Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs. If the merger of any of the Holdcos into the relevant Subsidiary, as applicable, is not approved by the shareholders' meeting of the respective Subsidiary, the merger of such Holdco into the relevant Subsidiary will not occur, and such Holdco will continue to exist without being merged into the relevant Subsidiary.

Anti-monopoly Regulation

Since the Spin-Offs with respect to the State Holdcos, the Minority Holdcos and InterRAO Holding will involve the merger of a Holdco into a Subsidiary, those Spin-Offs require the approval of such mergers by the FAS. **If the FAS approval for those mergers is not obtained, the merger of such Holdcos into their relevant Subsidiaries will not occur, and such Holdcos will continue to exist without being merged into the relevant Subsidiaries.**

**Distribution of certain Holdco Shares
and Subsidiary Shares to the Russian
Federation**

If the Spin-Offs are approved, on the Reorganization Date, subject to applicable law, the Russian Federation, RAO UES' majority shareholder, will:

- be entitled to one ordinary share in each of MRSK Holding and RAO East Energy Systems and one preferred share in each of MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by the Russian Federation on the Spin-Offs Record Date;
- (a) be entitled to all ordinary shares and preferred shares in State Holding, except for the shares which, in accordance with Russian law, will be distributed to Dissenting Holders; and (b) upon the cancellation of the shares in State Holding, receive such number of ordinary shares in the FSK, which, together with the other FSK shares held directly by the Russian Federation, will constitute, as required by Russian law, at least 75% plus 1 share of the issued and outstanding shares of the FSK;
- (a) be entitled to all ordinary shares and preferred shares in State HydroOGK Holding, except for the shares which, in accordance with Russian law, will be distributed to the Dissenting Holders; and (b) upon the cancellation of the shares in State HydroOGK Holding, receive such number of ordinary shares in HydroOGK, which, together with the other HydroOGK shares held directly by the Russian Federation, will constitute, as required by Russian law, at least 50% plus 1 share of the issued and outstanding shares of HydroOGK;
- be entitled to a number of ordinary and preferred shares in InterRAO Holding equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by the Russian Federation on the Spin-Offs Record Date, and upon the cancellation of the InterRAO Holding shares, receive 41.8643489213398000 ordinary shares in Sochinskaya TES (each, a "Sochinskaya TES Share" and collectively, the "Sochinskaya TES Shares") for each InterRAO Holding ordinary share and 38.3393707421631000 Sochinskaya TES Shares for each InterRAO Holding preferred share;
- be entitled to a certain number of shares in any Large Holdco and the Minority Holdcos if the relevant Large Holder or to the extent any of the Minority Holders, respectively, is a Dissenting Holder; and
- continue to own the same number of RAO UES Shares as the Russian Federation held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the

conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

**Distribution of certain Holdco Shares
and Subsidiary Shares to the Large
Holders**

If the Spin-Offs are approved, on the Reorganization Date, subject to applicable law, each Large Holder who voted for the Spin-Offs at the EGM and has not reduced its shareholding in RAO UES prior to the Spin-Offs Record Date will:

- be entitled to all of the shares in its corresponding Large Holdco, except for the shares which, in accordance with Russian law, will be distributed to the Dissenting Holders;
- be entitled to one ordinary share in each of MRSK Holding and RAO East Energy Systems and one preferred share in each of MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by such Large Holder on the Spin-Offs Record Date;
- be entitled to a number of InterRAO Holding ordinary shares and a number of InterRAO Holding preferred shares equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such Large Holder on the Spin-Offs Record Date, and upon the cancellation of the InterRAO Holding shares, receive 41.8643489213398000 Sochinskaya TES Shares for each InterRAO Holding ordinary share and 38.3393707421631000 Sochinskaya TES Shares for each InterRAO Holding preferred share;
- be entitled to a certain number of shares in other Large Holdcos and the Minority Holdcos if the relevant Large Holders or to the extent any of the Minority Holders, respectively, are Dissenting Holders; and
- continue to own the same number of RAO UES Shares as such Large Holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

If any Large Holder reduces its shareholding in RAO UES prior to the Spin-Offs Record Date, such Large Holder will be deemed to be a Minority Holder for the purpose of the Spin-Offs and shares in the relevant Large Holdco will be distributed to all Minority Holders.

**Distribution of certain Holdco Shares,
Holdco GDRs, Subsidiary Shares and
Subsidiary GDRs to the Minority
Holders**

If the Spin-Offs are approved, on the Reorganization Date, subject to applicable law, each Minority Holder who voted for the Spin-Offs and, in the case of each RAO UES DR holder who also certifies within 30 days following the Spin-Offs Record Date to the Relevant Depository that it is (or is acting on behalf of) a Non-U.S. DR Holder, as the case may be, will:

- be entitled to one ordinary share in MRSK Holding and RAO East Energy Systems and one preferred share in MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non U.S. DR Holder, as the case may be, on the Spin-Offs Record Date;
- (a) be entitled to a number of ordinary or preferred shares, as the case may be, in each Minority Holdco based on to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non U.S. DR Holder, as the case may be, on the Spin-Offs Record Date, (b) be entitled to a number of ordinary or preferred shares, as the case may be, in InterRAO Holding equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non U.S. DR Holder, as the case may be, on the Spin-Offs Record Date, and (c) upon the cancellation of the ordinary and preferred shares in the Minority Holdcos and InterRAO Holding, receive or, in the case of the Minority Holders of RAO UES DRs, be entitled to, a number of Subsidiary Shares, calculated on the following basis:

Exchange of Shares in Minority FSK Holding for Shares in the FSK

The FSK

10.1056041051790000 ordinary shares in the FSK for each RAO UES Ordinary Share

9.2547122395228300 ordinary shares in the FSK for each RAO UES Preferred Share

Exchange of Shares in Minority HydroOGK Holding for Shares in HydroOGK

HydroOGK

3.4531683396016400 ordinary shares in HydroOGK for each RAO UES Ordinary Share

3.1624115654071800 ordinary shares in HydroOGK for each RAO UES Preferred Share

Exchange of Shares in Minority Holdcos for Shares in the Gencos

OGKs

0.9620205574069320 ordinary shares in OGK-1 for each RAO UES Ordinary Share
0.8810184264732720 ordinary shares in OGK-1 for each RAO UES Preferred Share
0.5008006166421850 ordinary shares in OGK-2 for each RAO UES Ordinary Share
0.4586332047209130 ordinary shares in OGK-2 for each RAO UES Preferred Share
0.4114097481764260 ordinary shares in OGK-3 for each RAO UES Ordinary Share
0.3767690473799700 ordinary shares in OGK-3 for each RAO UES Preferred Share
1.0273778717938000 ordinary shares in OGK-4 for each RAO UES Ordinary Share
0.9408726549887700 ordinary shares in OGK-4 for each RAO UES Preferred Share
0.5836484771577890 ordinary shares in OGK-6 for each RAO UES Ordinary Share
0.5345052753810990 ordinary shares in OGK-6 for each RAO UES Preferred Share

TGKs

38.2331857890853000 ordinary shares in TGK-1 for each RAO UES Ordinary Share
35.0139515456442000 ordinary shares in TGK-1 for each RAO UES Preferred Share
12.9828789875932000 ordinary shares in TGK-2 for each RAO UES Ordinary Share
11.8897205768378000 ordinary shares in TGK-2 for each RAO UES Preferred Share
0.3359840017950100 ordinary shares in Mosenergo for each RAO UES Ordinary Share
0.3076941488438700 ordinary shares in Mosenergo for each RAO UES Preferred Share
15.8654792945781000 ordinary shares in TGK-4 for each RAO UES Ordinary Share
14.5296059379746000 ordinary shares in TGK-4 for each RAO UES Preferred Share
15.3258994310428000 ordinary shares in TGK-6 for each RAO UES Ordinary Share
14.0354586989490000 ordinary shares in TGK-6 for each RAO UES Preferred Share
0.3344068074269590 ordinary shares in Volzhskaya TGK for each RAO UES Ordinary Share
0.3062497542416090 ordinary shares in Volzhskaya TGK for each RAO UES Preferred Share

17.2624772854249000 ordinary shares in SGK TKG-8 for each RAO UES Ordinary Share

15.8089766979922000 ordinary shares in SGK TKG-8 for each RAO UES Preferred Share

67.3347215511992000 ordinary shares in TKG-9 for each RAO UES Ordinary Share

61.6651379965883000 ordinary shares in TKG-9 for each RAO UES Preferred Share

1.4709712305639300 ordinary shares in TKG-10 for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0088612724541053 for each RAO UES Ordinary Share)

1.3471154529504400 ordinary shares in TKG-10 for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0081151533134697 for each RAO UES Preferred Share)

6.1863639563592800 ordinary shares in TKG-11 for each RAO UES Ordinary Share

5.6654721112338500 ordinary shares in TKG-11 for each RAO UES Preferred Share

0.6991042495845980 ordinary shares in Kuzbassenergo for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0069910424958460 for each RAO UES Ordinary Share)

0.6402396717695780 ordinary shares in Kuzbassenergo for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0064023967176958 for each RAO UES Preferred Share)

1.7232742022754400 ordinary shares in Eniseyskaya TKG for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000761096282252 for each RAO UES Ordinary Share)

1.5781745144438500 ordinary shares in Eniseyskaya TKG for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000697011975287 for each RAO UES Preferred Share)

9.7136226718400300 ordinary shares in TKG-14 for each RAO UES Ordinary Share

8.8957356428711100 ordinary shares in TKG-14 for each RAO UES Preferred Share

*Exchange of Shares in InterRAO Holding for Shares in
Sochinskaya TES*

InterRAO

41.8643489213398000 ordinary shares in Sochinskaya TES for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0041864348921340 for each RAO UES Ordinary Share)

38.3393707421631000 ordinary shares in Sochinskaya TES for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0038339370742163 for each RAO UES Preferred Share)

- be entitled to a certain number of shares in any Large Holdco if the relevant Large Holder is a Dissenting Holder or reduced its shareholding in RAO UES prior to the Spin-Offs Record Date; and
- continue to own the same number of RAO UES Shares or RAO UES DRs as such holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

See “— Spin-Offs of the Holdcos.”

The Minority Holdco shares, MRSK Holding shares, RAO East Energy Systems shares and, if applicable, the Subsidiary Shares that subsequently would be distributed to RAO UES DR Holders will be held by the relevant custodian on the account of the Relevant Depositary and, upon instructions received from the Relevant Depositary at the time if and when the relevant Regulation S GDR Facility is established and provided that the limit on the number of shares allowed to circulate abroad or any other limit set by the New GDR Depositary (as defined below) on the shares accepted for deposit in any existing depositary receipt facility in respect of the Holdco Shares or the Subsidiary Shares, as applicable, has not yet been reached, New GDRs will be issued against the relevant Holdco Shares or Subsidiary Shares and distributed, as soon as reasonably practicable following the establishment of the relevant Regulation S GDR Facility, to the Non-U.S. DR Holders that have certified to the Relevant Depositary that they held RAO UES DRs on the Spin-Offs Record Date and that they are not U.S. DR Holders and who have not provided a Russian securities account to which the relevant Holdco Shares or Subsidiary Shares may be credited, upon the payment of the

fees and charges of, and expenses incurred by, the Relevant Depositary, calculated on a per share basis relative to each Holdco Share or Subsidiary Share, as applicable, and by the applicable depositary under each relevant Regulation S GDR Facility (the “New GDR Depositary”), calculated on a per depositary share basis relative to each Holdco GDR or Subsidiary GDR, as applicable. Non-U.S. DR Holders who wish to receive Holdco Shares and Subsidiary Shares instead of Holdco GDRs and Subsidiary GDRs, respectively, may, prior to the distribution of the relevant Regulation S GDRs, and by the date specified by the Relevant Depositary, so notify the Relevant Depositary and provide instructions regarding their Russian securities accounts to which the Holdco Shares or Subsidiary Shares, as the case may be, may be credited, together with a certification that they held RAO UES DRs on the Spin-Offs Record Date and that they are Non-U.S. DR Holders. As soon as reasonably practicable after the receipt of such instructions and certification, each Depositary will credit, through their respective custodian, the Holdco Shares and Subsidiary Shares to the Non-U.S. DR Holders who provided such instructions and certifications, upon the payment of the fees and charges of, and expenses incurred by, the Relevant Depositary. If a Regulation S GDR Facility is not established, Non-U.S. DR Holders of record on the Spin-Offs Record Date who fail to provide details of their Russian securities accounts to which the Holdco Shares and Subsidiary Shares, as applicable, may be credited and certifications that they held RAO UES DRs on the Spin-Offs Record Date will not receive any such Holdco Shares or Subsidiary Shares, and the Relevant Depositary will, as soon as reasonably practicable, sell such Holdco Shares and Subsidiary Shares in a public or private sale and deliver the cash proceeds pro rata to such holders, net of fees and charges of, and expenses incurred by, the Relevant Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution. See “The Regulation S GDR Facilities”.

Cash-out of U.S. Minority DR Holders . Any RAO UES DR holders who hold RAO DRs on the Spin-Offs Record Date and who fail or are unable to provide a certification to the effect that they are Non-U.S. DR Holders within 30 days following the Spin-Offs Record Date will not receive any Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, and the Relevant Depositary will, as soon as reasonably practicable, sell the relevant Holdco Shares and Subsidiary Shares that would have been distributed to such holder in a public or private sale and deliver the cash proceeds pro rata to such holders, net of fees and charges of, and expenses incurred by, the Relevant Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental

charges with respect to such distribution. It is anticipated that such sale of the relevant shares by the Depositaries will be completed as soon as reasonably practicable after such Holdco Shares and Subsidiary Shares are distributed to the Depositaries and after the expiration of the 30 day-period following the Spin-Offs Record Date. Neither Depositary shall be responsible for (i) any failure to determine that it may be lawful or practicable to make the net proceeds of the sale of shares available to RAO UES DR holders in general or any RAO UES DR holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with the sale of those shares, or (iii) its inability to distribute the net proceeds, or the amount that will be distributed as such net proceeds. See “Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — The Depositaries may not be able to sell the Holdco Shares and Subsidiary Shares that would have been distributed to RAO UES DR holders that fail to certify that they are Non-U.S. DR Holders or that fail to provide a Russian securities account in the event that no Regulation S GDR Facility is established, or may only be able to sell such shares at a discount to the prevailing market price and may not be able to distribute the net proceeds to the respective RAO UES DR holders”.

Listing and Trading of certain

Subsidiary Shares

Shares in the majority of the Gencos are currently quoted on one or both of the Russian stock exchanges, the RTS and MICEX, as follows:

<u>Subsidiary</u>	<u>Exchange(s)</u>	<u>RTS Ticker</u>	<u>MICEX Ticker</u>
OGK-1	RTS & MICEX	OGKA	OGK1
OGK-2	RTS & MICEX	OGKB	OGKB
OGK-3	RTS & MICEX	OGKC	OGKC
OGK-4	RTS & MICEX	OGKD	OGK4
OGK-6	RTS & MICEX	OGKF	OGKF
HydroOGK	None	n/a	n/a
TGK-1	RTS & MICEX	TGKA	TGKA
TGK-2	RTS & MICEX	TGKB	TGKB
Mosenergo	RTS & MICEX	TGKC	MSNG
TGK-4	RTS & MICEX	TGKD	TGKD
TGK-6	RTS & MICEX	TGKF	TGKF
Volzhskaya TGK	RTS & MICEX	TGKG	VTGK
SGK TGK-8	RTS & MICEX	TGKH	TGKH
TGK-9	RTS & MICEX	TGKI	TGKI
TGK-10	RTS & MICEX	TGKJ	TGKJ
TGK-11	None	n/a	n/a
Kuzbassenergo	RTS & MICEX	KZBE	KZBE
Eniseyskaya TGK	RTS & MICEX	TGKM	TGKM
TGK-14	RTS & MICEX	TGKN	TGKN

The Regulation S GDR Facilities It is currently expected that certain of the Subsidiaries (except for the Far East Energos, the MRSKs, InterRAO and the System Operator) whose shares are not currently listed on a Russian stock exchange will apply for listing before the Reorganization Date and each Subsidiary that has or obtains such a listing will apply to the FSFM for approval to establish a Regulation S GDR Facility. It is also currently expected that each of the Shareholder Holdcos that will continue to exist (MRSK Holding and RAO East Energy Systems), as soon as practicable after the Reorganization Date, will apply for a listing on the RTS or MICEX and, after obtaining such a listing, will apply to the FSFM for approval to establish a Regulation S GDR Facility. See “The Regulation S GDR Facilities”.

For each Regulation S GDR Facility that is established with respect to a particular Subsidiary or Holdco, as applicable, one GDR will represent the right to receive a certain number of the relevant Subsidiary Shares or Holdco Shares, as the case may be, and will be distributed in the manner and on the terms described in this Information Statement to Non-U.S. DR Holders who held RAO UES DRs on the Spin-Offs Record Date and who provided the applicable certifications upon the payment of the fees and charges of, and expenses incurred by, the New GDR Depositary, including, but not limited to, any taxes or governmental charges. The New GDRs are currently anticipated to be tradable over-the-counter in Western Europe. See “The Regulation S GDR Facilities”. Transfers of New GDRs to U.S. persons in the Regulation S GDR Facility of any Subsidiary or any Shareholder Holdco, if any, will be restricted for 40 days following the date of issuance of Regulation S GDRs, if any, in the Regulation S GDR Facility. There is no assurance that the Regulation S GDR Facilities will be established or that a public market for New GDRs will develop. See “Risk Factors— There may only be a limited trading market for the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs”.

In the case of the Far East Energos, the MRSKs, InterRAO, the System Operator and the Large Holdcos, if applicable, which do not currently plan to set up a Regulation S GDR Facility, or if any Subsidiary or Holdco, as applicable, fails to set up a Regulation S GDR Facility within 90 calendar days after the Reorganization Date, each Non-U.S. DR Holder of record on the Spin-Offs Record Date may provide instructions regarding its Russian securities account (and a certification that such holder owned the RAO UES DRs on the Spin-Offs Record Date) to the Relevant Depositary by the date advised by the Relevant Depositary in the case of the shares in the Far East Energos, the MRSKs, InterRAO, the System Operator and Large Holdcos, if applicable, which do not currently plan to set up a Regulation S GDR Facility, or in

respect of shares in RAO East Energy Systems, MRSK Holding and certain Subsidiary Shares within 30 days of the end of such 90 calendar day period to credit such Non-U.S. DR Holder's Russian securities account with the relevant Subsidiary Shares or Holdco Shares. Non-U.S. DR Holders who provide such documentation will be entitled to receive, as soon as reasonably practicable, the relevant Subsidiary Shares or Holdco Shares corresponding to the number of New GDRs they would have received had a Regulation S GDR Facility been set up, upon the payment of the fees and charges of, and expenses incurred by, the Relevant Depositary, including but not limited to, any taxes and governmental charges. If no such documentation is provided to the Relevant Depositary, then such holders will (a) become entitled to receive, as soon as reasonably practicable, the net cash proceeds on a pro rata basis from the sale of the relevant Subsidiary Shares or Holdco Shares they would have received had they supplied a Russian securities account and certifications to the Relevant Depositary, upon the payment of the fees and charges of, and expenses incurred by, the Relevant Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution, and (b) continue to own the same number of RAO UES DRs after the Spin-Offs as before, unless the RAO UES Merger is completed by that date, in which case they will be entitled to additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK. See "Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — The Subsidiaries and Holdcos may not obtain approval from the FSFM for the placement of the Subsidiary Shares and Holdco Shares, as the case may be, outside the Russian Federation, and the Regulation S GDR Facilities may not be established".

**Dissenting and Non-Voting
Shareholders' and DR Holders'
Redemption Rights.....**

Under Russian law, holders of RAO UES Shares that are entitled to vote at the EGM, and, subject to compliance with applicable law, holders of RAO UES DRs that are entitled to deliver voting instructions to their respective Depositaries, and in each case that either vote against the Spin-Offs or do not vote on the Spin-Offs proposals, may elect to have RAO UES redeem their RAO UES Shares (including those represented by RAO UES DRs) within the Redemption Election Period if the Spin-Offs are approved. Holders of RAO UES Shares who wish to exercise their redemption rights (including the Depositaries on behalf of RAO UES DR holders) must surrender their RAO UES Shares to RAO UES during the Redemption Election Period. As soon

as reasonably practicable following the EGM Date, subject to compliance with applicable law, holders of RAO UES DRs who either vote against the Spin-Offs or do not vote on the Spin-Offs proposals will be provided with materials from the relevant Redemption Agent (as defined below) detailing the procedures to be followed if such holders wish to exercise their redemption rights. RAO UES ADR holders who elect to exercise their redemption rights, and who may do so under applicable law, will be required to surrender their RAO UES ADRs to the Redemption Agent to be appointed with respect to the RAO UES ADRs (the “RAO UES ADR Redemption Agent”) on or prior to November 30, 2007. RAO UES GDR holders who elect to exercise their redemption rights will be required to surrender their RAO UES GDRs to The Bank of New York as redemption agent (the “RAO UES GDR Redemption Agent” and together with the RAO UES ADR redemption agent, the “Redemption Agents” and each of them, a “Redemption Agent”) on or prior to November 30, 2007.

Within the 30 calendar day period following the end of the Redemption Election Period, RAO UES is required to redeem any RAO UES Shares surrendered by holders of RAO UES Shares (including by Depositaries on behalf of the holders of RAO UES DRs) at a price of RUB 32.15 per RAO UES Ordinary Share and RUB 29.44 per RAO UES Preferred Share. In accordance with the requirements of Russian law, the price for the RAO UES Shares to be redeemed has been determined by the Board of Directors of RAO UES, based on the market price (without taking into account the effect, if any, on the market price of RAO UES’ actions resulting in the redemption rights), as determined by ZAO Deloitte & Touche CIS, an independent appraiser. RAO UES may use no more than 10% of its net assets, determined as of the EGM Date, to redeem such RAO UES Shares. For purposes of illustration, based on the net assets of RAO UES as at June 30, 2007, such amount equaled approximately RUB 109 billion, meaning that, if the EGM had been held on June 30, 2007, RAO UES would have been entitled to redeem approximately 8% of the RAO UES Ordinary Shares issued and outstanding.

In the event that holders (including the Depositaries) surrender more RAO UES Shares than RAO UES is permitted to redeem, surrendered RAO UES Shares will be redeemed on a pro rata basis.

In accordance with Russian corporate law, all redeemed RAO UES Shares will be held by RAO UES as treasury shares, which are required to be sold by RAO UES within one year after their purchase. Otherwise, upon the expiration of this term, RAO UES will be required to cancel these redeemed RAO UES Shares and, consequently, reduce its share capital by the aggregate par value of such cancelled shares.

In the case of RAO UES Shares, RAO UES will pay in rubles the price per RAO UES Share established by the Board of Directors to the Relevant Depositary. The Relevant Depositary will pay those proceeds to the corresponding Redemption Agent, which will effect, at the then-prevailing market rate, the conversion of the ruble proceeds into U.S. dollars, and will then, as soon as reasonably practicable, distribute the funds through DTC, Euroclear and Clearstream, as applicable, to the redeeming holders of the RAO UES DRs, net of fees and charges of, and expenses incurred by, the Relevant Depositary and Redemption Agent in connection with the surrender of the RAO UES DRs and the RAO UES Shares represented by RAO UES DRs, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution. As a condition to receipt of the redemption price, the redeeming RAO UES DR Holders must surrender their RAO UES DRs by delivering the appropriate transfer forms and certificates to RAO UES (or the Redemption Agent and Relevant Depositary, as applicable).

After the RAO UES Shares are surrendered to RAO UES and until they are redeemed they cannot be disposed of or encumbered in any way unless the shareholder revokes its redemption request within the Redemption Election Period.

HOLDERS OF RAO UES SHARES AND RAO UES DRs MAY BE SUBJECT TO TAX CONSEQUENCES ARISING FROM A REDEMPTION OF SHARES, INCLUDING RUSSIAN WITHHOLDING TAX ON ANY CAPITAL GAIN REALIZED. HOLDERS OF RAO UES SHARES AND RAO UES DRs SHOULD CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE REDEMPTION ARISING UNDER FOREIGN, STATE AND LOCAL LAWS. SEE “CERTAIN TAX CONSEQUENCES”.

See “The Spin-Offs — Dissenting and non-voting shareholders’ and DR holders’ redemption rights”, “Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — The Subsidiaries and Holdcos may not obtain approval from the FSFM for the placement of the Subsidiary Shares and Holdco Shares, as the case may be, outside the Russian Federation, and the Regulation S GDR Facilities may not be established” and “Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — Investors in the Holdcos and Subsidiaries may be unable to or be delayed in repatriating their earnings from distributions made on the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs”.

**Dissenting and Non-Voting
Shareholders' Alternative Share
Allocation Rights**

Each of the Dissenting Holders will, on the Reorganization Date, subject to applicable law and, in the case of holders of RAO UES DRs, providing the required certifications to the Relevant Depositary:

- be entitled to a number of ordinary and preferred shares in the Large Holdcos, with the number of ordinary and preferred Large Holdco Shares to which the Large Holders are entitled being adjusted accordingly, calculated on the following basis:

Distribution of Shares in the Large Holdcos

CenterEnergHolding

1.0489944190557900 ordinary shares in CenterEnergHolding for each RAO UES Ordinary Share

1.0489944190557900 preferred shares in CenterEnergHolding for each RAO UES Preferred Share

InterGeneration

3.5168944927650000 ordinary shares in InterGeneration for each RAO UES Ordinary Share

3.5168944927650000 preferred shares in the FSK for each RAO UES Preferred Share

SibenergoHolding

0.9662481705706150 ordinary shares in SibenergoHolding for each RAO UES Ordinary Share

0.9662481705706150 preferred shares in SibenergoHolding for each RAO UES Preferred Share

- be entitled to a number of ordinary and preferred shares in the State Holdcos, the Minority Holdcos and the Shareholder Holdcos pro rata to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, (or, in the case of Minority Holders of RAO UES DRs, represented by such RAO UES DRs) held by such holder on the Spin-Offs Record Date, with the number of ordinary and preferred Holdco Shares to which the other RAO UES shareholders are entitled being adjusted accordingly;
- upon the cancellation of the ordinary and preferred shares in the State Holdcos, the Minority Holdcos and InterRAO Holding, receive or, in the case of the Minority Holders of RAO UES DRs, be entitled to, a number of Subsidiary Shares, calculated on the following basis:

Exchange of Shares in Minority FSK Holding and State Holding for Shares in the FSK

The FSK

22.7734299924221000 ordinary shares in the FSK for each RAO UES Ordinary Share

20.8559071870602000 ordinary shares in the FSK for each RAO UES Preferred Share

*Exchange of Shares in Minority HydroOGK Holding
and State HydroOGK Holding for Shares in HydroOGK*
HydroOGK

4.5042344361292300 ordinary shares in HydroOGK for each
RAO UES Ordinary Share

4.1249778966071600 ordinary shares in HydroOGK for each
RAO UES Preferred Share

*Exchange of Shares in Minority Holdcos for Shares in
the Gencos*

OGKs

0.3111680046437920 ordinary shares in OGK-1 for each
RAO UES Ordinary Share

0.2849676586527860 ordinary shares in OGK-1 for each
RAO UES Preferred Share

0.1619852376387550 ordinary shares in OGK-2 for each
RAO UES Ordinary Share

0.1483460806295720 ordinary shares in OGK-2 for each
RAO UES Preferred Share

0.1330715330825430 ordinary shares in OGK-3 for each
RAO UES Ordinary Share

0.1218669099969930 ordinary shares in OGK-3 for each
RAO UES Preferred Share

0.3323079947927110 ordinary shares in OGK-4 for each
RAO UES Ordinary Share

0.3043276616311660 ordinary shares in OGK-4 for each
RAO UES Preferred Share

0.1887825895738680 ordinary shares in OGK-6 for each
RAO UES Ordinary Share

0.1728870955317470 ordinary shares in OGK-6 for each
RAO UES Preferred Share

TGKs

12.3666215254615000 ordinary shares in TGK-1 for each
RAO UES Ordinary Share

11.3253519930176000 ordinary shares in TGK-1 for each
RAO UES Preferred Share

4.1993453445427100 ordinary shares in TGK-2 for each
RAO UES Ordinary Share

3.8457604665322100 ordinary shares in TGK-2 for each
RAO UES Preferred Share

0.1086748829074820 ordinary shares in Mosenergo for each
RAO UES Ordinary Share

0.0995244577666725 ordinary shares in Mosenergo for each
RAO UES Preferred Share

5.1317297710541400 ordinary shares in TGK-4 for each
RAO UES Ordinary Share

4.6996381243313700 ordinary shares in TGK-4 for each
RAO UES Preferred Share

4.9572012870321500 ordinary shares in TGK-6 for each
RAO UES Ordinary Share

4.5398049386640400 ordinary shares in TGK-6 for each
RAO UES Preferred Share

0.1081647353636870 ordinary shares in Volzhskaya TGK for each RAO UES Ordinary Share

0.0990572646460649 ordinary shares in Volzhskaya TGK for each RAO UES Preferred Share

5.5835923367304100 ordinary shares in SGK TGK-8 for each RAO UES Ordinary Share

5.1134538619777100 ordinary shares in SGK TGK-8 for each RAO UES Preferred Share

21.7795875431269000 ordinary shares in TGK-9 for each RAO UES Ordinary Share

19.9457462719956000 ordinary shares in TGK-9 for each RAO UES Preferred Share

0.4757893988635290 ordinary shares in TGK-10 for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0028662011917720 for each RAO UES Ordinary Share)

0.4357279314792190 ordinary shares in TGK-10 for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0026248670514248 for each RAO UES Preferred Share)

2.0009952110475800 ordinary shares in TGK-11 for each RAO UES Ordinary Share

1.8325114142773800 ordinary shares in TGK-11 for each RAO UES Preferred Share

0.2261270538413420 ordinary shares in Kuzbassenergo for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0022612705384134 for each RAO UES Ordinary Share)

0.2070871559079020 ordinary shares in Kuzbassenergo for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0020708715590790 for each RAO UES Preferred Share)

0.5573974390126760 ordinary shares in Eniseyskaya TGK for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000246178535029 for each RAO UES Ordinary Share)

0.5104645746478100 ordinary shares in Eniseyskaya TGK for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000225450302380 for each RAO UES Preferred Share)

3.1418960451389000 ordinary shares in TGK-14 for each RAO UES Ordinary Share

2.8773483981382100 ordinary shares in TGK-14 for each RAO UES Preferred Share

*Exchange of Shares in InterRAO Holding for Shares in
Sochinskaya TES*

InterRAO

41.8643489213398000 ordinary shares in Sochinskaya TES for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0041864348921340 for each RAO UES Ordinary Share)

38.3393707421631000 ordinary shares in Sochinskaya TES for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0038339370742163 for each RAO UES Preferred Share)

- and continue to own the same number of RAO UES Shares as such holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

If the September 12 Amendment is approved by the Federation Council and the President, RAO UES shareholders who do not participate in the vote on the Spin-Offs proposals will receive a distribution of Holdco Shares and Subsidiary Shares as if they had voted for the Spin-Offs and thus will be deemed excluded from the term “Dissenting Holders” as used in this Information Statement with respect to the distribution of Holdco Shares and Subsidiary Shares. **The September 12 Amendment will not affect the redemption rights of RAO UES shareholders, which will be available to all holders of RAO UES Shares and RAO UES DRs that vote against or do not vote on the Spin-Offs proposals.**

Certain Tax Consequences

This Information Statement includes a summary description of certain potential tax consequences of the Spin-Offs for certain holders of RAO UES Shares and RAO UES DRs under the laws of the Russian Federation and the laws of the United Kingdom. In addition, it includes a summary description of the U.S. tax consequences of the cash-out of those holders of RAO UES DRs who cannot certify that they are Non-U.S. DR Holders. See “Certain Tax Consequences”.

RAO UES has not investigated the possible tax treatment of the Spin-Offs under the laws of any other jurisdiction.

Notwithstanding the summary descriptions contained in this Information Statement, holders of RAO UES Shares and RAO UES DRs should consult with their own tax advisors concerning the overall tax consequences of the Spin-Offs.

RISK FACTORS

Holders of RAO UES Shares and holders of RAO UES DRs should carefully consider the following information about the risks described below, together with the other information contained in this Information Statement, before deciding whether to approve the Spin-Offs. If any of the risks described below actually occur, the businesses, financial condition, or results of operations of the relevant Holdcos or Subsidiaries could be adversely affected. In that case, the value of any of the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs may decline and shareholders could lose all or part of their investment.

The risks and uncertainties discussed below are those that RAO UES believes are material, but these risks and uncertainties may not be the only ones the relevant Holdcos and Subsidiaries will face. Additional risks and uncertainties, including those of which RAO UES is currently unaware or which it deems immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of any of the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs, and investors losing all or part of their investment.

Risks Relating to the Reform of the Russian Power Industry

The Russian power industry is currently being restructured and reformed, and these changes may be conducted in a manner that differs from RAO UES' current expectations or in a manner that is adverse to the Subsidiaries' interests, which could materially and adversely affect the Subsidiaries' business and the industry

The Russian power market has been undergoing significant reform and restructuring, which launched officially in 2001, and the process is still on-going. General goals and objectives of the power industry reform are as follows:

- increasing the efficiency of power utilities and ensuring equal access to the market infrastructure for competing generation and supply companies;
- the separation of the natural monopolies (electricity and heat transmission, grid distribution and electricity dispatch management) from the potentially competitive businesses (electricity and heat generation, supply, repairs and services);
- full liberalization of the market for competitive activities to ensure proper economic returns for companies engaging in such activities, thus stimulating further investment into these sectors; and
- creation of a market-oriented mechanism for regulating natural monopolies to ensure market returns, and to attract greater private investment into the various power sectors.

As part of the on-going reform process, the rules governing the Russian power market, including, among other things, the rules related to market liberalization, determination of regulated prices (tariffs) for power, operation of the electricity capacity market and the framework for relations between power generators and consumers, are undergoing significant change. See “Industry Overview — Electricity Sector Reform”.

The timing of the stages of the reform and the scope of these stages have changed several times since the formal launch of the reform by the release on July 11, 2001 of Government Resolution “On Restructuring of Electricity Industry of the Russian Federation” No. 526 (“Resolution No. 526”), and there is no assurance that the current plan of the Russian government to liberalize fully the power market by 2011 (as set forth on April 7, 2007 in Resolution No. 205) will be implemented. Furthermore, some of these reforms may be politically controversial, and there is no reliable indication as to when, if at all, they will be completed.

As a result of the on-going reform process and the uncertainty associated with its completion and ultimate scope, the Russian electricity market is changing dramatically and continues to operate in conditions of uncertainty. The Subsidiaries may, therefore, be subject to changes in operational, business, technical, managerial, regulatory and other conditions, which are currently difficult or impossible to predict and which are not within their control, in addition to the existing risks inherent in the Russian power market. The reform process and the associated uncertainty may have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Reform of the Russian power sector envisages the dissolution of RAO UES through merger into the FSK

From the beginning of the Russian power sector reform, RAO UES and its group of companies have been in the process of reorganization, pursuant to which the Russian Federation is expected to relinquish its control of the thermal generation subsidiaries currently held by RAO UES. In February 2007, Mr. Anatoly Chubais, the Chairman of the Management Board of RAO UES, announced amendments to the reform process, which were approved by the Board of Directors of RAO UES in March 2007. The original spin-off structure contemplated that the Russian Federation and other shareholders of RAO UES would become direct shareholders in the Subsidiaries, and that the Russian Federation would then divest its stakes in these companies. See “Industry Overview — Electricity Sector Reform”. Under the amendments to the spin-off structure, the FSK and HydroOGK, which are currently prohibited from owning, or are not expected to own, generation assets, would receive the Russian Federation’s stakes in the Gencos and would have to divest such stakes if the current regulations remain in effect.

If the reform proceeds as contemplated by these amendments, the FSK and/or the HydroOGK may become one of the major shareholders of the Subsidiaries as early as mid-2008 and may, subsequently, sell its stakes in some or all of these companies, using the proceeds to finance its investment programs. If the FSK and the HydroOGK decide, or are required, to divest their stakes, if any, in the Subsidiaries, the sale of such a significant stake may negatively affect the price of the Subsidiary Shares.

Furthermore, the dissolution of RAO UES, which currently enjoys a dominant position in the market in terms of knowledge, expertise, experience and management skills related to the power sector, and the transfer of a portion of RAO UES’ existing stake in the TGKs and the OGKs to the FSK, the HydroOGK and/or other companies, which may not benefit from the same knowledge, expertise, experience and skills, may materially adversely affect these companies’ business, financial condition and results of operations. The Subsidiaries are not expected to have the capitalization and access to capital as RAO UES has, and that may have a material adverse effect on their business, financial condition and results of operations.

The proposed liberalization of wholesale electricity tariffs may be suspended or reversed and existing and future tariff regulations applicable to the Russian power industry may result in a tariff system that inadequately compensates the Subsidiaries for their cost base, which could materially adversely affect the business, financial condition and results of operations of the Subsidiaries

The generation and distribution of electricity in Russia are currently largely subject to tariff regulations and the Gencos are currently, and over the next several years, are expected to continue to be, required to sell the majority of their planned electricity output under regulated agreements. The distribution tariffs and connection fees charged by the RSKs are, and the distribution tariffs and connection fees to be charged by the MRSKs are expected to be, also subject to governmental regulations.

Under the existing tariff regime, the tariffs have been revised annually by the Russian Federal Service on Tariffs (the “FST”) in the case of electricity transmission tariffs and fees for technical connection to the electricity distribution grids, in all cases based on the estimated production costs of the Subsidiaries for the following year. The cost element of tariffs includes expenses which the FST considers reasonable, for example operational costs, but does not generally include capex, as these would not be considered reasonable by the FST. Under the “cost plus” system, tariffs should ensure the economically reasonable of the invested capital, based on the expected costs, thus, the FST has a certain degree of discretion in determining which expenses are, and are not, reasonable. As a result of this “cost plus” tariff system, the ability of the Gencos to increase their profitability is limited, and their revenue may be insufficient to fund the capital expenditure requirements of such Subsidiaries. Moreover, since these tariffs are generally adjusted only annually based on projections, they may not reflect the actual fluctuations of costs during a year, including unexpected cost fluctuations resulting from changes in the fuel costs of the Gencos, which may lead to costs exceeding tariffs in certain periods within a year.

One of the main goals of the Russian power market reform is the gradual liberalization of the wholesale market. The Russian government has indicated that the wholesale electricity market liberalization will be completed by 2011. The framework for gradual market liberalization was initially established by Resolution of the Government of the Russian Federation “On improvement of the functioning of the wholesale electricity market” No. 529 dated August 31, 2006 (“Resolution No. 529”), which introduced

new rules for the wholesale electricity market (the “New Wholesale Market Rules”), as further amended by Russian Government Resolution No. 205 dated April 7, 2007 (“Resolution No. 205”). The New Wholesale Market Rules provide that power generators, including the Gencos, are required to sell, in the second half of 2007, 85-90% of their 2007 planned electricity output through agreements at regulated tariffs. The remaining 10-15% of such planned output and any volumes generated above the annual planned output approved by the FST may be sold at free-market prices in the “one-day-ahead” market or balancing sector or under unregulated bilateral contracts at prices freely chosen by the parties. In addition, Resolution No. 205 sets out the timetable for the further liberalization of the wholesale electricity market through a semi-annual reduction of the percentage of planned output that must be sold at regulated prices, in accordance with which such semi-annual reductions should be within the range of 5-20% of the planned 2007 output for each generator, with full liberalization expected to occur in 2011 (subject to a potential exclusion for residential consumption, comprising approximately 10% of overall electricity consumption in Russia). While the volumes approved for sale at free-market prices were increased by Resolution No. 205 for the first and second halves of 2007, as compared to the initial schedule set forth in Resolution No. 529, there can be no assurance that this trend will continue after 2007. Moreover, there is no assurance that the existing regulations will remain in place or that the tariff liberalization will not be suspended or reversed in the future. If the liberalization is suspended or reversed, or does not proceed as currently envisioned, this could have a material adverse effect on the business, financial condition and results of operations of the Gencos.

Furthermore, should the process of power market liberalization continue, price levels in the free market for power will have a direct impact on the revenues and profitability of the Subsidiaries. There can be no assurance that price levels in the Russian power market will increase as a result of greater market liberalization. If free-market prices for power are not sufficient to cover the costs and expenses of the Subsidiaries, or they are unable to compete successfully in a liberalized power market, the Subsidiaries’ business, revenues and results of operations may be materially adversely affected.

From 2008, electricity tariffs charged by the Gencos are expected to be calculated in accordance with tariff indexation formulas determined by the FST based on, among other things, the forecasted level of inflation, growth of fuel prices, including gas tariffs, and tax increases. However, it remains to be seen how this tariff indexation formula will be applied, and there is a risk that the future changes in tariffs may be inadequate to compensate for future changes in the underlying cost base of one or more of the Gencos.

The Russian government is currently considering the introduction of a new tariff regulation system based on a regulated asset base (“RAB”) method may be introduced for electricity distribution tariffs. These discussions are at a very early stage and no assurance can be given that this tariff system will be adopted as currently envisioned or at all. If the RAB tariff system is not adopted, the MRSKs may be subject to significant pressure on margins, EBITDA and net income and may not be able to finance the modernization and development of their distribution grids, which would have a material adverse effect on the MRSKs’ business, financial condition and results of operations. If the RAB tariff system is adopted, the RAB or permissible returns on RAB may not be set appropriately. This may lead to tariffs that do not provide returns that adequately compensate for the cost of capital and the MRSKs may therefore not be able to finance modernization and development of their distribution grids, which would have a material adverse effect on the MRSKs’ business, financial condition and results of operations.

The capacity market in Russia may not be created or may not operate in a manner that allows Russian power generation companies to receive adequate returns on their investments

Electric capacity and output are currently treated as separate products on the Russian market. The sale of electric capacity currently takes place exclusively according to regulated tariffs. Resolution No. 529 provides for the gradual liberalization of electricity sales in order to encourage greater investment. In particular, new electricity capacity commissioned after 2007 and electricity capacity not included in the forecasted generation and consumption balance for 2007 and certain existing electricity capacity is to be traded in the wholesale market at unregulated prices. Implementing regulations setting forth gradual liberalization of the electricity capacity market in line with the power market are still being formulated and are not expected to come into effect before 2007. The date of commencement of the electricity capacity market operations has not yet been announced and there can be no assurance that it will be

created within the expected timeframe, or at all, and, if created, will operate in accordance with the principles set forth in the New Wholesale Market Rules. Should the electricity capacity market fail to be created and operate as currently expected and should the Gencos be required to continue to sell their new electricity capacity at regulated tariffs, they may be unable to receive adequate returns on their investments in new generating capacity within projected times, and this may materially adversely affect their business, financial condition and results of operations.

The tariff regulation in the heat and electricity industry may lead to tariff changes that inadequately compensate the Gencos for their cost base

Supply of electricity and heat in Russia continue to be subject to tariff regulation. The Gencos are currently, and in the next several years expected to continue to be, required to sell the majority of their planned output of electricity under regulated tariff contracts, and the Russian government has not announced any firm plans to introduce liberalization of the heat market. See “Industry Overview — Tariffs”.

The tariffs are revised annually either by the FST, in the case of the electricity tariffs, or by regional tariffs authorities, in the case of the heat tariffs, based on the estimated production costs of the generation companies for the following year. The majority of thermal power plants in Russia use gas as their primary fuel, and, since purchases of gas comprise the main operating costs of such thermal power plants, tariffs are relatively low in Russia as a result of the regulation of domestic gas prices at levels that are currently substantially below the prices of exported gas. Moreover, the FST does not always permit tariff increases in line with increases in the Gencos’ costs and, as a result, some tariffs are insufficient to cover all the costs of generation. These tariffs consider costs determined in accordance with RAS and, accordingly, exclude additional costs recognized under an IFRS basis of accounting. As a result of this “cost plus” tariff system, the ability of the Gencos to increase their profitability is limited, and their revenue may be insufficient to fund capital expenditure requirements. Moreover, since these tariffs are adjusted only annually, they may not reflect fluctuations of costs during a year, including fluctuations of costs as a result of changes in the fuel structure of the Gencos, which may lead to costs exceeding tariffs in certain periods within a year.

From 2008, the electricity tariffs charged by the Gencos are expected to be calculated in accordance with tariff indexation formulas determined by the FST based on, among other things, the forecasted level of inflation, growth of fuel prices and tax increases. However, it remains to be seen how this tariff indexation formula will be applied, and, to the extent that the future changes in tariffs were inadequate to compensate for future changes in the Gencos’ underlying cost base, the Gencos’ business, revenues and results of operations may be materially adversely affected.

The prices in the free electricity market may inadequately compensate the Gencos for their cost base

Should the process of power market liberalization continue, price levels in the free market for power will have a direct impact on the revenues and profitability of the Gencos. Since a liberalized electricity market is relatively new to Russia, it is difficult to predict future price levels for electricity, and there is no guarantee that such price levels will increase as a result of greater market liberalization. It is also difficult to predict whether any of the Gencos will be able to compete successfully within a liberalized power market. If free-market prices for power are not sufficient to cover the costs and expenses of the Gencos, or any of the Gencos is unable to compete successfully in a liberalized power market, the Gencos’ business, revenues and results of operations may be materially adversely affected.

The price of the Subsidiary Shares may be affected by the general perception of the Russian power sector

Certain circumstances, such as blackouts or other power supply disruptions, political unrest in Russia, and tensions in Russia’s political and commercial relations with other countries, taken together with the uncertainties and risk associated with the reform of the Russian energy industry could adversely affect investors’ general perception of the energy and utility sectors and the share prices of companies within those sectors. The effect of such events and unrest on investor sentiment and on the market price of the Subsidiary Shares cannot be predicted, but it is possible that these share prices could significantly fluctuate or fall as a result of negative investor sentiment.

Risks Relating to the Nature and Characteristics of the Russian Power Industry

The demand for electricity and heat in Russia may not grow as fast or as much as has been expected, which may result in a lower load factor for existing and newly-commissioned capacity of Russian power companies

The current investment program for the power companies currently in the RAO UES Group formulated by RAO UES involves a substantial increase in the generation capacity of the Subsidiaries that are in the electricity generation business. The formulation of this program involved the use of long-term models, which necessarily have a substantial amount of variance. The high risk of inaccuracy in these models concerning important terms, such as future consumption and future prices, and the difficulties in changing the comprehensive investment program supported by several parties, including the government, may result in a substantial risk of over-investment.

Investment programs of the Subsidiaries are generally based on certain forecasts of growth in electricity and heat consumption. If actual growth in power consumption turns out to be lower than such forecasts, an excess in capacity may result. Should this occur, the older facilities will be put into reserve mode and loaded only during peak consumption periods. Accordingly, if the growth in the demand for Russian power is lower than expected, the load factor of the Subsidiaries may not increase as currently expected or may actually decrease depending on the prioritization of the stations set by the System Operator. As a result, the Subsidiaries may be unable to realize expected returns on their investments in their facilities and infrastructure, which may materially adversely affect these companies' business, financial condition and results of operations.

The Gencos may face increasing costs for gas, insufficient supply of gas and other risks and uncertainties in their procurement of gas supplies

The majority of Russian fossil fuel-powered generation plants use natural gas as their primary fuel and are not or may not be easily convertible to other alternative forms of fuel. The Gencos, in particular those companies that are primarily dependent on gas as their fuel supply, are, therefore, highly sensitive to disruptions in the gas supply, the market power of the gas suppliers, changes in the regulated gas tariff and quota structure, and variations in the unregulated gas prices from commercial sources to the extent that regulations or other restrictions prevent them from adjusting their output level or passing the increased cost to the consumers.

The existing Russian gas pipeline system is exposed to the risk of various natural disasters, sabotage, corrosion and technical difficulties and the gas supplies may therefore be from time to time subject to interruptions, which may in turn result in result in disruptions in the power generation by the Gencos who rely on the gas for their primary fuel. The occurrence of any of these events could also have a material adverse effect on the Subsidiaries' business, results of operations and financial condition.

The Russian natural gas market is highly monopolistic, with a vast majority of supplies, reserves, production and transportation controlled by Gazprom. Moreover, Gazprom controls the access of independent gas producers to its pipeline system and is, therefore, able to prevent such producers from delivering gas to their customers, including the Gencos. Furthermore, because of its natural monopoly status, Gazprom is able to impose stringent conditions on its customers, such as requiring very aggressive payment schedules. Therefore, if any of the Subsidiaries are unable to pay Gazprom on a timely basis, either because its customers fail to pay for the power they are supplied at all or on a timely basis, or it is otherwise unable to comply with Gazprom's conditions for pipeline access, their gas supplies may be interrupted or delayed. Due to the possible increase of gas prices, and in order to reduce their reliance on gas, some of the Gencos are currently planning to diversify their fuel supply, by gradually switching to coal.

The majority of Gazprom's gas and a significant portion of gas supplied by ITERA to the Gencos is supplied under pre-agreed quotas established by Gazprom and ITERA, respectively, for RAO UES and its power generation subsidiaries, including the TGKs and the OGKs, at regulated tariffs determined by the FST for Gazprom. The quotas are allocated by Gazprom amongst buyers based on requests received by Gazprom and potential buyers with a prompt payment history may have the possibility of receiving gas above the quota at regulated prices. Pursuant to resolution No. 534 of September 2, 2006 of the Russian

government, from 2006 to 2007 Gazprom is permitted to sell up to 5 billion cubic meters of gas at unregulated prices on the electronic trade platform. As part of the Russian government's plan to bring the profitability of domestic supply of gas more in line with export supply, and in accordance with the Government Resolution No. 333 On Improvement of Gas Price Regulation of May 28, 2007, gas prices are currently expected to increase in the future. If gas prices increase in the future, this would result in an increase in the expenses of the Gencos. This could have a material adverse effect on the business, financial condition and results of operations of these Subsidiaries. Should the Russian government accelerate the liberalization of gas prices or should the FSK increase the regulated gas tariffs prior to a corresponding decrease in the required volumes of electricity required to be sold at regulated tariffs, this could have a material adverse effect on the business, financial condition and results of operation of the Gencos.

Quotas established by Gazprom for gas supplies from Gazprom may be reduced or left unchanged. Moreover, as part of the current agreements between Gazprom and RAO UES, Gazprom will not increase the quotas for existing capacity starting from 2007. Although the volumes of electricity generation and gas consumption by the electricity industry in Russia have been growing over the last three years, the gas supply quotas have at various times either been reduced, left unchanged, or increased insufficiently. If these quotas are decreased, left unchanged or increased insufficiently, the Gencos may not be able to obtain sufficient volumes of gas at regulated tariff levels, as a result of which the volume of power that they generate may decrease or the cost of the generation may increase and their business, financial condition and results of operations may be materially adversely affected.

As gas consumption is growing, while explored gas reserves are being depleted, the Gencos may in the future face a significant shortage of gas supplies, which may result in the reduction of the volume of power that they generate. This could in turn have a material adverse effect on their business, results of operations and financial condition.

In addition, the existing Russian gas pipeline system owned by Gazprom is exposed to the risk of various natural disasters, sabotage, corrosion and technical difficulties and the gas supplies on which the Gencos rely may therefore be from time to time subject to interruptions. Moreover, Gazprom controls the access of independent gas producers to its pipeline system and is, therefore, able to prevent such producers from delivering gas to their customers, including the Gencos. If any interruptions in gas supply occur, this could materially adversely affect the business, financial condition and results of operations of the Gencos.

In addition, because of its virtual monopoly status, Gazprom is able to impose stringent conditions on its customers, such as requiring very aggressive payment schedules. Therefore, if any of the Gencos are unable to pay Gazprom on a timely basis, either because its customers fail to pay it for the power they are supplied at all or on a timely basis, or it is otherwise unable to comply with Gazprom's conditions for pipeline access, their business, financial condition and results of operations could be materially adversely affected.

The Subsidiaries may be required to purchase gas from either Gazprom or independent suppliers in the unregulated market at commercial prices if the gas supplied under the quotas is insufficient for generation needs. These commercial prices may be significantly higher than the tariffs established by the FST for the gas supplied under the quotas. If the Gencos have to increase the amount of gas they purchase at commercial prices or if commercial gas prices increase in the future, this would result in an increase in the expenses of the Gencos. This could have a material adverse effect on the business, financial condition and results of operations of these Subsidiaries.

The Gencos may not be able to adjust their generation levels or price levels sufficiently to offset the changes in the gas supply levels or cost levels. The suspension of the supply of power to certain of their consumers may not be possible, regardless of those consumers' ability to pay or to pay increased tariffs. See "— Customers may withhold payments from, or fail to pay, the Gencos for the electricity and heat supplied by them". To the extent that regulatory strictures or changes limit these Subsidiaries' ability to pass the increased costs on to their customers, or economic developments adversely affect the ability of their customers to pay higher tariffs, the business, financial condition and results of operations of the Subsidiaries could be materially adversely affected.

Interruptions or other material changes in the generation of electricity by the Gencos could also lead to lawsuits being brought by customers against such companies. The occurrence of any of these events could also have a material adverse effect on the Subsidiaries' business, results of operations and financial condition.

Any increase in gas tariffs may lead to an increase in market demand for other fuel types which will potentially raise prices and reduce the amount available

It is possible that if gas prices increase in the future, the power generation companies, including the Gencos, may seek to switch to other sources of energy, including coal and fuel oil. An increase in demand for other sources of energy may increase the prices of these alternative energy sources and potentially reduce the amount available. A future increase in the prices of these energy sources would result in an increase in the expenses of the Subsidiaries and this could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

The Subsidiaries are required to sell heat at regulated tariffs

Tariffs for heat produced by the Subsidiaries are established by regional tariff regulation committees within the limits approved by the FST. These tariffs are set at levels which reflect the affordability of the heat for consumers and, accordingly, may not allow the Subsidiaries to improve or maintain their profitability margins. The tariffs are calculated by the regional tariff regulation committees on a cost-plus basis without taking into account the costs of the Subsidiaries' investment programs. Any reduction in heat tariffs or any failure to increase them sufficiently to meet the costs of Subsidiaries' investment programs could materially adversely affect the business, financial condition, results of operations and prospects of the Subsidiaries.

Many of the Gencos' coal-fired plants are dependent on specific suppliers of coal

Certain Gencos have coal-fired plants that may only operate on specific grades of coal, and thus, said Gencos are particularly reliant on the transportation network of and specific suppliers of these grades of coal.

The transportation of coal to Gencos is dependent on certain factors including access to, and reliability of, the rail network. The transportation of coal to the Gencos may be interrupted or suspended due to restricted access by the Gencos to the rail network. Furthermore, factors such as adverse weather conditions, failure of the transportation infrastructure or contractual disagreements could also impede the transportation of coal to the Gencos. Until existing facilities are technically adapted to utilize alternative types of coal, any interruption or suspension of the transportation of coal to these companies or any increase in the cost of said transportation could materially adversely affect the business, financial condition and results of operations of these Gencos.

The reliance on specific suppliers of coal increases the price and supply risks. Coal prices are subject to fluctuations based on normal market movements, which, in the absence of adaptations to utilize alternative types of coal, will increase the cost of coal to the Gencos. The limited number of suppliers to certain Gencos may increase the market power of said suppliers allowing the suppliers to demand unfavorable contractual terms, including increasing the price of the desired grade of coal beyond the level of the price in an environment with a large number of suppliers. Even in the absence of market power, an increase in price may be particularly marked during periods of unexpectedly high demand where a large number of other coal consumers are competing with the Gencos and logistical, temporal or other limitations of the production or transportation systems of coal restrict the ability of the suppliers to match the increased demand with increased supply. Finally, the limited number of suppliers increases the sensitivity of the Gencos to any disruption or reduction in the level of the production of coal, including as result of bankruptcy or other forms of business failure of these suppliers. Any increase in coal prices or any reduction or disruption in the supply of coal would increase the costs of the Gencos that rely on coal or reduce the ability of the Gencos to generate power and materially adversely affect the business, financial condition and results of operations of the Gencos.

Customers may withhold payments from, or fail to pay, the Gencos for the electricity and heat supplied by them

The Gencos sell, or may sell, a major part of their electricity in the wholesale market under “regulated” contracts under the New Wholesale Market Rules (“Regulated Contracts”). The customers under such Regulated Contracts are assigned by the Non-commercial Partnership Unified Power System Wholesale Electricity Market Trade System Administrator (the “Trade System Administrator”) to certain generators on the basis of several factors, including forecasts of electricity production and consumption established by the FST. If a customer is unable to pay for the supplied electricity or withholds payment, the Gencos will not be able to terminate the Regulated Contract or suspend electricity supply unilaterally. Instead, a delinquent or non-paying customer is subject to certain administrative sanctions, including fines, that may only be imposed by the Trade System Administrator or its subsidiary, the Financial Settlement Center. Many of the Gencos’ customers under the Regulated Contracts are or may be regional electricity supply companies, and these supply companies resell this electricity to end consumers. As a result, these supply company customers of the Gencos are highly vulnerable to the ability or willingness of such end consumers to pay. Some of these end consumers, including individuals or state and municipal institutions, have in the past been late with payments, or have failed to pay, for the electricity in the past, in part due to their poor financial condition and in part due to technical or regulatory constraints. For example, a supplier may suspend its supply of electricity to an individual only if the amounts which are unpaid and overdue from that individual exceed six average monthly payments. While the number of such consumers has decreased in recent years, there is no assurance that all the electricity supplied by the regional supply companies which purchase it from the Gencos under the Regulated Contracts will be paid for in full by the end consumers and the supply companies will, in turn, be able or willing to pay for the electricity supplied to them by the Gencos. Payment delays and failures to pay for electricity supplied at either level may materially adversely affect their business, financial condition and results of operations.

The Gencos may be unable to fulfill their obligations under the Regulated Contracts

The amount of electricity that the Gencos are required to supply under their Regulated Contracts is based on their respective forecast annual output. If, for any reason (other than force majeure), the Gencos are unable to generate electricity as required under the Regulated Contracts, they would have to purchase additional volumes of electricity at unregulated market prices in the “one-day-ahead market” or balancing market. In the event that the cost of such purchases is higher than the tariff for supplies under the Regulated Contracts, this could have a material adverse effect on their business, financial condition and results of operations.

The Gencos may be subject to intense competition from other Gencos and other producers of electricity admitted to the wholesale market

After the reforms have been implemented, the nature and composition of the markets in which the Subsidiaries will operate will be substantially different. The market environment post-reforms and the identity of future participants in the markets remain uncertain. The Subsidiaries may operate in consolidated markets with few competitors or highly fragmented markets with numerous competitors. New generating facilities other than those of RAO UES and its subsidiaries may enter the market. Future participants may operate with goals other than profit maximization and this may cause distortions in the market’s competitive structure. Alternative products such as alternative fuels (wind power, solar power, geothermal energy) may reduce the size of the markets of the Subsidiaries or the profitability of their participants. In addition, there is no guarantee that the management teams of the Subsidiaries will have the necessary financial, technical, marketing and other skills to be able to manage these companies in a new, more competitive environment. If the Subsidiaries are unable to compete effectively with such heightened competition in the future, this may materially adversely affect their business, financial condition and results of operations.

The Subsidiaries may be subject to increased competition in the local heat supply markets

Certain large industrial enterprises as well as municipalities operate their own boiler plants in the regions in which the Subsidiaries operate. In addition, the Subsidiaries could be subject to increased competition

from alternative producers of heat. If the Subsidiaries are unable to effectively compete with such producers in the future, this may materially adversely affect the business, financial condition, results of operations and prospects of the Subsidiaries.

The Gencos are dependent upon the services provided by and assets and infrastructure of third parties

The Gencos are dependent on the System Operator, to which the functions and assets of regional dispatch administrations of energy networks have been transferred, and the Trade System Administrator, which manages the trading system within the electricity wholesale market. A failure by the System Operator and the Trade System Administrator to provide services to the power generation companies could result in a reduction in the amount of electricity generated or actually delivered, which could have a material adverse effect on the Gencos' businesses, financial condition and results of operations.

The Gencos are also dependent to various extents upon the services provided by third parties. In particular, the Gencos depend on the electricity transmission and distribution services provided by the Federal Grid Company of Unified Energy System (the FSK) and regional grid companies, respectively. Although the Gencos have agreements with the FSK with respect to their connection to the electricity transmission grid, they may not have agreements with distribution grid companies regarding their connection to the electricity distribution grids because distribution services are generally paid for by customers and not by generation companies. Therefore, the Gencos are not assured of reliable and continuous connection to the electricity distribution grid.

In addition, while the level of wear and tear of electricity transmission and distribution grids is very high, the existing system by which the grid companies' tariffs for providing electricity distribution and transmission services and connecting power plants and consumers are set has not, in the past, ensured an adequate level of investment in the modernization and development of the grids. The high level of wear and tear and lack of investment in, and the continuing increase in electricity load of, these grids, may result in a decrease in the reliability of electricity supply and, in certain circumstances, in electricity outages. For example, in May 2005, there were electricity outages in several districts of Moscow and in certain areas of the Moscow Region, Tula, Kaluga and Ryazan regions. Due to the condition of the generating facilities and grid network, the business of the Gencos may be particularly susceptible to interruptions caused by technical accidents and emergencies. Any disruption to electricity distribution or transmission, including forced outages affecting any of the transmission or distribution grids that the Gencos rely upon, could result in decreased supply by and, therefore, decreased revenues of, the Gencos, and have a material adverse effect on their business, financial condition and results of operations.

In the past, Russian power plants generally have not been run at full capacity. This has been in part due to the RAO UES Group's control over the generation by these plants, based on power requirements in the relevant region, and in part due to the limited capacity of the electricity distribution and transmission grid, which is ageing and not sufficient for present requirements. In certain regions, due to the increase in electricity consumption, the electricity transmission and distribution grids' carrying capacity is insufficient. Due to these distribution grid limitations, only 21% (32% in 2004) of potential customers' applications for connection to the distribution grid were satisfied in 2005. The ability of the Gencos to maximize their generation depends largely on the ability of the grid to handle greater volumes of electricity and the current condition of the grid is likely to limit an increase in electricity generation. Such constraints on the generation levels of these companies could have a material adverse effect on their business, financial conditions and results of operations.

Most of these third parties are monopolies and alternative providers are not available. Should any of these third parties fail to provide the relevant services for any reason, the operations of Gencos will be disrupted, which may materially adversely affect their business, financial condition and results of operations.

In addition, the majority of services provided by such third parties are provided at regulated tariffs established by the FST. Increases in these tariffs may increase the costs of the Gencos that rely on their services, and materially adversely affect these companies' business, financial condition and results of operations.

The MRSKs are not participating in the wholesale electricity market but are indirectly dependent on the operations of the wholesale electricity market and its participants, including, but not limited to, the power

generation companies, the FSK, the System Operator and the Trade System Administrator. A failure of any of the FSK, the System Operator or the Trade System Administrator to provide services to the power generation companies could reduce the amount of electricity generated, disrupting the operations of the MRSKs as they are responsible for the distribution of the electricity generated by the power generation companies. This would have a material adverse effect on the MRSKs' business, financial condition and results of operations.

The Subsidiaries have engaged and may continue to engage in transactions with related and other parties that may present conflicts of interest

The Subsidiaries have engaged in transactions with related parties, including their controlling shareholders and companies controlled by them or in which they own an interest and other affiliates, and may continue to do so in the future. They have engaged in transactions with certain of their shareholders, directors and executive officers and companies controlled by them or in which they own an interest. Conflicts of interest may arise between the Subsidiaries and their affiliates, potentially resulting in the conclusion of transactions on terms not determined by market forces.

Following the Spin-Offs, the Russian Federation may retain a controlling or significant stake in some of the Subsidiaries, and the interests of the Russian Federation could conflict with those of other holders of Subsidiary Shares

Following the Spin-Offs, the Russian Federation may be the controlling or largest shareholder of certain Subsidiaries and Holdcos, and as such will exercise significant influence over their strategy and business. After the completion of the Spin-Offs, the Russian Federation may retain a controlling or significant stake in certain Subsidiaries and Holdcos (including HydroOGK, MRSK Holding, the FSK, RAO East Energy Systems and Sochinskaya TES), and some of those companies may be included in the list of special state-owned companies that the Federal Agency for the Management of the Federal Property (the "FAMFP") is required to manage in cooperation with the Russian Federation. As such, following the Spin-Offs, the policies, voting procedures and practices of any such Subsidiary or Holdco will generally be subject to practice whereby any major decision of the board of directors or the general shareholders' meeting must be approved in advance by the Russian Federation, including by the FAMFP. The interests of the Russian Federation generally could conflict with those of other holders of shares in these Subsidiaries and Holdcos, which could materially adversely affect their business, financial condition and results of operations.

In addition, the Russian Federation, including its subdivisions such as the Economic Development and Trade Ministry, will continue to maintain substantial influence and control even after its shareholdings have been sold as contemplated in the Spin-Offs. It is currently planned that the Economic Development and Trade Ministry will be responsible for monitoring the investment programs of the companies spun-off from RAO UES, and according to recent media reports, will have the use of a variety of regulatory mechanisms, including the imposition of fines and the revocation of necessary licenses. It is possible that such influence and control may be used to interfere in the management and operation of the Subsidiaries and Holdcos, which may materially adversely affect their business, financial condition and results of operations.

The plant and equipment of the Subsidiaries, and the infrastructure of the Russian power industry more generally, is in many cases ageing and susceptible to technical accidents or emergencies, increased maintenance costs, reduced reliability and reduced efficiency

Russian infrastructure largely dates back to the mid-twentieth century and has not been adequately funded or maintained over the past decade. This is particularly true of the rail and road networks, communication systems and building stock. Russia's poor infrastructure can make the transportation of goods and supplies difficult, adds costs to doing business in Russia and can interrupt business operations. These difficulties can affect the Subsidiaries directly, if, for example, fuel supplies are interrupted. In addition, the Russian government is actively pursuing the reorganization of the nation's rail and telephone systems. Any such reorganization may result in increased charges and tariffs for rail transport and telephones, and may not lead to the desired level of repair, maintenance, and improvement of these systems. In addition, the lack of investment in the electricity and distribution grids may result in a

decrease in the reliability of electricity supply and electricity outages and an increased level of susceptibility to interruptions caused by technical accidents and emergencies. For example, in May 2005, there were electricity outages in several districts of Moscow and in certain areas of the Moscow region, Tula, Kaluga and Ryazan regions. The poor infrastructure and any further deterioration or possible reorganization thereof could disrupt the normal business activities of the Subsidiaries and any such disruption or any increase in the charges and tariffs for rail transport and telephones could have a material adverse effect on the Subsidiaries' business, financial conditions and results of operations.

A significant portion of the existing plant and equipment of the Subsidiaries were commissioned in the 1960s and 1970s and require maintenance and modernization in order to prolong their operating life. These facilities may be particularly susceptible to technical accidents or emergencies which, should they occur, could lead to disruptions in the Subsidiaries' business, as well as necessitate the incurrence of additional expenses connected with planned and unplanned repairs of the generating or distribution facilities, high maintenance costs and the low efficiency of old and outdated plants and equipment. Without significant capital investment in these ageing facilities, it is possible that the Subsidiaries' facilities will not be able to maintain the levels of overall productivity that are required for them to be profitable. Even if a Subsidiary is able to attract required financing, there is no assurance that it will be able to buy new equipment or modernize its existing facilities because of the strong demand for such equipment and works from other companies in the power industry, including the other Subsidiaries.

In the event that the Subsidiaries are unable to modernize their existing plant and equipment, they may not be able to maintain productivity, which could have a material adverse effect on the Subsidiaries' business or results of operations. While each the Subsidiaries implements regular inspection and maintenance practices with the aim of ensuring that such plant, equipment and components are repaired or replaced before they fail, there is no guarantee that these preventative measures will be sufficient to prevent an operational failure at the plant or facility, and consequently unplanned losses may occur, which would adversely impact on the Subsidiary's business and results of operations. There can no assurance that the Gencos will be able to purchase sufficient volumes of electricity in the event that unscheduled repairs occur, and, under Russian law, the Gencos could be required to pay damages to its customers in the event of failure to supply electricity. Moreover, should the Gencos be required to seek to fulfill their delivery obligations through the purchase of electricity, the costs of any such purchases may be higher than the Subsidiaries' own costs of production, which would result in increased operating costs. As a result, a Subsidiary's failure to ensure the safe use of generation or grid equipment and a reliable supply of energy of a certain quality could adversely affect the Subsidiaries' operating results through reduced revenues and increased operating and capital costs, which could adversely affecting the Subsidiaries' financial condition and results of operations. See “— The Subsidiaries may be unable to raise additional capital”.

The Subsidiaries may be unable to raise additional capital

The Gencos are likely to need additional capital to increase their installed electric capacity, maintain and modernize their existing facilities and construct new facilities. They may also require additional capital from time to time to finance working capital needs. The MRSKs are likely to require additional capital to maintain and develop distribution grids in order to connect with new customers. The Subsidiaries are not expected to have the same access to capital as RAO UES, and will be competing against each other for sources of capital, which may impair their ability to raise the needed funds. The lack of historic IFRS or U.S. GAAP financial information of some of the Subsidiaries may further limit their ability to raise capital in the near future. If the Subsidiaries are unable to obtain adequate financing on acceptable terms, they may have to delay or abandon their business or technical development plans, fall behind in their maintenance obligations or be unable to take advantage of opportunities or to meet unexpected financial requirements, which would have a material adverse effect on their business, financial condition and results of operations.

Due to the decentralization of the decision-making bodies within the Russian power industry and the pressure on the management teams of the Subsidiaries to modernize facilities and meet the growing power needs, it is possible that demand for capital investment will continue to increase, lowering the

prices of securities of the Subsidiaries and resulting in an over-investment within the Russian power industry, which would have a material adverse effect on the Subsidiaries' business, financial condition and results of operations.

Without significant capital investment in ageing facilities of the Subsidiaries, it is possible that they will not be able to maintain or achieve the levels of overall productivity that are required for Subsidiaries to remain or become profitable. Even if these companies are able to attract the required financing for such capital investment, there is no assurance that they will be able to buy new equipment or modernize their existing facilities because of the strong demand for such equipment and works from other companies in the power industry, many of which are currently starting or undergoing modernization programs. In the event that the Subsidiaries are unable to modernize their plants and equipment, they may not be able to maintain their productivity and remain or become profitable, and this could have a material adverse effect on their business, financial condition and results of operations.

If any of the Subsidiaries fail to generate sufficient funds from operating cash flow and debt or equity financing, it may have to issue additional shares, thereby diluting the stakes held by its then existing shareholders, or it may have to issue shares or debt instruments with rights superior to those of its then existing shareholders. This could have a material adverse effect on the economic interests of such shareholders.

The Subsidiaries' operational and financial history is short

The Subsidiaries have been established relatively recently and have short operating and financial histories, which limit the ability to review their historical trends on their business and results of operations. The Gencos were founded on the basis of the power plants that they now own and while before their acquisition of the plants, each of those plants had its own operational and financial history, either as a separate legal entity, or as a part of another legal entity, nonetheless, the Gencos themselves have short operating histories. Consequently, there are limitations on the ability to review historical trends on the Gencos' business and results of operations. Moreover, the framework of the wholesale electricity market in which the Gencos operate was significantly changed by the New Wholesale Market Rules in September 2006, and, as a result, a comparative analysis of their financial reporting periods may not provide an accurate comparison of financial results or a true indication of trends in the Gencos' business.

Many of the Subsidiaries have not prepared financial statements in accordance with IFRS. The lack of such financial statements may make it difficult for holders of RAO UES Shares and RAO UES DRs to determine the financial impact of the Spin-Offs on them, as well as the financial condition and results of operations of the applicable Subsidiaries following the Spin-Offs. The unavailability of such financial statements may also impair the ability of the applicable Subsidiaries to gain access to capital or enter into other transactions, which may have a material adverse effect on their business, financial condition and results of operations.

The Subsidiaries may issue additional shares resulting in the dilution of shares held by existing shareholders

The Subsidiaries may decide to issue additional shares, including in order to finance capital expenditures, which would result in the dilution of the stakes held by its then existing shareholders. RAO UES is aware of plans by several of the Gencos to list global depositary receipts representing their shares and complete international offerings of their shares. New shares may have rights and preferences superior to those of the existing shareholders. In at least some cases, the existing shareholders may not have preemptive rights with regard to new share issuances, or may not have sufficient cash available to participate in new share issuances, even when the shareholder is accorded the opportunity to invest. New share issuances could have a material adverse effect on the economic interests of such shareholders.

The Subsidiaries may not be able to complete their investment programs on time, on budget, or at all, or to realize expected returns on their investments

Many of the Gencos may not have sufficient experience in large-scale construction and modernization projects, such as those contemplated by certain of their existing or planned investment programs. In addition, due to the relatively limited number of companies that are able to handle such projects, there

is no assurance that they will be able to hire contractors for such projects within the planned timeframe or according to the planned budget, including due to strong demand for such equipment and services from other companies in the power industry, many of which are currently starting or undergoing modernization and construction programs. Accordingly, the Subsidiaries may not be able to complete their investment programs on time, on budget, or at all, which could materially adversely affect their business, financial condition and results of operations.

Additionally, the new generating facilities of the Gencos, if any, may be unable to sell their output due to lack of demand or third-party infrastructure or to gain access to fuel supplies in sufficient volume or at reasonable prices. Therefore, they may be unable to realize expected returns on their investments and this may materially adversely affect their business, financial condition and results of operations.

The business, revenues and results of operations of the Subsidiaries are dependent on the ability of its management and information systems to meet the changes in the power market

The power market is dependent on various factors that may significantly influence levels of electricity generation, electricity consumption, supply and demand, market price of electricity and other market dynamics. The Subsidiaries have to make short-term and long-term forecasts and estimates regarding these electricity market dynamics upon which certain of their business decisions are based. In the event that such estimates prove to be inaccurate, the Gencos may be unable to sell some or all of the electricity that they generate or they may, alternatively be unable to meet their power supply obligations to certain customers, or the MRSKs may be unable to provide services to their customers, as a result of which they may be liable under Russian law to pay damages to those customers. The occurrence of any of these events could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Furthermore, the management information systems, financial reporting functions and internal control systems of the Subsidiaries may be less developed in certain respects than those of power companies in more developed markets and may not provide the management of these companies with as much or as accurate information as systems in more developed markets. In addition, the Subsidiaries may encounter difficulties in the on-going process of implementing and enhancing its management information systems. If they are unable to maintain adequate management information systems, financial reporting functions and internal control systems, this may have a material adverse effect on their business, financial condition, and results of operations.

Demand for power may vary significantly

The demand for power may vary significantly, daily, seasonally and from year-to-year, due to weather conditions and other factors. Demand for electricity and heat is usually higher during the period from October through March due to longer nights and colder weather and lower in the period from April through September due to longer days and warmer weather. Furthermore, demand may fluctuate from year to year due to changes in global or regional weather patterns. For example, demand for electricity and heat declined during the 2006-07 winter due to unseasonably warm temperatures across Russia. Therefore, the generation capacities of the Gencos and distribution networks of the MRSKs may be fully utilized during certain parts of the day or during certain months, and under-utilized during other parts of the day and year. If the Gencos or the MRSKs fail to obtain their expected levels of revenues during the periods when the generation capacities of the Gencos reach their peak loads, they may be unable to compensate for lost revenues during other periods when the demand for electricity and/or heating is lower. Furthermore, in the periods of peak demand, many of the Gencos may be required to use the more expensive fuel oil instead of coal and gas, as well as obtain short-term financing. If the Subsidiaries are unable to address or forecast these daily, seasonal and yearly fluctuations in demand for power, this could have a material adverse effect on the Subsidiaries' business, financial condition, and results of operations in a given year and could cause their financial condition and results of operations to vary significantly from year-to-year.

The Subsidiaries may be unable to retain key personnel or attract and retain highly qualified personnel

The success of the Subsidiaries depends in part upon the efforts and abilities of key personnel, such as engineering, supply, programming, technical, financial and accounting, marketing and management staff,

as well as upon their ability to continue to attract and retain such personnel. The competition in Russia for certain of such personnel is intense due to the limited number of qualified individuals, particularly in certain regions. There can be no assurance that they will continue to be successful in attracting and retaining qualified individuals in the future and any failure to do so may have a material adverse effect on the Subsidiaries' business, financial condition and results of operations.

There are numerous operating risks inherent in the power industry, and insurance may not be adequate, affordable or available to protect the Subsidiaries against all these risks

The insurance industry is not yet well developed in Russia, and many forms of insurance protection common in more developed countries are not yet available in Russia on comparable terms, including coverage for business interruption and director and officer liability. To the limited extent that the operating assets of the Subsidiaries are insured, the insurance coverage may be insufficient to cover replacement costs in the event such assets are irreparably damaged. The Subsidiaries may carry only limited insurance coverage for third party personal injury claims and for property or for environmental damages arising from their operations. Accordingly the Subsidiaries may incur uninsured losses relating to their assets and may be subject to claims not covered, or not sufficiently covered, by insurance, which could have a material adverse effect on their business, financial condition and results of operations.

RAO UES has not independently verified information from third-party sources

RAO UES has sourced certain information contained in this Information Statement from third parties, including the FST, the Trade System Administrator, private companies and institutes, international organizations and Russian governmental agencies, and has relied on the accuracy of this information without independent verification. Official data published by Russian federal, regional and local governments may be substantially less complete or researched than those of Western countries. In addition, the veracity of some official data released by the Russian government may be questionable, and such data may be subject to revisions. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to the Russian Federation in this Information Statement that makes use of data sourced from third parties, therefore, may not be sufficiently complete, accurate or reliable.

The revenues and cash flows of the Russian power companies may be affected by factors beyond their control

The businesses of the Subsidiaries are affected by demand and other market conditions for power in Russia, which can vary significantly based upon:

- government regulations and regulatory actions, including restrictions on tariffs;
- weather conditions, seasonality and temperature extremes;
- the state of the power supply grid and related systems;
- the price and availability of an adequate fuel supply;
- availability of competitively priced alternative sources of energy;
- new technologies and improvements in the efficiency of the use of energy;
- inflation and interest rates;
- the extent and frequency of forced outages and other disruptions to the supply of power;
- the relative energy requirements of individual sectors of the economy; and
- fluctuations in overall economic activity and growth in the Subsidiaries' service territories.

Given these factors, most of which are not within the control of the Subsidiaries, it is difficult or impossible to predict future demand or other markets conditions for power and distribution services in Russia. If such demand or other market conditions are less favorable than anticipated or change in an adverse fashion, the business, financial condition and results of operations of the Subsidiaries may be materially adversely affected.

The Gencos may be required to use more costly fuel if gas supplies become insufficient

In the event that Gazprom fails to supply the Gencos with sufficient gas for any reason, the Gencos may be required to use more costly fuel, including fuel oil, for their plants, which could have a material adverse effect on their business, financial condition and results of operations. Interruptions in electricity supply due to restrictions in the supply of gas could also lead to lawsuits being brought by customers against the Gencos, which could also have a material adverse effect on their business, results of operations and financial condition.

The Subsidiaries may incur material costs to comply with health, safety and environmental laws and regulations, and future changes to such regulations may materially adversely affect their businesses, financial condition or results of operations

The Subsidiaries are involved in an industry that uses gas, coal, peat and fuel oil-fired generators and high-voltage equipment that may involve health and safety risks or pollute or be hazardous to the environment. As a result, the activities of the Subsidiaries are subject to various federal, state and local health, safety and environmental protection laws and regulations. These regulations generally relate, among other things, to work conditions, effluents into the water, emissions into the air, the use of water, wetlands preservation, waste disposal, the protection of endangered species and noise regulation. The pollution risks and related clean-up costs that these companies are subject to are often impossible to assess unless environmental audits have been performed and the extent of potential liability under the relevant environmental laws has been clearly determined, neither of which is always the case under Russian laws.

Obsolescent power plants and equipment often have a greater environmental impact than newer power plants and equipment and it may be more difficult to increase their environmental efficiency. In recent years, new and stricter health, safety and environmental regulations have been imposed in Russia, and fines and other payments for violation of these regulations have been significantly increased, although these regulations still remain generally weaker and are generally less stringently enforced than in the European Union or the United States. In the future, federal, regional or local authorities may impose stricter health, safety and environmental standards than those currently in effect, or enforce or interpret the existing environmental laws, regulations or licenses in a stricter or different manner from how they are currently enforced or interpreted. This may require Russian companies to undertake further expenditures to modify their operations, ensure better work conditions, install pollution control equipment, perform site clean-ups, curtail or cease certain of their operations, or pay fees, fines, or make other payments for discharges or other breaches of health, safety, environmental standards. Concerns about global climate change may also affect the operations of companies in the power sector. There can be no assurance that the Subsidiaries will be able to recover all or any of these increased costs from their customers or that their businesses, financial condition or results of operations will not be materially adversely affected by future changes in health, safety and environmental laws and regulations.

Due to the possible increase of gas prices, some of the Gencos are currently planning to diversify their fuel supply, by gradually switching to coal as their primary fuel. Coal-based power generation is considerably more pollutant than the gas generation of power, and, as a result, these power generation companies may face an increase in expenditures because of the need to install pollution control equipment, to perform site clean-ups and to meet the environmental regulations applicable to them, which would have a material adverse effect on their businesses, financial condition and results of operation.

The investment fund to subsidize infrastructure investment projects established by the Russian government may provide support to non-traditional generators

In 2006, the Government of the Russian Federation established an investment fund in the amount of approximately USD 2.6 billion, which is expected to be increased in 2007 to approximately USD 4.3 billion. The purpose of the investment fund is to subsidize infrastructure investment projects of national importance on a public-private partnership basis. It is possible that this investment fund will be used in the future to help fund the modernization of certain transmission or distribution electricity grids or the creation of additional installed electric capacity in the power generation sector. The Russian government may also use this fund to provide state support for certain power generators, such as nuclear and hydro

generators in the future. If nuclear or hydro power generators or certain distribution grids benefit from such subsidies, and they are able to set prices for their services at levels lower than what the Subsidiaries would charge, may have a material adverse effect on their business, financial condition and results of operations.

The Subsidiaries may become the victims of attacks against their computer networks

The ability of the Subsidiaries to operate their business may depend to a great extent on their ability to protect their computer systems from the intrusion of third parties. Third parties may attempt to gain access to the Subsidiaries' computer systems, and the Subsidiaries may not be able to protect their computer systems from such attacks, which could result among other things in the theft or destruction of data. In addition, disgruntled employees may cause similar damage to, or take similar actions with respect to, these computer systems and data to which they have access or to which they gain unauthorized access. There is no assurance that any of the security measures that the Subsidiaries may have designed to reduce the risks of such attacks and damage will provide sufficient protection. Such damage or theft, should it occur, may materially adversely affect the business, financial condition and results of operations of the Subsidiaries.

The operations, revenues and costs of the Subsidiaries may be subject to risks beyond their control, such as accidents and natural catastrophes

The business and operations of many of the Subsidiaries are dependent upon certain infrastructure and facilities, including generating facilities and distribution grid networks, which may from time to time be exposed to various accidents, emergencies and natural catastrophes beyond the Subsidiaries' control. Such accidents and emergencies, should they occur, may lead to interruptions in the operations of the Subsidiaries, resulting in significant losses for them. In addition, the Subsidiaries may incur significant costs for the reconstruction of any distribution grids, generating facilities and other infrastructure and facilities that may be damaged by such accidents and emergencies. The occurrence of any of these events could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Political Risks

Investments in businesses operating in emerging markets are generally subject to greater risks than those operating in more developed markets

Investing in emerging markets, including Russia, involves greater risks than investing in more developed markets, including, in some cases, significant legal, economic and political risks. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of all emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems, or an increase in the perceived risks associated with investing in emerging economies, could dampen foreign investment in Russia and adversely affect its economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Russian economy remains relatively stable, financial turmoil in any other emerging market country could seriously disrupt the Subsidiaries' business, as well as result in a decrease in the price of the Subsidiary Shares. Investors should also note that emerging economies such as those of Russia are subject to rapid change and that the information set out in this Information Statement may become outdated relatively quickly.

Political and governmental instability, including conflicts between central and regional authorities, or social unrest could disrupt the ability of the Subsidiaries to conduct their business

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy into a democracy with a market economy. The reforms have been widespread, and the failure of certain of these reforms, combined with uncertainty regarding the implications of certain of the other reforms, have left the Russian political system vulnerable to popular discontent. In addition, there have been

incidents of labor and social unrest, particularly as a result of the failure of the Russian government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living in Russia. An escalation of this unrest may have political, social and economic consequences, such as increased support for a renewal of centralized authority, increased nationalism, including in the form of restrictions on foreign involvement in the Russian economy, and increased violence. An occurrence of any of the foregoing events would have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Since President Putin took office as prime minister and then as president in 1999, the political and economic situation in Russia has generally become more stable and conducive to investment. However, the direction of future economic reforms remains unclear. On September 12, 2007, the Russian government was dissolved at the initiative of the Prime Minister. As of the date of this Information Statement, a new government was still in the process of being formed. Moreover, any significant struggle over the direction of future reforms, or the reversal of the reform program, could lead to a deterioration in Russia's investment climate that might constrain the Subsidiaries' ability to obtain financing in the international capital markets or otherwise have a material adverse effect on their business, results of operations, financial condition and prospects.

The next State Duma elections are scheduled for December 2007, while the next presidential elections are expected to be held in March 2008. The potential stagnation during the uncertain period leading up to these elections, as well as potential instability during the transition period, could negatively affect the economic and political environment in the near term. In addition, shifts in governmental policy and regulation in Russia may be less predictable than in many Western democracies. Future changes in the Russian government, major policy shifts or lack of consensus between various branches of the Russian government and powerful economic groups could disrupt or reverse economic and regulatory reforms, including the power industry reform, which could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

In addition, the delineation of authority and jurisdiction between local authorities and the federal government is, in many instances, unclear and remains contested. Currently, Russia comprises 85 sub-federal political units (which will be reduced to 84 from January 1, 2008 and to 83 from March 1, 2008), consisting of republics, territories (krais), regions, cities of federal importance and autonomous regions and districts. Lack of consensus between the federal government and local or regional authorities often results in the enactment of conflicting legislation at different levels of government, which may lead to further political instability. In particular, conflicting laws have been enacted in the areas of privatization, land legislation and licensing. Some of these laws, and the governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have, in the past, been challenged in the courts, and such challenges may occur in the future. This lack of consensus and established precedent could hinder the long-term planning efforts of the Subsidiaries and creates uncertainties in the operating environment, each of which may prevent them from effectively and efficiently implementing their business strategy and thereby materially adversely affect their business, financial condition and results of operations.

Furthermore, in the past, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, military conflict and terrorist attacks. In the future, such tensions, military conflict or terrorist activities could result in significant political consequences, including the imposition of a state of emergency in some or all of Russia, or result in heightened security measures, which could disrupt normal economic activity and as a result have a material adverse effect on the business, financial condition and results of the Subsidiaries.

Adoption of national security laws limiting foreign ownership could result in a loss of investments, which would have a material adverse effect on the Subsidiaries, business, operations, financial condition and results of operations

The Russian government has announced that it plans to introduce a law limiting foreign ownership of sectors that “ensure national security,” which, subject to location and size criteria, include oil and ore deposits. The current draft of this law does not specifically refer to the power sector, however, it does include natural monopolies, which under Russian law, currently includes electricity transmission, electricity dispatching services and heat transmission. For example, Volzhskaya TKG and TKG-14 are currently included on the list of natural monopolies maintained by the FST. Therefore, certain of the Subsidiaries fall within the scope of the proposed law. It is possible that other laws or governmental actions that are disadvantageous to foreign investors will be enacted or taken.

If such laws were enacted or actions were taken, which could significantly limit foreign ownership in certain of the Subsidiaries, they could result in a loss of such investments.

Deterioration of Russia’s relations with other countries could materially adversely affect the Subsidiaries’ business, financial condition and results of operations

Some commentators have noted that in recent years Russia has been more actively involved in international politics. This has occasionally put strains on Russia’s relations with such countries and resulted in a deterioration of those relations, such as the comprehensive economic embargo against Georgia in 2006 and the temporary suspension of oil shipments through Belarus in 2007.

In addition, press reports have noted increased political tensions between Russia and the United Kingdom, leading some to express concerns that the future business of Russian companies listed on the London Stock Exchange and British companies operating in Russia may be hindered due to increased visa restrictions and, if further deterioration occurred, due to increased governmental oversight and interference.

The Russian Law “On Special Economic Measures”, adopted in the fall of 2006, grants the President, acting only upon recommendation of the Russian Security Counsel, authority to both:

- impose restrictions or prohibit dealings with foreign states and/or foreign citizens; and
- impose obligations to perform specific activities in furtherance of the adopted economic measures.

If Russia were to impose a similar embargo or adopt any of the restrictive economic measures contemplated by this law with respect to its neighboring countries, or if these countries were to impose similar measures on Russia, this could materially adversely affect the Subsidiaries’ business, financial condition and results of operations

TNK-BP, a joint venture between British Petroleum and several Russian companies, recently sold its share in the Kovytko gas deposit to Gazprom after the Russian Natural Resources Ministry found that it was not in compliance with the terms of its license because it was not producing enough gas. Similarly last year, Royal Dutch Shell and two Japanese partners sold their controlling share of their Sakhalin-2 oil and gas development project to Gazprom after their compliance with environmental regulations came under investigation by government regulators. These decisions have created some uncertainty with regard to foreign investment in Russia, and if an adverse decision is made relating to the licenses of Subsidiaries in which foreign investment is dominant, this would adversely affect their business, financial condition and results of operations.

The reversal of reform policies or the implementation of governmental policies in Russia targeted at specific individuals or companies could lead to a deterioration in Russia's investment climate that might constrain the Subsidiaries' ability to obtain financing in Russia and otherwise materially adversely affect their business, financial condition and results of operations

Since President Putin took office as prime minister and then as president in 1999, the political and economic situation in Russia has generally become more stable and conducive to investment. However, there can be no assurance with respect to the direction of future economic reforms.

In the past, Russian authorities have prosecuted some Russian companies, their executive officers and their shareholders on tax evasion and related charges. In some cases, the result of such prosecutions has been the imposition of prison sentences for individuals and significant claims for unpaid taxes from companies such as Yukos, TNK-BP and Vimpelcom. Some analysts contend that such prosecutions demonstrate a willingness to reverse key political and economic reforms of the 1990s. Other analysts, however, believe that these prosecutions are isolated events that relate to the specific individuals and companies involved and do not signal any deviation from broader political and economic reforms or a wider program of asset redistribution.

Any significant struggle over the direction of future reforms, or the reversal of the reform program, could lead to a deterioration in Russia's investment climate that might constrain the ability of Subsidiaries to obtain financing and otherwise materially adversely affect its business, financial condition and results of operations.

Crime and corruption could disrupt the Subsidiaries' ability to conduct business

The local and international press have reported significant criminal activity in Russia, including organized crime. In addition, the local and international press have reported high levels of official corruption in Russia, including bribery and the use of investigative and prosecutorial powers for corrupt purposes. Also, reports have been published indicating that certain members of the Russian media have published or regularly publish biased articles in return for payment or under pressure. The effects of organized or other crime, the demands of corrupt officials or any allegations that the Subsidiaries have been involved in official corruption or biased articles could in the future bring negative publicity or otherwise disrupt the ability of the Subsidiaries to conduct their business effectively, and thus, could materially adversely affect their business, financial condition and results of operations.

Legal Risks and Uncertainties

Weaknesses relating to the legal system create an uncertain environment for investment and business activity

Risks associated with the Russian legal system include, to varying degrees, the following: inconsistencies between and among laws, presidential decrees, instructions and governmental and ministerial orders and resolutions; conflicting local, regional, and federal rules and regulations; the lack of judicial or administrative guidance regarding the interpretation of the applicable rules; the untested nature of the independence of the judiciary and its immunity from political, social and commercial influences; the relative inexperience of jurists and judges in interpreting recently enacted legislation and complex commercial arrangements; a high degree of unchecked discretion on the part of governmental authorities; substantial gaps in the regulatory structure due to delays in or absence of implementing regulations; bankruptcy procedures that are not well-developed and are subject to abuse; a lack of binding judicial precedent; the unpredictability of enforcement of both Russian and non-Russian judicial orders and arbitral awards; uncertainties with regard to legal title and ownership; absence of an effective legal framework for the deterrence of insider trading; and alleged corruption within the judiciary and amongst government authorities. These risks may affect the ability of the Subsidiaries to protect and enforce their legal rights, including rights under contracts, and to defend against claims of the third parties.

The relatively recent enactment of many laws, the lack of consensus about the scope, content and pace of political and economic reform and the rapid evolution of legal systems in ways that may not always coincide with market developments have resulted in ambiguities, inconsistencies and anomalies and, in

certain cases, the enactment of laws without a clear constitutional or legislative basis. Not all Russian legislation and court decisions, particularly at the regional level, are readily available to the public or organized in a manner that facilitates understanding. Legal and bureaucratic obstacles and corruption exist to varying degrees in the Russian regions in which the Subsidiaries operate and these factors are likely to hinder the further development of these companies. These characteristics give rise to certain investment risks that may not exist in countries with more developed legal systems.

In particular, because of the current state of the Russian legal system, it is uncertain whether the Subsidiaries would be able to enforce their rights in disputes with their contractual partners or other parties. Their ability to operate could be adversely affected by difficulties in protecting and enforcing their rights and by future changes to local laws and regulations.

Furthermore, the enforceability of these rights is dependent on the Russian courts, which are not always effective. Enforcement of court orders can, in practice, be very difficult in Russia. The independence of the judicial system and the prosecution authorities and their immunity from economic and political influences is less than complete. The Russian court system has been and may continue to be underfunded. Russia, like many Western European states, has a civil law legal system and, as such, judicial precedents generally have no binding effect on subsequent decisions. Enforcement of court judgments by law enforcement agencies can be time consuming. In addition, court claims are often used in furtherance of political aims.

Any or all of these weaknesses in the Russian legal system could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Transactions in non-compliance with applicable legal requirements

The Subsidiaries have taken a variety of actions relating to share issuances, share disposals and acquisitions, valuation of property, interested party transactions, major transactions and anti-monopoly issues, in respect of which the applicable legal procedures are not always clear and which, therefore, could be subject to legal challenges. If any such challenge were successful, it could result in the invalidation of the relevant transaction or the imposition of liabilities on the Subsidiaries. Moreover, since applicable provisions of Russian law are subject to many different interpretations, the Subsidiaries may not be able to successfully defend any challenge brought against such transactions. For example, the provisions of Russian law defining which transactions must be approved as “major transactions” are subject to differing interpretations and there is no assurance that former, current or future minority shareholders of Subsidiaries will not challenge such transactions in the future. The invalidation of any such transactions or imposition of any such liabilities could have a material adverse effect on the Subsidiaries’ businesses, financial condition and results of operations.

Legal uncertainties relating to privatizations of the Subsidiaries’ assets may exist

Certain of the Subsidiaries were created as a result of the privatization of certain companies and assets. Certain Russian privatization laws are in conflict with other laws, including conflicts between federal and regional privatization laws, and consequently many Russian privatizations may be arguably deficient and therefore vulnerable to challenge. For example, a series of presidential decrees issued in 1991 and 1992 that granted to the Moscow City government the right to adopt its own privatization procedures were subsequently invalidated by the Constitutional Court of the Russian Federation, ruling, in part, that the Presidential decrees addressed issues that were the subject of federal law. Although the statute of limitations provided by Russian law in respect to these privatization transactions has already expired, should the privatization of any relevant predecessor companies be challenged in court on the grounds that these companies or any of their assets has been improperly privatized and should the court for any reason disapply the limitation periods, RAO UES may lose its rights to the shares in the relevant Subsidiaries, and the Subsidiaries may lose their respective rights to other assets, which could materially affect their business, financial condition and results of operations.

The Subsidiaries may be liable for the obligations of their legal predecessors

As part of the formation process of certain Subsidiaries, agreements providing for joint and several liability between such Subsidiaries and other companies were entered into relating to the allocation of

certain liabilities which arose prior to the date of formation but had not been allocated on the balance sheets produced during the formation. If any claims are filed by the creditors of the predecessor companies in connection with the operations prior to the formation, this could materially adversely affect the business, financial condition, results of operations and prospects of the Subsidiaries.

Any increase or change in governmental regulation of the Subsidiaries' operations could restrict their ability to conduct their operations or to do so profitably

The Subsidiaries carry out their business and operations in the Russian power markets, which are regulated by Russian federal authorities and by the authorities of Russian regions where the power plants or distribution grids, as the case may be, of these companies are located. Regulatory authorities in Russia are permitted to exercise discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits and in monitoring licensees' compliance with license terms. These authorities may from time to time adopt new regulations, change their position on issues or alter the pace of the electricity reform, which may materially adversely affect the business, financial condition and results of operations of the Subsidiaries.

Russian authorities have the right to, and frequently do, conduct periodic inspections of operations and properties of Russian companies throughout the year. Any such inspections in the future may conclude that the Subsidiaries or their subsidiaries violated applicable laws, decrees or regulations. Such findings may result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of these companies' or their subsidiaries' licenses or permits, an order that the Subsidiaries cease certain business activities, or in criminal sanctions being applied to the Subsidiaries' officers, as well as administrative penalties on the Subsidiaries' officers or the Subsidiaries themselves. Any such decisions, sanctions, orders or penalties, or any increase in governmental regulation of the operations of the Subsidiaries could restrict their abilities to conduct their operations or to do so profitably, which could have a material adverse effect on their business, financial condition and results of operations.

RAO UES announced on June 25, 2007 that the Russian Economic Development and Trade Ministry intends to take steps to ensure that the planned investment programs and expansions of the Subsidiaries are carried out in full by the future shareholders of the Subsidiaries, including after their ownership structure is changed as a result of the Spin-Offs. As a result of this and similar intentions of the Russian government to ensure that these investment programs are implemented, the Subsidiaries may be unable to pursue a development strategy other than as currently contemplated. In this case, if the demand for power and heat in Russia does not increase as quickly and to the levels as is currently expected, the Subsidiaries may not be able to adjust their expansion strategy accordingly, and this could have a material adverse effect on their results of operations.

The Subsidiaries' assets will be subject to the risk of expropriation and nationalization

Russian law provides certain protections against expropriation and nationalization of property. In the event that the Subsidiaries' property is nationalized, fair compensation should be provided. However, there can be no certainty that these protections would be enforced. This uncertainty is due to several factors, including weaknesses in the judiciary and insufficient mechanisms to enforce judgments, as well as reports of corruption among state officials. In addition, it is possible that due to a lack of experience in enforcing these provisions, or due to political change, legislative protections may not be enforced in the event of an attempted nationalization. Nationalization of the Subsidiaries or any of the assets of the Subsidiaries or their subsidiaries, potentially with little or no compensation, could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries. Furthermore, the concept of property rights is not well developed in Russia and there is little experience in enforcing legislation enacted to protect private property against nationalization. As a result, the Subsidiaries may not be able to obtain proper redress in the courts and may not receive adequate compensation if in the future the state decides to nationalize some or all of the Subsidiaries' assets. If this occurs, the business, results of operations and financial condition of the Subsidiaries could be materially adversely affected.

The Federal Law "On Investment Activity in the Russian Federation in the Form of Capital Investments" No. 39-FZ dated February 25, 1999, as amended, and the Federal Law "On Foreign Investments in the

Russian Federation” No. 160-FZ dated July 9, 1999, as amended, provide that in the event of nationalization of property (including, by implication, real estate) by the Russian Federation, the owner is entitled to reimbursement for all incurred losses, including loss of profit, and, in the case of the requisition of assets, to compensation for the cost of such assets. It is not clear from the legislation how such losses will be calculated nor whether there is any way to seek to challenge (and so to prevent) confiscation of real estate.

Unlawful, selective or arbitrary governmental action may have an adverse effect on the Subsidiaries’ business and financial condition

Unlawful, selective or arbitrary actions of Russian government officials have reportedly included the denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government officials in Russia have also used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations or to void transactions, often for what appears to be political purposes. In this environment, the competitors of the Subsidiaries may receive preferential treatment from Russian government officials, potentially giving them a competitive advantage over the Subsidiaries. Unlawful, selective or arbitrary action of Russian government officials, if directed at the Subsidiaries, could have a material adverse effect on their business, financial condition and results of operations.

Russian companies can be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law

In certain cases, Russian law may allow a court to order the liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during its formation, reorganization or operation. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or non-compliance by a Russian legal entity with provisions of Russian law have been used by Russian courts as a basis for liquidation of that legal entity. For example, under Russian corporate law, negative net assets calculated on the basis of RAS as at the end of the second or any subsequent year of a company’s operation, if not mitigated by a reduction of the share capital, can serve as a basis for a court to order the liquidation of the company upon a claim by governmental authorities. Many Russian companies have negative net assets due to the very low historical asset values reflected on their balance sheets under RAS. The existence of such negative assets, may not, however accurately reflect their actual ability to pay debts as they come due. Nonetheless, creditors have the right to accelerate claims, including damages claims, and governmental authorities may seek the liquidation of a company with negative assets if the company does not take a decision on its liquidation (or on a reduction of its share capital, if the net assets of the company are below its share capital) within a reasonable time period. Weaknesses in the Russian legal system create an uncertain legal environment, which, on occasion, makes the decisions of a Russian court or a governmental authority difficult, if not impossible, to predict. If involuntary liquidation of any of the Subsidiaries was to occur, this could lead to additional costs, which could materially adversely affect the business, financial position and results of operations of these companies. If involuntary liquidation of one or more of the Subsidiaries were to occur, investors could lose their entire investment in those subsidiaries.

The licenses that the Subsidiaries require for their businesses may be invalidated or may not be issued or renewed, or may contain onerous terms and conditions that restrict their ability to conduct their operations or to do so profitably

Currently under Russian law, power generation does not directly require licenses, but there are required licenses to perform necessary related activities, particularly in connection with the use of hazardous industrial facilities or water use. There can be no guarantee that licenses will not be required in the future for power generation or other necessary related activities. To the extent the number of licenses required increases, the level of the risk described in this section would likely increase.

The Gencos’ businesses will depend on the continuing validity of certain of their existing licenses, particularly in connection with the use of hazardous industrial facilities or water use, their ability to obtain any new licenses that may be required and their compliance with the terms of their licenses. The MRSKs

have licenses for certain of their ancillary activities, such as the use of hazardous industrial facilities, that require a license. There can be no assurance that the existing licenses of the Subsidiaries will be renewed, that any new licenses that they apply for will be granted or that they will be able to comply with the terms of their licenses. This is particularly because Russian regulatory authorities exercise considerable discretion in the decision-making process relating to, and the terms and timing of, license issuance and renewal and the monitoring of licensees' compliance with license terms. In the event that the licensing authorities determine that a material violation of a license term by any of these companies has occurred, they may be required to suspend operations or incur substantial costs to eliminate or remedy the violation, which could have a material adverse effect on the businesses, financial condition or results of operations of the Subsidiaries. Requirements imposed by these authorities, which require the Subsidiaries to comply with numerous industrial standards, recruit qualified personnel, maintain necessary equipment, monitor their operations, maintain appropriate filings and, upon request, submit appropriate information to the licensing authorities, are costly and time-consuming and may impede the efficient running of these companies' operations.

In addition, it is possible that licenses applied for by/or issued to the Subsidiaries could be challenged by the Prosecutor General's office as being invalid if they were determined to be beyond the scope of the authority of the relevant licensing authority. Furthermore, private individuals and the public at large have the right to comment on and otherwise influence the licensing process, including through intervention in courts.

As a result, the licenses that the Subsidiaries require for their businesses, may be invalidated or may not be issued or renewed, or if issued or renewed, may not be issued or renewed in a timely fashion, or may require them to comply with terms and conditions that restrict their ability to conduct their operations or to do so profitably. The occurrence of any of these events could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Difficulties exist in ascertaining the validity and enforceability of title to land or other real property in Russia and the extent to which it is encumbered

After the Soviet Union ceased to exist, land reform commenced in Russia and, during the years that followed, real estate legislation changed continuously and more than one hundred federal laws, presidential decrees and governmental resolutions were issued. In addition, almost all of the Russian regions enacted their own real estate legislation. Until recently, the real estate legislative regime in Russia was unsystematic and contradictory. In many instances, there was no certainty regarding which municipal, regional or federal government body had power to sell, lease or otherwise dispose of land. In 2001, the Civil Code was amended and a new Russian Land Code and a number of other federal laws regulating land use and ownership were enacted. Nevertheless, the legal framework relating to the ownership and use of land and other real property in Russia is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in countries with more developed market economies. Thus, it is often difficult to ascertain the validity and enforceability of title to land or other real property in Russia and the extent to which it is encumbered. The Subsidiaries may not have properly obtained or registered the rights to their land plots and buildings, constructions and other real properties located therein. In addition, because of Russia's vast territory, difficulties associated with the country's transitional phase, the severe climatic conditions of, and difficult access to, the territory where the land plots and other real properties of the Subsidiaries are located, the process of surveying and title registration may be complicated and last for many years. These uncertainties may have a material adverse effect on their business, financial condition and results of operations.

Risks Relating to the Subsidiary Shares and the Markets in which They Trade

The illiquidity of the market for Russian securities can adversely affect realizations and valuations

Because of its limited size, and as is typical of securities markets in many emerging markets, the market for Russian securities is fairly illiquid. If the investment climate in Russia deteriorates, or in periods of market uncertainty or distress, the markets for the securities in Russian companies may become

increasingly illiquid or even cease to function effectively for a period of time. Furthermore, settlement of transactions may be subject to delay and uncertainty in an illiquid market. Moreover, the sale of illiquid securities may result in higher brokerage charges and dealer discounts and other selling expenses than the sale of more liquid securities.

As a result of these and other factors, the ability of the Subsidiaries' shareholders to liquidate its existing positions and invest in new assets in a timely fashion and to receive or pay a fair price in response to changes in economic and other conditions may be limited.

Furthermore, the ability of the Subsidiaries' shareholders in an illiquid market to obtain reliable information about the resale value of its investments or the risks to which such investments are exposed may be limited. Illiquidity contributes to uncertainty about the values ascribed to investments when net asset value determinations are made, which can cause those determinations to reflect amounts more than those that could be realized if the Subsidiaries' shareholders were to seek to liquidate its investments particularly under disorderly market conditions.

Lack of developed corporate and securities laws and regulations in Russia may limit the ability of Russian companies to attract future investment or undertake capital markets transactions

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia than in the United States and Western European countries. Securities laws, including those relating to corporate governance, disclosure and reporting requirements, have only recently been adopted, whereas laws relating to anti-fraud safeguards, insider trading restrictions and fiduciary duties are rudimentary or non-existent. In addition, the Russian securities market is regulated by several different authorities, which are often in competition with each other. These include: the Federal Service for Financial Markets (FSFM); the Ministry of Finance; the Federal Anti-monopoly Service (FAS); and the Central Bank of the Russian Federation (the "CBR").

The regulations of these various authorities are not always coordinated and may be contradictory. In addition, Russian corporate and securities rules and regulations and their interpretation or application can change rapidly, which may materially adversely affect the ability of Russian companies to conduct securities-related transactions. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers in other areas result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether or how regulations, decisions and letters issued by the various regulatory authorities apply. As a result, the Subsidiaries may face difficulties when undertaking capital markets transactions or in complying with their on-going securities law obligations, or be subject to fines or other enforcement measures despite their best efforts at compliance. These weaknesses could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

The Subsidiary Shares may be delisted from RTS or MICEX, the FSFM permission for the Regulation S GDR Facilities may be revoked, and the Regulation S GDR Facilities may have to be terminated

The shares of certain of the Holdcos and Subsidiaries are or may in the future be listed and traded on RTS and/or MICEX. In accordance with current Russian listing rules enacted by the Decree of the FSFM No. 06-68/pz-n dated June 22, 2006 (as amended), a company's shares may be delisted from a stock exchange if, among other things, the company's shares do not comply with the listing requirements, the company is not in compliance with Russian securities laws or the company has suffered losses in three consecutive years. If the shares of any of the relevant Holdcos or Subsidiaries are de-listed from RTS or MICEX, as applicable, the liquidity or trading price of such shares may be materially adversely affected.

Although a Russian stock exchange listing is a condition to the issuance by FSFM of approval for circulation of shares in the form of depositary receipts, Russian securities law and regulations are silent as to whether a de-listing constitutes grounds for revocation of the FSFM approval for the depositary circulation of shares in the form of depositary receipts. While RAO UES is not aware of any other Russian issuer that has been de-listed on such grounds or has had its FSFM approval revoked due to de-listing, the absence of an express provision in this regard in the Russian securities regulatory regime

creates uncertainty as to whether a de-listing, for example, due to failure to comply with corporate governance requirements, may have such consequences. A Russian stock exchange de-listing and/or an FSFM approval revocation would have a material adverse effect on the value of the relevant Holdco Shares or Subsidiary Shares and result in the termination of the Relevant Regulation S GDR Facility in respect of the Subsidiary or Holdco.

Corporate governance standards in Russia are not of the same standard as those in Western Europe or the United States, and, as a result of the limited protection of rights of minority shareholders under Russian law, investors may be unable to pursue legal redress against the Subsidiaries

Corporate governance standards in Russia are not of the same standard as corporate governance standards in Western European countries or the United States and generally provide less protection for investors. In particular, corporate governance practices in Russia have suffered from lack of transparency and information disclosure, both to the public and to shareholders; lack of independence of directors; and insufficient regulatory oversight and protection of shareholders' rights. Corporate governance standards for many Russian companies have proven to be poor.

Despite recent amendments to the Federal Law on Joint Stock Companies No. 208-FZ, dated December 26, 1995 (the "Joint Stock Companies Law"), minority shareholders have somewhat of a limited ability under Russian law to protect their rights against majority shareholders. In general, minority shareholder protection under Russian law derives from supermajority shareholder approval requirements for certain corporate actions, as well as from the ability of a shareholder to demand that the company purchase the shares held by that shareholder if that shareholder voted against or did not participate in voting on certain types of actions. Companies are also required by Russian law to obtain the approval of disinterested shareholders for certain transactions with interested parties. While these protections are similar, for example, to the types of protections available to minority shareholders in U.S. corporations, in practice, corporate governance standards for many Russian companies, in terms of minority shareholder rights as well as in other respects, have not always been rigorously applied.

In addition, the supermajority shareholder approval requirement is met by a vote of 75% of all voting shares that are present at a shareholders' meeting. Thus, controlling shareholders owning less than 75% of the issued and outstanding shares of a company may have a 75% or more voting power if some minority shareholders are not present at the meeting. In situations where controlling shareholders effectively have 75% or more of the voting power at a shareholders' meeting, they are in a position to approve amendments to the charter of the company or significant transactions (including asset transfers), which could be prejudicial to the interests of minority shareholders. It is possible that the majority shareholders and management of the Subsidiaries may in the future not act in the best interests of minority shareholders, and this could materially and adversely affect the rights and interests of the minority shareholder.

Disclosure and reporting requirements, as well as anti-fraud legislation, have only recently been enacted in Russia. The concept of fiduciary duties of management or directors to their companies and shareholders is also relatively new and is not well developed in Russia. Violations of disclosure and reporting requirements or breaches of fiduciary duties to the Subsidiaries or to their shareholders could materially adversely affect the business, financial condition and results of operations of the Subsidiaries.

As a result of these deficiencies of shareholder protections, some minority shareholders of Russian companies have suffered significant losses due to abusive share dilutions, asset transfers and transfer pricing practices, while other shareholders have suffered as a result of fraudulent bankruptcies initiated by hostile creditors. While the Joint Stock Companies Law provides that shareholders owning not less than 1% of the company's ordinary shares may bring an action for damages to the company caused by that company's managers or directors (and provides further that any shareholder may bring actions against a company's management and directors for compensation of damages caused by breach by those directors or management of certain anti-takeover provisions of the Joint Stock Companies Law), Russian courts to date do not have much experience with respect to such lawsuits. In Russia, there is no recognized practice of class action litigation. Accordingly, the shareholders' ability to pursue legal redress against the Subsidiaries may be limited.

Reporting standards and requirements in Russia are in many respects less stringent and less consistently applied than in most Western countries, and items appearing in financial statements of a Russian company may not reflect the company's financial position or results

Accounting, auditing and financial reporting standards and requirements in Russia are in many respects less stringent and less consistently applied than in most Western countries. Less information is available to investors investing in Russian companies than to investors investing in Western companies, and historic information is not necessarily comparable or relevant. Most of the largest companies in Russia measured by market capitalization report their results using IFRS or U.S. GAAP, which is likely to be of benefit to investors as regards their ability to understand and interpret the financial results of those companies. However, the items appearing in financial statements of a Russian company, even if prepared in accordance with IFRS or U.S. GAAP, may not reflect the company's financial position or results in the way that they would be reflected had such financial statements been prepared in accordance with generally accepted accounting principles in the United States, the United Kingdom or other developed countries.

Shareholder liability under Russian legislation could cause RAO UES to become liable for the obligations of any subsidiaries of RAO UES

Russia's Civil Code and Joint Stock Companies Law generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investment. However, there are two exceptions to this rule. Firstly, the shareholders or other persons that have the right to issue binding instructions to a company or otherwise determine its actions may be held secondarily liable for the company's obligations in the event of the company's bankruptcy, to the extent that such bankruptcy is caused by their actions or omission. In order to impose secondary liability on such shareholders or other controlling persons, it is necessary to prove that they performed their actions or omission knowingly or were aware that such actions or omission could result in the company's bankruptcy. The second exception applies to companies that are able to determine the decisions of another company, based on their prevailing ownership of equity of the target company, a contract or otherwise. The entity capable of controlling such decisions is deemed an "effective parent". The entity whose decisions are capable of being so controlled is deemed an "effective subsidiary". Under the Joint Stock Companies Law, an effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between the effective subsidiary and effective parent; and
- the effective parent gives mandatory directions to the effective subsidiary.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt as a result of the action of an effective parent to the extent that such effective parent was aware that such actions would lead to the bankruptcy or insolvency of the effective subsidiary. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent which caused the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. The Subsidiaries may be liable in some cases for the debts of their subsidiaries. This liability could have a material adverse effect on the Subsidiaries' business, results of operations and financial condition.

Shareholder rights provisions under Russian law may impose additional costs on the relevant Holdcos and the Subsidiaries, which could cause the financial results of the relevant Holdcos and the Subsidiaries to suffer

Russian law provides that shareholders of Russian companies that vote against, or do not vote on, certain significant matters have the right to sell their shares to the company at market value. The decisions that trigger this right to sell shares include:

- decisions with respect to a reorganization;
- the approval by shareholders of a "major transaction", which for this purpose, in general terms, is a transaction involving property worth more than 50% of the gross book value of the company's assets calculated according to RAS, regardless of whether the transaction is actually consummated; and

- the amendment of the company's charter, or adoption of a new version, in a manner that limits shareholder rights.

The obligation of the relevant Holdcos and the Subsidiaries (or, as the case may be, the subsidiaries of these companies) to purchase shares in these circumstances is limited to 10% of the company's net assets calculated in accordance with RAS at the time the matter at issue is voted upon. Any such repurchases could result in the incurrence of additional material expenses and have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

If the Subsidiaries' minority shareholders were to challenge successfully past or future interested party transactions or fail to approve future interested party transactions or other related matters, the invalidation of such transactions or failure to approve such matters could have a material adverse effect on the Subsidiaries' business, revenues, results of operations or prospects or the value of the Subsidiary Shares

The Subsidiaries have carried out, and continue to carry out, transactions with RAO UES, several of RAO UES' subsidiaries and other state-controlled entities, such as Gazprom, which, under Russian law, may be considered "interested party transactions." For example, the Subsidiaries' Regulated Contracts with electricity supply companies, which are subsidiaries of RAO UES, may be considered as interested party transactions. Interested party transactions require the approval of either disinterested directors, or disinterested shareholders of the Subsidiary depending on the nature of the transaction and parties involved. The provisions of Russian law defining which transactions must be approved as "interested party transactions" are subject to different interpretations. Under Russian law, the statute of limitations for invalidation of interested party transactions made in violation of statutory requirements is one year from the date when the claimant learned or should have learned of such transaction. Although the statute of limitations for most of the transactions have already expired, any such challenges, if successful, could result in the invalidation of transactions, which could have a material adverse effect on the Subsidiaries' business, revenues, results of operations, or prospects of the value of the Subsidiary Shares. The Subsidiaries cannot be certain that their (or the RAO UES Group's) compliance with these concepts will not be subject to challenge.

In addition, there are a large number of minority shareholders holding small stakes who do not have sufficient incentive to participate in the shareholder votes. When a significant shareholder or group of shareholders in the Subsidiaries are the interested party (or parties) to a transaction and are consequently disqualified from voting on the relevant transaction under Russian law, it may be difficult to establish the necessary majority of non-interested shareholders in order to approve the transaction.

Some transactions between RAO UES and/or the Subsidiaries and their respective interested parties may have required, or may require, the approval of disinterested members of the board of directors or disinterested shareholders

Russian law requires a joint-stock company that enters into transactions with certain related persons that are referred to as "interested parties" to comply with special approval procedures. Under Russian law, an "interested party" means: (1) any member of the board of directors or the collegiate executive body of the company, (2) the chief executive officer of the company (including a managing organization or hired manager), (3) a shareholder who, together with its affiliates, owns at least 20% of the company's voting shares or (4) a person has the legal right to give mandatory instructions to the company, if any of the above listed persons, or a close relative or affiliate of such person, is, in each case:

- a party to a transaction with the company, whether directly or as a representative or intermediary, or a beneficiary of the transaction;
- the owner of at least 20% of the issued shares (equity stake) in a company that is a party to a transaction with the company, whether directly or as a representative or intermediary, or a beneficiary of the transaction;
- a member of a governing body of a company that is a party to a transaction with the company, whether directly or as a representative or intermediary, or a beneficiary of the transaction or an officer of the managing organization of such company; or
- in other cases stipulated by the company's charter.

Due to the way in which the Russian law on interested party transactions is drafted, the special approval procedures that apply to interested party transactions may apply to transactions between entities within a consolidated group, such as the RAO UES Group or the group formed by a Subsidiary and its subsidiaries, even if such entities are directly or indirectly wholly owned by the same parent company. In these cases, as a practical matter, the RAO UES Group may not, in the past, have obtained, and the Subsidiaries may not, following the Spin-Offs, be able to obtain, the necessary approvals, which require a majority vote of the “independent disinterested directors” or of the “disinterested shareholders” for a particular transaction. The failure to obtain necessary approvals for transactions within the RAO UES Group or the Subsidiaries could result in the invalidation of such transactions. To the extent any historical transaction within the RAO UES Group relates to the business or assets of the Subsidiaries, invalidation of such a transaction could adversely affect the Subsidiaries’ businesses. In addition, to the extent the Subsidiaries’ transactions may be invalidated, such invalidation could have an adverse effect on the businesses of the Subsidiaries.

In addition, the concept of “interested parties” is defined with reference to the concepts of “affiliated persons” and “group of persons,” which are subject to many different interpretations under Russian law.

Due to the lack of a central share registration system in Russia, transactions in respect of a company’s shares may be improperly or inaccurately recorded and share registration may be lost

Ownership of Russian joint-stock company shares is documented by entries in a share register and is evidenced by extracts from that register, or, if the shares are held through a nominee or custodian, ownership is evidenced by entries in deposit accounts with such nominee or custodian which, in turn, is registered in the share register. Currently, there is no central share registration system in Russia. Share registers are maintained by the Subsidiaries themselves or, if a company has more than 50 shareholders or it so elects, by licensed registrars located throughout Russia. Regulations have been issued regarding the licensing conditions for such registrars and custodians, as well as the procedures to be followed by both companies maintaining their own registers and licensed registrars when performing the functions of registrar. In practice, however, these regulations have not been strictly enforced, and registrars and custodians generally have relatively low levels of capitalization and inadequate insurance coverage. Moreover, registrars are not necessarily subject to effective governmental supervision. For example, Russian law does not expressly prohibit affiliation between a registrar and its shareholders, including the entities whose share registers such registrar maintains. Due to the lack of a central and rigorously regulated share registration system in Russia, transactions in respect of a shareholder’s shares may be improperly or inaccurately recorded and share registration may be lost, whether through fraud, negligence, or oversight by registrars and custodians. This creates risks of loss not normally associated with investments in more developed securities markets. The registrars and custodians are likely to be incapable of compensating shareholders for registrar misconduct. Under Russian law, registrars bear liability only in case of their willful violation of procedures for keeping the share register. With respect to other breaches, liability is imposed either on the company or, if it is provided in the agreement between the company and its registrar, on the company and the registrar jointly.

The Spin-Offs may require the adoption of additional legislation with respect to implementation of the specific procedures involved, without which the Spin-Offs may not be successfully completed or may be subject to challenge

Although based on the previous regulations of corporate reorganization, reorganizations in the form contemplated in the Spin-Offs were allowed only by recent amendments to the Joint Stock Companies Law, which were adopted in July 2006. This new method of reorganization has not yet been sufficiently widely tested in practice and certain aspects of the Spin-Offs have not been tested in practice at all. Moreover, the implementation of new reorganization rules and successful completion of the Spin-Offs may require changes or clarifications to certain legislation and regulatory procedures related to the Spin-Offs, including changes to certain rules of the FSFM. If such changes or clarifications are not adopted before the Reorganization Date, there can be no assurance that the Spin-Offs will occur as set forth herein and in accordance with applicable laws and regulations. In addition, it is possible that regulators, judicial authorities or third parties will not challenge the Spin-Offs or their compliance with applicable laws, decrees and regulations.

Economic Risks

Economic instability in the Russian Federation could adversely affect the Subsidiaries' business, financial condition, results of operations or prospects

Since the dissolution of the Soviet Union, the Russian economy at various times has experienced:

- significant declines in gross domestic product and consumption;
- high levels of inflation;
- an unstable currency, including periods of significant decline in its value relative to other currencies;
- high government debt relative to gross domestic product;
- significant declines in gold and foreign currency reserves;
- weak banking systems providing only limited liquidity to domestic enterprises;
- a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings and the use of fraudulent bankruptcy actions to take unlawful possession of property;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and gray market economy;
- pervasive capital flight;
- high levels of corruption and the penetration of organized crime into the economy;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the population.

In the past, the Russian economy has been subject to abrupt downturns. In particular, on August 17, 1998, in the face of a rapidly deteriorating economic situation, the Russian government defaulted on its ruble-denominated securities, the CBR stopped its support of the ruble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the ruble, a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities and an inability of Russian issuers to raise funds in the international capital markets. These problems were aggravated by the near collapse of the Russian banking sector after the events of August 17, 1998, as evidenced by the termination of the banking licenses of a number of major Russian banks.

Recently, the Russian economy has experienced positive trends, such as an increase in the gross domestic product, a relatively stable currency, increasing foreign currency reserves, strong domestic demand, rising real wages and, in historic terms, a reduced rate of inflation. These trends, however, may not continue or may be abruptly reversed. Additionally, the Russian economy remains poorly diversified and is largely dependent on the natural resources sector. For example, as Russia produces and exports large amounts of oil and gas, the Russian economy is especially vulnerable to the price of oil and gas on the world market, and a decline in the price of oil or gas, or the imposition of restrictions on Russian products by principal export markets, could slow or disrupt the Russian economy. As the customer base of the Subsidiaries is primarily in Russia and they incur all, or a great majority, of their direct costs in rubles, a decline in the Russian economy could have a material adverse effect on the their business, financial condition and results of operations.

Inflation may materially adversely affect the Subsidiaries' results of operations

The production activities of most of the Subsidiaries are and will be located in Russia, the majority of their direct costs are incurred in Russia and they incur or will incur practically all of their direct costs in rubles. Russia has experienced high levels of inflation since the early 1990s. Inflation increased dramatically after

the 1998 financial crisis, reaching a rate of 84.4% that year (measured by the consumer price index). Notwithstanding recent reductions in the inflation rate, which in 2003 was 12.0%, in 2004 was 11.7%, in 2005 was 10.9% and in 2006 was 9.0%, Russian companies have generally experienced inflation-driven increases in their costs that are linked to the general price level in Russia, such as for supplies and materials, as well as salaries. If these trends continue, then for so long as the electricity tariffs remain regulated, the Subsidiaries may not be able to preserve or optimize their operating margins. Accordingly, high rates of inflation in Russia could increase the costs and decrease the operating margins of the Subsidiaries, which could have a material adverse effect on their business, financial condition and results of operations.

The Russian banking system remains underdeveloped, with a limited number of creditworthy Russian banks, and another banking crisis could place severe liquidity constraints on the Subsidiaries' operations

The Russian Federation's banking and other financial systems are not well developed or well regulated, and Russian legislation relating to banks and bank accounts may be subject to varying interpretations and inconsistent applications. Many Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still lags behind internationally accepted norms in certain respects. Banking supervision is also often inadequate, and as a result many Russian banks do not follow existing CBR regulations with respect to lending criteria, credit quality, loan loss reserves, diversification of exposure or other requirements. The imposition of more stringent regulations or interpretations could lead to determinations of inadequate capital and the insolvency of some banks.

The Russian government's default on its internal debt obligations in August 1998 triggered a substantial decline in the value of the ruble and the bankruptcy of a number of prominent Russian banks and businesses. Since then, the banking system has become operational, but is still in need of structural reform to reduce the possibility of a banking crisis in the future.

Any delay or other difficulty in transferring or remitting funds, converting rubles into a foreign currency or transferring foreign currency to make a payment could limit the ability of the Subsidiaries to meet payment and debt obligations, which could result in the acceleration of debt obligations and cross-defaults.

Recently, there has been a rapid increase in lending by Russian banks despite the recent credit crunch, which may be accompanied by deterioration in the credit quality of their loan portfolios. In addition, a robust domestic corporate debt market is leading Russian banks to hold increasingly large amounts of Russian corporate ruble bonds in their portfolios, and this is further deteriorating the risk profile of the assets of Russian banks. The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to market downturns or economic slowdowns, including Russian corporate defaults that may occur during any such market downturn or economic slowdown.

A banking crisis or the bankruptcy or insolvency of the banks in which the Subsidiaries hold their funds could result in the loss of the Subsidiaries' deposits or affect the Subsidiaries' ability to complete banking transactions, which could have a material adverse effect on the Subsidiaries' business, financial condition and results of operations. Further, a banking crisis in Russia could result in the bank accounts of the consumers and customers of the Subsidiaries being frozen, thus these consumers and customers would be unable to pay for the power consumed and this may have a material adverse effect on the revenues and profitability of the Subsidiaries.

Fluctuations in the global economy could materially adversely affect the Russian economy

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia, and Russian businesses could face severe liquidity constraints, further materially adversely affecting those businesses and the Russian economy. In addition, the Russian economy remains poorly diversified and is largely dependent on the natural resources sector. For example, as Russia produces and exports large amounts of oil and gas, the Russian economy is especially vulnerable to the price of oil and gas on the world market, and a decline

in the price of oil or gas could slow or disrupt the Russian economy. Russia is also a major producer and exporter of metal products, and its economy is vulnerable to a decline in world commodity prices and the imposition of tariffs or antidumping measures by the United States, the European Union or by other principal export markets. The occurrence of any of these developments could limit the access of Russian companies to capital or result in general disruptions to the Russian economy, which could have a material adverse effect on the business, financial condition and results of operations of the Subsidiaries.

Changes in the Russian legal system or trading environment may have a material adverse effect on the Subsidiaries' business, financial condition and results of operations

Russia has indicated that it has the objective of joining the World Trade Organization (the "WTO"). Such admission of Russia would require, among other things, further revisions to the Russian legal system to make it more consistent with WTO requirements. The liberalization of trade and other business activities that has taken place in recent years is expected to continue, but a reversal of this process cannot be ruled out. Under both scenarios, companies involved in import and export activities could see drastic changes in their competitiveness and profit margins, and Russian companies selling to the domestic market could also be affected. If the Subsidiaries are unable to compete effectively or remain profitable following any changes in the Russian legal system or trading environment, their business, financial condition and results of operations could be materially adversely affected.

Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market

The Spin-Offs described herein will not occur if the FSFM refuses to register the additional Subsidiary Shares to be issued for purposes of merging the State Holdcos, Minority Holdcos and InterRAO Holding with the respective Subsidiaries in the course of the Spin-Offs, or refuses to register the Holdco Share issues or allocate them registration numbers

In the course of the proposed merger of the State Holdcos, Minority Holdcos and InterRAO Holding into their relevant Subsidiaries, shares of the State Holdcos, Minority Holdcos and InterRAO Holding will be converted into both the relevant Subsidiary Shares held by the Holdcos, and into a small portion of additional Subsidiary Shares to be issued to compensate for the value of the assets of such Holdcos to be transferred in the course of the merger in addition to the relevant Subsidiary Shares. Such newly issued additional Subsidiary Shares must be registered with the FSFM prior to the Reorganization Date. If the FSFM refuses to register such Subsidiary Shares, then the merger of the above Holdcos into the relevant Subsidiaries will not take place, and the Holdcos will be created without a merger into the relevant Subsidiaries.

Furthermore, the Holdco Share issues must either be registered by the FSFM (with respect to Holdcos being spun off without a merger into the relevant Subsidiary) or they must be allocated registration numbers (for all other Holdcos). If the FSFM refuses to register the Holdco Share issues or allocate them registration numbers, the Spin-Offs will not take place.

Moreover, following the Reorganization Date the FSFM must register placement reports for the Holdco Shares that were not merged with their respective Subsidiaries and the above additional shares issued for those Subsidiaries with which the Holdcos were merged. If the FSFM does not register such placement reports, the Spin-Offs may be invalidated, and in any event until the date such placement reports are registered (which is not expected to occur until approximately 35 calendar days after the Reorganization Date), the respective Holdco Shares and newly-issued Subsidiary Shares (namely, of FSK, HydroOGK, the Gencos and Sochinskaya TES) may not be sold or otherwise transferred by their holders.

The market price of the relevant Holdco Shares, Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs, may fluctuate widely in response to different factors

The market price of the relevant Holdco Shares, Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs, may not wholly or mainly reflect the actual value of the Subsidiaries, but may also be subject to wide fluctuations in response to many factors (some of which are beyond the Subsidiaries' control), including variations in the operating results of the Subsidiaries,

divergence in financial results from stock market expectations, changes in earnings, estimates by analysts, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the sector of the Holdcos and the Subsidiaries, the unavailability of historical financial information and other events and factors outside the control of the Holdcos and the Subsidiaries. The market value of a Holdco Share, Subsidiary Share and, if the Regulation S GDR Facilities are created, the New GDRs, may vary considerably from its underlying net asset value.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price for the relevant Holdco Shares, Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs. If an active trading market is not developed or maintained, the liquidity and trading price of the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs, would be adversely affected. In addition, RAO UES is aware of plans by several of the Gencos to list GDRs representing their shares or complete international offerings of their shares in 2007-2008. Should these offerings proceed as planned, equity capital markets may be saturated with shares of Russian power companies, the demand for the shares of such companies may thus be limited and the shareholders, in turn, may not be able to realize a profitable return on their investments in the shares it holds in the Subsidiaries.

The Russian Federation may sell its stakes or a portion thereof in some or all of the thermal generation subsidiaries currently held by RAO UES to strategic investors. The sale of such a significant stake may negatively affect the price of the Subsidiary Shares that are in the thermal generation business.

The Depositaries may not be able to sell the Holdco Shares and Subsidiary Shares that would have been distributed to RAO UES DR holders that fail to certify that they are Non-U.S. DR Holders or that fail to provide a Russian securities account in the event that no Regulation S GDR Facility is established, or may only be able to sell such shares at a discount to the prevailing market price and may not be able to distribute the net proceeds to the respective RAO UES DR holders

In order to comply with applicable U.S. securities laws, any holder of RAO UES DRs who does not provide the Relevant Depositary with a certification that such holder is a Non-U.S. DR Holders will not be able to receive Holdco Shares, Subsidiary Shares or New GDRs. It is anticipated that such holders will be entitled to receive cash from the net proceeds of sale of those Holdco Shares and Subsidiary Shares, net of fees and charges of, and expenses incurred by, each Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution.

There is only a limited market currently for the Subsidiary Shares and no market for the Holdco Shares, which may require the Depositaries to sell the Subsidiary Shares and Holdco Shares at a discount to the prevailing market price in order to effect the sale of such Subsidiary Shares and Holdco Shares, as the case may be. No assurance can be given as to the amount of cash, if any, that such RAO UES DR holders will receive from the net proceeds of such sales. The sale of the Subsidiary Shares and Holdco Shares, if effected, will also be subject to foreign exchange risks and other costs that will reduce the net proceeds available for delivery to the relevant RAO UES DR holders. There can be no assurance that the sale of the Subsidiary Shares and Holdco Shares, as the case may be, by the Depositaries will be successful, that any net proceeds will be delivered to the relevant RAO UES DR holders or that, if net proceeds are delivered, the amount thereof will reflect the market value of those Subsidiary Shares and Holdco Shares, as the case may be.

The Subsidiaries and Holdcos may not obtain approval from the FSFM for the placement of the Subsidiary Shares and Holdco Shares, as the case may be, outside the Russian Federation, and the Regulation S GDR Facilities may not be established

Russian law requires prior approval of the FSFM for any placement of securities by a Russian issuer (such as the Subsidiaries) outside the Russian Federation, or circulation of such securities outside the Russian Federation. The approval may be granted if the issuer meets certain conditions, including that (1) the underlying securities are registered with the FSFM and are listed on a licensed stock exchange in Russia, (2) the number of shares of the class that are proposed to be placed or circulated abroad does not exceed

70% of the shares to be offered (this requirement to be applied only in the event of a share offering for consideration, which is not the case in the Spin-Offs) or 35% of all the issued and outstanding shares of such class and (3) the agreement pursuant to which foreign securities (such as depositary receipts) are placed provides that the underlying Russian shares can only be voted in accordance with the instructions of foreign security holders. There can be no assurance that the Holdcos and Subsidiaries will be able to maintain a listing on a Russian stock exchange to obtain the required FSFM approval or that the Holdcos and Subsidiaries will otherwise be able to obtain such FSFM approvals. If this were to occur, the Regulation S GDR Facilities may not be established and Non-U.S. DR Holders will instead receive Holdco Shares or Subsidiary Shares, as the case may be (subject to providing the required certifications to the Relevant Depositary), or cash from the sale thereof by the Relevant Depositary of such Holdco Shares or Subsidiary Shares, as the case may be.

RAO UES DR holders who receive cash from the net proceeds of the sale of the Subsidiary Shares and Holdco Shares, as the case may be, by the Depositaries may be exposed to exchange rate risks and other costs and risks of converting and repatriating such net proceeds

The Depositaries may receive the proceeds of any sale of Subsidiary Shares and Holdco Shares, as the case may be, in a currency other than USD. If at any time either Depositary shall determine that in its reasonable judgment the conversion of any foreign currency and the transfer and distribution of proceeds of such conversion received it is not practicable or lawful, or if any approval or license of any governmental authority or agency thereof that is required for such conversion, transfer or distribution is denied or, in the reasonable opinion of such Depositary, not obtainable at a reasonable cost or within a reasonable period, such Depositary may, in its discretion, (i) make such conversion and distribution in foreign currency to the RAO UES DR holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the foreign currency (or an appropriate document evidencing the right to receive such Foreign Currency) to RAO UES DR holders for whom this is lawful and practicable, and (iii) hold (or cause the Custodian to hold) such foreign currency (without liability for interest thereon) for the respective accounts of, the RAO UES DR holders entitled to receive the same.

The Depositaries shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make the net proceeds of the sale of the Subsidiary Shares and Holdco Shares, as the case may be, available to RAO UES DR holders in general or any RAO UES DR holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with the sale of the Subsidiary Shares and Holdco Shares, as the case may be, or (iii) their inability to distribute the net proceeds, or the amount that will be distributed as such net proceeds.

The Regulation S GDR Facility may not be established, if at all, and the New GDRs may not be distributed, if at all, until 90 calendar days after the Reorganization Date

The Reorganization Date is currently expected to occur in July 2008. From the Spin-Offs Record Date, the RAO UES Shares will no longer reflect the value of the relevant Subsidiaries. RAO UES DR holders who are entitled to receive New GDRs upon the establishment of a Regulation S GDR Facility and do not elect to take the Holdco Shares or Subsidiary Shares, as the case may be, will not receive New GDRs until the establishment of the Regulation S GDR Facility, which may not be established until 90 calendar days after the Reorganization Date, if at all. Thus, Non-U.S. DR Holders will not be able to receive New GDRs until the Regulation S GDR Facility is established. Until the establishment of the Regulation S GDR Facility, if any, there will be no market for the New GDRs and they will not be tradable.

In the case of the Far East Energos, the MRSKs, InterRAO, the System Operator and the Large Holdcos, if applicable, which currently do not plan to set up a Regulation S GDR Facility, or if any other Subsidiary or Holdco, as applicable, does not or fails to set up a Regulation S GDR Facility within 90 calendar days after the Reorganization Date, each Non-U.S. DR Holder of record on the Spin-Offs Record Date may provide instructions and certifications to the Relevant Depositary by the date advised by the Relevant Depositary in the case of the shares in the Far East Energos, the MRSKs, InterRAO, the System Operator and the Large Holdcos, if applicable, or in the case of the other Subsidiaries and Holdcos, within 30 days of the end of such 90 calendar day period to credit such Non-U.S. DR Holder's Russian securities account with the relevant Subsidiary Shares or Holdco Shares. Non-U.S. DR Holders who provide such documentation will be entitled to receive, as soon as reasonably practicable, the relevant Subsidiary

Shares or Holdco Shares corresponding to the number of New GDRs they would have received had a Regulation S GDR Facility been set up, upon the payment of the fees and charges of, and expenses incurred by, the Relevant Depositary, including but not limited to, any taxes and governmental charges with respect to such distribution. No assurance can be given as to the amount of cash, if any, that such RAO UES DR holders will receive from the net proceeds of such sales.

Neither Depositary shall be responsible for (i) any failure to determine that it may be lawful or practicable to make the net proceeds of the sale of Subsidiary Shares and Holdco Shares, as the case may be, available to RAO UES DR holders in general or any RAO UES DR holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with sale of the Subsidiary Shares and Holdco Shares, as the case may be, or (iii) their inability to distribute the net proceeds, or the amount that will be distributed as such net proceeds.

There may only be a limited trading market for the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs

Some of the Subsidiaries may apply for listing on one or more Russian stock exchanges before the Reorganization Date. There can be no assurance that all of the Subsidiaries and Holdcos will qualify for a listing on a Russian stock exchange. An active public market may not develop or be sustained after the distribution of the relevant Holdco Shares and the Subsidiary Shares in the Spin-Offs and, if the Regulation S GDR Facilities are created, the New GDRs. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If a liquid trading market for the relevant Holdco Shares, the Subsidiary Shares and the New GDRs does not develop, the price of those Holdco Shares, Subsidiary Shares and New GDRs may become more volatile and it may be more difficult to complete a buy or sell order for such securities.

The trading prices of the relevant Holdco Shares and the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs, may be subject to wide fluctuations in response to a number of factors, including:

- variations in the Subsidiaries' operating results and those of other generating companies, as well as other Russian companies;
- variations in national and industry growth rates;
- actual or anticipated announcements of technical innovations by the Subsidiaries or their competitors;
- changes in governmental legislation or regulation;
- general economic conditions within the Subsidiaries' business sector or in Russia; or
- extreme price and volume fluctuations on the Russian or other emerging market stock exchanges.

Russian law stipulates that no more than 35% of a company's issued and outstanding shares of any class may be held in the form of depositary receipts and, as a result of this limitation, a price differential may develop between the New GDRs and the relevant Holdco Shares and Subsidiary Shares.

In addition, the Russian stock markets have experienced extreme price and volume fluctuations. These market fluctuations could adversely affect the value of the relevant Holdco Shares and the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs.

Major shareholders of the Subsidiaries and the Holdcos will be able to influence the Subsidiaries and the Holdcos and their interests may conflict with those of other holders of the relevant Holdco Shares, the Subsidiary Shares or, if the Regulation S GDR Facilities are created, the New GDRs

Following the Spin-Offs, the Russian Federation and the Large Holders will, directly or indirectly, hold a controlling stake (i.e., a level of shareholding allowing it to control specified actions) of Holdco Shares and Subsidiary Shares with respect to some of the Holdcos and Subsidiaries. The Russian Federation, the Large Holders and other major shareholders will be able to influence significantly the principal decisions of certain of the relevant Holdcos and Subsidiaries. The interests of such major shareholders could conflict with those of other holders of the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, New GDRs, which could adversely affect investments in those securities.

The Russian Federation may sell its stakes or a portion thereof in some or all of the thermal generation subsidiaries currently held by RAO UES to strategic investors. The interests of investors acquiring the stake currently held by the Russian Federation in any of the thermal generation companies could conflict with those of other holders of the relevant Subsidiary Shares and, if the Regulation S GDR Facilities are created, New GDRs, which could adversely affect investments in those securities.

Following the Spin-Offs, RAO UES DR holders may not be able to deposit Holdco Shares or Subsidiary Shares in the relevant depositary receipt program in order to receive New GDRs

Under Russian securities regulations, no more than 70% of the shares to be offered or 35% of a Russian company's shares may be circulated abroad through depositary receipt programs. Before or as soon as reasonably practicable after the Reorganization Date, each of the relevant Subsidiaries and Holdcos will apply to the FSFM for approval for up to 35% of its shares to be circulated abroad through depositary receipt programs, provided that prior to the establishment of a Regulation S GDR Facility they obtain a listing on one or more Russian stock exchange if it is not yet listed on a Russian stock exchange.

Further, under Russian corporate law, a person that has acquired more than 30% of an open stock company's ordinary shares and voting preferred shares (including, for such purposes, the shares already owned by such person and its affiliates) will, except in certain limited circumstances (such as a reorganization, including a spin-off), be required to make, within 35 calendar days of acquiring such shares (or of the date on which it learned or should have learned about such acquisition), a public tender offer for other shares of the same class and for securities convertible into such shares, at the price determined based on the weighted average market price of the shares over the six month period before the filing of the offer with the FSFM as described below, if the shares are publicly traded, or on the price supplied by an independent appraiser if the shares have no or insufficient trading history. In addition, the public offer price may not be less than the highest price at which the offeror or its affiliated persons purchased or undertook to purchase the relevant securities over the six month period before the offer was sent to the company. From the moment of acquisition of more than 30% (or 50% and 75% in cases referred to in the next sentence) of the shares until the date the offer was sent to the company, the person making the offer and its affiliates will be able to register for quorum purposes and vote only 30% of the company's ordinary shares and voting preferred shares (regardless of the size of their actual holdings). These rules also apply to acquisitions resulting in a person or a group of persons owning more than 50% and 75% of a company's outstanding ordinary shares and voting preferred shares. See "Description of the Capital Stock of RAO UES and the Subsidiaries — Anti-Takeover Protection and Buy-out Procedures".

Under Russian law, a depositary may be considered the owner of the shares underlying the depositary receipts ("DRs"), and as such may be subject to the mandatory public tender offer rules described in the preceding paragraph. Moreover, in a letter to one of the Depositaries in July 2006, the FSFM took the general position that the mandatory public tender offer rules do apply to a depositary bank. Accordingly, the Subsidiary and Holdco deposit agreements will impose a limit of 29.99% of the Subsidiary Shares and Holdco Shares, as applicable, in the DR programs maintained by each New GDR Depositary.

In addition, under Russian anti-monopoly legislation, prior FAS approval must be obtained for transactions exceeding a certain amount, involving companies with a combined value of the assets under RAS that exceeds a certain threshold or companies registered as having more than a 35% share of a certain commodity market, and which would result in a shareholder (or a group of affiliated shareholders) holding more than 25, 50 or 75% of the voting capital stock of such company, or in a transfer between such companies of assets or rights to assets, the value of which exceeds a certain amount. The RAO UES ADR Depositary has received general interpretive guidance from FAS that the RAO UES ADR Depositary need not obtain the approval referred to in the preceding sentence in connection with depositary receipt programs, such as the Subsidiary and Holdco depositary receipt programs. If the percentage of shares of any Subsidiary or Holdco held by the New GDR Depositary exceeds a threshold such as described above, and the FAS rescinds or disregards this interpretation and determines that a New GDR Depositary should have obtained such approval but did not, such New GDR Depositary may have to obtain such approval.

Generally, whenever a depositary believes that the shares of a Subsidiary or Holdco deposited with it against issuance of DRs (together with any other securities of the Subsidiary or Holdco deposited with it

against the issuance of depositary receipts and any other securities of the Subsidiary or Holdco held by itself and its affiliates for its or their proprietary accounts or as to which it or they exercise voting and investment power) represent (or, upon accepting any additional shares for deposit, would represent) such percentage as exceeds any threshold or limit established by any applicable law, directive, regulation or permit, or satisfies any condition for making any filing, application, notification or registration or obtaining any approval, license or permit under any applicable law, directive or regulation, or taking any other action, it may (i) close its books to deposits of additional shares in order to prevent such thresholds from being exceeded or conditions being satisfied or (ii) take such steps as are, in its opinion, necessary or desirable to remedy the consequences of such thresholds being exceeded or conditions being satisfied and to comply with any such law, directive or regulation, including, without limitation, causing pro rata cancellation of DRs issued against the shares of the Subsidiary or Holdco and withdrawal of the shares from the depositary receipt program to the extent necessary or desirable to so comply.

Without limiting the generality of the foregoing paragraph, a depositary shall have recourse to the remedies described therein at any time under the following circumstances even if the 35% aggregate limitation on the DR programs established by the Russian Securities Market Law, or any lower limit set by the FSFM, has not been violated:

- in the absence of an approval or waiver or appropriate interpretive guidance from FAS, if the relevant depositary believes that the shares deposited with it against issuance of DRs, together with any of the relevant company's other securities which have been deposited with the depositary against issuance of other depositary receipts, represent in the aggregate more than 24.99% of either outstanding equity securities in the relevant company of all classes or types or the voting rights of all holders of the securities of its subsidiaries; or
- if the relevant depositary believes that the shares of the relevant company deposited with it against issuance of DRs, together with any of other securities of the relevant company, which have been deposited with the depositary against issuance of other depositary receipts, represent in the aggregate 29.99% of the relevant company's outstanding shares. See "Description of the Capital Stock of RAO UES and Subsidiaries — Anti-Takeover Protection and Buy-out Procedures" for additional information about how anti-takeover rules may impact the Depositary and the Subsidiaries' DR programs in this regard.

In considering whether any threshold has been reached or exceeded, the Relevant Depositary or any New GDR Depositary may, in addition to shares deposited with it against the issuance of DRs and other of securities deposited with it against issuance of other depositary receipts, take into consideration other securities of RAO UES, the Holdcos or the Subsidiaries, as the case may be, that are held by it and its affiliates for its or their proprietary accounts or as to which it or they exercise voting or investment power.

Investors in the Holdcos and Subsidiaries may be unable to or be delayed in repatriating their earnings from distributions made on the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs

In its Information Letter of March 31, 2005 No. 31, the CBR declared that, for currency control purposes, Russian companies may pay dividends in foreign currency to their shareholders who are not Russian residents. There can be no assurance that this declaration will not be reversed in the future. If Russian companies were again required, as they were in the past, to pay all dividends on ordinary shares in rubles, current Russian legislation permits such ruble funds to be converted into U.S. dollars by the Depositaries without restriction.

The ability to convert rubles into U.S. dollars is subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing, albeit limited, market within Russia for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, further development of such markets is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and no viable market in which to hedge ruble- and ruble-denominated investments. See "— The Subsidiaries and Holdcos may not obtain approval from the FSFM for the placement of the Subsidiary Shares and Holdco Shares, as the case may be, outside the Russian Federation, and the Regulation S GDR Facilities may not be established".

Future sales of the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs may affect the market price of those securities

Sales, or the possibility of sales, of substantial numbers of the relevant Holdco Shares, the Subsidiary Shares or the New GDRs in the public markets, including the Russian stock market, following the Reorganization Date could have an adverse effect on the trading prices of the relevant Holdco Shares, Subsidiary Shares or the New GDRs, or could affect the ability of the relevant Holdcos and Subsidiaries to obtain further capital through an offering of equity securities. Subsequent equity offerings by the Holdcos and the Subsidiaries, if any, may reduce the percentage ownership of holders of Holdco Shares and Subsidiary Shares, as the case may be. Moreover, newly issued preferred Holdco Shares and Subsidiary Shares, as the case may be, may have rights, preferences or privileges senior to those of the Holdco Shares and Subsidiary Shares, as the case may be.

Due to the limits imposed by Russian legislation on the overall number of Holdco Shares and Subsidiary Shares, as the case may be, that would be allowed to circulate abroad in the form of depositary receipts, a public offering by any Holdco or Subsidiary, as the case may be, of additional depositary receipts would have the effect of restricting or altogether preventing further deposits of shares in that Holdco or Subsidiary in the applicable Regulation S GDR Facility. Deposits of Holdco Shares and Subsidiary Shares in the Regulation S GDR Facilities by existing Holdco or Subsidiary shareholders may have the same effect, whether a Regulation S GDR Facility is established before or after the Reorganization Date. RAO UES is aware of plans by several of the Gencos to list global depositary receipts representing their shares and complete international offerings of their shares, which may involve the establishment of a depositary receipt program. If a depositary receipt program is established with respect to the Subsidiary Shares, because of Russian legislation that limits the overall number of shares in Russian companies allowed to circulate abroad, there can be no assurance that the Non-U.S. DR holders would be able to receive New GDRs in the Spin-Offs.

Capital gains from the sale of the relevant Holdco Shares, the Subsidiary Shares or, if the Regulation S GDR Facilities are created, the New GDRs, may be subject to Russian income tax

The tax treatment of the income from the sale of Russian entities' shares or DRs varies depending on whether the shares are sold by a foreign legal entity or organization or a foreign individual.

Under existing Russian tax law, the income of a foreign legal entity generated from the sale of shares or DRs in Russian entities is subject to withholding tax if more than 50 percent of the assets owned by the entity whose shares are being sold are comprised of immovable property located in the Russian Federation. Nevertheless, gains arising from the sale, exchange or other disposition of the foregoing types of securities listed on foreign stock exchanges on such stock exchanges by non-resident holders that are legal entities are not subject to taxation in Russia.

Subject to the foregoing, the proceeds received from the sale of the Holdco Shares, Subsidiary Shares or New GDRs by non-resident shareholders that are legal entities or organizations should be subject to Russian withholding tax at the rate of 20% on gross proceeds from sale of shares or at the rate of 24 percent on the capital gains realized from the sale, being difference between the sales price and the acquisition cost of the shares or GDRs, if more than 50 percent of the relevant Holdcos' or Subsidiaries' assets were to consist of immovable property located in the Russian Federation. Such tax should be declared and paid to the Russian budget by the non-resident holder where the proceeds from the sale or disposal of the shares or GDRs are not received from Russian sources (although there is no guidance in the current tax legislation to how this tax should be declared and paid by a foreign legal entity or organization having no presence in Russia), or to be withheld and remitted to the budget by a tax agent where the proceeds are received from Russian sources.

The relevant legislation does not contain a similar provision relating to personal income tax. Any income from the sale of the Holdco Shares, Subsidiary Shares or New GDRs by a non-resident holder that is an individual may be subject to Russian tax in respect of such proceeds at the rate of 30% of the gain (gross proceeds less any available cost deduction, including the original purchase price) if the proceeds from the sale, exchange or disposal of the shares are received from a source within Russia. In the absence of a clear

definition of what constitutes income from sources within Russia in the case of the sale of securities, there is a risk that income from the disposal of Russian securities (shares) may be considered as received from a Russian source.

A number of the existing double tax treaties concluded by the Russian Federation provide for the exemption of the above capital gains from Russian taxation. However, the procedure of advance exemption under applicable treaty provisions is relatively undeveloped in the case of non-resident individuals, and obtaining subsequent tax refunds may be time-consuming and can involve considerable practical difficulties.

If the Regulation S GDR Facilities are established, New GDR holders may not be able to benefit from double tax treaties

In accordance with Russian legislation, dividends paid to a non-resident holder of Russian ordinary shares, such as the relevant Holdco Shares or Subsidiary Shares, including Holdco Shares and Subsidiary Shares represented by New GDRs, generally will be subject to Russian withholding tax at a rate of 15% for legal entities and organizations and at a rate of 30% for individuals (or, from 2008, at a rate of 15%). This tax may be reduced to a minimum of 5-10% under double tax treaty for U.S. holders entitled to treaty benefits and to 10% under the United Kingdom — Russia double tax treaty for U.K. holders entitled to treaty benefits. However, the Russian tax rules applicable to depositary receipt holders are characterized by significant uncertainties and by an absence of official interpretive guidance by the Russian tax authorities. In the years 2005-2007 the Russian Ministry of Finance issued a number of private clarifications stating that DR holders should be treated as the beneficial owners of the underlying shares for the purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that beneficial ownership rights and the tax residencies of the DR holders are duly confirmed. However, the Russian tax authorities have not provided official guidance of general applicability addressing how a DR holder should demonstrate its beneficial ownership in the underlying shares. In the absence of any specific provisions in the tax legislation with respect to the concept of beneficial ownership and taxation of income of beneficial owners, it is unclear how the Russian tax authorities will ultimately treat the DR holders in this regard.

In view of the foregoing, the relevant Holdcos or Subsidiaries may adopt a conservative approach of withholding tax at higher rates when paying dividends to holders of the New GDRs and U.S. and U.K. holders of New GDRs may be unable to benefit from the relevant income tax treaties. See “Certain Tax Consequences — Russian tax consequences for shareholders of RAO UES”.

Because, with respect to each of the relevant Holdcos and Subsidiaries, the New GDR Depositary, if the Regulation S GDR Facility is created, may be considered the beneficial holder of the relevant Holdco Shares or Subsidiary Shares underlying the New GDRs, these shares may be seized, or the trading of such shares frozen, in legal proceedings in Russia against the New GDR Depositary

If the Regulation S GDR Facilities are established, it is possible that, since Russian law may not recognize holders of New GDRs as beneficial owners of the underlying Holdco Shares or Subsidiary Shares, as the case may be, holders of New GDRs could lose all their rights to those shares if the New GDR Depositary's assets in Russia are seized, or the transfer of such assets frozen, in which case, holders of New GDRs would lose their entire investment in the New GDRs.

Russian law may treat the New GDR Depositary as the beneficial owner of the Holdco Shares or Subsidiary Shares, as the case may be, underlying the New GDRs. This contradicts the way other jurisdictions treat DRs. In the United States, for instance, although shares may be held in a depositary's name or to its order, making it a “legal” owner of the shares, the holders of ADRs are the “beneficial,” or real owners. In U.S. courts, an action against a depositary would not result in the beneficial owners of DRs losing their rights to the underlying shares. Russian law may not make the same distinction between legal and beneficial ownership, and it may only recognize the rights of the depositary in whose name the shares are held. Thus, in proceedings brought against any New GDR Depositary, whether or not related to the shares represented by the New GDRs, Russian courts may treat those underlying shares as the assets of the New GDR Depositary, open to seizure or arrest. In the past, a lawsuit was filed against a depositary bank seeking the seizure of various Russian companies' shares represented by global

depository receipts issued by that depository bank. In the event that this type of suit were to be brought and successful against a New GDR Depository, and the relevant Holdco Shares or Subsidiary Shares represented by the New GDRs were to be seized or arrested, the holders of New GDRs involved would lose their rights to such underlying shares and their entire investment in the New GDRs.

If the Regulation S GDR Facilities are established, the voting rights of New GDR holders with respect to the relevant Holdco Shares and Subsidiary Shares represented by the New GDRs will be limited by the terms of the relevant Holdcos' or Subsidiaries' deposit agreements for the New GDRs and relevant requirements of Russian law

If the Regulation S GDR Facilities are established, New GDR holders will have no direct voting rights with respect to the relevant Holdco Shares or Subsidiary Shares represented by the New GDRs. New GDR holders will be able to exercise voting rights with respect to the Holdco Shares and Subsidiary Shares represented by the New GDRs only in accordance with the provisions of the applicable deposit agreement relating to the New GDRs (the voting provisions of which are expected to be in conformity with mandatory requirements of applicable Russian law and generally similar to those in the RAO UES GDRs) and relevant requirements of Russian law. There are, therefore, practical limitations on the ability of New GDR holders to exercise their voting rights due to the additional procedural steps involved in communicating with New GDR holders. For example, the Joint Stock Companies Law will require the relevant Holdcos and Subsidiaries to notify holders of their shares at least 30 calendar days in advance of any meeting and at least 70 calendar days in advance of an extraordinary meeting relating to any election of directors. The shareholders of the relevant Holdco Shares and Subsidiary Shares will receive notice directly from the Holdcos and Subsidiaries, as applicable, and will be able to exercise their voting rights by either attending the meeting in person or voting by power of attorney.

New GDR holders, by comparison, will not receive notice directly from the Holdcos or Subsidiaries. Rather, in accordance with the deposit agreement, the relevant Holdcos and Subsidiaries will provide the notice to the relevant depository. The depository will undertake, in turn, as soon as reasonably practicable thereafter, if requested by the relevant Holdcos or Subsidiaries in writing in a timely manner and at the companies' expense and provided there are no applicable legal or stock exchange prohibitions thereon, to mail to New GDR holders notice of such meeting, copies of voting materials (if and as received by the relevant Holdcos' or Subsidiaries' depository from the Holdcos or Subsidiaries, as the case may be) and a statement as to the manner in which instructions may be given to the relevant New GDR Depository by the New GDR holders. To exercise their voting rights, New GDR holders must then instruct the appropriate New GDR Depository how to vote the relevant Holdco Shares or the Subsidiary Shares represented by the New GDRs which they hold. Because of this additional procedural step involving the New GDR Depository, the process for exercising voting rights may take longer for New GDR holders than for holders of the Subsidiary Shares or Holdco Shares, as the case may be, and the Subsidiaries and Holdcos, as applicable, will not be able to assure New GDR holders that they will receive voting materials in time to enable them to return voting instructions to the appropriate depository in a timely manner. New GDRs for which either the applicable New GDR Depository does not receive timely voting instructions will not be voted.

In addition, although Russian securities regulations currently expressly permit depositories under depository programs to split the votes with respect to the shares underlying depository receipts in accordance with instructions from those holders of depository receipts, Russian law also contains provisions that could be interpreted as prohibiting the depositories under depository programs from doing so. Given such inconsistencies and the absence of developed case law on the application of such regulations, the New GDR Depositories may choose to refrain from voting at all unless they receive instructions from all holders of New GDRs to vote the shares in the same manner. There is also a risk that the vote of the New GDR Depositories could be deemed invalid if they split the votes with respect to the shares in accordance with the differing instructions received from holders of New GDRs. New GDR holders may thus have significant difficulty in exercising voting rights with respect to the relevant Holdco Shares or Subsidiary Shares, as the case may be, underlying the New GDRs. There can be no assurance that holders and beneficial owners of New GDRs will (1) receive notice of shareholders' meetings to enable the timely return of voting instructions to the respective New GDR Depository, (2) receive notice to enable the timely cancellation of New GDRs in respect of shareholder actions or

(3) be given the benefit of dissenting or shareholders' rights in respect of an event or action in which the holder or beneficial owner has voted against or not given voting instructions.

The New GDR Depositaries are only required to execute the voting instructions of the holders of New GDRs insofar as practicable. In practice, holders of New GDRs may not be able to instruct the New GDR Depositary to (1) vote the shares represented by their New GDRs on a cumulative basis, (2) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called or (3) nominate candidates to the Board of Directors or Audit Commission of RAO UES or any of the Subsidiaries. If New GDR holders wish to take such actions, they must timely request that their New GDRs be cancelled and take delivery of the shares and thus become the owner of the shares on the share registers of the relevant Holdcos or Subsidiaries, as the case may be. In addition, New GDR holders' ability to exercise the rights of dissenting or non-voting shareholders to have the shares underlying their New GDRs redeemed will be subject to compliance with applicable laws.

The rights of the shareholders of the Holdcos and the Subsidiaries, the reporting and disclosure requirements to which the Holdcos and the Subsidiaries, as applicable, will differ significantly from those applicable to comparable companies which are listed in other jurisdictions

The corporate affairs of the Holdcos and the Subsidiaries will be governed by their charters, by internal regulations and by laws governing companies incorporated in Russia. The rights of shareholders and the responsibilities of members of the Boards of Directors of the Holdcos and the Subsidiaries under Russian law will be different from, and may be subject to certain requirements not generally applicable to, companies organized in other jurisdictions.

In accordance with Russian legislation applicable to securities issuers, the Holdcos and the Subsidiaries will be required to file quarterly reports with the FSFM within 45 calendar days after the end of the relevant quarter and to provide certain other information about the Holdcos and the Subsidiaries, their management, subsidiaries and affiliates, and selected financial and business information (such as litigation and quarterly financial statements prepared in accordance with RAS). In general, however, there will be less publicly available information about the Holdcos and the Subsidiaries than there is normally available for comparable companies in, for example, the United States.

Taxation Risks

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement

The Russian government has initiated reforms of the tax system that have resulted in some improvement in the tax climate. The cornerstone of such reforms was a complete redrafting of the tax law into a new Russian Tax Code. As well as providing greater clarity, this has included the reduction of the corporate profits tax rate from 35% for most companies (43% for financial institutions, insurance and intermediary companies) to 24% for all companies from January 1, 2002 and also allowed for a broader range of expenses which are deductible from the tax base. Personal income tax has been reduced substantially for individuals who are tax resident in Russia; the current tax rate for such individuals is generally 13%. The standard rate of value added tax ("VAT") has been reduced to 18%, and certain minor taxes have been abolished, such as the road users' tax (abolished from January 1, 2003) and sales tax (abolished from January 1, 2004).

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. For example, under certain circumstances, the three-year statute of limitations for the assessment of taxes pursuant to a tax audit can be significantly extended. According to the Constitution of the Russian Federation, laws which introduce new taxes or worsen a taxpayer's position cannot be applied retroactively. However, there were several instances when such laws were introduced and applied retroactively.

Despite the Russian government taking steps to reduce the overall tax burden on taxpayers in recent years in line with its objectives, Russia's largely ineffective tax collection system and continuing budgetary funding requirements increase the likelihood that the Russian Federation will impose arbitrary or onerous

taxes and penalties in the future, which could have a material adverse effect on the Subsidiaries' business, financial condition, results of operations or prospects. Additionally, tax has been utilized as a tool for significant state intervention in certain key industries.

In addition to the usual tax burden imposed on Russian taxpayers, the conditions referred to above complicate tax planning and related business decisions. The uncertainties caused by such conditions could possibly expose the Subsidiaries to significant fines and penalties and to potentially severe enforcement measures despite its best efforts at compliance, could result in a greater than expected tax burden and could have a material adverse effect on the Subsidiaries' business, financial condition, results of operations and prospects.

It is expected that Russian tax legislation will become more sophisticated, which may result in the introduction of additional revenue raising measures. Although it is unclear how these measures would operate, the introduction of such measures may affect the Subsidiaries' overall tax efficiency and may result in significant additional taxes becoming payable, which could result in an increase of the Subsidiaries' tax burden. Such additional tax burden could have a material adverse effect on the Subsidiaries' results of operations and financial condition.

Russian tax legislation and regulations are complex, uncertain and often enforced in a manner that does not favor taxpayers. The Subsidiaries therefore may be subject to greater than expected tax burdens that could materially adversely affect the Subsidiaries' business and results of operations

Russian tax law and practice is not as clearly established as that of more developed market economies and the practice of the Russian tax authorities may not always be in accordance with the law. The Russian tax authorities do not always apply the law evenly to all taxpayers, in certain instances due to political motivations. It is possible that the current interpretation of the law or understanding of practice may change or, indeed, that the law may be changed with retroactive effect, even though legislation with retroactive effect that cause a deterioration in taxpayers' positions is generally prohibited.

Generally, taxes payable by Russian companies are substantial and numerous. Such taxes include, among others:

- income tax;
- value-added tax ("VAT");
- transportation tax;
- excise taxes;
- land tax;
- unified social tax;
- water tax; and
- property tax.

Historically, the tax environment in the Russian Federation has been complicated by the fact that various authorities have often issued contradictory or retroactive pieces of tax legislation. For example, tax laws are unclear with respect to the deductibility of certain expenses. As a result, the Subsidiaries may have taken positions in the past which management considered at the time to be in compliance with then-current tax law, but such positions could be subject to challenge by tax authorities in the future. Despite efforts at compliance, such uncertainty potentially exposes the Subsidiaries to the risk of significant fines, penalties and enforcement measures, and could result in a greater than expected tax burden.

In practice, the Russian tax authorities often interpret the tax laws in a way that does not favor taxpayers, who often have to resort to court proceedings to defend their positions against the tax authorities. Differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation, such as customs declarations, are subject to review

and investigation by a number of authorities, each of which may impose individual fines, penalties and interest charges. Generally, taxpayers are subject to inspection for a period of three calendar years preceding the year in which an audit is carried out. Previous audits do not exclude subsequent claims relating to the audited period and the statute of limitations is not entirely effective. In addition, in some instances, new tax regulations have been given retroactive effect.

On July 14, 2005, the Constitutional Court of the Russian Federation issued a decision that allows the statute of limitations for tax liabilities to be extended beyond the three-year period if a court determines that a taxpayer has obstructed or hindered a tax inspection. Moreover, recent amendments to the first part of the Tax Code, effective January 1, 2007, provide for the extension of the three-year statute of limitations if the actions of the taxpayer created insurmountable obstacles for the tax audit. Because these terms are not defined, tax authorities may have broad discretion to argue that a taxpayer has “obstructed”, “hindered” or “created insurmountable obstacles” in respect of an inspection and ultimately to seek penalties beyond the three-year term.

In addition, on October 12, 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued Ruling No. 53, which introduced a new concept of “unjustified tax benefit”, which is defined mainly by reference to specific examples of such tax benefits (e.g. absence of business purpose), which may lead to disallowance thereof for tax purposes. There is no guidance on how the tax authorities or courts should interpret this new concept, but it is likely that the tax authorities will actively seek to apply this concept when challenging in courts tax positions taken by taxpayers. Although the intention of Ruling No. 53 was to combat abuse of tax law, in practice there is no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court. Furthermore, the Resolution of Plenum of Supreme Court No 64 of December 28, 2006 “About practice of the application of the responsibility for the tax crimes” is indicative of the trend to broaden the application of the criminal responsibility for tax violations.

The foregoing conditions create tax risks in the Russian Federation that are more significant than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on the Subsidiaries’ operations, including management resources. Further, these risks and uncertainties complicate the Subsidiaries’ tax planning and related business decisions, potentially exposing the Subsidiaries to significant fines, penalties and enforcement measures, despite their best efforts at compliance, and could materially adversely affect the Subsidiaries’ businesses, financial condition and results of operations and the value of the Subsidiary Shares.

The financial results of Russian companies cannot be consolidated for tax purposes. Therefore, each of the Subsidiaries’ Russian subsidiaries pays its own Russian taxes and may not offset its profit or loss against the profit or loss of any of that Subsidiary’s other subsidiaries. In addition, intercompany dividends are subject to a withholding tax of 9% if distributed to Russian corporate residents, and 15% if distributed to foreign residents. If the company that receives the intercompany dividend is Russian and itself pays a dividend to a Russian resident, the receiving company may offset the amount of withholding tax on the dividend it receives against the tax the receiving company is required to withhold on the dividend it pays to the Russian resident. However, these rules relating to intercompany dividends are expected to be changed by new legislation, with effect from January 1, 2008, whereby dividends received by a Russian company from its Russian subsidiary will not be subject to withholding tax, provided that certain conditions (such as holding period, share of participation, amount of investment and others) described in the applicable legislation are met.

Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact the Subsidiaries’ business, financial condition and results of operations

Transfer pricing legislation became effective in the Russian Federation on January 1, 1999. Such legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all “controlled” transactions, provided that the transaction price differs from the market price by more than 20%. “Controlled” transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with significant price fluctuations (i.e., if the price of such transactions differs from the prices on similar transactions by

more than 20% within a short period of time). Transfer pricing adjustments are also applicable to the trading of securities and derivatives. There has been no formal guidance (although some court practice is available) as to how these rules will be applied, and moreover, Russian transfer pricing rules are vaguely drafted, leaving wide scope for their interpretation to the discretion of the Russian tax authorities and arbitration courts, and their use in politically motivated investigations and prosecutions. In addition, in the event that a transfer pricing adjustment is assessed by Russian tax authorities, the Russian transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction that is subject to adjustment. Due to the uncertainties in the interpretation of transfer pricing legislation, the tax authorities may challenge the prices of certain Subsidiaries' transactions and propose adjustments. If such price adjustments relate to any Subsidiary or its subsidiaries and are upheld by the Russian arbitration courts and implemented, the relevant Subsidiary's results of operations could be materially adversely affected. In addition, the Subsidiaries could face significant losses associated with the assessed amount of prior underpaid taxes and related interest and penalties, which could have a material adverse effect on the Subsidiaries' financial condition and results of operations.

Moreover, the Ministry of Finance of the Russian Federation is in the process of drafting proposed amendments to the transfer pricing legislation. Currently, a draft law is under discussion that will potentially tighten transfer pricing rules further. At this time, it cannot be predicted what the effect on taxpayers of the law, if enacted, may be.

INDICATIVE TIMETABLE

The following timetable identifies the key dates and time periods for the implementation of the Spin-Offs, assuming that the Spin-Offs are approved. This timetable has been prepared based on the best estimates of RAO UES' management of when the following events will occur. The dates in the timetable are indicative only. There can be no assurance that these events will occur or that the timing of these events will be as described below. Significant delays may be caused by the granting of regulatory consents, actions by third persons, changes to Russian law or due to other circumstances.

July 27, 2007	Meeting of the Board of Directors of RAO UES at which it was resolved to call the EGM for shareholder approval of the Spin-Offs and the RAO UES Merger. At the meeting, the Board of Directors also set the price at which the RAO UES Shares may be redeemed by dissenting and non-voting shareholders if the Spin-Offs are approved.
August 31, 2007	Meeting of the Board of Directors of RAO UES at which it was resolved to recommend to the shareholders to vote in favor of the Spin-Offs and the RAO UES Merger.
August 23, 2007	EGM Record Date.
September 26, 2007	EGM materials to be made available to RAO UES shareholders of record for inspection in the offices of RAO UES and the RAO UES registrar.
October 6, 2007	EGM materials to be sent to holders of record of RAO UES ADRs and made available to holders of record of RAO UES GDRs.
October 22, 2007	Deadline for holders of record of RAO UES GDRs to deliver EGM voting instructions to the RAO UES GDR Depositary (by 12:00 pm New York time).
October 22, 2007	Deadline for holders of record of RAO UES ADRs to deliver EGM voting instructions to the RAO UES ADR Depositary.
October 26, 2007	EGM is held by absentee ballot voting.
November 2007	Distribution by the Redemption Agents of redemption materials to holders of record of RAO UES DRs who voted against or did not vote on the Spin-Offs proposals.
November 30, 2007	Last day for holders of record of RAO UES DRs to deliver redemption requests and to surrender their RAO UES DRs to the relevant Redemption Agent.
December 10, 2007	End of Redemption Election Period.
December 15, 2007	Meeting of Board of Directors of RAO UES to approve the results of the surrender by RAO UES shareholders (including the Depositaries) of their RAO UES Shares for redemption.
December 2007	Gencos establish Regulation S GDR Facilities.
January 9, 2008	Last day for RAO UES to redeem shares surrendered by dissenting and non-voting shareholders and holders of RAO UES DRs.

January 2008	Certain of the Subsidiaries obtain, as applicable, anti-monopoly approval of the FAS for the merger with relevant Holdcos.
April 2008	Sochinskaya TES and HydroOGK establish Regulation S GDR Facilities.
June 2008	Spin-Offs Record Date.
June 2008	The FSK establishes a Regulation S GDR Facility.
July 2008	State registration in the USRLE of creation of the Holdcos, followed in the case of State Holdcos, Minority Holdcos and InterRAO Holding by the immediate state registration of their termination in connection with their merger into the relevant Subsidiaries (this is also referred to in this Information Statement as a Reorganization Date). The Subsidiary Shares are distributed to the RAO UES shareholders, including the Depositaries, in the manner and on the terms set forth herein. See “The Spin-Offs — Description of the Spin-Offs”.
July 2008	RAO UES Merger into the FSK and conversion of RAO UES Shares into ordinary shares of the FSK. RAO UES ceases to exist.

THE SPIN-OFFS

Background to and the Reasons for the Spin-Offs

The Spin-Offs are part of the overall restructuring of the Russian power industry as mandated by the Electric Power Industry Law and the Federal law “On peculiarities of functioning of the electric power industry during the transitional period and on amending certain legislative acts of the Russian Federation and abolishing certain legislative acts of the Russian Federation in connection with the adoption of the Electric Power Industry Law” No. 36-FZ of March 26, 2003. These laws, together with other related legislative acts, set forth a legal framework for the restructuring, outline the new roles of regulatory agencies and other participants after the restructuring, and provide guidelines for the trading of power and energy in the wholesale and retail markets.

Goals and Objectives of the Reform

The aim of the electricity sector reform is to create a unified wholesale electricity (capacity) market in the European part of Russia, Ural and Siberia, excluding some isolated energy systems and energy systems not included in the pricing zones of the Russian Federation. The reforms are intended to result in competitive wholesale electricity trading through long and mid-term bilateral contracts, one-day-ahead bidding for electricity supply on an hour-by-hour basis, and a balancing system, which functions in real time to manage deviations between the planned and actual volumes generated and consumed, as well as permitting the purchase and sale of capacity in auctions for annual and long-term supply up to several years ahead. The reforms are also aimed at the creation of competitive ancillary services, including the competitive selection of service providers.

As a result of these reforms, the overall structure of the Russian electricity industry is expected to be completely transformed. The reform plans also contemplate that the competitive segment of the wholesale electricity market will be gradually expanded, and consequently there will be a reduction in the percentage of output subject to regulated tariffs. It is envisaged that the sector reform will result in the development of a fully liberalized wholesale market for electricity generation, supply and related services by 2011, in which all prices will be established on the basis of supply and demand. The reforms do not currently contemplate the creation of a free market for electricity transmission, distribution or dispatch activities and for certain electricity (for example, electricity supplied to households), nor do they contemplate the liberalization of the heat sector.

The restructuring of RAO UES Group has led to the creation of separate companies carrying out specific lines of businesses: generation, transmission, distribution and supply of electricity to customers, and repair and servicing. These separate companies have been or will be merged with other companies with the same business profile, with the resulting merged companies providing the relevant specific services for a number of regions of the Russian Federation. Generation, supply and repair companies are expected to engage in competition with each other. At the same time, the reforms envision retention of state control over the electricity transmission and distribution networks and dispatch activities. See “Industry Overview — Current Market Structure.”

History and Development of the Restructuring

The reform process began in 2001, when the Russian government determined, pursuant to Resolution No. 526, that reform of the electricity industry in Russia was necessary, and decided to reorganize the existing Energos based on the principle of separation of core activities into different companies. Pursuant to this resolution and on the basis of the model approved by the Board of Directors of RAO UES, each of the Energos have been or are in the process of being reorganized into new companies that carry out one of the following specific activities: electricity generation, transmission, distribution, and supply. In the reorganization, the shareholders of the Energos have received, or are expected to receive, a pro rata distribution of the shares of the newly-established companies. The reorganization of the Energos by type of activity is now nearly complete. Currently, the reorganization focuses on the inter-regional consolidation of the new companies.

The reorganization process was launched in 2003, when the first “pilot” projects, in which Kalugaenergo, Orelenergo, Bryanskenergo, and Tulenergo were reorganized, were implemented. By the beginning of

2004, the reorganization process involved more than 30 Energos. By April 2004, the reorganization of the first Energo (Kalugaenergo) was completed, and by the end of 2004, five Energos had been broken up into new entities. By 2005, the restructuring process involved most of the Energos, and a significant number of them had been reorganized by the end of that year. By June 30, 2007, the RAO UES Board of Directors had approved restructuring projects for 71 out of the 72 Energos and the restructuring of the one remaining Energo, Yantarenergo, is expected to take place in the near future. Of the 72 Energos, 65 have been fully separated into 263 newly-established companies by June 30, 2007.

The second stage of the reorganization involved the inter-regional consolidation of newly-created companies. By June 30, 2007, all seven OGKs and all fourteen TGKs had been established and the final corporate structure of all the OGKs, except HydroOGK, and eleven of the fourteen TGKs, has been completed. The three remaining TGKs whose formation had not been completed by June 30, 2007 are: TGK-10, TGK-11 and Eniseyskaya TGK. It is intended that by the end of 2007, the final corporate structure of these TGKs will have been completed.

The spin-off of the facilities relating to the Unified National Energy Grid, which is operated by the FSK, has been essentially completed. By March 31, 2007, all of the 56 high-voltage trunk grid companies (MSKs) and all of the seven inter-regional transmission (trunk grid) companies had been established, and they are expected to be merged into the FSK.

Pursuant to the current plan of reform, the consolidation of distribution companies will take place on the basis of 11 MRSKs, 10 of which have already been established, and the Board of Directors of RAO UES are expected to decide on the structure of the final MRSK by the end of 2007. Currently, the primary activity of these companies is managing the distribution grid companies (RSKs), which will be merged into the MRSKs in 2008. RSKs carry out distribution of electricity through electricity grids other than the trunk electricity grids. As at June 30, 2007, 58 distribution grid companies (RSKs) had been established as a result of Energos in specific sectors.

It is expected that the Reorganization of RAO UES will be the final step in Russia's power sector restructuring.

Reorganization of RAO UES; Spin-Offs

The reorganization of RAO UES is a two-stage process. The first stage involved the spin-off of RAO UES' equity interests in OGK-5 and TGK-5 and the second stage involves the Spin-Offs described in this Information Statement. The RAO UES shareholders approved the first stage, the spin-offs of OGK-5 and TGK-5, at an extraordinary general shareholders meeting held by absentee ballot voting on December 6, 2006, and the state registration of these spin-offs was completed on September 3, 2007. As a result, OGK-5 and TGK-5 are no longer controlled by RAO UES. The Spin-Offs will represent the second and final stage of the RAO UES reorganization.

Shareholder Approval

The Board of Directors of RAO UES voted on July 27, 2007 to call the EGM for shareholder approval of the Spin-Offs and the RAO UES Merger by absentee ballot voting on October 26, 2007, and voted on August 31, 2007 to recommend to the shareholders to vote in favor of the Spin-Offs and the RAO UES Merger. The Spin-Offs require the affirmative vote of at least three-quarters of the aggregate voting power of the RAO UES Shares represented at the EGM. As of June 30, 2007, there were 41,041,753,984 RAO UES Ordinary Shares and 2,075,149,384 RAO UES Preferred Shares issued and outstanding. All persons who held RAO UES Shares on August 23, 2007 (the EGM Record Date) are entitled to vote at the EGM by absentee ballot voting, and all persons who held RAO UES DRs on the record date set by the Relevant Depositary, which is currently expected to be the same as the EGM Record Date, will be entitled to deliver voting instructions to the Depositaries under the terms of the RAO UES Deposit Agreements for ADRs and RAO UES GDRs for GDRs.

The merger of the State Holdcos, Minority Holdcos and InterRAO Holding into their corresponding Subsidiaries also requires the approval by the respective Subsidiary by an affirmative vote of at least three-quarters of the aggregate voting power represented at shareholders' meetings of the Subsidiary.

Because the EGM will be held by absentee ballot voting, RAO UES' principal accountants for the years 2006, 2005 and 2004 will not be present at the EGM.

If the Spin-Offs are not approved at the EGM, the Spin-Offs described herein will not occur, and holders of RAO UES Shares and RAO UES DRs will not receive any Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs. If the Spin-Offs are approved at the EGM, but the merger of any of the Holdcos into the relevant Subsidiary, as applicable, is not approved by the shareholders' meeting of the respective Subsidiary, the merger of such Holdco into the relevant Subsidiary will not occur, and such Holdco will be created and continue to exist without being merged into the relevant Subsidiary.

Description of the Spin-Offs

The Spin-Offs of the State Holdcos, the Minority Holdcos and InterRAO Holding will be conducted by means of reorganization (*vydelenie s odnoremennym prisoedineniyem*) under Russian corporate law. Immediately after their establishment, the State Holdcos, the Minority Holdcos and InterRAO Holding will be merged into the relevant Subsidiaries on the Reorganization Date, subject to approval by the Subsidiaries of the merger of the State Holdcos, Minority Holdcos and InterRAO Holding into the relevant Subsidiaries, the approval of the FAS and the requirements of applicable law.

The Spin-Offs of the Large Holdcos, MRSK Holding and RAO East Energy Systems will be conducted by means of a spin-off (*vydelenie*) under Russian corporate law. The Large Holdcos, MRSK Holding and RAO East Energy Systems will not be merged into the relevant Subsidiaries.

If the Spin-Offs are approved by the shareholders of RAO UES on the Reorganization Date, subject to applicable law, the Russian Federation, RAO UES' majority shareholder, will:

- be entitled to one ordinary share in each of MRSK Holding and RAO East Energy Systems and one preferred share in each of MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by the Russian Federation on the Spin-Offs Record Date;
- (a) be entitled to all ordinary shares and preferred shares in State Holding, except for the shares which, in accordance with Russian law, will be distributed to Dissenting Holders; and (b) upon the cancellation of the shares in State Holding, receive such number of ordinary shares in the FSK, which, together with the other FSK shares held directly by the Russian Federation, will constitute, as required by Russian law, at least 75% plus 1 share of the issued and outstanding shares of the FSK;
- (a) be entitled to all ordinary shares and preferred shares in State HydroOGK Holding, except for the shares which, in accordance with Russian law, will be distributed to the Dissenting Holders; and (b) upon the cancellation of the shares in State HydroOGK Holding, receive such number of ordinary shares in HydroOGK, which, together with the other HydroOGK shares held directly by the Russian Federation, will constitute, as required by Russian law, at least 50% plus 1 share of the issued and outstanding shares of HydroOGK;
- be entitled to a number of ordinary and preferred shares in InterRAO Holding equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by the Russian Federation on the Spin-Offs Record Date, and upon the cancellation of the InterRAO Holding shares, receive 41.8643489213398000 ordinary shares in Sochinskaya TES (each, a "Sochinskaya TES Share" and collectively, the "Sochinskaya TES Shares") for each InterRAO Holding ordinary share and 38.3393707421631000 Sochinskaya TES Shares for each InterRAO Holding preferred share;
- be entitled to a certain number of shares in any Large Holdco and the Minority Holdcos if the relevant Large Holder or to the extent any of the Minority Holders, respectively, is a Dissenting Holder; and
- continue to own the same number of RAO UES Shares as the Russian Federation held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

- each Large Holder who voted for the Spin-Offs at the EGM and has not reduced its shareholding in RAO UES prior to the Spin-Offs Record Date will:
- be entitled to all of the shares in its corresponding Large Holdco, except for the shares which, in accordance with Russian law, will be distributed to the Dissenting Holders;
- be entitled to one ordinary share in each of MRSK Holding and RAO East Energy Systems and one preferred share in each of MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by such Large Holder on the Spin-Offs Record Date;
- be entitled to a number of InterRAO Holding ordinary shares and a number of InterRAO Holding preferred shares equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such Large Holder on the Spin-Offs Record Date, and upon the cancellation of the InterRAO Holding shares, receive 41.8643489213398000 Sochinskaya TES Shares for each InterRAO Holding ordinary share and 38.3393707421631000 Sochinskaya TES Shares for each InterRAO Holding preferred share;
- be entitled to a certain number of shares in other Large Holdcos and the Minority Holdcos if the relevant Large Holders or to the extent any of the Minority Holders, respectively, are Dissenting Holders; and
- continue to own the same number of RAO UES Shares as such Large Holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

If any Large Holder reduces its shareholding in RAO UES prior to the Spin-Offs Record Date, such Large Holder will be deemed to be a Minority Holder for the purpose of the Spin-Offs and shares in the relevant Large Holdco will be distributed to all Minority Holders.

- each Minority Holder who voted for the Spin-Offs and, in the case of RAO UES DR holder who certifies within 30 days following the Spin-Offs Record Date to the Relevant Depository that it is (or is acting on behalf of) a Non-U.S. DR Holder, as the case may be, will:
 - be entitled to one ordinary share in MRSK Holding and RAO East Energy Systems and one preferred share in MRSK Holding and RAO East Energy Systems for each RAO UES Ordinary Share and RAO UES Preferred Share, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non U.S. DR Holder, as the case may be, on the Spin-Offs Record Date;
 - (a) be entitled to a number of ordinary or preferred shares, as the case may be, in each Minority Holdco based on the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non U.S. DR Holder, as the case may be, on the Spin-Offs Record Date, (b) be entitled to a number of ordinary or preferred shares, as the case may be, in InterRAO Holding equal to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, held by such holder, or represented by the respective RAO UES DRs held of record by such Non U.S. DR Holder, as the case may be, on the Spin-Offs Record Date, and (c) upon the cancellation of the ordinary and preferred shares in the Minority Holdcos and InterRAO Holding, receive or, in the case of the Minority Holders of RAO UES DRs, be entitled to, a number of Subsidiary Shares, calculated on the following basis:

Exchange of Shares in Minority FSK Holding for Shares in the FSK

The FSK

10.1056041051790000 ordinary shares in the FSK for each RAO UES Ordinary Share

9.2547122395228300 ordinary shares in the FSK for each RAO UES Preferred Share

Exchange of Shares in Minority HydroOGK Holding for Shares in HydroOGK
HydroOGK

3.4531683396016400 ordinary shares in HydroOGK for each RAO UES Ordinary Share

3.1624115654071800 ordinary shares in HydroOGK for each RAO UES Preferred Share

Exchange of Shares in Minority Holdcos for Shares in the Gencos
OGKs

0.9620205574069320 ordinary shares in OGK-1 for each RAO UES Ordinary Share

0.8810184264732720 ordinary shares in OGK-1 for each RAO UES Preferred Share

0.5008006166421850 ordinary shares in OGK-2 for each RAO UES Ordinary Share

0.4586332047209130 ordinary shares in OGK-2 for each RAO UES Preferred Share

0.4114097481764260 ordinary shares in OGK-3 for each RAO UES Ordinary Share

0.3767690473799700 ordinary shares in OGK-3 for each RAO UES Preferred Share

1.0273778717938000 ordinary shares in OGK-4 for each RAO UES Ordinary Share

0.9408726549887700 ordinary shares in OGK-4 for each RAO UES Preferred Share

0.5836484771577890 ordinary shares in OGK-6 for each RAO UES Ordinary Share

0.5345052753810990 ordinary shares in OGK-6 for each RAO UES Preferred Share

TGKs

38.2331857890853000 ordinary shares in TGK-1 for each RAO UES Ordinary Share

35.0139515456442000 ordinary shares in TGK-1 for each RAO UES Preferred Share

12.9828789875932000 ordinary shares in TGK-2 for each RAO UES Ordinary Share

11.8897205768378000 ordinary shares in TGK-2 for each RAO UES Preferred Share

0.3359840017950100 ordinary shares in Mosenergo for each RAO UES Ordinary Share

0.3076941488438700 ordinary shares in Mosenergo for each RAO UES Preferred Share

15.8654792945781000 ordinary shares in TGK-4 for each RAO UES Ordinary Share

14.5296059379746000 ordinary shares in TGK-4 for each RAO UES Preferred Share

15.3258994310428000 ordinary shares in TGK-6 for each RAO UES Ordinary Share

14.0354586989490000 ordinary shares in TGK-6 for each RAO UES Preferred Share

0.3344068074269590 ordinary shares in Volzhskaya TGK for each RAO UES Ordinary Share

0.3062497542416090 ordinary shares in Volzhskaya TGK for each RAO UES Preferred Share

17.2624772854249000 ordinary shares in SGK TGK-8 for each RAO UES Ordinary Share

15.8089766979922000 ordinary shares in SGK TGK-8 for each RAO UES Preferred Share

67.3347215511992000 ordinary shares in TGK-9 for each RAO UES Ordinary Share

61.6651379965883000 ordinary shares in TGK-9 for each RAO UES Preferred Share

1.4709712305639300 ordinary shares in TGK-10 for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0088612724541053 for each RAO UES Ordinary Share)

1.3471154529504400 ordinary shares in TGK-10 for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0081151533134697 for each RAO UES Preferred Share)

6.1863639563592800 ordinary shares in TGK-11 for each RAO UES Ordinary Share

5.6654721112338500 ordinary shares in TGK-11 for each RAO UES Preferred Share

0.6991042495845980 ordinary shares in Kuzbassenergo for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0069910424958460 for each RAO UES Ordinary Share)

0.6402396717695780 ordinary shares in Kuzbassenergo for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0064023967176958 for each RAO UES Preferred Share)

1.7232742022754400 ordinary shares in Eniseyskaya TGK for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000761096282252 for each RAO UES Ordinary Share)

1.5781745144438500 ordinary shares in Eniseyskaya TGK for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000697011975287 for each RAO UES Preferred Share)

9.7136226718400300 ordinary shares in TGK-14 for each RAO UES Ordinary Share

8.8957356428711100 ordinary shares in TGK-14 for each RAO UES Preferred Share

Exchange of Shares in InterRAO Holding for Shares in Sochinskaya TES

InterRAO

41.8643489213398000 ordinary shares in Sochinskaya TES for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0041864348921340 for each RAO UES Ordinary Share)

38.3393707421631000 ordinary shares in Sochinskaya TES for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0038339370742163 for each RAO UES Preferred Share)

- be entitled to a certain number of shares in any Large Holdco if the relevant Large Holder is a Dissenting Holder or reduced its shareholding in RAO UES prior to the Spin-Offs Record Date; and
- continue to own the same number of RAO UES Shares or RAO UES DRs as such holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

Holders of record of RAO UES DRs on the Spin-Offs Record Date who fail or are unable to certify to the Relevant Depositary, within 30 days following the Spin-Offs Record Date that they are (or are acting on behalf of) Non-U.S. DR Holders will not receive New GDRs or Holdco Shares or Subsidiary Shares, and, instead, will receive, as soon as reasonably practicable, the cash proceeds from the sale by the Relevant Depositary of the relevant Holdco Shares or Subsidiary Shares they would have received had they provided the certification, net of fees and charges of, and expenses incurred by, the Relevant Depositary in effecting such distribution, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution. Neither Depositary shall be responsible for (i) any failure to determine that it may be lawful or practicable to make the net proceeds of the sale of any Holdco Shares or Subsidiary Shares available to RAO UES DR holders in general or any RAO UES DR holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with the sale of any Holdco Shares or Subsidiary Shares, or (iii) its inability to distribute the net proceeds, or the amount that will be distributed as such net proceeds.

It is expected that, following the completion of the Spin-Offs, the RAO UES Merger will occur and RAO UES Shares will be converted into shares of the FSK on the basis of 2.26600952123458 ordinary

shares of the FSK for each RAO UES Ordinary Share and 2.07521151954661 ordinary shares of the FSK for each RAO UES Preferred Share, **after which RAO UES will cease to exist.**

Opinions of RAO UES' Financial Advisors

J.P. Morgan plc, Limited Liability Company "Investment and Finance Company Metropol" and Investment Bank "KIT Finance" (each, a "Financial Advisor" and, together, the "Financial Advisors") have acted, each in a separate capacity, as financial advisors to RAO UES in connection with certain of the proposed Spin-Offs and certain related transactions.

The Board of Directors of RAO UES requested:

- each of the Financial Advisors separately to provide certain opinions, addressed to and for the benefit only of the Board of Directors of RAO UES, relating to the fairness, from a financial point of view, to Minority Holders of certain proposed ratios related to the exchange of each class of Subsidiary Shares for shares in the corresponding Minority Holdco; and
- each of the Financial Advisors separately to provide certain opinions, addressed to and for the benefit only of the Board of Directors of RAO UES, relating to the fairness, from a financial point of view, to RAO UES of the price proposed to be paid by RAO UES for the RAO UES Shares that RAO UES will be required to repurchase from holders of RAO UES Shares (including the Depositories on behalf of the holders of RAO UES DRs) in the event such holders either vote against the Spin-Offs or do not vote on the Spin-Offs proposals at the EGM.

Each Financial Advisor separately provided to the Board of Directors of RAO UES copies of its respective opinions as referred to above (each, an "Opinion" and, together, the "Opinions"). Each Opinion is given only upon the date it was issued, is based upon and subject to the matters and qualifications and the work as described therein, each Financial Advisors' respective expertise in corporate finance and such other factors as each Financial Advisor deemed relevant and assumes that all information provided by RAO UES or otherwise relied upon by each Financial Advisor in giving their respective Opinions to the Board of Directors of RAO UES is true and accurate. In giving the Opinions, the Financial Advisors have relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with them by RAO UES, its subsidiaries, representatives and advisers or otherwise reviewed by or for the Financial Advisers. None of the Financial Advisers has verified the accuracy or completeness of any such information, conducted or (except as expressly stated to the contrary in the Opinions) been provided with any valuation or appraisal of any assets or liabilities, or evaluated the solvency of any holder of RAO UES Shares or RAO UES DRs or of RAO UES, any of its subsidiaries or any of the assets of RAO UES or of any of its subsidiaries under any laws relating to bankruptcy, insolvency or similar matters.

The Opinions were addressed to, and are solely for the use and benefit of, the Board of Directors of RAO UES to assist the Board of Directors of RAO UES in its evaluation of the relevant proposed Spin-Offs and are not intended to be and do not constitute a recommendation to any holder of RAO UES Shares (including any Depository on behalf of the holders of RAO UES DRs) as to how such holder should vote or act on any matters related to any proposed Spin-Off. The Opinions may not be relied upon by any person other than the Board of Directors of RAO UES. None of the Financial Advisors has expressed any opinion as to what the value of the RAO UES Shares, the RAO UES DRs, the Subsidiary Shares, the Subsidiary GDRs, the Holdco Shares or any Holdco GDRs (or any other securities of any entity within the RAO UES Group, "Other Securities") will actually be when the Subsidiary Shares, the Subsidiary GDRs, the Holdco Shares or any Holdco GDRs or Other Securities are distributed or the price at which any such Subsidiary Shares, Subsidiary GDRs, Holdco Shares or Holdco GDRs or Other Securities will trade at any time. The Financial Advisors have expressed no opinion as to the merits of the underlying decision of RAO UES to engage in any or all of the Spin-Offs or any other transaction. Each Financial Advisor has made clear in its respective Opinion that each relevant Opinion should not be used for any purpose other than that for which it was prepared. The Opinions are necessarily based on economic, market and other conditions as in effect on the date such Opinions are given, and such

conditions are subject to change. Additionally, subsequent developments after such date may affect the Opinions and the Financial Advisors do not have any obligation to update, revise, or reaffirm any of the Opinions.

For the avoidance of doubt, the services provided by the Financial Advisors do not constitute “Evaluation Activity” for the purposes of the Russian Federal Law on Licensing of Certain Types of Activity, the Federal Law on Evaluation Activity in the Russian Federation, the Government Resolution on Licensing of Evaluation Activity and/or Articles 34 or 77 of the Joint Stock Companies Law.

Each Financial Advisor will be paid certain fees for their services as a financial advisor to RAO UES in connection with the proposed Spin-Offs in relation to which they have been engaged.

Creditors’ Rights

Under Russian law, if the Spin-Offs are approved at the EGM and the merger of each Holdco into the relevant Subsidiary, if applicable, is approved by the shareholders of the Subsidiary, RAO UES and the relevant Subsidiaries must notify their creditors about the Spin-Offs within 30 calendar days of the respective extraordinary general shareholders’ meeting which approved the Spin-Offs. Within 30 calendar days of such notification, RAO UES’ and the Subsidiaries’ creditors may demand the early termination or performance of RAO UES’ or the Subsidiaries’ obligations to them, as the case may be, and, in addition, may demand that RAO UES or the Subsidiaries, as the case may be, compensate them for any damages caused by such early termination or performance. RAO UES and the Subsidiaries do not anticipate that an exercise by any of the creditors of such rights would have a material adverse effect on continuing business and operations of the Subsidiaries or on the implementation of the Spin-Offs.

Regulatory filings, approvals and consents

Promptly following the EGM Date, shareholders’ resolutions adopted at the EGM will be announced by Interfax in its news wire services, including Interfax-Dealing, published on RAO UES’ website at <http://www.rao-ees.ru/ru> and in the newspapers *Moskovskaya Pravda* and *Izvestiya* and, in accordance with the requirements of Russian law, will be published in the journal *Prilozheniye k Vestniku Federalnoi Sluzhby po Finansovym Rynkam*.

Following the EGM, the relevant Subsidiaries, as required by applicable law, will have to obtain an approval by the FAS of the applicable merger with respect to the State Holdcos, the Minority Holdcos and InterRAO Holding. **If the FAS approval for the mergers with respect to the State Holdcos, the Minority Holdcos and InterRAO Holding is not obtained, the merger of such Holdcos into their respective Subsidiaries will not occur, and such Holdcos will be created and continue to exist without being merged into the relevant Subsidiaries.**

In addition, as discussed above, the creation of the Holdcos, as well as, if applicable, their termination and merger with the relevant Subsidiaries, will be required to be recorded in the USRLE. There can be no assurance that any such registration will be granted or received on a timely basis.

Dissenting and non-voting shareholders’ and DR holders’ redemption rights

Under Russian law, RAO UES shareholders entitled to vote at the EGM who either vote against the Spin-Offs or do not vote on the Spin-Offs proposals may elect during the Redemption Election Period to have RAO UES redeem their Shares if the Spin-Offs are approved. ***Shareholders marking the “abstain” box on voting ballots are not considered to be “non-voting” within the meaning of Russian law, and accordingly shareholders marking the “abstain” box will not be able to exercise redemption rights if the Spin-Offs are approved.*** Holders of RAO UES Shares who wish to exercise their redemption rights must surrender their shares to RAO UES during the Redemption Election Period.

Within the 30 calendar day period following the end of the Redemption Election Period, RAO UES will redeem any RAO UES Shares surrendered by holders of RAO UES Shares, including any shares surrendered by any Depositary on behalf of holders of RAO UES DRs in accordance with the procedure described below, at a price of RUB 32.15 per RAO UES Ordinary Share and RUB 29.44 per RAO UES

Preferred Share. In accordance with the requirements of Russian law, this price has been set by the Board of Directors of RAO UES, based on the market price (without taking into account the effect, if any, on the market price of RAO UES' actions resulting in the redemption rights) as determined by ZAO Deloitte & Touche CIS, an independent appraiser. Under Russian law, RAO UES may use no more than 10% of its net assets, determined as of the EGM Date, to redeem RAO UES Shares. For purposes of illustration, based on the net assets of RAO UES as at June 30, 2007, the redemption limit equaled RUB 109 billion, meaning that, if the EGM had been held on June 30, 2007, RAO UES would have been entitled to redeem approximately 8% of the RAO UES Ordinary Shares issued and outstanding.

RAO UES will pay the price of the redeemed RAO UES Shares in rubles. Payment for the redeemed RAO UES Shares surrendered to RAO UES by the Depositories on behalf of RAO UES DR holders will be made to the Relevant Depository. The Relevant Depository will pay those proceeds to the corresponding Redemption Agent, which will effect the conversion of the ruble proceeds into U.S. dollars, using the then-prevailing market rate, and will then, as soon as reasonably practicable, distribute the funds through DTC, Euroclear and Clearstream, as applicable, to the former holders of the RAO UES DRs, net of fees and charges of, and expenses incurred by, the Relevant Depository and Redemption Agent in connection with the surrender of the RAO UES DRs and the RAO UES Shares represented by RAO UES DRs, including, but not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution. The payment of funds to RAO UES DR holders may be delayed due to Russian currency control, banking and securities regulations or practices and may be prevented if there is a change in such regulations or practices. In addition, the holders of the RAO UES DRs will be taking credit risk on the Relevant Depository for the receipt of funds.

Pursuant to applicable Russian law and regulation, shareholders of record will receive information (in the form of a notice) regarding the procedures and time limits of the redemption process together with other materials that will be distributed in connection with the EGM.

In the event that holders surrender more RAO UES Shares than RAO UES is permitted to redeem, surrendered Shares will be redeemed on a pro rata basis. Pursuant to Russian corporate law, all redeemed RAO UES Shares will be held by RAO UES as treasury shares. RAO UES expects to finance the costs of any redemption of RAO UES Shares with its own resources and, to the extent necessary, with borrowings. The redeemed RAO UES Shares are required to be sold by RAO UES within one year after their purchase. Otherwise, upon the expiration of this term, RAO UES will be required to cancel those redeemed RAO UES Shares and, consequently, reduce its share capital for the aggregate par value of cancelled shares.

Redemption rights will also be available to holders of RAO UES DRs, subject to applicable law. As soon as reasonably practicable following the EGM Date, holders of RAO UES DRs who either instruct the Relevant Depository to vote against the Spin-Offs or do not give the Relevant Depository voting instructions with respect to the Spin-Offs proposals will, subject to applicable law and regulation, be provided with materials from the relevant Redemption Agent detailing the procedures to be followed if such holders wish to exercise their redemption rights and appointing the relevant Redemption Agent to act on their behalf. ***Holders of RAO UES DRs marking the "abstain" box on voting ballots are not considered to be "non-voting" within the meaning of Russian law, and accordingly, holders of RAO UES DRs marking the "abstain" box will not be able to exercise redemption rights if the Spin-Offs are approved.*** Holders who elect to exercise their redemption rights will be required to deliver redemption requests in respect of their RAO UES DRs to the relevant Redemption Agent on or prior to November 30, 2007. Holders of RAO UES DRs who elect to exercise their redemption rights should follow the instructions regarding the exercise of such rights included in the redemption materials. Holders of RAO UES DRs should ensure that all required certifications for eligibility are duly executed and returned to the relevant Redemption Agent. Each Redemption Agent will calculate the number of RAO UES DRs presented for redemption, surrender that number of RAO UES DRs to the Relevant Depository and instruct the Relevant Depository to instruct its custodian in Russia to deliver the equivalent number of RAO UES Shares to RAO UES for redemption. Upon receipt of the cash proceeds from RAO UES, the Redemption Agents will distribute the net proceeds, as applicable, net of fees and charges of, and expenses incurred by, the Relevant Depository and the Redemption Agent in connection with the surrender of RAO UES DRs and of RAO UES Shares represented by RAO UES DRs, including, but

not limited to, any costs of conversion, taxes or governmental charges with respect to such distribution to the RAO UES DR holders who surrendered RAO UES DRs for redemption.

HOLDERS OF RAO UES SHARES AND RAO UES DRs MAY BE SUBJECT TO TAX CONSEQUENCES ARISING FROM A REDEMPTION OF SHARES, INCLUDING RUSSIAN WITHHOLDING TAX ON ANY CAPITAL GAIN REALIZED. HOLDERS OF RAO UES SHARES AND RAO UES DRs SHOULD CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE REDEMPTION ARISING UNDER FOREIGN, STATE AND LOCAL LAWS. SEE “CERTAIN TAX CONSEQUENCES”.

In addition, each of the Dissenting Holders will, on the Reorganization Date, subject to applicable law and, in the case of holders of RAO UES DRs, providing the required certifications to the Relevant Depositary:

- be entitled to a number of ordinary and preferred shares in the Large Holdcos, with the number of ordinary and preferred Large Holdco Shares to which the Large Holders are entitled being adjusted accordingly, calculated on the following basis:

Distribution of Shares in the Large Holdcos

CenterEnergHolding

1.0489944190557900 ordinary shares in CenterEnergHolding for each RAO UES Ordinary Share

1.0489944190557900 preferred shares in CenterEnergHolding for each RAO UES Preferred Share

InterGeneration

3.5168944927650000 ordinary shares in InterGeneration for each RAO UES Ordinary Share

3.5168944927650000 preferred shares in the FSK for each RAO UES Preferred Share

SibenergoHolding

0.9662481705706150 ordinary shares in SibenergoHolding for each RAO UES Ordinary Share

0.9662481705706150 preferred shares in SibenergoHolding for each RAO UES Preferred Share

- be entitled to a number of ordinary and preferred shares in the State Holdcos, the Minority Holdcos and the Shareholder Holdcos pro rata to the number of RAO UES Ordinary Shares and RAO UES Preferred Shares, respectively, (or, in the case of Minority Holders of RAO UES DRs, represented by such RAO UES DRs) held by such holder on the Spin-Offs Record Date, with the number of ordinary and preferred Holdco Shares to which the other RAO UES shareholders are entitled being adjusted accordingly;
- upon the cancellation of the ordinary and preferred shares in the State Holdcos, the Minority Holdcos and InterRAO Holding, receive or, in the case of the Minority Holders of RAO UES DRs, be entitled to, a number of Subsidiary Shares, calculated on the following basis:

Exchange of Shares in Minority FSK Holding and State Holding for Shares in the FSK

The FSK

22.7734299924221000 ordinary shares in the FSK for each RAO UES Ordinary Share

20.8559071870602000 ordinary shares in the FSK for each RAO UES Preferred Share

*Exchange of Shares in Minority HydroOGK Holding
and State HydroOGK Holding for Shares in HydroOGK*

HydroOGK

4.5042344361292300 ordinary shares in HydroOGK for each RAO UES Ordinary Share

4.1249778966071600 ordinary shares in HydroOGK for each RAO UES Preferred Share

Exchange of Shares in Minority Holdcos for Shares in the Gencos

OGKs

0.3111680046437920 ordinary shares in OGK-1 for each RAO UES Ordinary Share
0.2849676586527860 ordinary shares in OGK-1 for each RAO UES Preferred Share
0.1619852376387550 ordinary shares in OGK-2 for each RAO UES Ordinary Share
0.1483460806295720 ordinary shares in OGK-2 for each RAO UES Preferred Share
0.1330715330825430 ordinary shares in OGK-3 for each RAO UES Ordinary Share
0.1218669099969930 ordinary shares in OGK-3 for each RAO UES Preferred Share
0.3323079947927110 ordinary shares in OGK-4 for each RAO UES Ordinary Share
0.3043276616311660 ordinary shares in OGK-4 for each RAO UES Preferred Share
0.1887825895738680 ordinary shares in OGK-6 for each RAO UES Ordinary Share
0.1728870955317470 ordinary shares in OGK-6 for each RAO UES Preferred Share

TGKs

12.3666215254615000 ordinary shares in TGK-1 for each RAO UES Ordinary Share
11.3253519930176000 ordinary shares in TGK-1 for each RAO UES Preferred Share
4.1993453445427100 ordinary shares in TGK-2 for each RAO UES Ordinary Share
3.8457604665322100 ordinary shares in TGK-2 for each RAO UES Preferred Share
0.1086748829074820 ordinary shares in Mosenergo for each RAO UES Ordinary Share
0.0995244577666725 ordinary shares in Mosenergo for each RAO UES Preferred Share
5.1317297710541400 ordinary shares in TGK-4 for each RAO UES Ordinary Share
4.6996381243313700 ordinary shares in TGK-4 for each RAO UES Preferred Share
4.9572012870321500 ordinary shares in TGK-6 for each RAO UES Ordinary Share
4.5398049386640400 ordinary shares in TGK-6 for each RAO UES Preferred Share
0.1081647353636870 ordinary shares in Volzhskaya TGK for each RAO UES Ordinary Share
0.0990572646460649 ordinary shares in Volzhskaya TGK for each RAO UES Preferred Share
5.5835923367304100 ordinary shares in SGK TGK-8 for each RAO UES Ordinary Share
5.1134538619777100 ordinary shares in SGK TGK-8 for each RAO UES Preferred Share
21.7795875431269000 ordinary shares in TGK-9 for each RAO UES Ordinary Share
19.9457462719956000 ordinary shares in TGK-9 for each RAO UES Preferred Share
0.4757893988635290 ordinary shares in TGK-10 for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0028662011917720 for each RAO UES Ordinary Share)
0.4357279314792190 ordinary shares in TGK-10 for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0026248670514248 for each RAO UES Preferred Share)
2.0009952110475800 ordinary shares in TGK-11 for each RAO UES Ordinary Share
1.8325114142773800 ordinary shares in TGK-11 for each RAO UES Preferred Share
0.2261270538413420 ordinary shares in Kuzbassenergo for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0022612705384134 for each RAO UES Ordinary Share)

0.2070871559079020 ordinary shares in Kuzbassenergo for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0020708715590790 for each RAO UES Preferred Share)

0.5573974390126760 ordinary shares in Eniseyskaya TGK for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000246178535029 for each RAO UES Ordinary Share)

0.5104645746478100 ordinary shares in Eniseyskaya TGK for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0000225450302380 for each RAO UES Preferred Share)

3.1418960451389000 ordinary shares in TGK-14 for each RAO UES Ordinary Share

2.8773483981382100 ordinary shares in TGK-14 for each RAO UES Preferred Share

Exchange of Shares in InterRAO Holding for Shares in Sochinskaya TES

InterRAO

41.8643489213398000 ordinary shares in Sochinskaya TES for each RAO UES Ordinary Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0041864348921340 for each RAO UES Ordinary Share)

38.3393707421631000 ordinary shares in Sochinskaya TES for each RAO UES Preferred Share (subject to the planned share-split occurring prior to the Reorganization Date, or if such share-split does not occur, 0.0038339370742163 for each RAO UES Preferred Share)

- and continue to own the same number of RAO UES Shares as such holder held immediately preceding the Reorganization Date, unless the RAO UES Merger occurs on the Reorganization Date, in which case it will receive additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK.

If the September 12 Amendment is approved by the Federation Council and the President, RAO UES shareholders who do not participate in the vote on the Spin-Offs proposals will receive a distribution of Holdco Shares and Subsidiary Shares as if they had voted for the Spin-Offs and thus will be deemed excluded from the term “Dissenting Holders” as used in this Information Statement with respect to the distribution of Holdco Shares and Subsidiary Shares. **The September 12 Amendment will not affect the redemption rights of RAO UES shareholders, which will be available to all holders of RAO UES Shares and RAO UES DRs that vote against or do not vote on the Spin-Offs proposals.**

EXCHANGE RATES

Exchange rate policy is formulated by the Russian government in consultation with the CBR and is implemented by the CBR. The CBR sets the official exchange rate on the basis of the market exchange rate and its efforts continue to be aimed at smoothing excessive short-term fluctuations in the U.S. dollar-ruble exchange rate and supporting Russia's international reserves.

The following tables show, for the periods indicated, certain information regarding the exchange rate between the ruble and the U.S. dollar, based on the official exchange rate quoted by the CBR. These rates may differ from the actual rates used in the preparation of the financial statements appearing in this Information Statement.

For each year from January 1, 2003 to December 31, 2006 and for the six months ended June 30, 2007	Rubles per U.S. dollar			
	High	Low	Average⁽¹⁾	Period end
2003	31.88	29.25	30.67	29.45
2004	29.45	27.75	28.81	27.75
2005	29.00	27.46	28.31	28.78
2006	28.48	26.18	27.14	26.33
six months ended June 30, 2007	26.58	25.69	26.07	25.82

(1) The average of the exchange rates on each day of each full month during the relevant period.

Months	Rubles per U.S. dollar	
	High	Low
January 2007	26.58	26.45
February 2007	26.55	26.16
March 2007	26.24	25.97
April 2007	26.01	25.69
May 2007	25.92	25.73
June 2007	26.05	25.78
July 2007	25.73	25.78
August 2007	25.84	25.34

The exchange rate between the ruble and the U.S. dollar on September 1, 2007 was RUB 25.6262 per USD 1.00.

The RAO UES Group's and the Subsidiaries' measurement currency is the ruble, as it reflects the economic substance of the RAO UES Group's and the Subsidiaries' underlying events and circumstances. Solely for the convenience of the reader, and except as otherwise specified, this Information Statement contains translations of ruble amounts into U.S. dollars amounts as follows:

- the financial information related to the results of operations and cash flows for the periods presented have been translated at the average exchange rates during the corresponding period; and
- the financial information related to the financial condition of the RAO UES Group and the Subsidiaries at the end of a reporting year is translated using the official exchange rate quoted by the CBR on that date.

No representation is made that the ruble or the U.S. dollars amounts in this Information Statement could have been converted into U.S. dollars or rubles, as the case may be, at any particular rate or at all. The ruble is generally not convertible outside Russia. A market exists within Russia for the conversion of rubles into other currencies, but the limited availability of other currencies may tend to distort their values relative to the ruble. No representation is also made on whether such translation was made in accordance with accounting principles applicable to the financial statements of the RAO UES Group and the Subsidiaries included in this Information Statement or elsewhere.

SELECTED HISTORICAL FINANCIAL INFORMATION OF THE RAO UES GROUP

The table below shows historical financial information of the RAO UES Group as at and for the years ended December 31, 2006, 2005, 2004, which are extracted from the RAO UES Group's IFRS consolidated financial statements for those periods (which are available in their entirety on RAO UES' website), except for the restatement adjustments made in respect of:

- *accounting of the acquisition of ZAO Moldavskaya GRES.* In 2005, ZAO Moldavskaya GRES was acquired. As no valuation was performed prior to the acquisition, the fair values of assets and liabilities of the entities as at the date of acquisition were determined on a provisional basis by the RAO UES Group. During 2006, the final fair value assessment of ZAO Moldavskaya GRES was performed by an independent appraiser, Deloitte & Touche CIS. As a result of the valuation, the final fair value of net identifiable assets as at the acquisition date has been increased. The excess of the RAO UES Group's interest in the fair value of assets and liabilities in the amount RUB 2,139 million was recognized in the RAO UES Statement of Operations in Other operating income. As a consequence of the adjustment, the Balance Sheet, Statement of Operations, Statement of Cash Flows and Statement of Changes in Equity as at and for the year ended December 31, 2005 were adjusted to reflect the finally-determined values from the date of the acquisition.
- *advances to construction companies and suppliers of property, plant and equipment.* Before 2006, the RAO UES Group accounted for advances to construction companies and suppliers of property, plant and equipment as part of other Non-current assets. In 2006, RAO UES management decided that such advances should be disclosed as part of Property, plant and equipment. The balance sheet as at December 31, 2005 and 2004 were adjusted to reflect the change in treatment. Consequently, RUB 13,195 million of advances to constructors were reclassified from other Non-current assets to Property, plant and equipment, with a simultaneous reclassification of the RUB 2,375 million of related VAT from other Non-current assets to VAT recoverable in the balance sheet as at December 31, 2005. Similar adjustments of RUB 14,422 million and RUB 2,884 were made to the balance sheet as at December 31, 2004. The information presented in Selected Consolidated Cash Flow Data was also adjusted.
- *value added tax recoverable.* During 2005, the RAO UES Group reassessed the amount of value added tax recoverable that was expected to be reclaimed more than 12 months after the balance sheet date, and reclassified RUB 6,878 million from Other current assets to Other non-current assets in the balance sheet as at December 31, 2004. This adjustment was made in the 2005 financial statements, which include 2004 comparatives, but not in the 2004 financial statements. The information presented here is consistent with the 2005 financial statements.

The selected financial data should be read in conjunction with the "Operating and Financial Review of the RAO UES Group" and the RAO UES Group's consolidated financial statements (including the notes thereto) that are available in their entirety on the RAO UES' website.

The RAO UES Group's audited consolidated financial statements have been prepared in accordance with IFRS since 1999. They differ in certain significant respects from U.S.GAAP and RAS. For a discussion of certain differences between U.S. GAAP and IFRS as they relate to the RAO UES Group, see "Summary of Certain differences between U.S. GAAP and IFRS". For a discussion of certain differences between IFRS and RAS as they relate to the RAO UES Group, see "Summary of Certain Differences Between RAS and IFRS" included in Exhibit II.

	Year ended December 31,		
	2006	2005	2004
	(in millions of RUB, except percentages and per share data)		
Selected Consolidated Statement of Operations Data			
Revenues	894,896	764,655	679,657
Other operating income	6,592	4,389	—
Reversal of tariff imbalance	11,708	—	—
Impairment charge	(39,327)	(4,459) ¹	(3,687) ¹
Reversal of impairment	228,956	—	—
Operating expenses	(820,556)	(691,981) ¹	(595,876) ¹
Operating profit	282,269	72,604	80,094
Operating profit margin	31.5%	9.5%	11.8%
Finance costs	(15,669)	(18,009)	(16,835)
Share of loss of associates and jointly-controlled entity	(520)	(60)	(312)
Profit before profit tax	266,080	54,535	62,947
Total profit tax charge	(116,562)	(29,158)	(20,097)
Profit for the period ²	149,518	25,377	42,850
Profit margin	16.7%	3.3%	6.3%
Attributable to:			
Shareholders of RAO UES	83,371	19,263	31,949
Minority interest	66,147	6,114	10,901
Earnings per ordinary share for profit attributable to the shareholders of RAO UES — basic and diluted (in rubles)	1.95	0.44	0.73
Earnings per preference share for profit attributable to the shareholders of RAO UES — basic and diluted (in rubles)	2.08	0.61	0.92
	Year ended December 31,		
	2006	2005	2004
	(in millions of RUB, except percentages and earning per share data)		
Selected Consolidated Cash Flow Data			
Net cash generated by operating activities	74,606	92,511	86,753
Net cash used for investing activities	(137,567)	(107,916)	(89,381)
Net cash generated by financing activities	79,937	16,686	6,494

⁽¹⁾ The amount of impairment charge was separated from the line Operating Expenses in order to provide comparative information with the data, available at the year 2006.

⁽²⁾ As a result of the change in IFRS effective in 2005, the format of the statements of operations has been changed. As a result of this change, the bottom-line in the statement presents overall profit of the RAO UES Group including minority interest. Net profit previously presented in the statements of operations for 2004 corresponds, in the new format of the statements of operations, to the line “profit for the period attributable to shareholders of RAO UES”.

	As at December 31,		
	2006	2005	2004
	(in millions of RUB)		
Selected Consolidated Balance Sheet Data			
Assets			
Total current assets, of which	279,536	225,703	190,595
Cash and cash equivalents	54,101	37,125	35,844
Total non-current assets, of which	1,259,017	992,196	936,403
Property, plant and equipment	1,217,526	955,132	907,303
Non-current assets classified as held for sale	4,883	—	—
TOTAL ASSETS.	1,543,436	1,217,899	1,126,998
Equity and liabilities			
Total equity, of which	1,026,750	860,187	841,284
Total equity attributable to the shareholders of RAO UES	717,531	620,143	613,651
Minority interest	309,219	240,044	227,633
Total non-current liabilities, of which	260,028	107,518	93,173
Non-current debt	107,777	38,792	20,047
Deferred tax liability.	136,496	55,919	56,091
Total current liabilities, of which	256,028	250,194	192,541
Taxes payable	41,965	59,045	42,727
Current debt and current portion of non-current debt	101,935	88,701	65,949
Liabilities directly associated with non-current assets classified as held for sale	630	—	—
Total liabilities	516,686	357,712	285,714
TOTAL EQUITY AND LIABILITIES	1,543,436	1,217,899	1,126,998

	Year ended December 31,		
	2006	2005	2004
	(in millions of RUB, except percentages)		
Non IFRS measures			
Adjusted EBITDA ¹	165,070	146,963	148,961
Adjusted EBITDA margin ²	18.4%	19.2%	21.9%

(1) Adjusted EBITDA represents profit before finance costs, profit tax, depreciation of property, plant and equipment, impairment charges and gains from reversal of impairment. The RAO UES Group presents Adjusted EBITDA because it considers it an important supplemental measure of its operating performance and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the power industry.

Adjusted EBITDA has limitations as an analytical tool, and prospective investors should not consider it in isolation, or as a substitute for analysis of the RAO UES Group's operating results as reported under IFRS. Some of these limitations are as follows:

- (a) Adjusted EBITDA does not reflect the impact of financing costs, which can be significant and could further increase if the RAO UES Group incurs more debt, on its operating performance.
- (b) Adjusted EBITDA does not reflect the impact of profit tax on the RAO UES Group's operating performance.
- (c) Adjusted EBITDA does not reflect the impact of depreciation of property, plant and equipment, impairment charge and reversal of impairment on the RAO UES Group's operating performance.
- (d) Other companies in the power industry may calculate Adjusted EBITDA differently or may use it for different purposes than the RAO UES Group does, limiting its usefulness as a comparative measure.

The RAO UES Group compensates for these limitations by relying primarily on its IFRS operating results and using Adjusted EBITDA only supplementally.

Adjusted EBITDA is a measure of the RAO UES Group's operating performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measurement of the RAO UES Group's operating performance under IFRS and should not be considered as an alternative to profit, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of the RAO UES Group's liquidity. In particular, Adjusted EBITDA should not be considered as a measure of discretionary cash available to the RAO UES Group to invest in the growth of its business.

(2) Adjusted EBITDA margin is defined as the ratio of Adjusted EBITDA to revenues over a given period.

	Year ended December 31,		
	2006	2005	2004
	<i>(in millions of RUB, except percentages)</i>		
<u>Adjusted EBITDA reconciliation</u>			
Profit for the period	149,518	25,377	42,850
Add:			
Profit tax charge.....	116,562	29,158	20,097
Finance costs	15,669	18,009	16,835
Depreciation of property, plant and equipment.....	72,950	69,960	65,492
Impairment charge	39,327	4,459	3,687
Reversal of impairment	(228,956)	—	—
Adjusted EBITDA	165,070	146,963	148,961

OPERATING AND FINANCIAL REVIEW OF THE RAO UES GROUP

The following discussion and analysis of the RAO UES Group's financial condition and the results of the RAO UES Group's operations should be read together with "Selected Historical Financial Information of the RAO UES Group" and the RAO UES Group's financial statements and the notes thereto, which are available in their entirety on RAO UES' website. The RAO UES Group's financial statements have been prepared in accordance with IFRS, which differ in certain significant respects from U.S.GAAP and RAS.

For a discussion of certain differences between U.S. GAAP and IFRS as they relate to the RAO UES Group, see "Summary of Certain Differences Between U.S.GAAP and IFRS". For a discussion of certain differences between IFRS and RAS as they relate to the RAO UES Group, see "Summary of Certain Differences between IFRS and RAS" included in Exhibit II.

This discussion contains forward-looking statements reflecting the RAO UES Group's current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Information Statement.

Overview

RAO UES was incorporated on December 31, 1992, following the privatization of certain electricity power generation, transmission and distribution assets formerly under the control of the Ministry of Energy of the Russian Federation. Nuclear generation stations were not transferred to RAO UES.

The RAO UES Group consists of RAO UES and its related subsidiaries, associates and jointly-controlled entities. For details of the RAO UES Group's significant subsidiaries as at June 30, 2007, see "RAO UES — Organizational structure".

RAO UES is the largest power holding company in the Russian Federation. In 2006, the RAO UES Group generated approximately 70% of all electricity and approximately one-third of all heat output in Russia. As at December 31, 2006, the RAO UES Group had approximately 72% of the installed electric capacity in Russia and approximately 33% of Russia's total installed heat capacity. The RAO UES Group owns approximately 96% of Russia's electric transmission lines.

In respect of the RAO UES Group's financial statements prepared in accordance with IFRS, its operations are divided into the following main business segments:

- the "**Generation segment**" consists of companies responsible for electricity and heat generation. Heat is sold within the regions in which the companies operate at tariffs set by regional tariff authorities within the limits approved by the FST. The great majority of electricity is sold within the regions and through the wholesale electricity market based on tariffs set by regional tariff authorities and the FST. With the development of a competitive wholesale electricity market, an increasing portion of the electricity is expected to be sold at market (unregulated) prices.
- the "**Transmission segment**" principally comprises RAO UES, the FSK and the System Operator, which maintain and operate the Unified National Energy Grid and perform electricity dispatch functions. The tariffs for transmission services in the Unified National Energy Grids are set by the FST.
- the "**Distribution segment**" consists of companies that are responsible for the delivery of electricity through the low voltage distribution grids at tariffs set by regional tariff authorities. The majority of the distribution fees is charged by the distribution segment to the retail segment.
- the "**Sales segment**" consists of companies that mainly purchase electricity on the wholesale market and sell it to the final customers at tariffs set by regional tariff authorities. The cost of sales of the retailing segment includes power purchased from the generation segment, the transmission fees charged by the transmission segment (where applicable) and the distribution fees charged by the distribution segment (where applicable).
- the "**Energos segment**" consists of companies that have not begun or are in the process of restructuring and are responsible for the generation, distribution and sale of heat and electricity. As a result of restructuring, the size of this segment has been greatly reduced in favor of other segments.

- the “*Unallocated*” consists of numerous other segments including construction, repair, export sales and foreign companies of the RAO UES Group.

Relations with the State

As at August 1, 2007, the Russian Federation owned a 52.68% interest in RAO UES (22,715,371,537 RAO UES Shares, consisting of 22,569,848,313 RAO UES Ordinary Shares and 145,523,224 RAO UES Preferred Shares).

The Russian Federation is involved in the RAO UES Group’s operations through:

- its representatives on the Board of Directors of RAO UES;
- its tariff regulations within the wholesale and retail electricity and heat markets;
- its control over and approval for the RAO UES Group companies’ investment programs; and
- its antimonopoly regulation.

The FST regulates electricity and heat tariffs by setting maximum electricity and heat tariff levels for final consumers, wholesale market and infrastructural entities (electricity transmission through the high voltage grids), and the regional tariff authorities set tariffs for electricity and heat for final consumers and tariffs for electricity distribution through the low voltage grids on regional retail markets. Although currently there exists free trading of limited volumes of electricity, which volumes are expected to increase in each year until 2011, when the wholesale electricity market is expected to be fully liberalized, the great majority of electricity and heat sales takes place on the regulated market at set tariffs. As a condition to privatization in 1992, the Government of the Russian Federation imposed an obligation on RAO UES Group entities to provide connection for the supply of electricity and heating to customers in the Russian Federation.

The investment programs of the companies in the RAO UES Group are subject to approval by state regulatory bodies. Approval of the investment programs of RAO UES, the FSK and the System Operator is within the competence of the Ministry of Industry and Electricity, the Ministry of Economic Development and Trade of the Russian Federation and FST. The regional tariff authorities approve the investment programs of regional distribution and sales companies.

The regulatory framework for the electricity industry includes regulations, as well as legislation relating to natural monopoly regulation.

For a further discussion on the industry and the RAO UES restructuring see “Industry Overview” and “RAO UES”.

Restructuring

In accordance with the Concept of RAO UES Strategy, and considering the policies of the Russian Federation in respect of the process of the reform of the electricity sector, in September 2007 RAO UES completed the first stage of its reorganization, which included the spin-offs of OGK-5 and TGK-5.

The Spin-Offs described in this Information Statement constitute the second and final stage of the reorganization of RAO UES. When the Spin-Offs are completed, which is envisaged in July 2008, RAO UES will cease its activity. All businesses and assets of the RAO UES Group will continue to be operated until they are sold or distributed to shareholders. Accordingly, the management considered it appropriate to prepare the financial statements as at December 31, 2007 on a going concern basis and no adjustments to the carrying value of assets and liabilities are to be made as at that date to reflect the proposed reorganization.

For a further discussion on the industry and the RAO UES restructuring see “The Spin-Offs”, “Industry Overview” and “RAO UES”.

Certain factors affecting the results of operations

Regulation of heat and electricity tariffs

Compared with other Western European countries, the Russian Federation has one of the lowest electricity tariffs in the world due to the current pricing regime, which is based on a “cost plus” approach.

As a result, the present low electricity tariffs are, to a large extent, due to the set domestic gas prices that remain substantially below the global average.

There is a cross-subsidy system in the Russian Federation which results in the setting of lower tariffs for some consumers groups and higher tariffs for others. Usually electricity tariffs are effectively subsidized for domestic utility users at the expense of industrial consumers.

Funds received from industrial consumers and available for subsidy are a form of social assistance provided from industrial consumers to domestic utility users, whose electricity tariffs are set below those of industrial consumers.

The impact of increases in fuel prices

The RAO UES Group utilizes large volumes of natural gas and coal, with gas being largely supplied by the state-owned gas monopoly, Gazprom. The majority of the RAO UES Group's total natural gas requirements in 2006, 2005 and 2004 was supplied by Gazprom under pre-agreed quotas established for each generation unit within the total quota established for a region in which such generation unit operates at regulated prices determined by the FST, with the remainder being purchased at non-regulated prices, including from independent gas producers. In 2006, 2005 and 2004, fuel costs comprised 32.7%, 31.8%, and 31.2%, respectively, of the RAO UES Group total operating expenses.

The prices for fuel types other than gas, such as coal and fuel oil, are not subject to state regulation. Until recently, the Russian government has kept gas prices relatively low. In 2006, the regulated gas purchase price for electric power plants was RUB 1,550.7 per 1,000 cubic meters compared to an average of RUB 720.9 per ton for coal. Governmental Regulation "On the Improvements of the State Regulation of Gas Prices" No. 333, dated May 28, 2007 envisages that from 2011 all Gazprom gas will be sold at prices calculated in accordance with the formula to be approved by the FST that is intended to ensure the equal profitability of domestic and export sales.

Any significant increase in gas prices would likely lead to an increase of electricity tariffs in the regulated sector as a result of the "cost-plus" method for establishing such tariffs. In the short-term, the generation companies in the RAO UES Group have only a limited ability to switch from gas to alternative cheaper fuels, such as coal, because it would in many instances require significant changes to generation equipment, and due to the lack of adequate transportation facilities and storage, environmental controls. However, the use of coal may be possible in certain generating companies in the RAO UES Group in the medium-term if investments are made in the construction of coal-fired electricity plants.

Seasonality

The RAO UES Group's sales of electricity and heat are influenced by both the seasons of the year and the relative severity of the weather. Typically, revenues from heating are concentrated within the months of October to March. A similar, although less intense, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. As a result, the RAO UES Group faces higher working capital requirements during this period of the year.

Russian macroeconomic trends

Almost all of the RAO UES Group's operations are based in the Russian Federation and, as a result, Russian macroeconomic trends, including the overall growth in the economy and in the markets in which the RAO UES Group operates, significantly influence the RAO UES Group's performance. The table below summarizes certain key macroeconomic indicators relating to the Russian economy in 2004, 2005 and 2006 and the first six months of 2007.

	Six months ended June 30,	Year ended December 31,		
	2007	2006	2005	2004
GDP growth	7.8%	6.8%	6.4%	7.2%
Consumer price index	5.7%	9.0%	10.9%	11.7%
Unemployment rate	6.7%	6.9%	7.2%	8.2%

Source: Federal State Statistic Service

In recent years, the Russian Federation has been able to overcome the consequences of the 1998 financial crisis. GDP growth rates in the Russian Federation since 2002 have remained relatively high compared to North America and Europe. Since 2002, the Russian economy has benefited from the high proportion of oil and oil products in its export revenues and high gas and oil prices on the international markets. The growth of the Russian Federation's economy during this period has resulted in growing electricity consumption and increases in the costs of fuel and labor due to greater demand. According to the Federal State Statistic Service, during the four year period from 2002 until the end of 2006 electricity consumption in the Russian Federation increased by 13.5%. The RAO UES Group expects that consumption growth will continue in the medium term, augmented by economic growth and an increase in household consumption due to general welfare improvements.

Taxes

The RAO UES Group is subject to a wide range of taxes imposed at the federal, regional, and local level and is one of the largest sources of tax revenue to the Russian federal authorities, as well as to the regional and local authorities in those regions and localities in which the RAO UES Group operates. The combination of political pressure on the federal, regional and local authorities to address social and economic issues and the difficulties associated with collecting from companies and enterprises in financial difficulties, create the risk that the Russian government, as well as regional and local governments, will seek to mitigate these problems by increasing the already substantial tax burden of the entities in the RAO UES Group.

The RAO UES Group's tax burden is largely determined by the taxes being accrued and subject to payment in the Russian Federation.

In addition to 24% income tax, the RAO UES Group is subject to a number of other taxes, many of which are based on volumetric measures. Other significant taxes being paid by the RAO UES Group include, but not limited to, the following:

- property tax at the rate of up to 2.2% (the rate may vary depending on the regions) of the carrying value of property, plant and equipment based on Russian statutory accounts;
- VAT at 18%; and
- social taxes of approximately 35%, based on gross salary payments.

Russian tax legislation is subject to varying interpretations and changes. Where the management of RAO UES believes that it is probable that the RAO UES Group's interpretation of the relevant legislation and the RAO UES Group's tax positions cannot be sustained, an appropriate amount is accrued in the IFRS financial statements.

Deferred tax

Although RUB 600 million of additional deferred tax was recognized in the year to December 31, 2005 in connection with a partial disposal of a subsidiary, as at December 31, 2005 and as at December 31, 2004, the RAO UES Group had not recognized a deferred tax liability in respect of significant temporary differences associated with investments in almost all of its subsidiaries. At those dates, the reversal of the temporary differences was within the control of the RAO UES Group and it was not probable that they would reverse, because the RAO UES Group had made no decision on the manner of the restructuring that could trigger a taxable event.

On March 2, 2007, the RAO UES Board of Directors approved a plan to sell certain of the existing shares in the share capital of all the OGKs and TGKs, except for HydroOGK, OGK-5 and TGK-5. The shares that the Board intends to sell correspond to (and will not exceed) the effective interest of the Russian Federation in those Subsidiaries by virtue of the Russian Federation's ownership of RAO UES Shares. Management considered this decision as a trigger event for the recognition of an element of the previously unrecognized deferred tax liability. Consequently, an additional deferred tax liability in the amount of RUB 36,314 million was recognized in respect of such taxable events during the year ended December 31, 2006 (during the year ended December 31, 2005 — in the amount of RUB 600 million). The remaining potential deferred tax liability has not been recognized because management continues to consider that it is not probable that it will reverse in the foreseeable future. No decision has been made as to the restructuring and potential disposal of the RAO UES Group's remaining interest in its subsidiaries.

Wholesale electricity market

In October 2003, the Russian Federation Government issued Resolution No. 643 "On the Rules for the Wholesale Electricity (Power) Market during the Transition Period". According to the rules adopted, there were two sectors within the Federal Wholesale Electricity (Power) Market (FOREM): the regulated trading sector and the free trading sector. Since November 2003, the Trade System Administrator", in accordance with the rules for the wholesale electricity market during the transition period, had been held electricity bidding in the free trading sector in the European part of Russia and in the Urals. Starting from May 2005, the free trading sector was extended to Siberia, and starting from October 2005, a balancing market was put in operation. Within the free trading sector, electricity suppliers were able to sell electricity generated with the use of facilities and equipment accounting for 15 percent of their working capacity (in the primary pricing zone) or 2-15 percent (in the secondary pricing zone).

With effect from September 1, 2006, a new liberalized model of the wholesale electricity market was launched according to the Russian Government's Resolution No. 529 "On Improvement of the Procedure for Functioning of Wholesale Electricity (Power) Market" and No. 530 "On Rules for the Functioning of Retail Electricity Markets". See "Industry Overview— Electricity Sector Reform— Reform of the Wholesale Electricity Market" and "Industry Overview— Tariffs".

Changes in the RAO UES Group structure

During the periods under review, the RAO UES Group made several acquisitions:

Acquisition of Moldavskaya GRES and Saint Guidon Invest N.V.

In March 2005, RAO Nordic Oy, which belongs to the RAO UES Group, acquired 51 percent of the shares of ZAO Moldavskaya GRES (Republic of Moldova, Pridnestrovski region). The total consideration paid in cash was RUB 1,400 million. However, control over ZAO Moldavskaya GRES was not obtained as ZAO Moldavskaya GRES' charter required a 75 percent vote for any resolution to be passed.

In August 2005, RAO Nordic Oy acquired 100 percent of the shares of Saint Guidon Invest N.V. (Belgium), the holder of 49 percent of the shares of ZAO Moldavskaya GRES and the provider of a loan to ZAO Moldavskaya GRES in the amount of RUB 639 million, including interest, as at the date of acquisition. The total consideration paid in cash was RUB 980 million. Following this acquisition, the charter of ZAO Moldavskaya GRES was amended to the effect that only a majority of the votes was required to pass a resolution, and control over ZAO Moldavskaya GRES was, consequently, obtained.

In November 2005, RAO Nordic Oy and Saint Guidon Invest N.V. sold 37 percent and 12 percent of the shares of ZAO Moldavskaya GRES for RUB 998 million and RUB 89 million respectively. As a result, the RAO UES Group's interest in ZAO Moldavskaya was, consequently, reduced to 51 percent.

As permitted by IFRS 3 "Business combination", the fair values of the assets and liabilities of ZAO Moldavskaya GRES were initially determined on a provisional basis. During 2006, a valuation by an independent appraiser was finalized. The final fair values recognized differed from the provisional amounts. The comparative information as at and for the year ended December 31, 2005 was adjusted to

reflect the effect of replacing the provisional values with the established final fair values. See “Selected Historical Financial Information of the RAO UES Group”.

Acquisition of ZAO Elektricheskie Seti Armenii

In June 2005, Interenergo B.V., a 40 percent owned subsidiary of RAO UES, obtained control over 100 percent of the shares of ZAO Elektricheskie Seti Armenii (Republic of Armenia). The total consideration paid in cash was RUB 2,089 million.

Acquisition of OAO Stantsiya Ekibastuzskaya GRES-2

In July 2005, InterRAO, which belongs to the RAO UES Group, acquired 50 percent of the shares of OAO Stantsiya Ekibastuzskaya GRES-2 (Kazakhstan). Total consideration in the amount of RUB 288 million was paid by settlement of a debt owed by the vendor for electricity supplied by the RAO UES Group to Kazakhstan in the period between 1992 and 1996.

After assessing the level of control that the RAO UES Group has over Stantsiya Ekibastuzskaya GRES-2, RAO UES’ management determined that RAO UES does not control Stantsiya Ekibastuzskaya GRES-2 and that it is a jointly-controlled entity and, therefore, the equity accounting method is applied to recognize its investment.

Acquisition of OAO Power Machines Group

In December 2005, RAO UES acquired 22.4 percent of the share capital of OAO Power Machines Group (“Power Machines”). As at the acquisition date one of the RAO UES Group entities held a further 2.6 percent of the share capital of Power Machines and, as a result, the RAO UES Group has acquired in the aggregate a blocking stake in Power Machines of 25 percent plus one share.

The principal activity of Power Machines is the manufacture and supply of equipment for hydro, steam, gas and nuclear power plants. The purchase consideration consisted of cash in the amount of RUB 2,939 million. The investment in Power Machines is accounted for using the equity method.

Kurganenergo

During 2004, management re-assessed the level of control that the RAO UES Group had over Kurganenergo and determined that control no longer existed, and that the RAO UES Group exercises significant influence over Kurganenergo. As at December 31, 2005 the investment in Kurganenergo was accounted for as an investment in an associate. However in February 2006, due to changes in the entity’s management, management of the RAO UES Group obtained control over Kurganenergo.

The newly - controlled subsidiary contributed revenue in the amount of RUB 3,382 million and a net profit of RUB 918 million to the RAO UES Group for the period from the date that control was obtained to December 31, 2006.

Heat and Power Company

As a result of the merger of OAO the Heat and Power Company with TGK-4 in September 2006, the RAO UES Group control was obtained over this company which, had previously been recognized as an associate.

Critical accounting policies and estimates

Principles of consolidation. The Financial Statements comprise the financial statements of RAO UES (which are available in their entirety on RAO UES’ website) and the financial statements of those entities whose operations are controlled by RAO UES. Control is presumed to exist when RAO UES controls, directly or indirectly through subsidiaries, more than 50 percent of voting rights. The RAO UES Group consolidates a number of companies in which the RAO UES Group owns less than 50 percent of the voting shares. In these circumstances, control exists on the basis of a significant shareholding combined

with other factors which allow the RAO UES Group to exercise control, namely: RAO UES has the majority in the Board of Directors, RAO UES is the dominant owner, or RAO UES has major influence over the company operations through its ownership and operation of the Unified Energy System.

The majority of the principal subsidiaries were transferred to the RAO UES Group by the state on or after the incorporation of RAO UES as a joint stock company, or were created as a result of the RAO UES Group restructuring of such companies. These transfers represent a reorganization of assets under common control and, accordingly, were accounted for in a manner similar to the uniting of interests method of accounting from the date of privatization of each RAO UES Group entity, or from the date of the related restructuring.

All inter-company balances and transactions have been eliminated. The minority interest has been disclosed as part of equity.

Business combinations. All business combinations are accounted for by applying the purchase method of accounting. Where the RAO UES Group obtains control of an entity or a business, it measures the cost of the business combination as the aggregate of:

- the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the RAO UES Group, in exchange for control of the acquiree and
- any costs directly attributable to the business combination.

The acquisition date is the date when the RAO UES Group effectively obtains control of the acquiree.

Goodwill. Goodwill is recognized on acquisitions of subsidiaries, associates and jointly-controlled entities. Goodwill arising on the acquisitions represents any excess of the purchase consideration over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. Goodwill is recognized at cost less impairment losses. The carrying amount of goodwill is assessed for impairment on an annual basis. In respect of associates and a jointly-controlled entity, the carrying amount of goodwill is included in the carrying amount of the investment.

Any excess of the fair value of the net identifiable assets acquired over the cost of acquisition is recognized immediately in the statement of operations.

Investments. Investments intended to be held for an indefinite period of time are classified as available-for-sale; these are included in other non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, they will need to be sold to raise operating capital or they mature within 12 months, in which case they are included in other current assets. Management determines the appropriate categorization, current or non-current, at the time of the purchase and re-evaluates it based on maturity at each reporting date.

Available-for-sale investments include non-marketable securities, which are not publicly traded or listed on the Russian stock exchange. For these investments, fair value is estimated by reference to a variety of methods including those based on their earnings and those using the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at each balance sheet date. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means, are stated at cost less impairment losses.

Regular purchases and sales of investments are initially measured at fair value and recognized on the settlement date, which is the date that the investment is delivered to or by the RAO UES Group. The cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value. Gains and losses arising from changes in the fair value of these investments are included in the fair value reserve in shareholders' equity in the period in which they arise. Realized gains and losses from the disposal of available-for-sale investments are included in the statement of operations in the period in which they arise.

Impairment losses are recognized in the statement of operations when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that

it is impaired. The cumulative impairment loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in the Statement of Operations — is removed from equity and recognized in the Statement of Operations. Impairment losses on equity instruments are not reversed through the Statement of Operations. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of operations, the impairment loss is reversed through the current period's Statement of Operations.

The RAO UES Group does not hold any investments held-to-maturity or for trading purposes.

Property, plant and equipment. Property, plant and equipment is stated at depreciated cost less impairment. Deemed cost was initially determined by a third party valuation as at December 31, 1997. RAO UES began IFRS only in 1999 and restated for the impact of inflation until December 31, 2002. Adjustments are made for additions, disposals and depreciation charges. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognized as an expense (impairment loss) in the statement of operations. An impairment loss recognized in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

The amounts determined by the third party valuation represent an estimate of depreciated replacement cost. The third party valuation was performed in order to determine a basis for cost, because the historical accounting records for property, plant and equipment were not readily available, in accordance with paragraph 16 of IAS 29. Therefore, this third party valuation is not a recurring feature since it was intended to determine the initial cost basis of property, plant and equipment and the RAO UES Group has not adopted a policy of revaluation on subsequent measurement. The change in carrying value arising from this valuation was recorded directly to retained earnings.

Renewals and improvements are capitalized and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the statement of operations as incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. For the property, plant and equipment which were subject to the third party valuation as at December 31, 1997, the depreciation rate applied is based on the estimated remaining useful lives as at the valuation date. The useful lives, in years, of assets by type of facility are as follows:

<u>Type of facility</u>	<u>Acquired prior to December 31, 1997</u>	<u>Acquired subsequent to December 31, 1997</u>
Electricity and heat generation	3-50	20-50
Electricity transmission	14-19	25
Electricity distribution	3-40	25
Heating network	3-43	20
Other	8-24	7-10

Assets that have an indefinite useful life, for example land, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Deferred profit taxes. Deferred profit tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption,

deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the RAO UES Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Deferred profit tax is provided for the undistributed earnings of associated enterprises.

Impairment of assets

Impairment provision for accounts receivable

The impairment provision for accounts receivable is based on the RAO UES Group's assessment of the collectibility of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

If the RAO UES Group determines that no objective evidence exists that impairment was incurred for an individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment of other assets and accounting for provisions

At each balance sheet date the RAO UES Group assesses whether there is any indication that the recoverable amount of the RAO UES Group's assets has declined below the carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of operations in the period in which the reduction is identified. If conditions change and management determines that the assets' value has increased, the impairment provision will be fully or partially reversed.

Accounting for impairment includes provisions against property, plant and equipment, investments, other non-current assets and inventory obsolescence. The provisions for liabilities and charges primarily include provisions for pension liabilities and legal proceedings. The RAO UES Group records an impairment or accrues these provisions when its assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered and an amount can be reasonably estimated. The RAO UES Group's estimates for provisions for liabilities and charges are based on currently available facts and the RAO UES Group's estimates of the ultimate outcome or resolution of the liability in the future.

As a result of changes in market conditions and expectations regarding future performance in the year ended December 31, 2006 the RAO UES Group identified that the recoverable amount in respect of the RAO UES Group's property, plant and equipment had materially changed. As a result a net reversal in the amount of RUB 189,629 million of a previously recognized impairment was recognized.

Actual results may differ from the estimates and the RAO UES Group's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure. Provisions for pension obligations are periodically adjusted based on updated actuarial assumptions.

Useful lives of property, plant and equipment. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Pension and post-employment benefits. In the normal course of business the RAO UES Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the statements of operations.

A number of RAO UES Group entities operate defined benefit plans that cover the majority of the RAO UES Group's employees. Benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10 percent of the value of plan assets or 10 percent of the defined benefit obligations are charged or credited to the statement of operations over the employees' expected average remaining working lives.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the balance sheet as 'Non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Assets are reclassified when all of the following conditions are met at the balance sheet date: (a) the assets are available for immediate sale in their present condition; (b) the RAO UES Group's management approved and initiated an active program to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected to occur within one year and (d) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Disclosures about market risks

Financial risk factors

The RAO UES Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, changes in interest rates and the collectibility of receivables.

Credit risk

Financial assets which potentially subject RAO UES Group entities to concentrations of credit risk consist principally of trade receivables including promissory notes. Credit risks related to trade receivables are systematically monitored and are considered when the allowance for doubtful debtors is made. The carrying amount of trade receivables, net of the allowance for doubtful debtors, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the RAO UES Group beyond the allowance for doubtful debtors already recorded.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

Foreign exchange risk

The RAO UES Group primarily operates within the Russian Federation, with limited exports of electricity. The majority of the RAO UES Group's purchases are denominated in RUB. The major concentration of foreign exchange risk is in relation to foreign currency denominated sales and purchase commitments and foreign currency denominated debt.

Interest rate risk

The RAO UES Group's income and operating cash flows are substantially independent of changes in market interest rates. The RAO UES Group is exposed to interest rate risk through market value fluctuations of interest-bearing long-term borrowings. The majority of interest rates on long-term borrowings are fixed. The RAO UES Group has no significant interest-bearing assets. Currently the RAO UES Group does not operate a formal management program focusing on the unpredictability of financial markets or seeking to minimize potential adverse effects on the financial performance of the RAO UES Group.

Results of operations for the year ended December 31, 2006 compared with the year ended December 31, 2005 and for the year ended December 31, 2005 compared with the year ended December 31, 2004

Revenues

Revenues for the year ended December 31, 2006 increased by RUB 130,241 million or 17%, and reached RUB 894,896 million, compared with RUB 764,655 million for the year ended December 31, 2005.

Revenues for the year ended December 31, 2005 increased by RUB 84,998 million or 13%, and reached RUB 764,655 million, compared with RUB 679,657 million for the year ended December 31, 2004.

	Year ended December 31,		
	2006	2005	2004
	<i>(in millions of RUB)</i>		
Electricity.....	655,815	570,982	513,933
Heat	150,905	131,899	114,908
Transmission	24,473	14,138	5,993
Other	63,703	47,636	44,823
Total revenues.....	894,896	764,655	679,657

Electricity revenues

The RAO UES Group's revenues are primarily dependent on the price at which the RAO UES Group can sell electricity and heat in the Russian Federation. The federal, regional or local government have a direct influence over the RAO UES Group operations through the regulation of the electricity tariff by FST, with respect to its wholesale electricity purchases, sales, and by the regional tariff authorities, with respect to its retail sales of electricity and also its heat sales.

On September 1, 2006 a new liberalized model of the wholesale electricity market was launched. See "— Wholesale electricity market". In the period from September 1, 2006 through December 31, 2006, all volumes of electricity were traded on wholesale market at regulated price.

The RUB 84,833 increase in the amount of electricity revenues in the year ended December 31, 2006, when compared to those for the year 2005, was due to both an increase of approximately 10% in the average electricity tariffs and an approximately 3% increase in the volume of electricity sold. The official rate of inflation for the year ended December 31, 2006 was 9%, which was slightly less than the growth of the average electricity tariff.

The RUB 57,049 increase in the amount of electricity revenues in the year ended December 31, 2005, when compared to those for the year 2004, was due to both an increase of approximately 9% in the average electricity tariffs and a 2% increase in the volume of electricity sold. The official rate of inflation for the year ended December 31, 2006 was 11%, which was slightly higher than the growth of the average electricity tariff.

RAO UES Group produced approximately 70% of the electricity produced in the Russian Federation during each of 2006, 2005 and 2004.

Heat revenues

The RUB 19,006 increase in the amount of heat revenues in the year ended December 31, 2006, when compared to those for the year 2005, was due to an approximately 12% increase in the average heat tariffs and a 2% increase in the volume of heat sold.

The increase RUB 16,991 in the amount of heat revenues in the year ended December 31, 2005, when compared to those for the year 2004, was due to an approximately 15% increase of the average heat tariffs. The volume of heat sold did not change significantly in 2005 as compared to 2004.

The RAO UES Group produced approximately 33% of the heat produced in the Russian Federation in each of 2006, 2005 and 2004.

Transmission revenues

Revenues related to transmission services provided by the RAO UES Group entities to third parties increased in 2006 by RUB 10,335 million or by 73%, as compared to 2005.

Revenues related to transmission services provided by the RAO UES Group entities to third parties increased in 2005 by RUB 8,145 million or by 136%, as compared to 2004.

The increase in the revenues derived from the provision of transmission services in both 2006 and 2005 reflects both the higher volumes of electricity purchased by third party consumer in the free market, and the resulting increase in demand from such customers for transmission services, and an increase in the tariffs for such services.

The RAO UES Group expects further growth of revenues from transmission services as the volume of electricity purchased in the free market is likely to increase in the short-to-medium term.

Other revenues

Other revenues comprise mainly of the sale of by-products related to electricity and heat production, repair and maintenance services and rental income.

Other revenues for the year ended December 31, 2006 increased by RUB 16,067 million or by 34%, as compared to the year ended December 31, 2005. This increase was mainly due to an increase in sales of services (i.e., construction, repair services) by RUB 5,059 million and installation fees by RUB 4,816 million.

Other revenues for the year ended December 31, 2005 increased by RUB 2,813 million or by 6.3%, as compared to the year ended December 31, 2004. This increase was mainly due to an increase in the sales of by-products related to electricity and heat production (for example, treated water) and rental income by RUB 1,848 million.

Other operating income

Operating income in 2006 represented the gain from the sale of OAO Taimyreneργο in the amount of RUB 6,146 million and the gain from the sale 47.4% of the shares of OAO Yaroslavskaya Retail Company in the amount of RUB 446 million.

Other Operating income in 2005 consists of the negative goodwill recognized in the purchase of ZAO Moldavskaya GRES in the amount of RUB 2,139 million (see "Selected Historical Financial Information of the RAO UES Group") and the gain on the sale of the RAO UES Group's 70% shareholding in REN TV in the amount of RUB 2,250 million.

Reversal of tariff imbalance

The federal wholesale electricity market for the period prior to September 1, 2006 had different tariffs for those selling, when compared to those purchasing electricity. An imbalance was generated between the participants since 1997. Considerable uncertainty surrounded the operation of the market and the RAO UES Group considered it probable that an outflow of economic benefits would be required for the tariff imbalance. As a result, the RAO UES Group recorded a liability for the imbalanced settlements.

On September 1, 2006 a new liberalized model of the wholesale and retail electricity markets (NOREM) was launched (see “Industry Overview — Electricity Sector Reform”). Management has re-assessed the likelihood that the RAO UES Group might be held responsible to make payments to contractors for the imbalance coming from FOREM. Management concluded that in the light of the operation of the new market, the RAO UES Group no longer has an obligation to pay the previously possible, but as of yet unasserted claims. Consequently, the previously recognized liability in the amount of RUB 11,708 million as at September 1, 2006 was de-recognized as a liability and the reversal was recognized in the statement of operations for 2006 as a “reversal of tariff imbalance”.

Reversal of impairment, impairment charge

Management has concluded that as at December 31, 2006 there were indications for reversing previously recognized impairment losses based on significant changes with a favorable effect on the RAO UES Group that have occurred or are expected to occur in the near future in the market and economic environment in which the RAO UES Group operates. Such changes included:

- Upward revisions, based on recent trends, in the expected growth of demand for electricity and heat in the majority of regions of Russia; and
- Higher degree of certainty about the free trading sector for electricity, which has been enacted by the government of the Russian Federation as of August 2006.

These developments resulted in a change to the assumptions that were used to determine the value in use of assets that comprise the cash generating units. An impairment review was carried out by comparing the recoverable amount of the individual cash generating units with their net book values. For the purposes of the review, for the generating assets, each of the RAO UES Group's power plants was used as the relevant cash generating unit. The recoverable amount for generating and other operating assets was based on their value in use, which was calculated based on estimated future cash flows using various assumptions, including the following:

- Electricity tariffs will be increased by between 9.5-58.3 percent in 2008, between 8.4-28 percent in 2009, between 10.3-26.9 percent in 2010 and between 7.6-30.4 percent in 2011;
- Heat tariffs will be increased by approximately 15 percent in 2008, 17 percent in 2009, 18.2 percent in 2010 and 18.4 percent in 2011;
- Gas prices will be increased by approximately 15 percent in 2008, 25 percent in 2009, 27.7 percent in 2010 and 27.7 percent in 2011;
- Coal prices will be increased by between 6.8-14.3 percent in 2008, 7.3-4.9 percent in 2009, 7.1-13.9 percent in 2010, and 6.7-13.8 percent in 2011;
- The annual inflation rate will not exceed 7.7 percent for each year through 2011;
- Any increase of major variable costs (except for fuel) will not exceed the annual inflation rate; and
- The discount rate used to determine assets value in use ranged from 10.5 to 16.7 percents.

Management's assessment indicated that the value in use of property, plant and equipment would not be lower than their net book value including the effect of reversal of impairment provision for a number of operating units. Consequently, the RAO UES Group recorded the reversal of the previously recognized impairment loss in the net amount of RUB 189,629 million. A respective net gain together with a corresponding net deferred tax expense in the amount of RUB 47,733 million were recognized in the statement of operations for the year ended December 31, 2006.

In the year ended December 31, 2005 and 2004, the RAO UES Group recognized an impairment loss in the amount of RUB 4,459 million and RUB 3,687 million, respectively, in respect of certain property, plant and equipment and construction in progress. The impairment losses recognized related mainly to assets located in the Chechen Republic. As a consequence of the military, political and economic situation in the Chechen Republic, management believes the RAO UES Group is unlikely to be able to generate positive cash flow from the operations of its assets in the Chechen Republic for the foreseeable future.

Operating expenses

Operating expenses in 2006 increased by RUB 128,575 million or by 19%, and reached RUB 820,556 million, compared with RUB 691,981 million for 2005.

Operating expenses in 2005 increased by RUB 96,105 million or by 16%, and reached RUB 691,891 million, compared with RUB 595 876 million for 2004.

See “Selected Historical Financial Information of the RAO UES Group”.

The main increase in operating expenses related to the following types of expenses:

	Year ended December 31,					
	2006		2005		2004	
	<i>(in millions of RUB, except percentages)</i>					
Raw materials and consumables used	291,130	35.5%	242,044	35.0%	201,022	33.7%
<i>including fuel expenses</i>	268,132	32.7%	221,032	31.9%	186,777	31.3%
Employee benefit expenses and payroll						
taxes	153,721	18.7%	129,229	18.7%	104,994	17.6%
Third parties services.	108,075	13.2%	86,046	12.4%	72,898	12.2%
Purchased power	93,136	11.3%	82,862	12.0%	76,017	12.8%
Depreciation of property, plant and						
equipment	72,950	8.9%	69,960	10.1%	65,492	11.0%
Other taxes	23,130	2.8%	9,549	1.4%	12,173	2.1%
Electricity and heat distribution expenses . .	21,448	2.6%	14,530	2.1%	9,753	1.7%
Water usage expenses	8,732	1.1%	8,572	1.2%	8,598	1.4%
Doubtful debtors expenses.	7,460	0.9%	10,013	1.4%	4,848	0.8%
Other expenses	40,774	5.0%	39,176	5.7%	40,081	6.7%
Total operating expenses	820,556	100%	691,981	100%	595,876	100%

Raw materials and consumables used

The expense related to raw material and consumables used in 2006 increased by RUB 49,086 million or by 20%, and reached RUB 291,130 million, compared with RUB 242,044 million for 2005. The main increase in the expense related to raw materials and consumables used related to fuel expenses:

- prices for all types of fuel increased on average by 17%; and
- consumption of fuel increased by 4%.

The expense related to raw materials and consumables used in 2005 increased by RUB 41,022 million or by 20%, and reached RUB 242,044 million, compared with RUB 201,022 million in 2004. The main increase in the expense associated with raw materials and consumables used related to fuel expenses:

- prices for all types of fuel increased on average by 17.9%; and
- consumption of fuel decreased by 0.7%.

Fuel expenses for the periods under review divided by types of fuel are presented in the table below:

	Year ended December 31,					
	2006		2005		2004	
	(in millions of RUB, except percentages)					
Natural gas	180,330	67.2%	157,068	71.0%	128,958	69.0%
Coal	58,936	22.0%	48,117	21.8%	43,266	23.2%
Fuel oil.....	28,866	10.8%	15,847	7.2%	14,553	7.8%
Total fuel expenses	268,132	100%	221,032	100%	186,777	100%

Fuel usage is closely related to the volume of electricity produced.

The increase in fuel expenses of 21% from RUB 221,032 million in 2005 to RUB 268,132 million in 2006 was primarily a result of a 25% increase in average domestic natural gas prices in 2006.

The increase in fuel expenses of 18% from RUB 186,777 million in 2004 to RUB 221,032 million in 2005 was primarily driven by a 21% increase in average domestic natural gas prices over this period.

The ability of the RAO UES Group to change the fuel consumption in terms of various fuel types is constrained by the generation plants' ability to use fuel other than gas. Furthermore, use of a cheaper fuel with unregulated prices, like coal, by power plants, which technologically may use such fuel, is limited due to logistical problems and ecological concerns.

Employee benefit expenses and payroll taxes

Employee benefit expenses and payroll taxes for the year ended December 31, 2006 increased by RUB 24,492 million or by 19%, and reached RUB 153,721 million, compared with RUB 129,229 million for the year ended December 31, 2005. The increase in the employee benefit expenses was mainly driven by an average 17% increase in salary and by an approximately 2% increase in the number of employees of the RAO UES Group.

Employee benefit expenses and payroll taxes for the year ended December 31, 2005 increased by RUB 24,235 million or by 23%, and reached RUB 129,229 million, compared with RUB 104,994 million for the year ended December 31, 2004. The increase in the employee benefit expenses was mainly driven by an average 24% increase in salary for almost all grades of the RAO UES Group employees and by the increase in the expense associated with pension obligations due to changing actuarial assumptions. The effect of these factors was only partly offset by a reduction in the number of employees of the RAO UES Group by approximately 5%.

Third parties services

	Year ended December 31,					
	2006		2005		2004	
	(in millions of RUB, except percentages)					
Repairs and maintenance	64,152	59.3%	53,043	61.6%	47,124	64.6%
Consulting, legal and information services .	11,970	11.0%	6,518	7.6%	4,645	6.4%
Rent	7,267	6.7%	5,213	6.1%	4,925	6.8%
Security services	5,364	4.9%	4,433	5.2%	3,247	4.5%
Insurance expense	5,272	4.9%	5,500	6.4%	5,044	6.9%
Transportation services	5,077	4.9%	3,727	4.3%	2,875	3.9%
Other	8,973	8.3%	7,612	8.8%	5,038	6.9%
Total third parties services	108,075	100%	86,046	100%	72,898	100%

Third parties services in 2006 and 2005 for the year ended 31 December, 2006 increased by RUB 22,029 million or by 26%, and reached RUB 108,075 million, compared with RUB 86,046 million for the year ended December 31, 2005.

Third parties services for the year ended December 31, 2005 increased by RUB 13,148 million or by 18%, and reached RUB 86,046 million, compared with RUB 72,898 million for the year ended 31 December, 2004.

The increase in third parties services was mainly due to an increase in the level of repair and maintenance activities, and consulting, legal and information services in several significant entities in the RAO UES Group entities.

Repair and maintenance expenses include scheduled on-going maintenance activities and small repair work. More significant repairs or replacements are capitalized according to the RAO UES Group's accounting policy. Repair and maintenance expenses will fluctuate from year to year based on planned maintenance activities and may reflect both higher material costs and higher planned levels of such activities. The RAO UES Group entities perform some of their own maintenance works, with the rest being outsourced to outside contractors.

Purchased power

The major part of electricity purchases by the RAO UES Group is from a state-controlled nuclear power entity Rosenergoatom, and is purchased based on tariffs set by the FST. Electricity power purchased by the RAO UES Group is used during the periods of high demands to help balance power supplies, where such supplies can be obtained at lower expense and to meet demands in certain regions.

The costs related to purchased power, which relate to purchases of electricity, for the year ended December 31, 2006 increased by RUB 10,274 million or by 12%, and reached RUB 93,136 million, compared with RUB 82,862 million for the year ended December 31, 2005. This increase was mainly due to a growth in the average tariffs for purchased electricity of approximately 10% and a growth in the volume of purchased electricity by 2%.

The costs related to purchased power for the year ended December 31, 2005 increased by RUB 6,845 million or by 9%, and reached RUB 82,862 million, compared with RUB 76,017 million for the year ended December 31, 2004. This increase was mainly due to a growth in the average tariffs for purchased electricity by approximately 10%.

Depreciation of property, plant and equipment

The expenses associated with the depreciation of property, plant and equipment for the year ended December 31, 2006 increased by RUB 2,990 million or by 4%, and reached RUB 72,950 million, compared with RUB 69,960 million for the year ended December 31, 2005.

The expenses associated with the depreciation and impairment of property, plant and equipment for the year ended December 31, 2005 increased by RUB 4,468 million or 7%, and reached RUB 69,960 million, compared with RUB 65,492 million for the year ended December 31, 2004.

The increases in expenses associated with the depreciation of property, plant and equipment reflected in the increase in the amount of the operating property, plant and equipment during the periods under review as a result of the on-going investment in the technological development of the RAO UES Group.

Electricity and heat distribution expenses

Electricity and heat distribution expenses for the year ended December 31, 2006 increased by RUB 6,918 million or by 48%, and reached RUB 21,448 million, compared with RUB 14,530 million for the year ended December 31, 2005.

Electricity and heat distribution expenses for the year ended December 31, 2005 increased by RUB 4,777 million or by 49%, and reached RUB 14,530 million, compared with RUB 9,753 million for the year ended December 31, 2004.

The increases in electricity and heat distribution expenses during the periods under review were due to the growth in tariffs for local transportation of electricity and heat, established by municipal authorities, and the increase in the volume of transportation services provided to the RAO UES Group by local municipal distribution companies.

Doubtful debtors expenses

Doubtful debtors expenses for the year ended December 31, 2006 decreased by RUB 2,553 million or 25%, and reached RUB 7,460 million, compared with RUB 10,013 million for the year ended December 31, 2005.

Doubtful debtors expenses for the year ended December 31, 2005 increased by RUB 5,165 million, and reached RUB 10,013 million, compared with RUB 4,848 million for 2004. This increase was caused mainly by the re-assessment of the collectibility of certain trade receivables from municipal electricity and heat supply companies.

The RAO UES Group has determined the allowance for doubtful debtors based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analysis of expected future cash flows. Based on the expected collection rate, discount rates of 11-19 % have been used in the estimation of the fair value of future cash flows. The effects of discounting were reflected in the doubtful debtor allowance and expense. The management believes that the RAO UES Group entities will be able to realize the net receivable amount through direct cash collections or other non-cash settlements, and that, therefore, the recorded value approximates the fair value of the net receivable amount.

Water usage expenses

Water usage expenses for the year ended December 31, 2006 increased slightly and reached RUB 8,732 million, compared with RUB 8,572 million for the year ended December 31, 2005.

Water usage expenses for the year ended December 31, 2005 decreased slightly and reached RUB 8,572 million, compared with RUB 8,598 million for the year ended December 31, 2004.

Other expenses

Other expenses for the year ended December 31, 2006 increased by RUB 1,598 million or by 4%, and reached RUB 40,774 million, compared with RUB 39,176 million for the year ended December 31, 2005.

Other expenses for the year ended December 31, 2005 decreased by RUB 905 million or by 2%, and reached RUB 39,176 million, compared with RUB 40,081 million for the year ended December 31, 2004.

Other expenses consist of a number of expenses, including bank charges, charity, social expenditures, consulting services, expenses related to restructuring, and business trip expenses), which did not represent either individually or cumulatively significant expenses.

Finance costs

	Year ended December 31,		
	2006	2005	2004
	<i>(in millions of RUB)</i>		
Interest expense (debts)	13,906	7,953	8,480
Interest expense (release of prior period discounting)	1,904	9,390	9,129
Leasing finance charges.....	363	437	—
Foreign exchange (gain)/loss	(504)	229	(774)
Total	15,669	18,009	16,835

Finance costs for the year ended December 31, 2006 decreased by RUB 2,340 million or by 13%, and reached RUB 15,669 million, compared with RUB 18,009 million for the year ended December 31, 2005.

Finance costs for the year ended December 31, 2005 increased by RUB 1,174 million or by 7%, and reached RUB 18,009 million, compared with RUB 16,835 million for the year ended December 31, 2004.

The increase in interest expense (debts) for the year ended December 31, 2006 resulted from the higher level of borrowings. The effect of increase in interest expense (debts) was partially offset by lower average interest rates on the loans.

The interest expense (debts) for the year ended December 31, 2005 decreased due to the lower average interest rates on bank loans (10-15%) and on long-term bonds issued by the RAO UES Group entities (7-11%) as compared to average interest rates (12-16%) for the year ended December 31, 2004.

Interest expense associated with the release of prior period discounting represents the effect of discounting of restructured payable amounts of taxes and penalties over the periods under review. In accordance with Government Resolution No. 1002, dated September 3, 1999, most members of the

RAO UES Group have restructured taxes, including fines and interest to be repaid over a period of up to 10 years. Non-adherence to certain payment schedules could result in the gross amount of taxes payable, including fines and interest, becoming due on demand. During the year ended December 31, 2005, significant write-offs of previously restructured penalties took place, thus the effect of taxes payable restructuring (the discount is amortized over the period of the restructuring as an expense) decreased in the year ended December 31, 2006.

Profit tax

	Year ended December 31,		
	2006	2005	2004
	<i>(in millions of RUB)</i>		
Current profit tax charge	(34,413)	(28,867)	(24,151)
Deferred profit tax (charge)/benefit	(82,149)	(291)	4,054
Total profit tax charge	(116,562)	(29,158)	(20,097)

Profit tax charge for the year ended December 31, 2006 increased by RUB 87,404 million or by 300%, and reached RUB 116,562 million, compared to RUB 29,158 million for the year ended December 31, 2005.

The change in total profit tax charge in the year ended December 31, 2006 was mainly a result of:

- expenses in the year ended December 31, 2006 being significantly affected by an increase in current profit tax charge by RUB 5,546 million as compared to the year ended December 31, 2005, due to increase in operating profit and higher levels of non-deductible expenses caused by considerable growth of taxable income from operations in almost all the RAO UES Group entities; and
- an increase in deferred profit tax net charge by RUB 81,858 million as compared to 2005, caused mainly by the recognition of a deferred tax liability in respect of temporary differences associated with investments in several of its subsidiaries amounting to approximately RUB 36 billion and a reversal of the previously recognized property, plant and equipment impairment loss amounting to approximately RUB 48 billion.

Overall, as a result of the above factors, the effective profit tax rate decreased to 43.8% in the year ended December 31, 2006 from 53.5% in the year ended December 31, 2005.

Profit tax charge for the year ended December 31, 2005 increased by RUB 9,061 million or by 45%, and reached RUB 29,158 million, compared to RUB 20,097 million for the year ended December 31, 2004.

The change in total profit tax charge in the year ended December 31, 2005 were mainly a result of:

- an increase in current profit tax charge by RUB 4,716 million as compared to the year ended December 31, 2004, and higher levels of non-deductible expenses caused by considerable growth of taxable income from operations in almost all the RAO UES Group entities; and
- an increase in deferred profit tax charge by RUB 3,795 million as compared to 2004, as a result of the non-recognition of deferred tax assets in all unbundled RAO UES Group entities because of the uncertainty whether future taxable profits will be available against which the RAO UES Group entities could utilize the potential benefits.

Overall, as a result of the above factors, the effective profit tax rate increased to 54.8% in the year ended December 31, 2005 from 31.9% in the year ended December 31, 2004.

Where the IFRS carrying value of property, plant and equipment is below their tax net value, a potential deferred tax asset arises. As at December 31, 2006, 2005 and 2004, the RAO UES Group did not recognize deferred tax assets in the amount RUB 15,520 million, RUB 10,489 million, and RUB 6,694 million, respectively, because it is unlikely that future taxable profits will be available against which the RAO UES Group can utilize the benefits. Tax losses can be carried forward for a maximum of 10 years.

In accordance with Russian tax legislation, tax losses in different RAO UES Group companies may not be relieved against taxable profit of other RAO UES Group companies. Accordingly, profit tax may accrue even where there is a net consolidated tax loss.

As at December 31, 2005 and as at December 31, 2004 the RAO UES Group did not recognize a deferred tax liability in respect of the temporary differences associated with investments in almost all of its subsidiaries. At those dates, the reversal of the temporary differences was within the control of the RAO UES Group and it was considered unlikely that they would reverse because at that time the RAO UES Group had not yet made a decision on the manner of the restructuring, which could trigger a taxable event.

At a meeting of the RAO UES Board of Directors held on March 2, 2007, the Board of Directors considered and approved a plan that envisages that the RAO UES Group or successor entities raise funds for future capital expenditures by selling shares in the share capital of all the OGKs and TGKs, except for HydroOGK, OGK-5 and TKG-5, in the amount not exceeding the effective share of the Russian Federation in RAO UES. Management considered this decision as a triggering event for the recognition as an adjusting post balance sheet of an element of the previously unrecognized deferred tax liability. Calculation of deferred tax was thus performed on consequently the basis of the effective ownership percentage of the Russian Federation in RAO UES as at December 31, 2005. In the year ending December 31, 2006, an additional deferred tax liability in the amount of RUB 36,314 million was recognized in respect of such taxable events. As at December 31, 2006, the total amount of deferred tax liability recognized in respect of the potential reversal of the temporary differences associated with investments in subsidiaries was RUB 36,712 million, as compared to RUB 600 million as at December 31, 2005. As at December 31, 2006, the total amount of unrecognized deferred tax liability in respect of such temporary differences was between zero and approximately RUB 101 billion depending on how the difference would reverse.

Liquidity and capital resources

The primary sources of liquidity of the RAO UES Group are cash provided from operating activities and debt financing. It is currently expected that in the short-to medium-term, the budgeted capital expenditures, interest and dividend payments of the RAO UES Group will be financed mainly out of operating cash flows supplemented by additional borrowings.

Capital expenditures

The RAO UES Group's business is heavily dependent on plant and equipment, much of which is old and requires periodic upgrading, improvement and repair. Investments to maintain, expand and increase the efficiency of production, transmission and distribution facilities are, accordingly, an important priority and have a significant effect on the RAO UES Group's cash flows and future results of operations.

The most significant increases of property, plant and equipment net book value during the period under review were in following types: electricity and heat generation, electricity distribution and transmission, and construction in progress.

The success of the long-term objectives of the RAO UES Group will greatly depend on its ability to raise the financing needed in connection with its technical refurbishment program and property, plant and equipment replacement program. The RAO UES Group developed an investment program for the generation companies for the five-year period between 2006-2010, which was approved by the Russian government. The RAO UES' website contains a detailed description of the approved investment program.

In May 2006, RAO UES, HydroOGK, and external investors concluded an agreement on mutual financing, construction and utilization of Boguchanskaya GES and the Boguchanskiy Aluminum Plant. Total investment to be contributed by the investors amounts to RUB 100,619 million. Distribution of investments between investors will be made on the basis of the agreement. The first line of Boguchanskaya GES and Boguchanskiy Aluminum Plant is planned to be put into operation in the fourth quarter of 2009.

As at December 31, 2006, capital commitments were RUB 129,641 million compared to RUB 89,772 million as at December 31, 2005. The increase of RUB 39,869 million was due to the increase of future capital expenditures for which contracts had been signed in 2006.

As at December 31, 2005, capital commitments were RUB 89,772 million compared to RUB 46,555 million as at December 31, 2004. The increase of RUB 43,217 million was due to the increase of future capital expenditures for which contracts had been signed in 2005.

As at December 31, 2006, 2005 and 2004, the most significant capital commitments were in the following RAO UES Group entities:

	As at December 31,		
	2006	2005	2004
	(in millions of RUB)		
The FSK.....	61,600	22,413	9,367
Ivanovskiye PGU.....	1,522	5,573	7,065
Sayano-Shushenskaya GES.....	5,283	6,026	446
Severo-Zapadnaya TES.....	676	2,682	7,198
Moskovskaya Teplosetevaya Company.....	4,065	4,320	—
Mosenergo.....	21,921	1,016	5,050
Lenenergo.....	3,422	2,225	325
System Operator.....	2,709	167	—
Chelyabinsk Generating Company.....	—	1,297	—
Moskovskaya Oblastnaya Elektrosetevaya Company.....	3,244	1,044	—
Khabarovskenergo.....	440	1,243	2,287
Kaliningradskaya TES.....	474	—	2,175
Other.....	24,285	41,766	12,642
Total capital commitments	129,641	89,772	46,555

The substantial increase of capital commitments is in line with the plans of the RAO UES Group and reflects the higher level of activity, which resulted also in the increase in cash used for investing activities.

Summary of cash flows

	For the year ended December 31,		
	2006	2005	2004
	(in millions of RUB)		
Net cash generated by operating activities.....	74,606	92,511	86,753
Net cash used for investing activities.....	(137,567)	(107,916)	(89,381)
Net cash generated by financing activities.....	79,937	16,686	6,494

Net cash generated by operating activities

Net cash provided by operating activities for the year ended December 31, 2006 decreased by RUB 17,905 million compared to that for the year ended December 31, 2005. This is primarily due to the following reasons:

- profit before tax decreased by RUB 211,545 million for the year ended December 31, 2006 compared to that for the year ended December 31, 2005;
- depreciation of property, plant and equipment increased by RUB 2,990 million compared to that for the year ended December 31, 2005;
- impairment of property, plant and equipment (including reversal and charge) indicated decrease by RUB 194,088 million compared to that for the year ended December 31, 2005;
- doubtful debtors expenses decreased by RUB 2,553 million for the year ended December 31, 2006 compared to that for the year ended December 31, 2005. See “— Doubtful debtors expenses”;
- reversal of tariff imbalance in the year ended December 31, 2006 in the amount of RUB 11,708 million. See “— Reversal of tariff imbalance”; and
- the amount of cash used for the working capital changes increased by RUB 18,577 million for the year ended December 31, 2006 compared to the year ended December 31, 2005 primarily due to decrease in taxes payable and increase in both inventories and other current assets.

Net cash provided by operating activities for the year ended December 31, 2005 increased by RUB 5,758 million compared to that for the year ended December 31, 2004. This is primarily due to the following reasons:

- profit before profit tax decreased by RUB 8,412 million for the year ended December 31, 2005 compared to that for the year ended December 31, 2004;
- depreciation and impairment of property, plant and equipment increased by RUB 5,169 million for the year ended December 31, 2005 compared to that for the year ended December 31, 2004. The increase was due to overall increase in the property, plant and equipment. See “— Depreciation of property, plant and equipment”;
- doubtful debtors expense increased by RUB 5,165 million for the year ended December 31, 2005 compared to that for the year ended December 31, 2004. The change in the bad debt provision was primarily caused by the doubtful debtors provisioning of trade receivable from municipal electricity and heat supply companies, as well as other doubtful debtors provisioning in various entities of the RAO UES Group. See “— Doubtful debtors expenses”; and
- the amount of cash used for the working capital changes decreased by RUB 16,007 million for the year ended December 31, 2005 compared to the year ended December 31, 2004 primarily due to increases in both accounts payable and taxes payable.

Net cash used for investing activities

The principal use of cash used in investing activities over the periods under review was the purchase of property, plant and equipment and acquisitions of entities, see also “— Certain factors affecting the results of operations”.

Net cash used for investing activities for the year ended December 31, 2006 increased by RUB 29,651 million to RUB 137,567 million, compared to the year ended December 31, 2005. Cash outflows for investing activities in the year ended December 31, 2006 included capital investment in the acquisition of property, plant and equipment totaling RUB 150,183 million. Proceeds from the sales of subsidiaries increased by RUB 8,986 million or by 335 %, compared with such proceeds for the year ended December 31, 2005. The increase was mainly due to the sale of 100% of OJSC Taimyrenargo and a 47.4% stake in OJSC Yaroslavskaya retail company. See “— Other operating income”.

Net cash used for investing activities for the year ended December 31, 2005 increased by RUB 18,535 million to RUB 107,916 million, compared to the year ended December 31, 2004. Cash outflows in 2005 included capital investment reflected in the acquisition of property, plant and equipment totaling RUB 104,122 million. In the year ended December 31, 2005, significant net cash outflows related to the acquisition of 22.4 percent of the share capital of OAO Power Machines Group, in the amount RUB 2,939 million, 100 percent of the shares of ZAO Elektricheskie Seti Armenii and 51 percent of the shares of ZAO Moldavskaya GRES, in the amount RUB 1,252 million, in the amount of RUB 2,089 million, which were partially offset by the proceeds from the sale of a 70% stake in Media-Holding REN TV, in the amount of RUB 2,872 million.

Net cash generated by financing activities

Net cash generated by financing activities for the year ended December 31, 2006 increased by RUB 63,251 million, and reached RUB 79,937 million, compared with RUB 16,686 million for the year ended December 31, 2005. The increase was mainly due to new borrowings in the year ended December 31, 2006 in an amount significantly exceeding debt repaid and due to an increase in the proceeds from share issuances by subsidiaries, which amounted to RUB 11,862 million.

Net cash inflow from financing activities for the year ended December 31, 2005 increased by RUB 10,192 million, and reached RUB 16,686 million, compared with RUB 6,494 million for the year ended December 31, 2004. The increase was mainly due to new borrowings in the year ended December 31, 2005 in an amount significantly exceeding debts repaid. The increase was partly offset by the cash outflow on the purchase by Lenenergo of treasury shares for RUB 2,758 million.

The amount of new borrowings in the year ended December 31, 2006 exceeded the amount of the borrowings repaid by RUB 85,655 million.

The amount of new borrowings in the year ended December 31, 2005 exceeded the amount of the borrowings repaid by RUB 35,920 million.

The amount of new borrowings in the year ended December 31, 2004 exceeded the amount of the borrowings repaid by RUB 22,668 million.

The following table sets forth the RAO UES Group's borrowings as at the dates indicated:

	As at December 31,		
	2006	2005	2004
	<i>(in millions of RUB)</i>		
Short-term borrowings, including:	101,935	88,701	65,949
<i>Current portion of long-term borrowings</i>	<i>25,087</i>	<i>10,095</i>	<i>7,378</i>
Long-term borrowings	107,777	38,792	20,047
Total borrowings	209,712	127,493	85,996

Over the periods under review, the RAO UES Group has entered into a number of ruble — and foreign currency-denominated loan agreements.

Short-term borrowings

As at December 31, 2006 short-term borrowings increased by RUB 13,234 million or 15%, compared with short-term borrowings as at December 31, 2005. The major increases occurred in TGK-7 (RUB 2,700), TGK-2 (RUB 2,600), OGK-2 (RUB 1,971), Arkhangelskaya generation company (RUB 916) and Kubanenergo (RUB 1,559).

As at December 31, 2005 short-term borrowings increased by RUB 22,752 million or 34%, compared with short-term borrowings as at December 31, 2004. The major increases occurred in InterRAO (RUB 4,351 million), RAO UES Head Office (RUB 3,740 million), Lenenergo and Peterburgskaya Generating Company (RUB 2,109 million), TGK-9 (RUB 1,750 million), Kaliningradskaya TES (RUB 1,664 million), Ivanovskiye PGU (RUB 1,600 million) and Altayenergo (RUB 1,013 million).

As at December 31, 2006 the current portion of long-term borrowings increased by RUB 14,992 million or by 150%, and reached RUB 25,087 million, compared with RUB 10,095 million as at December 31, 2005.

As at December 31, 2005 the current portion of long-term borrowings increased by RUB 2,717 million or by 37%, and reached RUB 10,095 million, compared with RUB 7,378 million as at December 31, 2004.

New short-term borrowings funds were raised mainly for financing operating activities over the periods under review.

Long-term borrowings

As at December 31, 2006, long-term borrowings increased by RUB 68,985 million or by 178%, compared with long-term borrowings as at December 31, 2005. The increase was primarily due to new bonds issued by the following companies: Mosenergo (RUB 10,000 million), FSK (RUB 11,000 million), OGK-5 (RUB 5,000 million), HydroOGK (RUB 5,000 million), OGK-3 (RUB 3,000 million), and new loans obtained by Mosenergo (RUB 9,987 million), FSK (RUB 5,000 million) and InterRAO (RUB 4,201 million).

As at December 31, 2005, long-term borrowings increased by RUB 18,745 million or by 94%, compared with long-term borrowings as at December 31, 2004. The increase was primarily due to new bonds issued by the Federal Grid Company (RUB 14,000 million), and new loans obtained by Khabarovskenergo (over RUB 2,284 million) and Moscow Heating Grid Company (over RUB 1,500 million).

Long-term funds were raised in each of 2006, 2005 and 2004 mainly for investing activities.

The following is a list of the types of long-term borrowings:

				As at December 31,		
	Currency	Effective interest rate	Due	2006	2005	2004
				(in millions of RUB)		
Bonds issued by subsidiaries:						
RAO HO	RUB	5%-10%	2005			3,000
FSK	RUB	7.2%-8.8%	2007 - 2010	30,000	19,000	5,000
Mosenergo	RUB	7.65%	2016	10,000	—	
MOESK	RUB	8.00%	2011	6,000	—	
OGK-5	RUB	8.00%	2011	5,000	—	
HydroOGK	RUB	8.10%	2011	5,000	—	
Lenenergo	RUB	10.00%	2007	3,000	3,000	3,000
OGK-3	RUB	7.00%	2010	3,000	—	
Sverdlovenrgo	RUB	10.5%-11.5%	2007	500	278	359
Altayenergo	RUB	18%	2005			600
Other bonds issued by subsidiaries				—	400	400
				62,500	22,678	12,359
Long-term debts payable to:						
EBRD	RUB	MosPrime + 2.15%	2013	5,000	—	
EBRD	RUB	8.42%-9.32%	2016-2020	6,300	—	
EBRD	EUR	EURIBOR + 4.25%	2010	—	1,231	
EBRD	EUR	EURIBOR 6.858%	2006-2010	972		
EBRD	EUR	6%-7.53%	2012-2015	276		1,977
EBRD	USD	MosPrime + 2.75%	2012	1,050		
EBRD	USD	MosPrime + 4%	2017	750	—	
EBRD	USD	MosPrime + 3.15%	2017	1,250	—	
EBRD	USD	MosPrime + 2%	2017	1,750	—	
EBRD	USD	MosPrime + 2.5%	2018	900	—	
EBRD	USD	MosPrime + 3.5%	2012	1,500		
EBRD	USD	LIBOR + 3.5%	2007	432	906	
EBRD	USD	LIBOR + 4%	2009	267	647	
EBRD	USD	5%-7%	2007-2009			1,498
Alpha-Bank	RUB	10%-12%	2006-2008	6,863	298	
Gazprombank	RUB	9.8%-10%	2007-2008	1,555	387	
Sberbank	RUB	10%-14.5%	2006-2011	6,085	4,182	2,802
Clovery PLC	USD	7.75%	2008	3,950	—	
Municipal authority of Kamchatka region	USD	LIBOR + 3%	2034	2,236	2,459	2,772
Nomos-Bank	RUB	10%-14%	2006-2008	1,197	440	24
Vneshtorgbank	RUB	11%-15%	2006-2007	3,478	1,020	50
Bank Credit Suisse First Boston	USD	RF30 + 2.5%	2010	731	1,119	
Natexis bank	USD	LIBOR + 2.5%	2008	395	432	
Other Russian banks	RUB	10%-15%	2006-2011	12,315	4,751	
Nordic Investment Bank	EUR	Euribor 6.904%	2012	1,041	—	
MPS Russia	RUB	0%	2009			1,471
Kommertsbank	USD	9%	2006			1,249
Other long-term debts				7,074	3,720	3,223
				67,367	21,592	15,066
Finance lease liability				2,997	4,617	—
Total non-current debt				132,864	48,887	27,425
Less: current portion of non-current debt				(25,087)	(10,095)	(7,378)
Total				107,777	38,792	20,047

The table below shows a schedule of repayment dates of the RAO UES Group's long-term borrowings as at December 31, 2006, 2005 and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	<i>(in millions of RUB)</i>		
Due for repayment			
Between one and two years	26,423	13,213	4,163
Between two and five years	52,192	21,442	14,100
After five years	29,162	4,137	1,784
Total	107,777	38,792	20,047

SUMMARY OF CERTAIN DIFFERENCES BETWEEN U.S. GAAP AND IFRS

The financial information included in this Information Statement is, except where otherwise indicated, prepared and presented in accordance with IFRS, which differ in certain material respects from U.S. GAAP. The following is a summary of certain differences that exist between U.S. GAAP and IFRS as at December 31, 2006, having regard to authoritative pronouncements the adoption of which was mandatory as of that date. Other standards or pronouncements may have been issued whose adoption is only mandatory after that date. In addition, the organizations that determine U.S. GAAP and IFRS have projects on-going that could have a significant impact on future comparisons such as this.

This description is not intended to provide a comprehensive listing of all such differences specifically related to the RAO UES Group, the Subsidiaries or the industries in which they operate.

The RAO UES Group is responsible for preparing the summary below. Neither the RAO UES Group nor the Subsidiaries have prepared financial statements in accordance with U.S. GAAP or prepared a reconciliation of their financial statements to U.S. GAAP and related footnote disclosure and have not qualified such differences and, accordingly, neither the RAO UES Group nor the Subsidiaries can offer any assurances that the summary is complete or the differences described below would, in fact, be the accounting principles creating the greatest differences between financial statements of the RAO UES Group or the Subsidiaries, as the case may be, prepared under U.S. GAAP and under IFRS. In addition, neither the RAO UES Group nor the Subsidiaries can estimate the net effect that applying U.S. GAAP would have on their respective results of operations or financial position, or any component thereof, in any of the presentations of financial information in this Information Statement or elsewhere. However, the effect of such differences may be material, and in particular, it may be that the total shareholders' equity, and net profit prepared on the basis of U.S. GAAP would be materially different due to these differences.

Shareholders should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the financial information herein and elsewhere.

U.S. GAAP is generally more restrictive and comprehensive than IFRS regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or the notes thereto.

IFRS

U.S. GAAP

Depreciation of property, plant and equipment

The depreciable amount of an item of property, plant and equipment must be allocated on a systematic basis over its useful life, reflecting the pattern in which the asset's benefits are consumed by the entity. Any changes in the depreciation method used are treated as a change in accounting estimate reflected in the depreciation charge for the current and prospective periods.

Similar to IFRS, except that U.S. GAAP classifies a change in the depreciation method as a change in accounting policy. The cumulative effect of the change is then reflected in the current year's statement of operations.

Impairment of assets

An entity must assess annually whether there are any indications that an asset may be impaired. If there is any such indication, the assets must be tested for impairment. An impairment loss must be recognized in the statement of operations when an asset's carrying amount exceeds its recoverable amount.

Similar to IFRS except that for assets to be held and used, impairment is first measured by reference to undiscounted cash flows. If impairment exists the entity must measure impairment by comparing the asset's carrying value to its fair value. If there is no impairment by reference to undiscounted cash flows, no further action is required but the useful life of the asset must be reconsidered.

IFRS

The impairment loss is the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the future cash flows to be derived from the particular asset, discounted to present value using a pre-tax market determined rate that reflects the current assessment of the time value of money and the risks specific to the asset.

An impairment loss recognized for an asset should be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, in which case, the carrying amount of the asset should be increased to its recoverable amount.

U.S. GAAP

The impairment loss is based on the asset's fair value, being either market value (if an active market for the asset exists) or the sum of discounted future cash flows. The discount rate reflects the risk specific to that asset.

For assets to be disposed of, the loss recognized is the excess of the asset's carrying amount over its fair value less cost to sell. Such assets are not depreciated or amortized during the selling period. Prohibits reversals of impairment losses for assets to be held and used. Subsequent revisions, both increases and decreases, to the carrying amount of an asset to be disposed, must be reported as adjustments to the carrying amount of the asset but limited by the carrying amount at the date the decision to dispose of the asset is made.

Business combinations

Business combinations initiated after March 31, 2004, are acquisitions and accounted for in accordance with one method — the purchase method. Before March 31, 2004, business combinations accounted for as acquisitions were the most common method of accounting for a business combination, as the use of the uniting of interests method was severely restricted.

The date of acquisition is the date on which the acquirer obtains control over the acquired entity.

The purchase method records the assets and liabilities of the acquired entity at fair value. The cost of acquisition is the amount of cash or cash equivalents (or fair value of non-monetary assets exchanged).

Minority interest at acquisition stated at minority's share of the fair value of acquired identifiable assets, liabilities and contingent liabilities.

The identification and measurement of acquiree's identifiable assets, liabilities and contingent liabilities are reassessed. Any excess remaining after reassessment is recognized in statement of operations immediately.

All business combinations initiated after June 30, 2001 are acquisitions and accounted for in accordance with one method — the purchase method. Before June 30, 2001, business combinations were accounted for using either the purchase method or the pooling-of interests method.

The date of acquisition is the date on which assets are received or securities are issued.

Similar to IFRS.

Minority interests at acquisition stated at minority's share of pre-acquisition carrying value of net assets.

Any excess after reassessment is used to reduce proportionately the fair values assigned to non-current assets (with certain exceptions). Any remaining excess is recognized in the statement of operations immediately as an extraordinary gain.

IFRS

Fair value determined on a provisional basis can be adjusted against goodwill within 12 months of the acquisition date. Subsequent adjustments are recorded in income statement unless they are to correct an error.

U.S. GAAP

Similar to IFRS. Once fair value allocation is finalized, no further changes are permitted except for the resolution of known pre-acquisition contingencies. The adjustments made during the allocation period related to data for which management was waiting to complete the allocation are recorded against goodwill.

Inventories

Carried at the lower of cost or net realizable value (being sale proceeds less all further costs to bring the inventories to completion). Reversal is required for a subsequent increase in value of inventory previously written down.

Broadly consistent with IFRS, in that the lower of cost and market value is used to value inventories. Market value is defined as being current replacement cost subject to an upper limit of net realizable value and a lower limit of net realizable value. Reversal of a provision for inventory previously written down is prohibited.

LIFO method of determining inventory cost is prohibited.

LIFO method of determining inventory cost is permitted.

Taxation

Current and deferred taxes are measured based on tax laws and rates that have been enacted or “substantively enacted” by the balance sheet date. In some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).

Current and deferred taxes are measured using enacted tax laws and rates. For federal tax purposes in the United States, the enactment date is the date that the president signs the tax law. Enactment of a new tax law is viewed as a discrete event of the period of enactment.

Restructured liabilities

Liabilities are remeasured (extinguished) and gain or loss recognized when there is a significant modification of terms.

Liabilities are remeasured and gain or loss recognized in accordance with EITF 96-19, “Debtors Accounting for a Modification in Exchange of Debt Instruments”, which is more restrictive than IFRS concerning what represents a significant modification of terms.

Deferred tax assets

Deferred tax assets are recognized when it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced if appropriate.

Similar to IFRS but recognize all deferred tax assets and provide a valuation allowance if it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. There are a number of specific differences in application.

Segment reporting

Report primary and secondary (business and geographic) segments based on risks and returns.

Report based on internal reporting segments. Operating segments are those business activities for which discrete information is available, and whose operating results are regularly reviewed by the entity’s chief operating decision maker in determining resource allocation and assessing performance.

INDUSTRY OVERVIEW

Size

The power sector is one of Russia's key industries, and was responsible for 11% of its gross domestic product ("GDP") in 2006. Russia's power sector is among the largest in the world, ranking fourth in terms of both installed electric capacity and electricity output, after the U.S., China and Japan, in 2006.

<u>Country</u>	<u>Installed electric capacity, GW (2006)</u>	<u>Country</u>	<u>Electricity output, bln kW/h (2006)</u>
1. USA ¹	1,050	1. USA ⁴	4,254
2. China ²	508	2. China ⁴	2,834
3. Japan ³	273	3. Japan ⁴	1,150
4. Russia ¹	221	4. Russia ⁴	993
5. Canada ³	123	5. India ⁴	727
6. India ²	115	6. Germany ⁴	636
7. France ³	112	7. Canada ⁴	584
8. Germany ²	110	8. France ⁴	571
9. Brazil ¹	89	9. Brazil ⁴	419
10. U.K. ¹	80	10. South Korea ⁴	416

Source: (1) The World Alliance for Decentralised Energy, (2) The Institute of Electrical Engineers of Japan, (3) The International Atomic Energy Agency, (4) BP Statistical Review of World Energy June 2007.

Electricity Generation

The electricity generation industry of Russia consists primarily of:

- thermal power plants (fossil-fuel-powered plants, including natural gas, coal and fuel oil-fired plants, producing either electricity or both electricity and heat). They include in particular the 14 TGKs and six O GKs, in which most of Russia's thermal generation capacity is currently consolidated;
- approximately 102 hydro power plants (water-powered plants producing electricity). Approximately half of Russia's hydro power plants are to be consolidated into a single holding company, the HydroOGK; and
- approximately ten nuclear power plants (nuclear-powered plants producing electricity). All Russian nuclear power plants are currently owned by the state and operated by Rosenergoatom. See "—Current Market Structure — Power Generation Companies — Rosenergoatom".

In 2006, thermal power plants, hydro power plants and nuclear power plants accounted for approximately 66.7%, 17.6% and 15.7%, respectively, of Russia's electricity generation according to RAO UES. The installed electric capacity of thermal power plants, hydro power plants and nuclear power plants is currently 150.4 thousand MW, 46.3 thousand MW and 23.3 thousand MW, respectively, which represented 68.4%, 21.0% and 10.6% of the capacity in Russia, according to Minpromenergo, the Ministry of Industry and Energy of the Russian Federation.

In 2006, Russia's total installed electric capacity was 221 thousand MW according to Minpromenergo. Of this, the RAO UES Group accounted for 159.2 thousand MW or 72.1% according to RAO UES. In 2006, the installed electric capacity of the RAO UES Group comprised: OGKs, which provided 74.8 thousand MW, representing 47.0% of the RAO UES Group's installed electric capacity; TGKs, which provided 54.3 thousand MW, representing 34.1% of the RAO UES Group's installed electric capacity; and other sources, which provided 30.1 thousand MW, representing 18.9% of the RAO UES Group's installed electric capacity.

Following the collapse of the Soviet Union, Russia experienced a decline in electricity output from 1,068.2 bln kW/h in 1991 to 827.2 bln kW/h in 1998, according to the BP Statistical Review of World Energy (June 2007). Since 1998, electricity output in Russia has been growing at an average annual

growth rate of approximately 2.4% and the rate of increase accelerated to 4.5% in 2006 according to the BP Statistical Review of World Energy (June 2007) and RAO UES. The table below illustrates this growth between 2003 and 2006.

Electricity output (in bln kW/h)	2003	2004	2005	2006
Russia	916.3	931.9	953.1	995.6
Thermal.....	608.3	609.4	629.2	664.1
Hydro	157.7	177.8	174.4	175.0
Nuclear	150.3	144.7	149.5	156.5
The RAO UES Group	635.8	651.9	665.4	695.0
Thermal.....	520.6	521.4	540.8	569.1
Hydro	115.2	130.5	124.6	125.9

Source: RAO UES

According to RAO UES, the total electricity output in Russia was 995.6 bln kW/h, as compared to 953.1 bln kW/h in 2005, representing an increase of 4.5%. Of this total, thermal power plants accounted for 664.1 bln kW/h, which represented an increase of 5.5% as compared to 2005, hydro power plants for 175.0 bln kW/h, which represented a decline of 0.3% as compared to 2005, and nuclear power plants for 156.5 bln kW/h, which represented an increase of 4.7% as compared to 2005.

In 2006, the RAO UES Group's electricity output was 695.0 bln kW/h, which was 29.6 bln kW/h more than in 2005, representing an increase of 4.5% as compared to 2005. The RAO UES Group's electricity output in 2006 comprised: 332 bln kW/h of electricity generated by the OGKs, representing 47.8% of the total electricity output of the RAO UES Group in 2006; 277 bln kW/h of electricity generated by the TGKs, representing 39.8% of the total electricity output of the RAO UES Group in 2006; and 86 bln kW/h of electricity generated by other sources, representing 12.3% of the total electricity output of the RAO UES Group in 2006.

Heat Output

Generators of heat in Russia include the thermal power plants owned by OGKs, TGKs and other generating companies, fossil-fired boilers and electric boilers. The boilers are owned by the RAO UES Group, private companies and municipalities. See “— Current Market Structure — Power Generation Companies”.

The table below illustrates the growth of heat output between 2003 and 2006.

Heat output, mln Gcal	2003	2004	2005	2006
Russia	1,446.6	1,441.9	1,432.0	1,466.6
RAO UES Group.....	468.8	465.8	465.2	477.8

Source: RAO UES

In 2006, Russia's total heat output was 1,466.6 mln Gcal, which was 23.0 mln Gcal more than in 2005, representing an increase of 1.6% as compared to 2005. In 2006, the RAO UES Group's total heat output was 477.8 mln Gcal, which was 12.6 mln Gcal more than in 2005, representing an increase of 2.7% as compared to 2005.

Electricity and Heat Consumption

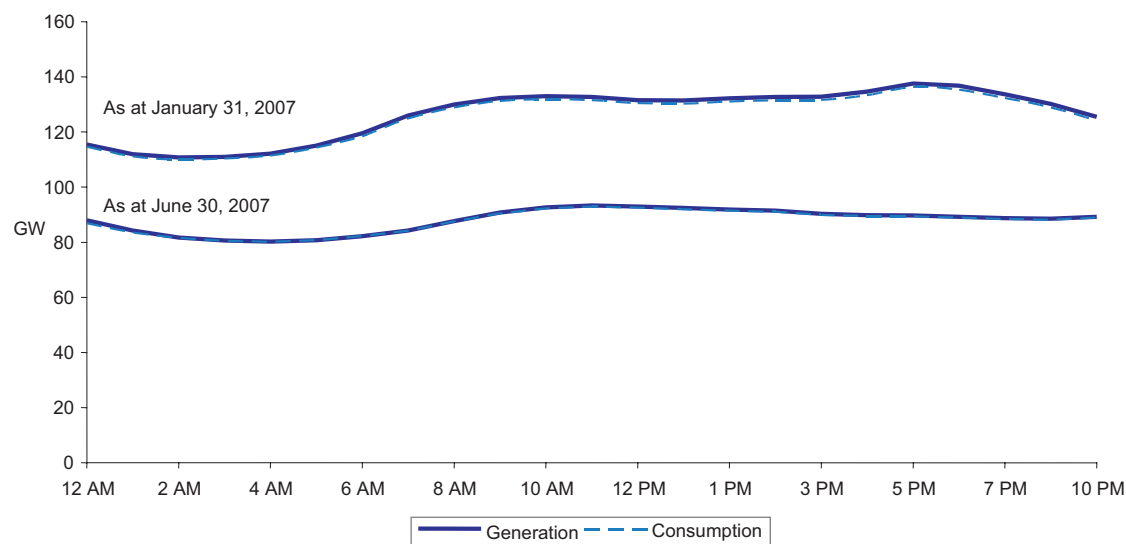
The economic recovery following the 1998 financial crisis in Russia also contributed to an increase in the total electricity consumption. Russia's GDP has grown at a compounded annual growth rate of 5.3% between 1998 and 2006, reaching RUB 26.8 trillion in 2006. The following tables provide information on the RAO UES Group's major consumers of electricity and heat in 2006.

Electricity consumption (2006)		
Consumer Group	bln kW/h	% of Total
Industrial and equivalent consumers	322.5	53.1%
Other electricity suppliers	104.9	17.3%
Non-industrial consumers	62.9	10.4%
Households.....	57.4	9.5%
Electrified transport	36.6	6.0%
Agribusiness consumers.....	13.3	2.2%
Cities/towns	9.4	1.5%
Total	607.0	100 %

Heat consumption (2006)		
Consumer Group	mln Gcal	% of Total
Industrial and equivalent consumers	221.8	51.1%
Domestic consumers.....	32.8	7.6%
State budgetary entities	34.2	7.9%
Home owners associations, building-construction cooperatives, domestic cooperatives	29.6	6.8%
Population	19.1	4.4%
Other consumers.....	24.4	5.6%
Other power companies.....	72.0	16.6%
Total	433.9	100 %

Source: RAO UES.

Electricity demand is subject to considerable fluctuations: It can vary significantly depending on weather conditions (especially between different seasons), and also varies significantly during the course of the day. The chart below demonstrates typical daily consumption curves in January and June:



Source: System Operator.

Generation Facilities

Despite the increases in the consumption of electricity and heat in the post-Soviet era, there have only been limited investments in generation facilities and transmission and distribution infrastructure during this period, with only a small number of primarily state-funded projects completed to offset the capacity decline. Over 57% of existing Russian generation capacity is currently over 27 years old and, together with other components of the power sector in Russia, is in need of investments to maintain supply stability and cope with growing demand. The winter of 2005-2006 saw the peak capacity demand almost reach its historical maximum, with black-outs occurring in Moscow, St. Petersburg, and the Tyumen Region, and it is estimated that regional deficits are soon expected.

The table below indicates the percentage of Russia's total electricity capacity provided by Russia's generation facilities, grouped according to date of commission:

<u>Commissioning year</u>	<u>Share of total Russian electricity capacity</u>
before 1950	1.4%
1951 – 1960	8.7%
1961 – 1970	23.8%
1971 – 1980	31.8%
1981 – 1990	25.4%
1991 – 2000	6.5%
after 2001.....	2.4%

Source: RAO UES.

In 2006, RAO UES developed a five-year investment program for the RAO UES Group, which envisaged that 23,000 MW of installed electric capacity would be commissioned in 2006-2010. Recently, this investment program was significantly enhanced and as a result envisaged the commissioning of 40,900 MW of installed electric capacity between 2006 and 2010 at a cost of approximately USD 120 bln. However, in May 2007, the Russian government decided that this program was not sufficiently supported by forecasts of future gas supplies by Gazprom and available financing sources. It is currently expected that a revised investment program will be prepared by the end of 2007.

Electricity Sector Reform

Main goals

The main goals of the Russian electricity sector reforms include the following:

- the creation of a unified wholesale electricity and capacity market in the European part of Russia, the Urals and Siberia (excluding certain isolated energy systems located in these regions and energy systems not included in the pricing zones of the Russian Federation);
- the creation of a competitive electricity trading market involving long- and mid-term regulated contracts, a day-ahead market, and a balancing market;
- the creation of a competitive capacity trading market involving long- and mid-term bilateral contracts, purchase and sale of capacity in auctions for annual supply and for long-term supply (for several years ahead);
- the creation of a competitive ancillary services market, involving the competitive selection of service providers and the purchase of services necessary to ensure the quality of power supply in the Unified National Energy System of Russia by the System Operator of the wholesale market; and
- introduction of the ability of retail end-users to select an electricity supplier.

Power Sector Restructuring

The Russian electricity market is currently in the process of restructuring as mandated by Russian Law. During this restructuring process, the overall structure of the electricity industry is expected to be

completely transformed. It is currently anticipated that the competitive segment of the electricity market will be gradually expanded, and consequently there will be a reduction in the percentage of output subject to regulated tariffs. It is envisaged that the sector reform will result in the development of a fully liberalized market for electricity generation, supply and related services by 2011, in which prices will be established on the basis of supply and demand (other than supply to households). The reforms do not currently contemplate the creation of a free market for electricity transmission, distribution or dispatch activities, nor do they contemplate the liberalization of the heat sector.

The restructuring of the RAO UES Group has led to the creation of separate companies carrying out specific lines of businesses: electricity generation (most of which also produces heat), transmission, distribution, supply of electricity to customers, and repair and servicing. These separate companies have been or will be merged with other companies with the same business profile, with the resulting merged companies providing the relevant specific services for a number of regions of the Russian Federation. Generation, supply, repair and service companies are expected to engage in competition with each other. At the same time, the reforms envision retention of state control over the electricity transmission and distribution networks.

A major step in this ongoing restructuring is the reorganization of the previously existing vertically integrated power companies (the “Energos”) into new companies. The Energos were former subsidiaries of RAO UES, the state-owned power monopoly within the Russian Federation. In the course of the restructuring, the power plants of the Energos have been consolidated into OGKs and TGKs, high voltage trunk grid companies have been transferred to the control of the FSK and will be consolidated into the FSK and the functions and assets of regional dispatch administrations have been transferred to the System Operator. In addition, medium and low voltage distribution grids are managed by and will be consolidated into MRSKs. See “— Current Market Structure” and “The Spin-Offs — Goals and Objectives of the Reform”.

Reform of the Wholesale Electricity Market

In 2006, the Russian government adopted a resolution on new wholesale electricity market rules (the New Wholesale Market Rules), setting forth guidelines for the interaction of wholesale and retail market participants during the transition period of the restructuring. The Government also adopted in 2006 a resolution governing the interaction among electricity retail, grid and generation companies, and between these companies and electricity consumers. This latter resolution introduced among other things the concept of the “guaranteeing suppliers”, which are obliged to enter into a contract with any retail end-consumer at the request of any such consumer located in the territory of that “guaranteeing supplier”. The “guaranteeing suppliers” are selected in open tender for three years from among existing electricity supply companies in the market.

These resolutions also contemplate a gradual reduction in the volume of electricity sold under agreements (Regulated Contracts) concluded by participants in the wholesale electricity market at prices (“tariffs”) determined by the FST.

Implementing this provision, in April 2007, the Russian government approved the following schedule for the gradual reduction in the volume of electricity sold under Regulated Contracts by participants in the electric power wholesale market:

- from January 1, 2007 — 90–95% of planned 2007 electricity output of each producer or consumption of each consumer must be sold under Regulated Contracts with the remaining electricity sold (bought) at unregulated prices;
- from July 1, 2007 — 85–90% of the above output (consumption) must be sold (bought) under Regulated Contracts;
- from January 1, 2008 — 80–85% of the above output (consumption);
- from July 1, 2008 — 70–75%;
- from January 1, 2009 — 65–70%;
- from July 1, 2009 — 45–50%;

- from January 1, 2010 — 35–40%;
- from July 1, 2010 — 15–20%;
- from January 1, 2011 — all electricity is to be sold (bought) at unregulated prices (other than supply to households).

Attracting Private Investors and Capital

One of the principal goals of the power sector reform is to attract private investments so as to fund large investment programs in the power industry. In June 2006, the Russian government announced that it had decided to permit capital raisings by thermal generation companies, including by way of public offerings or private placements.

As of March 31, 2007, 16 generation companies were either preparing for or developing plans for share offerings. The first generating company that completed a share offering was OGK-5. Pursuant to this offering, 14% of OGK-5 shares were sold for approximately USD 460 mln and RAO UES' shareholding in OGK-5 decreased from 87.5% to 75.03%. In 2007, the USD 3.1 bln strategic sale of 38% of the OGK-3 shares, to a company in the Norilsk Group, resulted in the reduction of the RAO UES stake to a non-controlling 37.1%. In addition, a 93.5% shareholding in two stand-alone power plants in the Kuzbass region were sold at an auction to companies affiliated to the Evraz Group and Mechel for USD 485 mln. In the same year (2007), a 29% shareholding in Mosenergo was sold to Gazprom for USD 2.2 bln, giving the Gazprom group control over Mosenergo, while Integrated Energy Systems purchased a 26.5% shareholding in TGK-5 for USD 448 mln. In June 2007, RAO UES sold a blocking stake of 30% in OGK-5 in open auction for USD 1.5 bln to Enel Investment Holding B.V. Enel Investment Holding B.V. subsequently obtained permission from the FAS to acquire the remaining 70% of OGK-5 and, according to public statements, intends to make a tender offer to acquire those remaining shares from the existing OGK-5 shareholders.

Current Market Structure

RAO UES

The RAO UES Group is the largest power company in the Russian Federation. See “RAO UES”.

Power Generation Companies

The electricity generation sector is currently principally comprised of thermal power plants (fossil-fuel-powered plants, including natural gas, coal and fuel oil-fired plants, producing either electricity or both electricity and heat), in particular six fossil-fueled OGKs and fourteen TGKs; approximately 102 hydro power plants, approximately half of which will be consolidated into one HydroOGK; and ten nuclear power plants owned and operated by Rosenergoatom.

The thermal power plants of the OGKs and the TGKs represented 4-5% and 70-75%, respectively, of the Russian heat output in 2006, with the remaining heat being supplied by a large number of fossil fuel-fired and electric boilers. These boilers are operated by either the RAO UES Group or by private generators, including certain industrial groups, that produce heat for their own consumption.

The Wholesale Generating Companies (OGKs)

The large federal power plants generating primarily electricity, which were formerly owned by RAO UES or the Energos, were merged into wholesale generating companies, or OGKs, which are the largest generators in the wholesale electricity market. The reorganization of the power sector contemplated the creation of seven OGKs, six of them operating thermal power plants and one, the HydroOGK, operating hydroelectric power plants. Each OGK controls several power plants throughout Russia, each of which primarily specializes in electricity generation. The OGKs primarily compete with each other and TGKs on the wholesale electricity market and they depend on the services of the FSK, the System Operator and the Trade System Administrator. See “— Current Market Structure— Service Providers in the Electricity Market”.

The OGKs have been formed according to the following principles:

- formation on a large scale — each OGK has an installed electric capacity of 8.5 to 9.5 GW in the case of the fossil-fueled OGKs and 23.7 GW in the case of the HydroOGK;
- substantially equal initial specifications in terms of installed electric capacity, value of assets and average equipment wear;
- minimization of possibilities for monopoly abuse in the wholesale electricity market; and
- consolidation based on the type of power generation facilities, thermal or hydro.

The formation of the OGKs, which was approved by the RAO UES' Board of Directors on September 29, 2003, was effected in two stages. In the first stage, the OGKs were established as wholly-owned subsidiaries of RAO UES and their share capital was paid for by the contribution of RAO UES assets, mainly in the form of power plants or shares in RAO UES subsidiaries that operate power plants. In the second stage, RAO UES contributed to the OGKs shares in the companies operating power plants that were spun-off from the Energos. These operating companies were then merged into the OGKs.

By March 31, 2007, the final corporate structure of all six fossil-fueled OGKs had been completed, and their shares had been admitted to trading on the RTS Stock Exchange or MICEX. The final restructuring of HydroOGK is expected to be completed through the merger of its 22 subsidiaries into HydroOGK in 2008.

The following table sets forth key information regarding each of the OGKs:

OGKs	Electricity capacity, 2006, (MW)	Heat capacity, 2006 (Gcal/h)	Fuel Mix	Electricity output, 2006, (million kW/h)	Heat output, 2006 (thousand Gcal)
OGK-1	9,531	2,877	Gas	47,246	1,480
OGK-2	8,695	1,814	Gas/Coal	48,084	2,647
OGK-3	8,497	1,615	Gas/Coal	30,614	1,656
OGK-4	8,630	2,179	Gas/Coal	51,030	2,481
OGK-5	8,672	2,392	Gas/Coal	41,441	7,013
OGK-6	9,052	2,704	Gas/Coal	32,904	4,513
HydroOGK	23,143	n/a	Hydro	79,654	n/a

Source: RAO UES, OGKs.

The Territorial Generation Companies (TGKs)

The majority of the remaining power plants that were owned by RAO UES or the Energos, which are mainly smaller regional power plants, have been consolidated into territorial generation companies or TGKs. Under the reforms, the TGKs have been formed according to the following principles:

- amalgamation of financially secure power plants on a territorial basis into inter-regional companies; and
- minimization of possibilities for monopoly abuse in the wholesale electricity market.

On April 23, 2004, RAO UES' Board of Directors approved the establishment of the 14 TGKs. In a resolution of RAO UES' Board of Directors dated February 3, 2006 the details of the TGKs' corporate structure were finalized.

The formation of the TGKs involves the integration of the generation assets of regional energy companies covering neighboring regions. The initial reform plan contemplated that TGKs were to be established as wholly-owned subsidiaries of RAO UES and would be composed of merged regional generation companies ("RGKs"), which were spun-off from the Energos. This plan, however, has not been strictly followed in at least two circumstances. First, TGK-1 and Volzhskaya TGK (TGK-7) have been established by several RGKs directly. Second, Mosenergo (TGK-3) and Kuzbassenergo (TGK-12) were the successor entities to the Mosenergo and Kuzbassenergo Energos following the spin-off of non-generation assets from these companies.

By March 31, 2007, the formation of all 14 TGKs had been approved. By June 30, 2007, the formation of eleven TGKs had been completed, and it is intended that by the end of 2007 the formation of all of the remaining TGKs will have been completed. The shares of all TGKs, except for TGK-4, Volzhskaya TGK, TGK-11 and Eniseyskaya TGK, have been listed on RTS or MICEX. See “— Electricity Sector Reform”.

The 14 TGKs are comprised primarily of combined regional power plants that generate both electricity and heat, also known as co-generation plants. Since the TGKs own heat grid infrastructure, as well as electricity and heat generation facilities, they are currently both wholesale electricity market participants and the largest players in their respective retail heat markets.

The following table sets forth key information regarding each of the TGKs:

TGKs	Electricity capacity, 2006, MW	Heat capacity, 2006, Gcal/h	Fuel Mix	Electricity Output, 2006, million kW/h	Heat output, 2006, thousand Gcal
TGK-1.....	6,237	13,686	Gas	23,243	22,821
TGK-2.....	2,453	12,271	Gas/Coal	9,834	19,571
Mosenergo	10,677	34,290	Gas/Coal	64,378	70,182
TGK-4.....	3,324	17,384	Gas	13,045	30,438
TGK-5.....	2,467	9,040	Gas/Coal	10,400	17,000
TGK-6.....	3,140	10,825	Gas	29,221	18,603
Volzhskaya TGK.....	6,880	29,793	Gas	27,230	50,223
SGK TGK-8.....	3,602	13,393	Gas	16,147	17,444
TGK-9.....	3,280	16,952	Gas/Coal	20,116	42,994
TGK-10.....	2,593	9,771	Gas/Coal	16,796	18,858
TGK-11.....	2,026	8,241	Gas/Coal	8,393	16,420
Kuzbassenergo.....	4,772	6,997	Gas/Coal	24,904	13,785
Eniseyskaya TGK.....	2,458	7,091	Coal	10,378	15,313
TGK-14.....	643	2,708	Gas/Coal	2,769	5,652

Source: RAO UES.

Rosenergoatom

Rosenergoatom is the sole authorized owner and operator of nuclear power plants in Russia. It was established in 1992 and is 100% owned by the Russian Federation. Rosenergoatom currently operates ten nuclear plants with a total installed electric capacity of approximately 23.2 GW. In 2006, Rosenergoatom produced approximately 156.5 bln kW/h of electricity.

Other Power Generators

Other key power generators include independent Energos (Irkutskenergo, Tatenergo, Bashkirenergo and Novosibirskenergo) and Energos, which were not reorganized (e.g., Energos in isolated areas such as the Far East), and other types of power plants using alternative sources of energy (such as geothermal plants and wind power plants).

Transmission Companies

The FSK, 87.56% of shares of which are owned by RAO UES and 12.44% by the Russian Federation, currently controls the operation of UNEG. Pending the restructuring of RAO UES, the FSK is also responsible for managing the shares of the MRSKs owned by RAO UES. Under the rules applicable to the restructuring of the sector, following the completion of the restructuring of RAO UES, the Russian Federation will be required to retain at least a 75% (plus one share) majority in the FSK.

The electricity transmission sector is made up of the FSK and 56 high-voltage trunk grid companies (MSKs). The MSKs were spun off from the Energos and transferred their transmission assets into lease to the FSK. The initial reform plan envisaged the creation of seven interregional trunk grid companies

into which the MSKs were to be merged. This plan was modified, however, and the target structure of these seven interregional trunk grid companies has not been completed. The current plan provides that these companies (most of which are effectively empty) will be merged, together with the MSKs, into the FSK.

Distribution Grid Companies

The separation of distribution grids assets in the course of reorganization of Energos by type of activity (generation, supply, power transmission and electricity dispatch management) in 2004-2006 resulted in the creation of 58 distribution grid companies (RSKs). Therefore, by 2007 over 90% of all RSKs to be created in the process of sector reforms were established. RSKs provide electricity distribution and transmission services through electricity transmission grids of 110 kV or less within Russia. The structure and composition of the RSKs which are managed by the relevant MRSKs was approved by the Board of Directors of RAO UES in April 2007.

Supply Companies

Russian retail customers currently purchase electricity from 65 electricity supply companies, which have been spun off from the Energos. By March 31, 2007, all these supply companies had been appointed as “guaranteeing suppliers” in their respective regions. A “guaranteeing supplier” is obliged to enter into a contract with any end retail consumer at the demand of that end retail consumer located in the territory of that “guaranteeing supplier”. See “— Tariffs — Retail Electricity Tariffs”. At the end of 2006, the Board of Directors of RAO UES decided that the shares of the electricity supply companies would be sold in the course of 2007 and 2008 in public auctions.

Heat Distribution and Supplies

Heat is transmitted and distributed through the local grids that are owned and operated by the heat producers, wholesale retailers and municipalities. Heat producers sell heat either directly to end-consumers that are connected to the heat grids that such producers own or lease from municipalities or to wholesale resellers that own heat grids to which other customers are connected.

Repair and Servicing

Approximately 194 power equipment repair and servicing companies were created during the Energos reform. The majority are wholly owned by corresponding TGKs and RSKs. However, 12 repair and servicing companies were created via the spin-off from the Energos. Currently, it is planned that shares in these entities will also be sold in public auctions by the end of 2007. See “— Electricity Sector Reform — Attracting Private Investors and Capital”.

Service Providers in the Electricity Market

The System Operator

In 2004 all control functions over technological operation modes of electricity facilities and electricity receiving equipment of power consumers were transferred from the Energos to the System Operator. The System Operator is a specialized company which provides operational dispatch control services to all market participants and is authorized to give mandatory instructions and directives in respect of dispatch of electricity to all entities subject to operational dispatch control, electricity industry facilities and load-controlled electric power consumers.

The Trade System Administrator

The Trade System Administrator manages the organization of the trading system of the wholesale electricity market and clears payments for the supply of electricity and for other services provided by the participants of the wholesale electricity market. It also participates in the preparation of the rules of the wholesale market and monitors compliance with the rules, registers bilateral agreements between

suppliers and customers on the wholesale electricity market, maintains the Register of the Wholesale Market Participants, organizes pre-trial dispute resolutions in the wholesale market and controls the activities of the System Operator. The Trade System Administrator is a non-profit partnership whose members are participants in the electricity wholesale market.

Tariffs

Wholesale Electricity Tariffs

A major part of the reform of the Russian electricity sector is the introduction of a gradually liberalized pricing structure for the supply of electricity. The Electric Power Industry Law establishes the framework for the regulation of the electricity and capacity wholesale market. According to this Law, the participants in the wholesale market are electricity generation companies, electricity supply companies that both buy and re-sell in the market electricity and capacity from and to other market participants, large consumers of power, guaranteeing suppliers, with the market infrastructure being provided by the Trade System Administrator (including its wholly-owned subsidiary for clearance and settlements), the System Operator and the FSK.

Pre-reform Wholesale Electricity Market

Historically, the wholesale electricity market operated across the entire territory of the Russian Federation, providing a framework for large-scale, often interregional, trading of electricity, in the following three segments:

- *Regulated sector:* electricity was traded at regulated tariffs set by the Federal Service on Tariffs (FST), using a “cost plus” methodology approach based on generation cost estimates (the annual forecasts of electricity volumes to be generated or consumed by each market participant).
- Electricity tariffs for generators were two-tiered and included a capacity payment and an electricity payment. Payments for maintaining a certain level of capacity covered 85% of fixed costs of power generation and payments for generated electricity covered fuel and other variable costs. Power tariffs for consumers depended on the annual electricity consumption.
- *Free trade sector (spot market):* this represented a spot market on which generators contracted the electricity output of up to 15% (in the primary pricing zone) or 2-5% (in the secondary pricing zone) of their installed electric capacity while purchasers submitted price bids for each hour of the next trading day for up to 30% (in the primary pricing zone) or 2-5% (in the secondary pricing zone) of their planned electricity consumption volumes.
- The Trade System Administrator matched these bids and offers using certain minimum price criterion, thus determining free sector electricity trade volumes and prices for each hour of the day. The electricity volumes traded on the spot market were limited. Historically, the free trade sector represented only 7% to 8% of the total Russian annual electricity consumption, as purchasers had no obligation to trade in this segment. Generation companies, on the other hand, were induced to trade on the spot market as the relevant percentage of their fixed costs were not covered by the capacity payments in the two-tiered tariffs that applied to trades on the regulated sector.
- *Balancing sector:* this was designed to eliminate any “real time” discrepancies in the supply and demand of electricity caused by deviations of actual consumption volumes from planned volumes of generation. The System Operator and the Trade System Administrator attempted to balance supply and demand in real time based on price offers from generators and bids from consumers.

New Wholesale Electricity Market

A company that intends to participate in the sale or purchase of electricity in the Russian wholesale electricity market must register with the Trade System Administrator as a participant in the wholesale market. The Trade System Administrator registers a company in the Register of Wholesale Market Participants if the company meets the following requirements:

- in the case of a supplier of electricity, it owns generation facilities with a total installed electric capacity of at least 25 MW and at least 5 MW in each part of the system which were used for the determination of generated (consumed) electricity volume (the “Supply Places”) or it has a right to sell electricity generated by such facilities;
- in the case of a purchaser of electricity being the electricity supply company duly owns electricity receiving equipment with a total capacity of at least 20 MV/A and a capacity of at least 1 MV/A (750 kV/A from March 1, 2008) at each Supply Place and complies with certain other technical requirements;
- it collects, processes and transfers commercial accounting data to the Trade System Administrator regarding the generated (consumed) electricity at each of its Supply Places;
- it has entered into an agreement on accession to the wholesale market trading system;
- it has entered into an electricity transmission agreement; and
- it has entered into an agreement relating to dispatching services.

Companies that violate the rules of the wholesale electricity market may be removed from the Register of Wholesale Market Participants.

In addition, participants in the electricity wholesale market must enter into agreements with the Trade System Administrator in connection with the sale and purchase of electricity.

The New Wholesale Market Rules introduced significant changes to the wholesale electricity market. As a result of these Rules, electricity is traded on the basis of the following trading mechanisms:

- *Regulated Contracts:* Regulated Contracts are registered with the Trade System Administrator, and represent an interim step in the transition from a regulated environment to a competitive pricing environment. Under Regulated Contracts electricity producers are required to sell a certain volume of its planned 2007 output at regulated tariffs. The volumes to be sold under regulated tariffs are expected to reduce every 6 months in accordance with the schedule approved by the Government of the Russian Federation. See “— Reform of the Wholesale Electricity Market”. A supplier and purchaser may, by mutual agreement, reduce the regulated electricity supply volumes below the established limits (such reduction must not be more than 5% of the purchase/supply under Regulated Contracts). The parties to Regulated Contracts are determined by the Trade System Administrator.

For 2007, the prices for electricity and capacity sold under Regulated Contracts have been established by the FST based on the “cost-plus” principle. From 2008, the prices are expected to be calculated in accordance with tariff indexation formulas approved by the FST. Such formulas are expected to be prepared in accordance with, for example, the forecasted level of inflation, growth of fuel prices and tax rates.

- *Unregulated bilateral agreements:* Participants in the wholesale market may sell electricity at unregulated prices, pursuant to unregulated bilateral agreements. Electricity supply prices and volumes sold under unregulated bilateral agreements are negotiated between the supplier and the purchaser.
- “*One-day-ahead*” market: Participants in the wholesale market may submit price bids for buying or selling electricity at unregulated prices for a certain volume for each hour of the next day. The Trade System Administrator selects the winning bids based on the principle of minimizing the cost of electricity on the market, and thus determines electricity trade volumes and equilibrium prices (i.e. the price which balances supply and demand) for each hour of the following day. The equilibrium prices are determined taking into account the following factors:
 - equilibrium prices must be the same for all electricity trade volumes within the same calculation zone;
 - an equilibrium price for a supplier should not be lower than the price specified in its bid;
 - an equilibrium price for a purchaser should not be higher than the price specified in its bid; and
 - equilibrium prices should reflect the system’s technical limitations and electricity losses.

From January 1, 2008, all electricity generated by generation facilities or required by newly commissioned receiving equipment after January 1, 2008, will be sold and purchased at unregulated prices.

- *Balancing Sector:* The balancing sector functions as a market for the purchase and sale of volumes of electricity to cover the deviations of actual generated or consumed volumes from planned power volumes in the “one-day-ahead” market.
- *Non-Regulated Contracts for Sale and Purchase of Fluctuations:* Instead of selling or buying electricity representing fluctuations from planned power volumes in the balancing market, market participants can enter into non-Regulated Contracts for sale and purchase of fluctuations.

Capacity Market

Capacity is currently sold according to regulated prices (tariffs) pursuant to Regulated Contracts. Following adoption of regulations for the capacity market, capacity suppliers chosen by the System Operator in the competitive bid process may choose either the free market or capacity tariff mechanism of capacity supply once per year and can switch mechanisms each year if they so wish. Those capacity suppliers who did not win the competitive bid process may only sell under free bilateral contracts. In the free market mechanism, the supplier may sell capacity and electricity under free bilateral contracts at unregulated market prices and is not held to the price specified in its bid. Conversely, suppliers who choose the capacity tariff mechanism must sell capacity at the prices specified in their bid, and must sell electricity at or below the FST-calculated tariff in the day ahead and balancing markets. The tariff-based system is designed to allow suppliers to cover their costs for electricity (capacity) generation when they did not manage to enter into free bilateral contracts.

Capacity for each power flow area is calculated by the System Operator, who prepares long-, middle-, and short-term consumption forecasts for RAO UES and uses this forecast to determine the borders and peak consumptions of the free power flow areas. The forecasts are based on the claimed consumption volumes of industrial consumers, who independently plan their consumption; consumption increase forecasts submitted by “suppliers of last resort”; data from regional authorities (e.g., regional energy commissions); requests for connection; and network development plans. To determine capacity demand in each free power flow area, the System Operator multiplies peak consumption in the area by the forecasted reserve ratio. However, if the peak amount exceeds the forecasted amount, the customer is obliged to purchase the remaining capacity. For consumers who do not independently plan their peak consumption, the System Operator determines their long-term capacity by multiplying their actual maximum consumption in peak areas in a given free power flow area by the actual reserve ratio.

Under the New Wholesale Market Rules, capacity is traded separately from electricity. When selling capacity, generation companies are obliged to maintain their generating equipment in good condition so that they are able to produce at any time electricity in the required volume and to the required specification. If the obligation to maintain generating equipment in good working order is not fulfilled by a generating company, the price of its capacity under each Regulated Contract will be reduced.

From 2008, capacity volumes bought and sold under Regulated Contracts are expected to be gradually reduced as determined by the Russian government. Liberalization of the capacity and electricity markets will take place, as capacity and electricity sold under regulated prices or contracts will both be reduced by the same percentages. Excess capacity (not covered by Regulated Contracts) and capacity of all newly built power plants (commissioned from 2008) are expected to be sold at competitive prices.

Retail Electricity Tariffs

As a result of the structural transformations in the electricity industry, the retail electricity markets currently include supply companies that, unlike the former Energos, do not generate electricity, but purchase it from generation companies on the wholesale and retail electricity markets. To support this transformation, new retail electricity market rules have been introduced in 2006 that govern the interaction between wholesale and retail market participants during the transition period. These rules are intended to transition the wholesale electricity market from a system of Regulated Contracts into a system of fully liberalized electricity (capacity) trading.

The main features of the new retail electricity markets are as follows:

- end consumers have the right to decide from which supply company they buy electricity at unregulated prices;

- “guaranteeing suppliers” are obliged to enter into a contract at the request of any end consumer;
- electricity supply companies that do not serve the general public are permitted to sell electricity to their customers at contracted prices. Because a customer considering a draft contract of a supply company on a competitive basis can always turn to a guaranteeing supplier, the terms of such contracts will be similar to those offered by guaranteeing suppliers;
- retail prices, just as wholesale, will be partially regulated, partially free market (competitive); and
- the electricity generators will compete in selling in the retail market.

The new retail market rules give consumers an opportunity to choose their electricity suppliers. However, not all electricity suppliers are obliged to enter into contracts with requesting consumers; only “guaranteeing suppliers” have this obligation.

“Guaranteeing suppliers” will be appointed pursuant to public tender procedures, and pending the tenders, electricity supply companies that have been spun off from the Energos have been appointed “guaranteeing suppliers”. “Guaranteeing suppliers” will be in existence throughout the entire territory of the Russian Federation. In each region, their individual areas of operation will be defined individually by regional authorities. Regional authorities will be monitoring, on an on-going basis, the activities performed by guaranteeing suppliers, as well as their financial condition.

The new retail electricity market rules also establish a system of pricing within the retail market. Tariffs for each region are to be set by the relevant regional tariff authority and are subject to certain minimum and maximum levels established by the FST.

The new retail pricing regime has been altered in conjunction with the liberalization of wholesale prices. This means that part of the electricity volumes supplied in the retail electricity market will be supplied at regulated prices, while the other part will be supplied at prices that reflect the cost of the electricity in the competitive wholesale electricity market within the maximum unregulated prices calculated according to a specific formula based on the average weighted price of one unit of electric power (1 kW/h) in the wholesale market (published monthly by the Trade System Administrator) in the previous month. It also takes into account Government-regulated tariffs for power transmission services, tariffs for services provided by the Trade System Administrator and RAO UES, and the retail supply mark-up.

During the transition period, the general public and equivalent consumers must be supplied electricity only at regulated tariffs.

Supply companies will only be able to sell electricity at unregulated prices if they do not have any customers who are natural persons, or if they still have excess electricity after supplying those of their customers who are natural persons and such electricity was purchased at unregulated prices.

Under the current retail pricing regime, domestic consumers are in effect subsidized by industrial and commercial consumers of electricity because tariffs for domestic consumers are set by the FST at less than commercially viable levels at the expense of higher tariffs for industrial and commercial consumers. The removal of such cross-subsidies, (the method of which is currently in early-stage discussions) would be expected to cause, on average, a doubling of electricity prices for domestic consumers.

Heat Tariffs

In contrast to electricity, heat is characterized by exponentially growing losses during transportation as distance is increased. As a result, heat supply is generally restricted to areas located near to its generators. Accordingly, heat markets are regional retail markets. Heat tariffs are regulated and set within general guidelines provided by the FST. Prices of heat are regulated in Russia by the Federal Law “On State Regulation of Tariffs for Electric and Heat Energy in the Russian Federation” No. 41-FZ, dated 14 April 1995 and the Government Resolution “On Pricing with respect to Electricity and Heat Energy in the Russian Federation” No. 109 dated February 26, 2004 (“Resolution No. 109”). The FST is responsible for setting the minimum and maximum tariffs with respect to heat energy sold on retail markets, which are established for a period of at least one year. There are separate tariff ranges for each Russian region.

The heat tariffs are set for each heat generating unit by the regional authorities for their respective territories within the minimum and maximum limits approved by the FST. The tariffs are determined on the “cost plus” basis.

Tariffs for transmission of electricity over the trunk grids

Tariffs for transmission of electricity over the trunk grids are established by the FST.

Electricity Distribution Tariffs

Structure and Fees

Electricity distribution services are provided by the RSKs that are managed by the MRSKs. Pending the completion of the sector reform, the shares of the existing MRSKs were transferred by RAO UES to be held in trust by the FSK for the benefit of RAO UES. See “— Current Market Structure— Distribution Grid Companies”.

Fees received for distribution services include tariffs for electricity distribution and connection fees.

Tariffs, connection fees and introduction of return on RAB

Currently, electricity distribution tariffs and connection fees for distribution companies are determined by regional tariff authorities on a “cost plus” basis, which means that the tariffs comprise a company’s cost plus a certain profit margin. In recent years, this tariff-setting method has not encouraged cost efficiency, nor has it supported the implementation of extensive investment projects because certain capital expenditures are not deemed a “cost” under the regulatory guidelines.

RAO UES has introduced a new development strategy, which provides for the transition to a new tariff regulation system based on a regulated asset base (RAB) method of setting tariffs. As opposed to the current “cost plus” method, the RAB method would allow electricity distributors to obtain a return on their investments in electricity distribution infrastructure at the level determined by the state regulator. It is currently planned that the tariffs set using the RAB method would be applicable for five years, instead of the current one-year tariffs, to encourage long-term investments in the modernization and development of the distribution grids.

Heat Distribution Tariffs

Heat distribution tariffs are determined by regional tariff authorities in accordance with the guidelines approved by the FST.

Fuel supply

Overview

There are six principal fuel sources used for electricity generation in Russia: hydro energy, nuclear energy, coal, natural gas and, to a lesser degree, fuel oil or distillate and peat. Due to its high price, fuel oil is used only as a reserve fuel in periods of peak load when all other fuel sources have been exhausted.

Hydro generation is weather-dependent and location-dependent. Only certain regions of Russia experience sufficient levels of precipitation and the necessary river network to provide the requisite waterflow for hydro power plants to operate.

Nuclear plants play a significant role in the generation of the electricity in the European part of Russia. Rosenergoatom is the sole authorized owner and operator of nuclear power plants in Russia. See “— Current Market Structure— Power Generation Companies— Rosenergoatom”.

The remaining electricity demand in Russia is satisfied by fossil-fuel-powered plants. The thermal generation is supplied primarily by gas and coal, with gas playing a dominant role as the most efficient fuel type.

Most power plants are also capable of using oil residue as reserve fuel and peat, which they utilize when there is a disruption in the fuel oil supply.

Heat is mainly produced either by fossil-fuel-powered plants or fossil-fuel boilers with remaining small volume of heat being supplied by electricity-powered boilers.

The table below shares a breakdown of the types of fuel used to generate the total generation of the RAO UES Group in 2006.

<u>Fuel Expenses</u>	<u>Share in generation consumption (%)</u>
Gas	70
Coal	26
Oil residue.....	3.4
Other	0.6
Total.....	<u>100.0%</u>

Source: RAO UES

Gas Supply

The Russian gas supply market is highly monopolistic, with a vast majority of supplies, reserves, production facilities and transportation infrastructure controlled by the state-owned monopoly, Gazprom. There are also a small number of independent gas suppliers in Russia, such as Novatek.

Gas Quotas

Gas is supplied by Gazprom and its regional affiliates under pre-agreed quotas established for each generation unit within the total quota established for a region in which such generation unit operates at regulated prices determined by the FST. Gas required in excess of these quotas can be bought on the market, but will be supplied at commercial prices, which can be significantly higher than the tariffs established by the FST for gas supplied within the quotas.

At the end of 2006, the Russian Federation approved the total amounts of gas to be supplied to Russian electricity generation companies: 162.9 bln cubic meters for 2007, 166.9 bln cubic meters for 2008, 174.8 bln cubic meters for 2009 and 186 bln cubic meters for 2010.

Gas Price

Gazprom's gas prices in Russia do not fluctuate according to supply and demand. Instead, they are regulated by the FST, in accordance with Governmental Resolution No. 1021 "On State Regulation of Gas Prices and Tariffs for Gas Transportation in the Territory of the Russian Federation", dated 29 December, 2000. However, in accordance with the Governmental Regulation "on Improvement of State Regulation of Gas Prices" No. 333 dated May 28, 2007, gas supplied by Gazprom in excess of 2007 quotas will be supplied at prices agreed between the parties within the maximum and minimum limits established by the FST. The minimum limits will be equal to the regulated tariffs, the maximum limit will be equal to the average gas price determined by the Government of the Russian Federation increased by 60% in 2007, 50% in 2008, 40% in January 1, 2009, 30% from July 1, 2009, 20% from January 1, 2010 and 10% from July 1, 2010. From 2011 all Gazprom gas will be sold at prices calculated in accordance with the formula to be approved by the FST which should ensure the equal profitability of domestic and export supply. The gas prices of independent suppliers are not regulated, but reflect market prices in the market.

Gas prices in the Russian domestic market have remained significantly lower than export prices (even after taking into consideration export tariffs, excise duties and transportation costs) primarily because the price of the most of the gas supplied is regulated. The Government's current policy is to increase gradually the regulated gas price and, in recent years, the annual increases have been approved at rates above the annual inflation rate.

Any significant increases in gas prices in the future are likely to have a significant impact on the potential profitability of power generation companies, by increasing their expenses, or requiring them to source more costly fuel for their plants. In addition, they may have obligations to continue supplying energy directly or indirectly to residential consumers, regardless of those consumers' ability to pay increased tariffs.

Coal Supply

Coal is supplied at prevailing market prices by a number of large private producers through short- and mid-term supply contracts. It is derived from Russian deposits and is also imported, primarily from Kazakhstan. The Russian coal market is highly consolidated, and the major coal suppliers are Siberian Coal Energy Company, Kuzbassrazrezugol and Russian Coal. Many Russian coal-fired power plants were designed to use coal of a specific grade, and thus certain generating companies are dependent on specific coal suppliers.

Regulation

The regulatory framework of the Russian power sector is undergoing major reforms as a result of the ongoing restructuring of the sector. Regulation of the restructured power industry is carried out by the FST and a number of governmental authorities involved in the licensing process. The industry is governed by numerous laws, resolutions and regulations.

FST

The FST's principal responsibility is to set the tariffs for:

- electricity and capacity traded under the Regulated Contracts on the wholesale electricity market;
- electricity transmission within the trunk grid;
- the electricity system dispatching services of the System Operator; and
- the services of the Trade System Administrator.

The FST also sets minimum and maximum tariffs for electricity distribution and electricity and heat sold on the retail market. See “— Tariffs — Wholesale Electricity Tariffs — New Wholesale Electricity Market”, “— Tariffs — Retail Electricity Tariffs”, and “— Tariffs — Heat Tariffs”.

Licensing

Pursuant to the Federal Law On Licensing of Certain Types of Activities No. 128-FZ dated August 8, 2001 (the “Licensing Law”) and various other Russian laws and regulations, companies operating within the power industry are required to obtain numerous licenses, authorizations and permits from various Russian governmental authorities, including licenses for the following activities:

- the use and storage of materials and the operation of industrial facilities that are potentially explosive, flammable or otherwise dangerous; and
- the installation, repair and maintenance of fire safety devices.

Russian authorities responsible for issuing such licenses include the Federal Service on Ecological, Technological and Nuclear Supervision (Rostekhnadzor) and the Ministry of the Russian Federation on Civil Defense Matters, Emergencies and Elimination of the Consequences of Natural Disasters (MChS).

The principal laws and regulations applicable to Russian power companies are primarily concerned with:

- establishing a legal framework for the electricity industry and market;
- electricity wholesale and retail market regulation; and
- setting tariffs.

The Electric Power Industry Law also sets out specific anti-monopoly regulations in relation to the wholesale and retail electricity markets. The Law provides that governmental authorities must supervise the activities of the markets' participants in order to, amongst other things, prevent manipulation of prices, agreements between suppliers of the electricity regarding the establishment and maintenance of unfair prices and discriminatory or unreasonable refusals to supply or render services within the electricity markets. For example, the scope of the Government of the Russian Federation's authority includes, among others, the following:

- approval of the electricity wholesale and retail market rules;
- approval of the rules for non-discriminatory access to electricity transmission services, system dispatching services and wholesale market administration services;
- approval of the rules for entering into and performing public agreements in the wholesale and retail markets;
- approval of the principles and rules for determining tariffs in the electricity industry;
- determination of the process by which participants submit pricing bids in the wholesale market, selection of winning bids and determination of the equilibrium prices in the wholesale market; and
- determination and modification of pricing zone borders in the wholesale market.

The Government, or the federal governmental bodies authorized by the Government of the Russian Federation, have, among others, decision-making powers on the following:

- establishment and maintenance of the system for long-term forecasting of electricity supply and demand within the wholesale and retail markets;
- regulation of, and determination of cap limits, for tariffs, with the exception of those tariffs which are under the competence of the regional tariff authorities;
- anti-monopoly regulation and control;
- licensing of certain types of activities in the electricity industry; and
- approval of standards of information disclosure by participants in the wholesale and retail electricity markets to electricity consumers.

If a supplier of electricity that owns generation facilities accounting for 35% or more of the registered power output within one pricing zone violates applicable anti-monopoly regulations, the Government of the Russian Federation has the power to take the following action:

- establish state regulation of tariffs for a period of up to six months; and
- undertake involuntary liquidation proceedings with respect to the supplier.

The competence of the regional authorities of the Russian Federation extends generally to the electricity distribution, electricity retail market and heat power market. For instance, the regional authorities are responsible for determining tariffs for the distribution of electricity within local distribution electric grids and determining tariffs for heat.

The participants of the wholesale and retail markets are required to submit to such federal and regional supervising authorities information in accordance with the applicable standards and provide such authorities with unlimited access to information about their business.

RAO UES

Russian Joint-Stock Company Unified Energy System of Russia is an open joint-stock company organized under the laws of the Russian Federation. RAO UES was incorporated on December 31, 1992. Its principal executive offices are at Prospekt Vernadskogo, 101, Building 3, 119526 Moscow, Russian Federation.

Business and operations prior to the Spin-Offs

The RAO UES Group is the largest power company in the Russian Federation. The RAO UES Group's principal business is the generation, transmission, distribution and supply of electricity in Russia. In 2006, it generated approximately 70%, or 695 billion kW/h, of electricity output and approximately 33%, or 477.8 mln Gcal, of heat output in Russia. As at December 31, 2006, the RAO UES Group had approximately 72%, or 152.9 thousand MW, of the installed electric capacity in Russia and approximately 33%, or 477.8 mln Gcal/h, of Russia's total installed heat capacity. The RAO UES Group owns approximately 96% of the total length of Russia's electric transmission lines (2,476.8 thousand kms). In 2006, the average number of employees of the RAO UES Group was approximately 469,300. As at August 1, 2007, RAO UES' market capitalization totaled approximately USD 57 billion based on the market value of the RAO UES Shares traded on the Russian stock markets.

RAO UES is a holding company that owns greater than 49% stakes in the majority of the Subsidiaries. See "Summary— RAO UES' Ownership of the Subsidiaries".

Formation of RAO UES

RAO UES was established and operates in accordance with President of the Russian Federation Decree No. 922 "On the specifics of converting government-owned enterprises, associations, organizations of the fuel and energy industry into joint-stock companies", dated August 14, 1992, President of the Russian Federation Decree No. 923 "On the organization of management of the Russian Federation electric power industry in a privatization environment", dated August 15, 1992, President of the Russian Federation Decree No. 1334 "On the implementation of President of the Russian Federation Decree No. 922", dated November 5, 1992, the Joint Stock Companies Law, the existing legislation, and RAO UES' charter.

RAO UES was founded by a resolution of the Russian Federation State Committee for Government Property Management No. 1013-r, dated December 3, 1992, following the privatization of certain electricity generation, transmission and distribution of assets formerly under the control of the Ministry of Energy of the Russian Federation.

Share capital and principal shareholders of RAO UES

As of August 1, 2007, RAO UES' share capital amounted to 21,558,451,684 rubles and was comprised of 43,116,903,368 shares, including 41,041,753,984 RAO UES Ordinary Shares and 2,075,149,384 RAO UES Preferred Shares.

As of August 1, 2007, the Russian Federation owned 22,715,371,537 RAO UES Shares, out of which 22,569,848,313 are RAO UES Ordinary Shares and 145,523,224 are RAO UES Preferred Shares.

As at June 30, 2007, major shareholders of RAO UES included the Federal Agency for Federal Property Management on behalf of the Russian Federation (52.68%) and GazEnergy (10.49%). See "Major Shareholders of RAO UES".

As soon as practicable after the Spin-Offs are completed, and subject to approval by its shareholders and the appropriate regulatory bodies, RAO UES will be merged into the FSK, and RAO UES will cease to exist.

Organizational structure

The following table shows the names, the nature of business and the addresses of the registered offices of RAO UES' subsidiaries which RAO UES' management believes are significant to RAO UES as at

June 30, 2007. The percentage of voting rights refers to the percentage of voting rights, direct or indirect, of RAO UES in these companies.

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo Altayenergo	Distribution grid company	54.66	16 P.S.Kulagina Str., Barnaul 656002, Russian Federation
OAo Altayenergosbyt	Energy sales company	100.00	12 P.S.Kulagina Str., Barnaul 656002, Russian Federation
OAo Arkhangelskaya Trunk Grid Company	Trunk grid company	59.05	35 Samara Str., bld.1, Arkhangelsk 163000, Russian Federation
OAo Arkhangelsk Retail Company	Energy sales company	59.05	3 Svobody Str., Arkhangelsk 163000, Russian Federation
OAo Arkhenergo	Distribution grid company	59.05	3 Svobody Str., Arkhangelsk 163000, Russian Federation
OAo Belgorodenergo	Distribution grid company	64.61	42 Kommunisticheskaya Str., Belgorod, Russian Federation
OAo Bryansk Retail Company	Energy sales company	65.22	4 Tyutcheva Str., Bryansk 241050, Russian Federation
OAo Bryanskenergo	Distribution grid company	65.22	35 Sovetskaya Str., Bryansk 241050 Russian Federation
OAo Bureyskaya GES	Generation Unit	94.96	pos. Talakan, Bureysky district 676707, Amur region, Russian Federation
OAo Vladimir Energy Retail Company	Energy sales company	49.01	24 Komissarova Str., Vladimir, Russian Federation
OAo Vladimir Trunk Grid Company	Trunk grid company	49.01	108 Bolshaya Nizhegorodskaya Str., Vladimir, 600016, Russian Federation
OAo Vladimirenergo	Distribution grid company	49.01	106 Bolshaya Nizhegorodskaya Str., Vladimir, 600016, Russian Federation
OAo Volgograd Trunk Grid Company	Trunk grid company	62.03	7 Skosyeva Str., Volgograd 400131, Russian Federation
OAo Volgogradenergo	Distribution grid company	61.48	15 Lenin Ave., Volgograd 400066, Russian Federation
OAo Volgogradenergosbyt	Energy sales company	61.78	14 Kozlovskaya Str., Volgograd 400001, Russian Federation
OAo Volzhskaya Territorial Generating Company (TGK-7)	TGKs	54.47	15 Mayakovskogo Str., Samara, Russian Federation
OAo Voronezhskaya Energy Sales Company	Energy sales company	65.35	7A Merkulova Str., Voronezh, Russian Federation
OAo Voronezhenergo	Distribution grid company	65.35	2 Arzamasskaya Str., Voronezh 394033, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo HydroOGK	OGK	100.00	51 Respubliki Str., Krasnoyarsk, Krasnoyarsk Krai, Russian Federation
OAo Dagestan Energy Retail Company	Energy sales company	51.00	73 Dakhadaeva Str., Makhachkala, Republic of Dagestan, Russian Federation
OAo Dagerenergo	Distribution grid company	51.00	73a Dakhadaeva Str., Makhachkala 367020, Republic of Dagestan, Russian Federation
OAo Far East Energy Management Company	Managing energy company	100.00	19 Tigrovaya Str., Vladivostok, Primorsky Krai, Russian Federation
OAo Eniseyskaya TGK (TGK-13)	TGKs	57.73	144a Bogarda Str., Krasnoyarsk 660049, Russian Federation
OAo Zhigulevskaya GES	Generation Unit	88.05	2 Moskovskoe Shosse Zhigulevsk, Samarskaya oblast 446350, Russian Federation
OAo Zaramagskie GES	Generation Unit	92.71	93 pr. Kosta, Vladikavkaz, North Ossetia-Alaniya Republic, 362048, Russian Federation
OAo Zeyskaya GES	Generation Unit	73.55	Zeya, Amurskaya oblast, 676244, Russian Federation
OAo Zelenchukskie GES	Generation Unit	98.56	Pos. Pravokubanskiy, Karachaevsky district 369244, Republic of Karachai-Cherkessk, Russian Federation
OAo Ivanovo Energy Retail Company	Energy sales company	56.62	9/21 Kalinina Str., Ivanovo 153002, Russian Federation
OAo Ivanovo Trunk Grid Company	Trunk grid company	56.62	9/21 Kalinina Str., Ivanova, 153002, Russian Federation
OAo Ivanovskie PGU	Generation Unit	100.00	Ivanovskaya GRES, 1 Komsomolskaya Str., Komsomolsk 155150, Ivanovskaya oblast, Russian Federation
OAo Ivenergo	Distribution grid company	56.62	3b Suzdalskaya Str., Ivanovo 153021, Russian Federation
InterRAO	Energy, trading and holding company	60.00	12 Krasnopresnenskaya Emb., Moscow 123610, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OA O Kabbalkenergo	Energy sales company	65.27	6 Schorsa Str., Nalchik 360000, Republic of Kabardino-Balkaria, Russian Federation
OA O Caucasus Energy Management Company	Distribution grid company	67.34	18 Podstantsionnaya Str., pos. Energetic, Zheleznovodsk 357506, Stavropol Krai, Russian Federation
OA O Kaliningradsкая TES-2	Generation Unit	91.50	2 Energetikov Lane, Kaliningrad 236034, Russian Federation
OA O Kalmenergo	Distribution grid company	96.40	North Industry Zone, Elista 358007, Republic of Kalmykia, Russian Federation
OA O Kalmenergosbyt	Energy sales company	100.00	271 Lenina Str., Elista 358000, Republic of Kalmykia, Russian Federation
OA O Kalugaenergo	Distribution grid company	52.25	35 Grabtsevskoe Shosse, Kaluga 248009, Russian Federation
OA O Kaluga Retail Company	Energy sales company	52.25	35 Grabtsevskoe Shosse, Kaluga 248009, Kaluga region, Russian Federation
OA O Kamskaya GES	Generation Unit	100.00	Kamskaya GES, Perm, 614080, Russian Federation
OA O Karachaevo-Cherkesskenergo	Energy sales company	100.00	3 Osmana Kasaiva Str., Cherkessk 369000, Republic of Karachai-Cherkessk, Russian Federation
OA O Karelskaya Energy Sales Company	Energy sales company	100.00	45 Kirova Str., Petrozavodsk, Republic of Karelia, Russian Federation
OA O Karelia Trunk Grid Company	Trunk grid company	100.00	11 Veterinarny per., Petrozavodsk, 185013, Russian Federation
OA O Karelenergo	Distribution grid company	100.00	43 Kirova Ave., Petrozavodsk 185020, Republic of Karelia, Russian Federation
OA O Kaskad VV GES	Generation Unit	100.00	Rybinsk, Yaroslavl Region, Russian Federation
OA O Kirovenergosbyt	Energy sales company	63.96	90 Engelsa Str., Kirov (Region), Russian Federation
OA O Kola Trunk Grid Company	Trunk grid company	65.54	2 Kirova Str., pos. Murmashi, Murmanskaya oblast, 184355, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo Kolenergo	Distribution grid company	65.53	2 Kirova Str., pos. Murmashi 184355, Murmansk Region, Russian Federation
OAo Kolenergosbyt	Energy sales company	65.54	7 Novaya Str., pos. Murmashi, Murmanskaya oblast, 184355, Russian Federation
OAo AEK Komienenergo	Distribution grid company	50.35	94 Internatsionalnaya Str., Syktyvkar 167000, Republic of Komi, Russian Federation
OAo Kostromaenergo	Distribution grid company	65.33	53 Mira Ave., Kostroma 156951, Russian Federation
OAo Kostroma Retail Company	Energy sales company	65.33	53 Mira Ave., Kostroma, Russian Federation
OAo Krasnoyarsk Trunk Grid Company	Trunk grid company	66.80	144a Bograda Str., Krasnoyarsk 660021, Russian Federation
OAo Krasnoyarskenergo	Distribution grid company	66.65	144a Bograda Str., Krasnoyarsk 660021, Russian Federation
OAo Krasnoyarskenergosbyt	Energy sales company	66.80	43 Dubrovinskogo Str., Krasnoyarsk 660049, Russian Federation
OAo Kuzbassenergo (TGK-12)	TGK	49.00	30 pr. Kuznetskiy, GSP-2, Kemerovo, 650099, Russian Federation
OAo Kurganskaya Generating Company	Regional generating company	49.00	29A Konstitutsii Ave., Kurgan 640000, Kurgan Region, Russian Federation
OAo Kurganskaya Trunk Grid Company	Trunk grid company	49.00	40 Lenina Str., Kurgan 640000, Kurgan Region, Russian Federation
OAo Kurganskaya Energy Sales Company	Energy sales company	49.00	57 Volodarskogo Str., Kurgan 640000, Kurgan Region, Russian Federation
OAo Kurganenergo	Distribution grid company	49.00	29A Konstitutsii Ave., Kurgan, Russian Federation
OAo Kurskenergo	Distribution grid company	59.47	27/31 Karla Marksa Str., Kursk 305029, Russian Federation
OAo Kurskenergosbyt	Energy sales company	59.47	27 Karla Marksa Str., Kursk 305029, Russian Federation
OAo Lenenergo	MRSK	63.55	1 Kostitutsii Square, Saint Petersburg, 196247, Russian Federation
OAo Magadanenergo	Energo	64.39	24 Sovetskaya Str., Magadan 685000, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo Marienergo	Distribution grid company	70.07	39a Panfilova Str., Yoshkar-Ola 424003, Republic of Mari-El, Russian Federation
OAo Marienergosbyt	Energy sales company	70.07	39a Panfilova Str., Yoshkar-Ola, Republic of Mari-El, Russian Federation
OAo Moscow City Electricity Distribution Company	Distribution grid company	50.90	36 Sadovnicheskaya Str., bld.1, Moscow 115035, Russian Federation
OAo Moscow Unified Electricity Distribution Company	Distribution grid company	50.90	27 Ordzhinikidze Str., Podolsk 142100, Moscow Region, Russian Federation
OAo Mordovia Energy Retail Company	Energy sales company	53.14	117A Bolshevistskaya Str., Saransk, Republic of Mordovia, Russian Federation
OAo Mordovenergo	Distribution grid company	53.14	50 Lenina Ave., Saransk 430003, Republic of Mordovia, Russian Federation
OAo Mosenergosbyt	Energy sales company	50.90	9 Vavilova Str., Moscow 117312, Russian Federation
OAo MRSK of Volga	MRSK	100.00	42/44 Pervomayskaya Str., Saratov 411031, Russian Federation
OAo MRSK of Northern Caucasia (as of June 30, 2007, known as OAo Southern Grid Company)	MRSK	100.00	18 Podstantsionnaya Str., pos. Energetik, Pyatigorsk, Stavropol Krai, 357506 Russian Federation
OAo MRSK of the North-West	MRSK	100.00	21 Pogranichnaya Str., Petrozavodsk 185013, Republic of Karelia, Russian Federation
OAo MRSK of Siberia	MRSK	100.00	144a Bogarda Str., Krasnoyarsk 660021, Russian Federation
OAo MRSK of Ural (as of June 30, 2007, known as OAo MRSK of Ural and Volga)	MRSK	100.00	5 Karla Libknekhta Str., Ekaterinburg 620075, Russian Federation
OAo MRSK of Center (as of June 30, 2007, known as OAo MRSK of Center and Northern Caucasia)	MRSK	100.00	55 Kalinina Ave., Tver 170001, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo MRSK of Center and Privoljje	MRSK	100.00	33 Rozhdestvenskaya Str., Nizhny Novgorod, 603950, Russian Federation
OAo MRSK of South	MRSK	100.00	49 Bolshaya Sadovaya Str., Rostov-on-Don, 344007, Russian Federation
OAo MES of Republic of Komi	Trunk grid company	50.35	94 Internatsionalnaya Str., Syktyvkar 167000, Russian Federation
OAo Nizhegorodskaya GES	Generation Unit	100.00	Zavolzhe 606431, Gorodnetskiy District, Nizhny Novgorod Region, Russian Federation
OAo Nizhnovenergo	Distribution grid company	62.30	33 Rozhdestvenskaya Str., Nizhny Novgorod, 603950, Russian Federation
OAo Novgorod Energy Retail Company	Energy sales company	49.00	111 B.Sankt-Peterburgskaya Str., Veliky Novgorod 173008, Russian Federation
OAo Novgorodenergo	Distribution grid company	62.86	3 B.Sankt-Peterburgskaya Str., Veliky Novgorod 173001, Russian Federation
OAo Nurenergo	Energo	100.00	6 Staropromyslovskoye Shosse, Grozny, Chechen Republic, 364051, Russian Federation
OAo OGK-1	OGK	91.68	1 Odesskaya Str., bld. 1, Tyumen, Tyumen Region, Russian Federation
OAo OGK-2	OGK	80.93	Pos. Solnechnodolsk, Izobilnensky District 356128, Stavropol Krai, Russian Federation
OAo OGK-4	OGK	89.75	Surgutskaya GRES-2, Surgut 628406, Khanty-Mansiysk Autonomous Region, Russian Federation
OAo OGK-5	OGK	50.00	38 Lenina Ave., Ekaterinburg, Russian Federation
OAo OGK-6	OGK	93.48	49 B.Sadovaya Str., Rostov-on-Don 344007, Rostov Region, Russian Federation
OAo Omsk Electricity Generation Company	Regional generating company	49.00	10 Partizanskaya Str., Omsk 644037, Russian Federation
OAo Omskenergo	Distribution grid company	60.39	10 Partizanskaya Str., Omsk 644037, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo OP Verkhne-Mutnovskaya GeoES	Generating company (pilot unit)	94.00	60 Akademika Koroleva Str., Petropavlovsk-Kamchatsky, Russian Federation
OAo Orelenergo	Distribution grid company	60.35	2 Mira Sq., Orel 302030, Russian Federation
OAo Orenburg Electricity Trunk Grid Company	Trunk grid company	100.00	26, Manezhnaya Str. Orenburg, Russian Federation
OAo Orenburgenergo	Distribution grid company	100.00	44 Marshala Zhukova Str., Orenburg 460024, Russian Federation
OAo Oryol Retail Company	Energy sales company	60.35	2 Mira Sq., Orel 302030, Russian Federation
OAo Penzaenergo	Distribution grid company	60.21	1/2 Pushkina Str., Penza 440629, Russian Federation
OAo Penzenskaya Energy Sales Company	Energy sales company	60.21	Pushkina Str., Penza 440000, Russian Federation
OAo Permskaya Energy Sales Company	Energy sales company	64.36	48 Komsomolskiy Ave., Perm GSP 614990, Russian Federation
OAo Permenergo	Distribution grid company	64.36	48 Komsomolskiy Ave., Perm GSP 614990, Russian Federation
OAo Petersburg Retail Company	Energy sales company	67.08	1 Marsovo Pole, Saint-Petersburg 191186, Russian Federation
OAo Petersburg Trunk Grid Company	Trunk grid company	67.08	1 Marsovo Pole, Saint-Petersburg 191186, Russian Federation
OAo Rostovenergo	Distribution grid company	62.76	49, B.Sadovaya Str., Rostov-on-Don 344007, Russian Federation
OAo Samara Trunk Grid Company	Trunk grid company	56.13	15 Mayakovskogo Str., Samara 443100, Russian Federation
OAo Samaraenergo	Energy sales company	48.61	15 Mayakovskogo Str., Samara 443100, Russian Federation
OAo Saratovskaya GES	Generation Unit	100.00	PO Box 21, Balakovo-25 413865, Saratov Region, Russian Federation
OAo Saratov Trunk Grid Company	Trunk grid company	64.04	124 Chernyshevskogo Str., Saratov 410028, Saratov Region, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OA O Saratovenergo	Energy sales company	49.00	124 Chernyshevskogo Str., Saratov 410028, Saratov Region, Russian Federation
OA O Sverdlovsk Trunk Grid Company	Trunk grid company	65.34	17a pr. Komonavtov, Ekaterinburg, 620017, Russian Federation
OA O Sverdlovenergo	Distribution grid company	65.34	38 Lenin Ave., Ekaterinburg 620219, Russian Federation
OA O North Energy Management Company	Managing energy company	100.00	68 Prechistenskaya Emb., Vologda, Vologda Region, Russian Federation
OA O Severo-Zapadnaya TES	Generation Unit	94.52	Quarter 4, n/z Konnaya Lakhta, pos. Olgino, Saint-Petersburg 197229, Russian Federation
OA O North-West Energy Management Company	Managing energy company	67.08	1 Marsovo Pole, Saint-Petersburg 191186, Russian Federation
OA O Severo-Osetinskaya Hydrogenerating Company	Generation Unit	100.00	63, Vaso Abaeva Str., Vladikavkaz, North Ossetia-Alaniya Republic, Russian Federation
OA O Smolensk Electricity Trunk Grid Company	Trunk grid company	61.32	4 Oktyabrskaya Str., Yartsevo, Smolenskaya oblast, Russian Federation
OA O Smolenskenergo	Distribution grid company	60.51	33 Tenishevoy Str., Smolensk 214019, Russian Federation
OA O Smolenskenergosbyt	Energy sales company	61.32	33 Tenishevoy Str., Smolensk 214019, Russian Federation
OA O Srednevolzhskaya Interregional Energy Management Company	Managing energy company	100.00	11 Mayakovskogo Str., Nizhny Novgorod 603001, Russian Federation
System Operator	System Operator	100.00	7 Kitaigorodskiy Lane, Moscow 103074, Russian Federation
OA O Sochinskaya TES	Generation Unit	100.00	10 Karla Libknekhta Str., Sochi 354000, Krasnodarski Krai, Russian Federation
OA O Stavropol Electricity Generation Company	Generation Unit	71.94	360A, Vodoprovodnaya Str., Nerinnomysk, Stavropol Krai, Russian Federation
OA O Stavropolenergo	Distribution grid company	71.94	35 Universitetskaya Str., Pyatigorsk 357500, Stavropol Krai, Russian Federation
OA O Stavropolenergosbyt	Energy sales company	71.94	59a Bolshevikskaya Str., Essentuki, Stavropol Krai, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo Sulakenergo	Generation Unit	99.22	Pos. Shamilkala, Untsukulsky District 368948, Republic of Dagestan, Russian Federation
OAo Tambovskaya Energy Sales Company	Energy sales company	56.01	23 Morshanskoe Shosse, Tambov 392680, Russian Federation
OAo Tambovenergo	Distribution grid company	56.01	23 Morshanskoe Shosse, Tambov 392680, Russian Federation
OAo Tverskaya Energy Sales Company	Energy sales company	65.33	3 S.Perovskoy Str., Tver 170006, Russian Federation
OAo Tverenergo	Distribution grid company	65.33	1 Bebelya Str., Tver 170615, Russian Federation
OAo TGK-1	TGK	55.73	1 Marsovo Pole, Saint Petersburg, 191186, Russian Federation
OAo TGK-2	TGK	49.36	42 pr. Oktyabrya, Yaroslavl, 160040, Russian Federation
OAo TGK-4	TGK	50.24	23 Morshanskoe Shosse, Tambov 392680, Russian Federation
OAo TGK-5	TGK	47.45	4/4 Yakovleva Ave., Cheboksary, Republic of Chuvashia, Russian Federation
OAo TGK-6	TGK	50.23	17a Moskovskoe Shosse, Nizhny Novgorod 603116, Nizhny Novgorod region, Russian Federation
OAo TGK-9	TGK	50.05	48 Komsomolsky Ave., Perm 614990, Russian Federation
OAo TGK-10	TGK	81.56	6 Brodokalmaksky trakt, Chelyabinsk 454077, Chelyabinsk region, Russian Federation
OAo TGK-11	TGK	100.00	60 Olgi Zhilinok Str., Novosibirsk 630005, Russian Federation
OAo TGK-14	TGK	49.66	1 Lazo Str., Chita, 672090, Russian Federation
OAo Tomskaya Distribution Grid Company	Distribution grid company	59.88	36 Kirova Ave., Tomsk 634041, Russian Federation
OAo Tomskaya Energy Sales Company	Energy sales company	59.88	19 Kotovskogo Str., Tomsk 634034, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo Tomskenergo	Regional generating company	59.88	36 Kirova Ave., Tomsk 634041, Russian Federation
OAo Tula MSK	Trunk grid company	49.04	101-a, Timiryazeva Str., Tula, Russian Federation
OAo Tulenergo	Distribution grid company	49.00	99 Timiryazeva Str., Tula, 300600 Russian Federation
OAo Tyumenskaya Trunk Grid Company	Trunk grid company	100.00	44, Daudelnaya Str., Tyumen, Russian Federation
OAo Tyumenskaya Energy Sales Company	Energy sales company	100.00	pos. Kedrovy, Surgut 628400, Khanty-Mansi Autonomous Region — Yugra, Tyumen Region, Russian Federation
OAo Tyumenergo	MRSK	100.00	4 Universitetskaya Str., Surgut, Khanty-Mansi Autonomous Region — Yugra, Tyumen region, 628406, Russian Federation
OAo Tyvaenergo Holding	Managing energy company	66.80	144A Bograda Str., Krasnoyarsk, 660021, Russian Federation
OAo Udmurt Energy Retail Company	Energy sales company	55.39	30 Sovetskaya Str., Izhevsk 426004, Russian Federation
OAo Udmurtenergo	Distribution grid company	55.39	30 Sovetskaya Str., Izhevsk 426004, Russian Federation
OAo Ulyanovskenergo	Energy sales company	49.00	5 Promyshlennaya Str., Ulyanovsk 432042, Ulyanovsk oblast, Russian Federation
OAo HydroOGK Management Company	Managing energy company	100.00	8A pr. Vernadskogo, Moscow, Russian Federation
OAo Ural Energy Management Company	Managing energy company	100.00	4 Universitetskaya Str., Surgut 628406, Tyumen region, Russian Federation
OAo FSK UES (the FSK)	Federal Grid Company	87.56	5A Akademika Chelomeya Str., Moscow 117630, Russian Federation
OAo Khakasskaya Generating Company	Regional generating company	100.00	PO Box 1274, Abakan, Republic of Khakassia, Russian Federation
OAo Khakasskaya Trunk Grid Company	Trunk grid company	100.00	PO Box 1274, Abakan, Republic of Khakassia, Russian Federation
OAo Khakasenergo	Distribution grid company	100.00	74 Pushkina Str., Abakan 662611, Republic of Khakassia, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OAo Khakasenergosbyt	Energy sales company	100.00	41a Krylova Str., Abakan, Republic of Khakassia, Russian Federation
OAo Cheboksarskaya GES	Generation Unit	100.00	34 Naberezhnaya Str., Novocheboksarsk 429951, Republic of Chuvashia, Russian Federation
OAo Chelyabenergo	Distribution grid company	49.00	5 Revolutsii Sq., Chelyabinsk 454000, Russian Federation
OAo Chelyabenergosbyt	Energy sales company	58.06	260/2 Rossiyskaya Str., Chelyabinsk 454091, Russian Federation
OAo Chitaenergo	Distribution grid company	62.16	23 Profsoyuznaya Str., Chita 672090, Russian Federation
OAo Chitinskaya Energy Sales Company	Energy sales company	62.16	36 Zabaikalskogo Rabocheho Str., Chita 672090, Russian Federation
OAo Chitinskie Magistralnye Seti	Trunk grid company	62.16	163 Novobulvarnaya Str., bld.1, Chita 672038, Russian Federation
OAo Chuvashskaya Energy Sales Company	Energy sales company	100.00	13a Gladkova Str., Cheboksary, Russian Federation
OAo Chuvashskaya Trunk Grid Company	Trunk grid company	100.00	267a, Zheleznodorozhnaya Str., Kanash, Russian Federation
OAo Chuvashenergo	Distribution grid company	100.00	40 Lenina Ave., Cheboksary 428000, Russian Federation
OAo Schekinskie PGU	Generation Unit	98.90	Sovetsk 301205, Schekinsky district, Tula region, Russian Federation
OAo Experimental TES	Generation Unit	100.00	pos. Nesvetay GRES, Krasny Sulin, Rostovskaya oblast, 346373, Russian Federation
OAo Energosbyt Rostovenergo	Energy sales company	62.76	147/1 2-ya Krasnodarskaya Str., Rostov-on-Don 344012, Russian Federation
OAo Yuzhnaya Generating Company (SGK TGK-8)	TGK	53.05	32 Krasnaya Naberezhnaya Str., Astrakhan, Russian Federation
OAo AK Yakutskenergo	Energy sales company	55.32	14 Fedora Popova Str., Yakutsk 677000, Republic of Sakha (Yakutia), Russian Federation
OAo Yantarenergo	Energo	100.00	34 Teatralnaya, Kaliningrad 236040, Russian Federation

<u>Subsidiaries</u>	<u>Nature of business</u>	<u>Percentage of voting rights as at June 30, 2007</u>	<u>Registered office</u>
		(%)	
OA O Yaroslavl Trunk Grid Company	Trunk grid company	59.81	42 pr. Oktyabrya, Yaroslavl, 150040, Russian Federation
OA O Yarenergo	Distribution grid company	59.81	42 pr. Oktyabrya, Yaroslavl, 150040, Russian Federation

Management

The Board of Directors

The Board of Directors is responsible for general management matters, with the exception of those matters that are designated by law and RAO UES' charter as being the exclusive responsibility of the shareholders' meeting. See "Description of the Capital Stock of RAO UES and the Subsidiaries — Shareholders' meetings". Members of the Board of Directors are elected at RAO UES' annual shareholders' meeting until the next annual shareholders' meeting and may be re-elected an unlimited number of times. The Board of Directors currently consists of fifteen members, four of whom are independent in accordance with criteria set out in the RAO UES Corporate Governance Code, which are stricter than criteria required by the FSFM with respect to listed companies, but which differ in certain respects to the criteria required in other countries, including the United States. The aggregate compensation of the Board of Directors of RAO UES in 2006 was RUB 78,634,280.

The table below shows the current members of the Board of Directors of RAO UES. The Board of Directors was elected by the Annual General Meeting of shareholders of RAO UES on June 26, 2007 and will serve until the earlier of (i) the next annual general meeting of RAO UES and (ii) completion of the RAO UES Merger.

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>
Voloshin, Alexander Stalyevich	1956	Chairman of the Board of Directors
Khristenko, Viktor Borisovich	1957	Deputy Chairman of the Board of Directors
Androsov, Kirill Gennadyevich	1972	Member of the Board of Directors
Bugrov, Andrey Evgenyevich	1952	Member of the Board of Directors
Chubais, Anatoly Borisovich	1955	Member of the Board of Directors
Dementyev, Andrey Vladimirovich	1967	Member of the Board of Directors
Gref, German Oskarovich	1964	Member of the Board of Directors
Nikitin, Gleb Sergeyevich	1977	Member of the Board of Directors
Pushkareva, Olga Stanislavovna	1955	Member of the Board of Directors
Rashevsky, Vladimir Valeryevich	1973	Member of the Board of Directors
Remes, Seppo Juha	1955	Member of the Board of Directors
Seleznyov, Kirill Gennadyevich	1974	Member of the Board of Directors
Sharonov, Andrey Vladimirovich	1964	Member of the Board of Directors
Urinson, Yakov Alexeevich	1944	Member of the Board of Directors
Yuzhanov, Ilya Arturovich	1960	Member of the Board of Directors

Mr. Alexander Stalyevich Voloshin has been the Chairman of the Board of Directors since 1999. From 2000 to 2003, Mr. Voloshin was the Head of Administration for the President of the Russian Federation.

Mr. Victor Borisovich Khristenko is the Deputy Chairman of the Board of Directors. In 2000, Mr. Khristenko was First Deputy Prime Minister of the Government of the Russian Federation. From 2001 to 2004, Mr. Khristenko was Deputy Prime Minister of the Government of the Russian Federation. In 2004, Mr. Khristenko was acting Prime Minister of the Government of the Russian Federation. Since 2004, Mr. Khristenko has been the Minister of Industry and Energy of the Russian Federation.

Mr. Kirill Gennadyevich Androsov is a member of the Board of Directors. From 1999 to 2004, Mr. Androsov was the First Deputy General Director of OA O Lenenergo. From 2004 to 2005,

Mr. Androsov was the Director of the Department of State Tariff Regulation and Infrastructure Reforms of the Ministry of Economic Development and Trade of the Russian Federation. From 2005 to September 12, 2007, Mr. Androsov has been the Deputy Minister of Economic Development and Trade of the Russian Federation, and as of the date of this Information Statement Mr. Androsov was the acting Deputy Minister.

Mr. Andrey Evgenyevich Bugrov is a member of the Board of Directors. From 2000 to 2003, Mr. Bugrov was the representative of the Russian Federation in the World Bank Group, Executive Director of the International Bank for Reconstruction and Development, the International Finance Corporation, and the Multilateral Investment Guarantee Agency. From 2002 to 2004, Mr. Bugrov was the Deputy Chairman of the Management Board of ZAO KhK Interros. From 2002 to 2003, Mr. Bugrov was the President of OAO AKB Rosbank. Since 2002, Mr. Bugrov has been a member of the Management Board and member of the Committee for Financial Markets and Credit Institutions of the Chamber of Commerce and Industry of the Russian Federation, and since 2006, a member of the Management Board of the Russian Union of Industry and Entrepreneurship. Since 2004, Managing Director of ZAO KhK Interros. Since 2003, Mr. Bugrov has been a Director of AIG-Interros RCF Advisor, Ltd. Mr. Bugrov is also a Director of Norilsk and Chairman of the Board of OAO "Otkrytye Investitsii".

Mr. Anatoly Borisovich Chubais is a member of the Board of Directors, and the Chairman of the Management Board of RAO UES. Mr. Chubais has been the Chairman of the Management Board of RAO UES since 1998. See "— Management Board".

Mr. Andrey Vladimirovich Dementyev is a member of the Board of Directors. From 1999 to 2004, Mr. Dementyev was the Deputy Head of the Secretariat for the First Deputy Chairman of Government of the Russian Federation. From 2004 to 2005, Mr. Dementyev was the Director of the Department of State Tariff Regulation and Infrastructure Reforms of the Ministry of Industry and Energy of the Russian Federation. From 2005 to September 12, 2007, Mr. Dementyev has been the Deputy Minister of Industry and Energy of the Russian Federation, and as of the date of this Information Statement Mr. Dementyev was the acting Deputy Minister.

Mr. German Oskarovich Gref is a member of the Board of Directors. In 2000, Mr. Gref was First Deputy Minister of State Property of the Russian Federation. From 2000 to September 12, 2007, Mr. Gref was the Minister of Economic Development and Trade of the Russian Federation, and as of the date of this Information Statement Mr. Gref was the acting Minister.

Mr. Gleb Sergeyevich Nikitin is a member of the Board of Directors. From 2001 to 2004, Mr. Nikitin held various offices at the Committee for City Property Management of Saint Petersburg. Since 2004, Mr. Nikitin has been the Head of the Directorate for Property of Commercial Sector Organizations of the Federal Agency for Federal Property Management of the Russian Federation.

Ms. Olga Stanislavovna Pushkareva is a member of the Board of Directors. From 2000 to 2004, Ms. Pushkareva was the Head of the Department of Energy and Natural Resources of the Administration of the Government of the Russian Federation. Since 2004, Ms. Pushkareva has been the Director of the Department of Industry Development of the Government of the Russian Federation.

Mr. Vladimir Valeryevich Rashevsky is a member of the Board of Directors. From 2000 to 2004, Mr. Rashevsky was the Chairman of OAO MDM-Bank. Since 2004, Mr. Rashevsky has been the General Director of SUEK and the President of CJSC "Holding Company "SUEK".

Mr. Seppo Juha Remes is a member of the Board of Directors and a member of the Audit Committee. From 2001 to 2003, Mr. Remes was General Director of Vostok Energo Investment Ltd. From 2003 to 2004, Mr. Remes was Director of Vostok Nafta Investment Ltd. Since 2004, Mr. Remes has been President of Kiuru Partners LLC, Senior Advisor and a member of the Board of Directors of ZAO FIM Finansoviy Uslugi, Senior Advisor to the Chairman of the Finnish Fund Sitra (National Fund of Strategic Research and Development under the Parliament of Finland).

Mr. Andrey Vladimirovich Sharonov is a member of the Board of directors. From 2001 to 2005 he was the Deputy and the First Deputy Minister for Economic Development and Trade of the Russian Federation as well as the State Secretary, Deputy Minister for Economic Development and Trade of the Russian

Federation. Since July 2007 Mr. Sharonov has held the position of Chairman of the Board of Directors of Investment Company Troika Dialog.

Mr. Kirill Gennadyevich Seleznyov is a member of the Board of Directors. From 2000 to 2001, Mr. Seleznyov was Chief Expert of the Group for Investment Activity Coordination of OAO Sea Port of Saint Petersburg, Head of the Tax Group of OAO Baltic Pipeline System and the branch BTS of OAO Verkhnevolzhskiy Trunk Pipeline. From 2001 to 2002, Mr. Seleznyov was Deputy Head of Administration of the Management Board — Assistant to the Chairman of the Management Board of Gazprom. Since 2002, Mr. Seleznyov has been a member of the Management Board and Head of the Marketing, Gas and Liquid Hydrocarbons Processing Department of Gazprom. Since 2003, Mr. Seleznyov has been General Director of OOO Mezhhregiongaz.

Mr. Yakov Moiseyevich Urinson is a member of the Board of Directors, and Deputy Chairman of the Management Board of RAO UES since 2000. Since 2004, Mr. Urinson is Head of the Corporate Center of RAO UES. Since 2005, Mr. Urinson has been Chairman of the Board of Directors of OAO “Rossiyskiye Kommunalnye Systemy”.

Mr. Ilya Arturovich Yuzhanov is a member of the Board of Directors. From 2000 to 2004 he was the Minister of Antitrust Policy of the Russian Federation. In 2005 he was the Chairman of the Board of Directors of Investment and Commercial Bank “Novaya Moskva”, where since 2006 he has been a member of the Board of Directors.

Management Board

The Management Board is RAO UES’ collective executive body, which is appointed by the Board of Directors, except for the Chairman of the Management Board, which is appointed by the general meeting of the shareholders. Members of the Management Board, except for the Chairman of the Management Board, are appointed for five years and may be re-appointed an unlimited number of times, the Chairman of the Management Board is appointed until his resignation or dismissal from RAO UES. The Management Board meets as necessary and makes its decisions by simple majority, with the Chairman of the Management Board having a casting vote, provided that a quorum of half of the appointed members of the Management Board is present. Members of the Management Board are responsible for RAO UES’ day-to-day management and administration. The Chairman of the Management Board represents RAO UES and acts as its Chief Executive Officer.

The table below shows the members of the Management Board of RAO UES as at June 30, 2007.

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>
Chubais, Anatoly Borisovich	1955	Chairman of the Management Board of RAO UES
Drachevsky, Leonid Vadimovich . . .	1942	Deputy Chairman of the Management Board of RAO UES
Urinson, Yakov Alexeevich	1944	Deputy Chairman of the Management Board of RAO UES
Avetisyan, Vladimir Evgenievich . .	1958	Member of the Management Board of RAO UES
Ayuev, Boris Ilyich	1957	Member of the Management Board of RAO UES
Chikunov, Aleksandr Vasilyevich . .	1963	Member of the Management Board of RAO UES
Dubinin, Sergey Konstantinovich . .	1950	Member of the Management Board of RAO UES
Gozman, Leonid Yakovlevich	1950	Member of the Management Board of RAO UES
Pauli, Viktor Karlovich	1950	Member of the Management Board of RAO UES
Rappoport, Andrey Natanovich . . .	1963	Member of the Management Board of RAO UES
Sinyugin, Vyacheslav Yurievich . . .	1969	Member of the Management Board of RAO UES
Smirnov, Pavel Stepanovich	1952	Member of the Management Board of RAO UES
Trapeznikov, Andrey Vladislavovich	1961	Member of the Management Board of RAO UES
Udaltsov, Yuri Arkadievich	1961	Member of the Management Board of RAO UES
Vaynzikher, Boris Felixovich	1968	Member of the Management Board of RAO UES
Voronin, Vyacheslav Pavlovich . . .	1949	Member of the Management Board of RAO UES

Mr. Anatoly Borisovich Chubais has been the Chairman of the Management Board of RAO UES since 1998. Mr. Chubais is a member of the Board of Directors. Mr. Chubais is responsible for shaping the corporate policy and development strategy for RAO UES. From 1996-1997, Mr. Chubais was Chief of the Presidential Administration. In March 1997, Mr. Chubais was appointed First Vice-Premier and Minister of Finance. In April 1997, Mr. Chubais was appointed Director of the Russian Federation to the International Bank of Reconstruction and Development. In 1998, Mr. Chubais was appointed Chairman of the Management Board of RAO UES.

Mr. Leonid Vadimovich Drachevsky has been Deputy Chairman of the Management Board of RAO UES since October 2004. Mr. Drachevsky is responsible for RAO UES' domestic and foreign relations, development of its interests in the public domain in Russia and abroad. In 1999, Mr. Drachevsky was appointed Minister of the Russian Federation for Matters of the Commonwealth of Independent States. From 2000 to 2004, Mr. Drachevsky was Authorized Representative of the President of the Russian Federation in the Siberian Federal District.

Mr. Yakov Moiseyevich Urinson has been Deputy Chairman of the Management Board of RAO UES since 2000 and is a member of the Board of Directors. Mr. Urinson has been Head of the Corporate Center since 2004 and is responsible for economic, production, information and technology processes; capital management, formulation and implementation of RAO UES' economic, financial, accounting, and personnel policies.

Mr. Vladimir Evgenyevich Avetisyan has been a member of the Management Board of RAO UES since 2004. Mr. Avetisyan is a Managing Director of Business Unit 2. From 2001 to 2004, Mr. Avetisyan was General Director of OAO SMUEK.

Mr. Boris Ilyich Ayuev has been a member of the Management Board of RAO UES since 2004. Mr. Ayuev is responsible for organizing dispatching and control functions in RAO UES. From 2002 to 2004, Mr. Ayuev was Deputy Chairman of the Management Board of the System Operator. Since 2004, Mr. Ayuev has been Chairman of the Management Board of the System Operator.

Mr. Alexander Vasilyevich Chikunov has been a member of the Management Board of RAO UES since 2004. Mr. Chikunov is Managing Director of Business Unit 1. From 2002 to 2005, Mr. Chikunov was Head of the Center for Implementation of Energo Reforming Projects of RAO UES.

Mr. Sergey Konstantinovich Dubinin has been a member of the Management Board of RAO UES since 2001 and Financial Director from 2005. From 2001 to 2004, Mr. Dubinin was Deputy Chairman of the Management Board of RAO UES.

Mr. Leonid Yakovlevich Gozman has been a member of the Management Board of RAO UES since 2000 and since 1999 is Government and Community Relations Officer.

Mr. Viktor Karlovich Pauli has been a member of the Management Board of RAO UES since 2006. In 2005, he was appointed as Deputy Head of the Corporate Center, and then Deputy Technical Director — Chief Technical Inspector of RAO UES.

Mr. Andrey Natanovich Rappoport has been a member of the Management Board of RAO UES since 1998, and since 2004 he has been Managing Director of the Networks Business Unit. From 1998 to 2004, Mr. Dubinin was Deputy Chairman of the Management Board of RAO UES. Since 2002, Mr. Rappoport has been Chairman of the Management Board of the FSK.

Mr. Vyacheslav Yuryevich Sinyugin has been a member of the Management Board of RAO UES since 2000. Since 2004 he is the Managing Director of the Hydrogeneration Business Unit. From 2001 to 2004, Mr. Sinyugin was Deputy Chairman of the Management Board of RAO UES. From 2004, Mr. Sinyugin has been Chairman of the Management Board of OAO Hydro-OGK.

Mr. Pavel Stepanovich Smirnov has been a member of the Management Board of RAO UES since 2001 and is responsible for providing legal support for RAO UES and the RAO UES Group.

Mr. Andrey Vladislavovich Trapeznikov has been a member of the Management Board of RAO UES since 2000 and the authorized representative for mass media relations since 2004. Mr. Trapeznikov is responsible for implementing a common information policy within RAO UES and the RAO UES Group.

Mr. Yury Arkadyevich Udaltsov has been a member of the Management Board of RAO UES since 2004. From 2003 to 2004, Mr. Udaltsov was Head of the Energy Reform Department. Mr. Udaltsov has been Head of the Reform Management Center from 2004 responsible for formulating and ensuring a common policy approach for restructuring the subsidiaries and dependent companies and creating the target sector structure, and determining RAO UES' policy for electricity market liberalization.

Mr. Boris Felixovich Vaynzikher has been a member of the Management Board of RAO UES since 2005 and Technical Director from 2005. From 2002 to 2005, Mr. Vaynzikher was General Director, Executive Director of OAO Kirishskaya GRES.

Mr. Vyacheslav Pavlovich Voronin has been a member of the Management Board of RAO UES since 2000, and Managing Director of the Services Business Unit since 2004. From 2000 to 2004, Mr. Voronin was Deputy Chairman of the Management Board.

The aggregate compensation of the Management Board (including compensation received by them as members of the Board of Directors of RAO UES) in 2006 was RUB 222,749,700.

Shareholdings of members of RAO UES' Board of Directors, Management Board and Major Shareholders

The table below shows the RAO UES Shares held directly by the current members of its Board of Directors and the Management Board as of June 30, 2007.

<u>Name and position</u>	Proportion of issued share capital
A.B. Chubais, Chairman of the Management Board and member of the Board of Directors	0.00820
B.I. Ayuev, member of the Management Board	0.02187
B.F. Vaynzikher, member of the Management Board.....	0.01522
V.K. Pauli, member of the Management Board.....	0.00090
A.N. Rappoport, member of the Management Board	0.02174
V.Y. Sinyugin, member of the Management Board.....	0.000096
P.S. Smirnov, member of the Management Board.....	0.021660
Total held by members of the Management Board and the Board of Directors	0.089686

Employees

Following the separation of the electrical power division from the service and repair divisions, as well as the streamlining of the RAO UES Group with the implementation of more efficient organizational structures within the power companies, the average number of employees was reduced from 664,800 in 2001 to 469,300 in 2006. The productivity of workers employed in RAO UES' power generation business has increased from 1.019 GW/h/person in 2001 to 1.510 GW/h/person in 2006.

As of December 31, 2006, the All Russian Branch Association of Employers of Electric Power Industry (the "RaEI Association") included 117 companies within the RAO UES Group. The RaEI Association represented sector employers in the course of negotiation and execution of an Electricity Industry Collective Bargaining Agreement for 2007-2008 setting forth the employers' commitments to their employees. This agreement became effective in July 2006.

In 2006, the RAO UES Group continued with the implementation of the Strategy for Non-government Pension Coverage for employees of the RAO UES Group, which seeks to create a long-term non-government pension insurance system using a uniform approach, goals and principles ensuring an adequate living standard for the RAO UES Group's employees after retirement, and effective handling of HR issues relating to hiring, retaining and motivation of energy company employees.

Environment

The RAO UES Group strives to reduce its impact on the environment. The RAO UES Group plans to continue its efforts to reduce the major areas of pollution that energy generation causes, such as:

- reduction of nitrogen oxides and sulfur oxides emissions;
- reduction of greenhouse gas emissions by 2-3 million tons per year;
- reduction of wastewater discharge to water bodies by 20%;
- implementation of measures for more efficient use of water resources by thermal power plants;
- reduction of areas occupied by ash dumps and a 20% increase in recycling of ash and slag waste; and
- reduction of power losses in heat networks; and
- development of renewable alternative energy sources and the increase of their share in the total power output to 1.5%.

GENCOS

The Gencos (OGKs and TGKs) are open joint-stock companies organized under the laws of the Russian Federation.

Overview

The Russian power sector is currently undergoing a restructuring process. During this process, the overall structure of the Russian power industry is expected to undergo a complete transformation, separating the natural monopolies (power transmission and distribution) from the potentially competitive businesses (power generation, supply, repairs and services). Generation, supply, repair and service companies will compete with each other, while there will be an increase in state control over the transmission and distribution networks.

The creation of a competitive power market is one of the main objectives of Russia's power sector reform. It is currently anticipated that there will be a gradual expansion of the competitive segment of the power sector and, consequently, a reduction in regulated tariffs. By 2011, this is expected to lead to a fully liberalized wholesale market for electricity generation, supply, and related services, in which prices will be established on the basis of supply and demand. According to the current plans, the supply of electricity to individuals will continue at regulated prices. The reforms do not currently contemplate the creation of a free market for electricity transmission, distribution or dispatch activities, nor do they contemplate the liberalization of the heat sector.

The aim of the industry reform is to create a unified wholesale electricity (capacity) market in the European part of Russia, Ural and Siberia, excluding some isolated energy systems which are located in these regions. The reforms are intended to result in competitive wholesale electricity trading through long and mid-term bilateral contracts, day-ahead bidding for electricity supply on an hour-by-hour basis, and a balancing system, which functions in real time to manage deviations between the planned and actual volumes generated and consumed. The reforms also envision competitive capacity electricity trading, in which long and mid-term bilateral contracts can be concluded, as well as permitting the purchase and sale of capacity in auctions for annual and long-term supply up to several years ahead. The reforms are also aimed at the creation of competitive wholesale ancillary services, including the competitive selection of service providers.

In the course of these reforms, seven OGKs and fourteen TGKs have been established within the RAO UES Group. All of the OGKs and TGKs generate and sell electricity, and all, except HydroOGK, produce and sell heat in their respective regions throughout the Russian Federation. Although the OGKs and the TGKs operate relatively similar businesses, there are certain differences between them. For example, the TGKs generally tend to produce more heat than electricity (as a proportion of their total power output), when compared to the total power output of the OGKs. Collectively, the OGKs account for the majority of the electricity wholesale market. Also, the volume of power produced by each of the OGKs tends to be greater than that of a TGK.

OGK-5 and TGK-5 are not subject to the Spin-Offs described herein and are not included in the description of the Gencos below. The RAO UES shareholders approved the spin-offs of OGK-5 and TGK-5 on December 6, 2006, and the state registration of those spin-offs was completed on September 3, 2007.

OGKs

Formation of the OGKs

The formation of the OGKs which was approved by the RAO UES' Board of Directors on September 29, 2003, was effected in two stages. In the first stage, the OGKs were established as wholly-owned subsidiaries of RAO UES and their share capital was paid for by the contribution of RAO UES assets, mainly in the form of power plants or shares in RAO UES subsidiaries that operate power plants. In the second stage, RAO UES contributed to the OGKs shares in the companies operating power plants that were spun-off from the Energos. These operating companies were then merged into the OGKs.

By March 31, 2007, the establishment of all six fossil-fueled OGKs had been completed, and shares of all six had been admitted to trading on the Russian Trading System (RTS) and the Moscow Interbank Currency Exchange (MICEX). The final restructuring of HydroOGK is expected to be completed through the merger of its 22 subsidiaries into HydroOGK in 2008.

History of Individual OGKs

OGK-1

OGK-1 was incorporated on March 23, 2006 as a wholly-owned subsidiary of RAO UES. In September 2006 OJSC “Permskaya GRES”, OJSC “Kashirskaya GRES-4”, OJSC “Irkutskaya GRES”, OJSC “Nizhnevartovskaya GRES”, OJSC “Urengoiyskaya GRES” were merged into OGK-1 as a result of reorganization. In the course of these reorganizations, shares in OGK-1 were distributed to shareholders of those entities. The shares of OGK-1 are listed on RTS and MICEX.

OGK-2

OGK-2 was incorporated on March 9, 2005 as a wholly-owned subsidiary of RAO UES. In September 2006, OJSC “Pskovskaya GRES”, OJSC “Serovskaya GRES”, OJSC “Stavropolskaya GRES”, OJSC “Surgutskaya GRES-1” and OJSC “Troitskaya GRES” were merged into OGK-2 as a result of reorganization. In the course of these reorganizations, shares in OGK-2 were distributed to shareholders of those entities. The shares of OGK-2 are listed on RTS and MICEX.

OGK-3

OGK-3 was incorporated on November 23, 2004 as a wholly-owned subsidiary of RAO UES. In 2006, OJSC “Gusinoozerskaya GRES”, OJSC “Kostromskaya GRES”, OJSC “Pechorskaya GRES”, OJSC “Kharanorskaya GRES”, OJSC “Cherepetskaya GRES” and OJSC “Yuzhnouralskaya GRES” were merged into OGK-3 as a result of reorganization. In the course of these reorganizations, shares in OGK-3 were distributed to shareholders of those entities. The shares of OGK-3 are listed on RTS and MICEX.

OGK-4

OGK-4 was incorporated on March 4, 2005 as a wholly-owned subsidiary of RAO UES. Since July 1, 2006, OJSC “Surgutskaya GRES-2”, OJSC “Shaturskaya GRES-5”, OJSC “Smolenskaya GRES”, OJSC “Yaivinskaya GRES” and OJSC “BGRES-1” were merged into OGK-4 as a result of reorganization. In the course of these reorganizations, shares in OGK-4 were distributed to shareholders of those entities. The shares of OGK-4 are listed on RTS and MICEX.

OGK-6

OGK-6 was incorporated on March 17, 2005 as a wholly-owned subsidiary of RAO UES. In September 2006, OJSC “GRES-24, OJSC “Kirishskaya GRES”, OJSC “Ryazanskaya GRES”, OJSC “Novocherkasskaya GRES”, OJSC “Krasnoyarskaya GRES-2” and OJSC “Cherepovetskaya GRES” were merged into OGK-6 as a result of reorganization. In the course of these reorganizations, shares in OGK-6 were distributed to shareholders of those entities. The shares of OGK-6 are listed on and MICEX.

HydroOGK

HydroOGK was incorporated on December 26, 2004 as a wholly-owned subsidiary of RAO UES. HydroOGK was created by RAO UES exclusively to hold its hydro-generation assets. On the basis of the plan for HydroOGK approved by the RAO UES Board of Directors, subsidiary and dependent GES-companies will merge into HydroOGK as the result of reorganization. HydroOGK will function as an operating company, managing its branches. The reorganization of HydroOGK is currently expected to be completed by January 1, 2008.

Operations of the Individual OGKs

Overview

The table below provides information concerning the location, generation branches or subsidiaries, the age of the generation assets and production units and the number of employees of each OGK as at December 31, 2006.

	OGK-1	OGK-2	OGK-3	OGK-4	OGK-6	HydroOGK
Registered Office	Tyumen	Izobilnensky District Stavropol Krai	Ulan-Ude, Buryatiya republic,	Surgut city	Rostov-na-Donu	Krasnoyarsk city
Generation branches or subsidiaries						
Number	6	5	6	5	6	18
Location	Central and Siberian regions	North-West, South and Ural regions	Central and South regions	Central and South regions	North-West, Central, South and Siberian regions	South, Siberian and Far-East regions
Power plants owned . . .	6	5	6	5	6	52
Age of generation assets (years)						
0-10	8.4%	0%	2.6%	27%	2.6%	data unavailable
10-20	17.0%	7.1%	10.5%	27%	5.1%	
20-30	17.6%	31%	18.4%	32%	17.9%	
30-40	40.9%	35.7%	26.3%	7%	48.7%	
40+	15.9%	26.2%	42.1%	7%	25.6%	
Average age	28 years	32 years	37 years	less than 30 years	34 years	
Employees	6,107	4,842	5,393	5,445	6,558	5,529

Source: OGKs.

Capacity and Output

The installed electric and heat capacity of each OGK, as well as the heat and electricity output in 2006, is shown in the table below.

	OGK-1	OGK-2	OGK-3	OGK-4	OGK-6	HydroOGK
Installed Electric Capacity (MW)	9,531	8,695	8,497	8,630	9,052	23,143
Installed Heat Capacity (Gcal/h) as at December 31, 2006	2,877	1,814	1,615	2,179	2,704	n/a
Electricity Output (million kW/h)	47,246	48,084	30,614	51,030	32,904	79,654
Heat Output (Thousand Gcal)	1,480	2,647	1,656	2,481	4,513	n/a

Source: RAO UES, OGKs.

OGK-1

Capacity

The table below shows the installed electric and heat capacity, respectively, of OGK-1's six power plants in 2006.

<u>Power stations</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Kashirskaya GRES	1,580	399
Verkhnetagilskaya GRES.....	1,497	521
Permskaya GRES	2,400	420
Nizhnevartovskaya GRES	1,600	758
Irkutskaya GRES.....	2,130	121
Urengoykaya GRES.....	24	410
Total OGK-1.....	9,531	2,877

Source: OGK-1.

Output

The table below shows the electricity and heat output, respectively, of OGK-1's six power plants in 2006.

<u>Power stations</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Kashirskaya GRES	6,679	388
Verkhnetagilskaya GRES.....	6,863	250
Permskaya GRES	12,833	313
Nizhnevartovskaya GRES	11,527	261
Irkutskaya GRES.....	9,169	116
Urengoykaya GRES.....	175	151
Total OGK-1.....	47,246	1,480

Source: OGK-1.

OGK-2

Capacity

The table below shows the installed electric and heat capacity, respectively, of OGK-2's five power plants in 2006.

<u>Power stations</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Pskovskaya GRES.....	430	121
Serovskaya GRES	526	220
Stavropolskaya GRES.....	2,400	220
Surgutskaya GRES-1.....	3,280	958
Troitskaya GRES.....	2,059	315
Total OGK-2.....	8,695	1,814

Source: OGK-2.

Output

The table below shows the electricity and heat output, respectively, of OGK-2's five power plants in 2006.

<u>Power stations</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Pskovskaya GRES.....	1,890	87
Serovskaya GRES.....	3,228	118
Stavropolskaya GRES.....	9,830	96
Surgutskaya GRES-1.....	24,148	1,800
Troitskaya GRES.....	8,988	546
Total OGK-2.....	48,084	2,647

Source: OGK-2.

OGK-3

Capacity

The table below shows the installed electric and heat capacity, respectively, of OGK-3's six power plants in 2006.

<u>Power stations</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Gusinoozerskaya GRES.....	1,100	221
Kostromskaya GRES.....	3,600	450
Pechorskaya GRES.....	1,060	327
Kharanorskaya GRES.....	430	128
Cherepetskaya GRES.....	1,425	94
Yuzhnouralskaya GRES.....	882	395
Total OGK-3.....	8,497	1,615

Source: OGK-3.

Output

The table below shows the electricity and heat output, respectively, of OGK-3's six power plants in 2006.

<u>Power stations</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Gusinoozerskaya GRES.....	3,491	341
Kostromskaya GRES.....	12,736	223
Pechorskaya GRES.....	3,480	344
Kharanorskaya GRES.....	1,976	138
Cherepetskaya GRES.....	3,429	200
Yuzhnouralskaya GRES.....	5,502	410
Total OGK-3.....	30,613	1,656

Source: OGK-3.

OGK-4

Capacity

The table below shows the installed electric and heat capacity, respectively, of OGK-4's five power plants in 2006.

<u>Power stations</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Surgutskaya GRES-2.....	4,800	840
Bereзовskaya GRES.....	1,500	860
Shaturskaya GRES.....	1,100	344
Smolenskaya GRES.....	630	66
Yavinskaya GRES.....	600	69
Total OGK-4.....	8,630	2,179

Source: OGK-4.

Output

The table below shows the electricity and heat output, respectively, of OGK-4's five power plants in 2006.

<u>Power stations</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Surgutskaya GRES-2.....	32,884	1,064
Bereзовskaya GRES.....	6,921	727
Shaturskaya GRES.....	4,763	501
Smolenskaya GRES.....	2,388	78
Yavinskaya GRES.....	4,074	111
Total OGK-4.....	51,030	2,481

Source: OGK-4.

OGK-6

Capacity

The table below shows the installed electric and heat capacity, respectively, of OGK-6's six power plants in 2006.

<u>Power stations</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Ryazanskaya GRES.....	2,650	180
Novocherkasskaya GRES.....	2,112	75
Kirishskaya GRES.....	2,100	1,234
Krasnoyarsk GRES-2.....	1,250	1,176
Cherepovetskaya GRES.....	630	39
GRES-24.....	310	0
Total OGK-6.....	9,052	2,704

Source: OGK-6.

Output

The table below shows the electricity and heat output, respectively, of OGK-6's six power plants in 2006.

<u>Power stations</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Ryazanskaya GRES.....	7,696	251
Novocherkasskaya GRES.....	9,116	118
Kirishskaya GRES.....	7,328	2,735
Krasnoyarsk GRES-2	3,776	1,285
Cherepovetskaya GRES.....	3,241	125
GRES-24.....	1,747	0
Total OGK-6.....	32,904	4,513

Source: OGK-6.

HydroOGK

Capacity

The table below shows the installed electric capacity of HydroOGK's eighteen power plants in 2006.

<u>Power stations</u>	<u>Installed Electric Capacity (MW)</u>
Volzhskaya GES	2,541
Votkinskaya GES	1,020
Zhigulevskaya GES	2,300
Kamskaya GES.....	501
Kaskad VVGES	456
Nizhegorodskaya GES.....	520
Saratovskaya GES	1,360
Cheboksarskaya GES.....	1,370
Zeyskaya GES.....	1,330
Bureyskaya GES.....	1,005
Sayano-Shushenskaya GES.....	6,721
Zagorskaya GAES	1,200
Stavropolskaya EGK	462
Sulakenergo	400
Zelenchukskie GES	160
Dagestanskaya RGK (Gergebilszkaya GES, Chiryurtskie GES, Miatinskaya GES, Chirkeyszkaya GES)	1,336
KabbalkGES	5
Novosibirskaya GES	455
Total HydroOGK	23,143

Source: HydroOGK.

Output

The table below shows the electricity output of HydroOGK's eighteen power plants in 2006.

<u>Power stations</u>	<u>Electricity Output (million kW/h)</u>
Volzhskaya GES	11,307
Votkinskaya GES	2,379
Zhigulevskaya GES	9,586
Kamskaya GES	1,806
Kaskad VVGES	1,031
Nizhegorodskaya GES	1,316
Saratovskaya GES	5,468
Cheboksarskaya GES	2,079
Zeyskaya GES	5,166
Bureyskaya GES	3,035
Sayano-Shushenskaya GES	26,818
Zagorskaya GAES	1,919
Stavropolskaya EGK	1,634
Sulakenergo	229
Zelenchukskie GES	228
Dagestanskaya RGK (Gergebilsкая GES, Chiryurtskie GES, Miatinskaya GES, Chirkeysкая GES)	3,616
KabbalkGES	12
Novosibirskaya GES	2,024
Total HydroOGK	79,654

Source: HydroOGK.

Tariffs

The markets for electricity and heat are subject to government regulation and the great majority of electricity and heat output is sold at prices set by the FST and the regional tariff authorities. The table below shows the average electricity tariffs for each of the power stations of each OGK in 2007.

Tariffs for 2007

OGK-1

<u>Power stations</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity Tariffs (RUB/MW/month)</u>
Kashirskaya GRES	706.3	102,297.9
Verkhnetagilskaya GRES	513.9	73,208.5
Permskaya GRES	369.8	81,437.7
Nizhnevartovskaya GRES	271.1	120,439.3
Irkutskaya GRES	494.6	54,967.8
Urengoiyskaya GRES	322.9	1,327,172.5

OGK-2

<u>Power stations</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>
Pskovskaya GRES	487.9	106,506.7
Serovskaya GRES	605.8	80,384.2
Stavropolskaya GRES	536.4	68,375.1
Surgutskaya GRES-1	299.2	72,872.6
Troitskaya GRES	436.8	74,671.9

OGK-3

<u>Power stations</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>
Gusinoozerskaya GRES	418.2	104,042.5
Kostromskaya GRES	529.3	61,449.8
Pechorskaya GRES	395.3	70,143.0
Kharanorskaya GRES	321.5	199,202.7
Cherepetskaya GRES	894.7	65,780.9
Yuzhnouralskaya GRES	573.8	95,541.1

OGK-4

<u>Power stations</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>
Surgutskaya GRES-2	284.2	67,154.4
Berezovskaya GRES	245.0	97,787.4
Shaturskaya GRES	760.2	100,952.2
Smolenskaya GRES	636.8	73,152.4
Yavinskaya GRES	445.8	108,632.6

OGK-6

<u>Power stations</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>
Ryazanskaya GRES	606.7	78,972.4
Novocherkasskaya GRES	556.4	99,959.2
Kirishskaya GRES	781.2	74,568.3
Krasnoyarsk GRES	304.2	108,381.9
Cherepovetskaya GRES	547.8	120,776.6
GRES-24	484.3	144,676.7

HydroOGK

Power stations	Average Electricity Tariffs (RUB/MW/h)	Capacity (RUB/MW/month)
Zagorskaya GAES	621.7	75,487.3
Volzhskaya GES	87.8	100,018.4
Votkinskaya GES	37.4	73,106.8
Zhigulevskaya GES	89.8	100,014.2
Kamskaya GES	395.9	208,951.4
Kaskad VVGES	213.8	116,598.3
Nizhegorodskaya GES	135.0	143,457.4
Saratovskaya GES	171.8	183,236.6
Cheboksarskaya GES	53.2	53,869.4
Zeyskaya GES	20.1	75,350.1
Bureyskaya GES	167.6	163,117.2
Sayano-Shushenskaya GES	82.5	44,864.1
Stavropolskaya EGK	134.8	138,663.3
Sulakenergo	149.5	100,001.0
Zelenchukskie GES	125.5	152,733.0
Dagestanskaya RGK (Gergebilsкая GES, Chiryurtskie GES, Miatinskaya GES, Chirkeysкая GES)	35.1	77,168.4
Kabbalk GES	data unavailable	data unavailable

Source: OGKs.

Fuel rates

Fuel rates measure the amount of fuel (in terms of oil or its equivalent) required to produce one kilowatt-hour of electricity. Calculated in terms of a gram of oil equivalent per kW/h (“Goe/kW/h”), it is used to assess the efficiency of a generator. The table below shows the average fuel rate of each fossil-fueled OGK in 2006.

	Average fuel rate 2006 (Goe/kW/h)
OGK-1	330.3
OGK-2	345.1
OGK-3	346.4
OGK-4	323.9
OGK-6	362.4

Source: OGKs.

Load Factors

The following table shows the average load factor (actual production of electricity as a percentage of theoretical maximum production) for each of the OGKs.

Year ended December 31, 2006

	OGK-1	OGK-2	OGK-3
Average load factor (electricity) (%)	58.4%	63.1%	41.1%
	OGK-4	OGK-6	HydroOGK
Average load factor (electricity) (%)	67.5%	41.5%	39.3%

Source: OGKs.

Fuel supply

The OGKs (other than HydroOGK) currently depend on a fuel supply composed primarily of gas, coal and fuel oil. The following table shows the percentage of the total fuel supply made up by each of these fuels for each fossil-fueled OGK.

Year ended December 31, 2006			
	<u>OGK-1</u>	<u>OGK-2</u>	<u>OGK-3</u>
Fuel supply (%)			
Gas.....	88.7%	72.8%	58.3%
Coal.....	8.8%	1.5%	37.6%
Oil residue	2.5%	25.7%	4.1%
		<u>OGK-4</u>	<u>OGK-6</u>
Fuel supply (%)			
Gas.....		82.2%	50.5%
Coal.....		16.4%	44.0%
Oil residue		0.5%	5.5%

Source: RAO UES Companies of the Target Structure, 2006.

Board of Directors and Management Board

The Board of Directors

The Board of Directors of each of the OGKs is responsible for general management matters, with the exception of those matters that are designated by law or the OGK's charter as being within the exclusive competence of the general meeting of shareholders. The tables below set out the membership of the current Board of Directors of each OGK.

Management Board

The Management Board is the OGK's collegiate executive body and is appointed by the Board of Directors. The Management Board is principally responsible for the day-to-day management of the company's business. The General Director, who is also the Chairman of the Management Board, exercises executive authority over all activities, except for those within the exclusive competence of the general meeting of shareholders, the Board of Directors or the Management Board.

Directors of OGK-1

The current directors were elected on June 22, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Avetisyan, Vladimir Evgenievich	Chairman of the Board of Directors; Member of the Management Board and Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors and Member of the Management Board of: Volzhskaya TGK, TGK-6 and TGK-10.
Akhanov, Dmitry Sergeevich	Director; Head of Strategy Department, Reform Management Center of RAO UES; Member of the Board of Directors of: OGK-5, TGK-1, SGK TGK-8, OAO Rostovenergo, OAO Kamchatskenergo and OAO Mosenergosbyt.

Khlebnikov, Vladimir Viktorovich	Director; General Director.
Kolykhanov-Lapovsky, Grigoriy Borisovich.	Director; Head of the Logistics and Procurement Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of OAO Tomskenergo.
Lisyansky, Mikhail Eduardovich.	Director; Deputy Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors of: OGK-2 and Kuzbassenergo; Member of the Board of Directors of: OJSC Ural Energy Management Company, OJSC Yuzhno-Kuzbasskaya GRES, OJSC Ulyanovskenergospetsremont, OJSC Orenburgenergoremont, OJSC Orenburgenergostroyremont, LLC Managing Company KVARTS, OGK-4 and TGK-10.
Neveinitsyn, Stanislav Vitalievich.	Director; Deputy General Director of OJSC "Mezhregionenergobyt".
Nikitin, Alexander Valerievich	Director; Deputy General Director, Finance Director of OAO Krasnoyarskenergo.
Shtykov, Dmitry Viktorovich.	Director; General Director of Institute of Professional Directors Fund; Member of the Board of Directors of TGK-10, RAO Lenenergo, OAO Volgogradenergo and OAO Oreleenergo.
Sidorov, Sergey Borisovich	Director; Head of the Internal Audit Department of the Corporate Center of RAO UES; Member of the Board of Directors of: OAO Vologdaenergo, OAO Moscow Thermal Grid Company, OAO Kostromaenergo, OAO Tomskenergo and OAO Volgogradenergo.
Ulanovskaya, Elena Nikolaevna.	Director; Head of Division in the Department of Corporate Governance of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-4, TGK-11 and OAO Samaraenergo; Chairman of the Board of Directors of OAO Omsk Electricity Generation Company.
Zhelyabovsky, Yuri Anatolievich	Director, Head of Economic Planning and Financial Control Department of Business Unit No. 2 of RAO UES; Member of the Board of Directors of: TGK-6, Volzhskaya TGK and OAO GVC Energy.

Directors of OGK-2

The current directors were elected on June 22, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Lisyansky, Mikhail Eduardovich	Chairman of the Board of Directors; Deputy Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors of Kuzbassenergo; Member of the Board of Directors of: OJSC Ural Energy Management Company, OJSC Yuzhno-Kuzbasskaya GRES, OJSC Ulyanovskenergospetsremont, OJSC Orenburgenergoremont, OJSC Orenburgenergostroyremont, LLC Managing Company KVARTS, OGK-1, OGK-4 and TGK-10.
Bochka, Irina Sergeevna	Director; Head of Division of Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OJSC Omsk Electricity Generation Company, OJSC Saratovenergo, OJSC Engineering and Analysis Center of Kuzbasstekhenergo, OJSC EPM Omskenergoremont, OJSC Kurganenergoremont, OJSC Energoheatcontrol, OJSC Altayenergotekhremont, TGK-10 and Eniseyskaya TGK.
Bykhanov, Evgeny Nikolaevich	Director; Deputy General Director of the Institute of Professional Directors Fund.
Dunin, Oleg Valentinovich	Director; Head of Projects Facilitation Department of RAO UES (Business Unit No.2); Member of the Board of Directors of: Eniseyskaya TGK, Kuzbassenergo, OJSC Karachaevo-Cherkess Hydrogeneration Company, Cascade of Nizhny-Cherek HPS, OJSC North-Ossetia Hydrogeneration Company and OJSC Kurgan Generation Company.
Evseenkova Elena Vladimirovna	Director; Deputy Head of RAO UES Department of Economic Planning and Financial Control (Business Unit No. 2); Member of the Board of Directors of: OGK-4, Kuzbassenergo, OAO Omsk Electricity Generation Company, OAO Srednevolzhskaya Interregional Managing Power Company.
Filatov, Alexander Alexandrovich	Director; Executive Director; Member of the Supervisory Board of the Independent Directors Association.
Kosarev, Sergey Borisovich	Director; Head of the Property Relations Regulatory Department of the Corporate Center, RAO UES; Member of the Board of Directors of: OJSC Orenburgenergo, Eniseyskaya TGK and OAO Center of Energy.
Kulikov, Denis Viktorovich	Director; Deputy Executive Director of the Investors Rights Association.
Kuzichev, Mikhail Vasilievich	Director; General Director.

Medvedeva, Elena Alexeevna	Director; Head of the Regulatory Support Department, Reform Management Center of RAO UES; Member of the Board of Directors of TGK-5 and Lenenergo.
Rosenzweig, Alexander Shoilovich	Director; Executive Operations Management Director of RAO UES (Business Unit No. 2); Deputy Head of the Project Center for Presale Preparation and Disposal of Assets, RAO UES; Chairman of the Board of Directors of OAO Tumen Power Sales Company; Member of the Board of Directors of: TGK-11 and OAO Volzhskaya MRK.

Directors of OGK-3

The current directors were elected on May 8, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Bugrov, Andrey Evgenievich.	Chairman of the Board of Directors; Managing Director of CJSC Interros Holding Company; Member of the Board of Directors of RAO UES.
Basova, Yulia Vasilievna	Deputy Chairman of the Board of Directors; Deputy General Director of Norilsk.
Abramov, Evgeny Yurievich	Director; Head of Gas Complex, Power Complex Directorate of Norilsk; Member of the Board of Directors of: OJSC NTEK and TGK-14.
Blagodyr, Ivan Valentinovich	Director; General Director.
Gabov, Andrey Vladimirovich	Director; Head of Department of Corporate Governance and Investments, Corporate Center of RAO UES; Chairman of the Board of Directors of: LLC Depository and Corporate Technologies and OJSC Zagorskaya GAES; Member of the Board of Directors of: OJSC "AEK Komienergo", OJSC Permenergo, OJSC Pskovenergo, SGK TGK-8, OJSC Institute of Corporate Governance, MRSK of Northern Caucasia and OAO Tverelectrosetremont.
Herne, David Alexander	Director; Managing Director of Halcyon Advisors, Member of the Board of Directors of HydroOGK, TGK-1 and TGK-2.
Katasonov, Viktor Ivanovich.	Director; General Director of OJSC Norilsk-Taimyr Energy Company.
Klekovkin, Anton Igorevich	Director; Director for Investments of CJSC Interros Holding Company.
Panina, Alexandra Gennadievna	Director; Head of Power Industry Participants Organization Center of RAO UES (Business Unit No. 1); Member of the Board of Directors of: OAO Mosenergosbyt, OAO Tula Sales Company and OAO Bryansk Sales Company.

Samarenko, Oleg Vyacheslavovich.	Director; Head of Power Complex Technical Maintenance, Directorate of Power Complex of Norilsk; Member of the Board of Directors of OAO Kolenergo.
Tikhonov, Viktor Valentinovich	Director; Head of Subsidiaries and Dependent Companies Division, Corporate Department of Norilsk.

Directors of OGK-4

The current directors were elected on May 25, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Makushin, Yuri Pavlovich	Chairman of the Board of Directors; Deputy Executive Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors of Eniseyskaya TGK; Member of the Board of Directors of: OJSC Ulyanovskenergo, Volzhskaya MRK, Volzhskaya TGK and OAO Institute of Corporate Governance.
Evseenkova, Elena Vladimirovna.	Director; Deputy Head of Economic Planning and Financial Control Department, RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-2, Kuzbassenergo, OAO Omsk Electricity Generation Company and OAO Srednevolzhskaya Interregional Managing Power Company.
Fedorchuk, Dmitry Vasilievich	Director; Head of Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: Volzhskaya TGK and TGK-11.
Kachay, Alexey Romanovich	Director; Deputy Head of Department of Strategy, Reform Management Center of RAO UES; Member of the Board of Directors of TGK-11 and MRSK of Center.
Kitashev, Andrey Vladimirovich.	Director; General Director; Member of the Board of Directors of AKB Strategy.
Lisyansky, Mikhail Eduardovich	Director; Deputy Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors of: OGK-2 and Kuzbassenergo; Member of the Board of Directors of: OJSC Ural Energy Management Company, OJSC Yuzhno-Kuzbasskaya GRES, OJSC Ulyanovskenergospetsremont, OJSC Orenburgenergoremont, OJSC Orenburgenergostroyremont, LLC Managing Company KVARTS, OGK-1 and TGK-10.
Molchanov, Mikhail Sergeevich	Director; Deputy Head of Project Facilitation Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: TGK-10 and OJSC Ural Energy Management Company.
Neveinitsyn, Stanislav Vitalievich.	Director; Deputy General Director of OJSC Mezhregionenergobyt.

Ulanovskaya, Elena Nikolaevna	Director; Head of Division within the Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of OGK-1, TGK-11 and OAO Samaraenergo; Chairman of the Board of Directors of OAO Omsk Electricity Generation Company.
Vasilieva, Anna Alexandrovna	Director; Deputy Personnel Director, Corporate Center of RAO UES, Member of the Board of Directors of: SGK TGK-8, OAO Stavropolenergo, OAO GVC Energy, OAO Center of Energy and Home Energetic LLC.
Yurgens, Igor Yurievich	Director; Chairman of the Board of Directors of Renaissance Capital.

Directors of OGK-6

The current directors were elected on June 29, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Melnikov, Dmitry Alexandrovich	Chairman of the Board of Directors; Executive Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of SGK TGK-8; Member of the Board of Directors of: OJSC Volgogradenergosbyt, OJSC Energosbyt OJSC Rostovenergo, OJSC Kamchatskenergo, OJSC Sakhalinenergo, TGK-2; TGK-9, CJSC Regional Energy Service and OAO Far East Power Managing Company.
Burnashev, Dmitry Alexandrovich	Director; Head of Business Planning Department, Corporate Center of RAO UES; Member of the Board of Directors of: TGK-9, MRSK of Center, OJSC Orelenergo and Non-Commercial Ecological Organization Energy Hydrocarbon Fund.
Evkharitsky, Alexander Valerievich	Director; Chief Expert of the Department for Operations and Fuel Supply of RAO UES (Business Unit No. 1); Director of: TGK-4 and OJSC Komi Energy Supply Company.
Fil, Sergey Sergeevich	Director; Head of RAO UES Corporate Events Department (Business Unit No. 1); Member of the Board of Directors of: Mosenergo, TGK-4, SGK TGK-8, OJSC Sakhaenergo, OJSC Perm Energy Supply Company, OJSC Mosenergosbyt, OJSC Komi Energy Supply Company, OJSC Astrakhan Energy Supply Company and OAO Far East Energy Company.
Nepsha, Valery Vasilievich	Director; Deputy General Director of the Institute of Professional Directors Fund; Member of the Board of Directors of OAO Vologdaenergo.
Remes, Seppo Juha	Director; Member of the Board of Directors of: RAO UES, MRSK of Center and Privoljje, MRSK Volga, HydroOGK and System Operator; Chief Consultant of Finnish Fund Sitra.

Sanko, Valentin Mikhailovich	Director; General Director of OGK-6.
Shatsky, Pavel Olegovich	Director; Director of Power Complex Strategy, Deputy Director for Department of Strategy, Mergers and Acquisition of SUEK; Member of the Board of Directors of: OJSC Far East Generation Company, OJSC Kuzbass Energy Supply Company, OJSC Far East Energy Company, OJSC Chita Energy Supply Company, Kuzbassenergo and Eniseyskaya TGK.
Sokolovsky, Mikhail Zinovievich	Director; Head of Legal Department of RAO UES (Business Unit No. 1); Member of the Board of Directors of: TGK-5, TGK-14, OJSC Kubanenergosbyt, OJSC Lipetsk Energy Supply Company, OJSC Kamchatskenergo and OJSC Kurskenergosbyt.
Tsuranov, Igor Grigorievich.	Director; Executive Director and Director for Investments of RAO UES (Business Unit No. 1); Member of the Board of Directors of TGK-9.
Yukhnovich, Yuri Bronislavovich	Director; Chief Specialist and Expert of the Capital Management Department of RAO UES; Director of: OJSC Volgogradenergo, OJSC Astrakhanenergo, OJSC Sverdlovskenergo, Moscow City Energy Grid Company and OJSC Vologdaenergo.

Directors of HydroOGK

The current directors were elected on June 22, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Khristenko, Viktor Borisovich	Chairman of the Board of Directors; Minister of Industry and Energy of the Russian Federation; Member of the Board of Directors of: RAO UES, the FSK and the System Operator.
Askinadze, Denis Arkadievich	Director; Director of Department for State Regulation of Tariffs and Infrastructure Reforms of the Ministry of Economic Development and Trade of the Russian Federation, Member of the Board of Directors of the FSK.
Ayuev, Boris Ilyich	Director; Member of the Management Board of RAO UES, Chairman of the Management Board of the System Operator; Member of the Board of Directors of: the FSK and the System Operator.
Chubais, Anatoly Borisovich.	Director; Chairman of the Management Board of RAO UES; Member of the Board of Directors of RAO UES, the FSK and the System Operator.
Herne, David Alexander	Director; Managing Director of Halcyon Advisors; Member of the Board of Directors of: OGK-3, TGK-1 and TGK-2.
Khamitov, Rustem Zakievich	Director; Head of Federal Agency of Water Resources.

Medvedev, Yuri Mitrofanovich	Director; Deputy Head of Federal Agency of State Property Management; Member of the Board of Directors of the FSK.
Ponomarev, Dmitry Valerievich	Director; Chairman of the Management Board of NP ATS; Member of the Board of Directors of the System Operator.
Rappoport, Andrey Natanovich	Director; Member of the Management Board of RAO UES; Chairman of the Management Board and Director of the FSK, the System Operator and InterRAO.
Remes, Seppo Juha.	Director; Chairman of Committee, Chief Consultant of Finnish Fund Sitra; Member of the Board of Directors of: RAO UES, MRSK of Center and Privoljje, MRSK of Volga and the System Operator.
Sinyugin, Vyacheslav Yurievich	Director; Managing Director of RAO UES (Hydrogeneration Business Unit); Chairman of the Management Board of HydroOGK.
Udaltsov, Yuri Arkadievich	Director; Member of the Management Board; Head of the Reform Management Center of RAO UES; Member of the Board of Directors of: the System Operator, the FSK and Mosenergo.
Urinson, Yakov Alexeevich	Director; Deputy Chairman of the Management Board; Head of the Corporate Center of RAO UES; Member of the Board of Directors of OAO Russian Utility Systems; Chairman of the Supervisory Board of NP INVEL; Chairman of the Board of Directors of NPF Energy.

Strategy

Each OGK is uniquely situated with respect to geography and resources; thus each has its own strategy for future growth and development that takes into account its geographic location and market position. The development strategy of each of the OGKs generally aims to increase the effectiveness and profitability of the company's assets. The anticipated liberalization of the energy markets is fundamental to these companies' development strategies, as the current tariff regulations effectively prevent the OGKs' facilities from significant development on an economically justifiable basis. Based on the current economic and business environment, the OGKs generally plan to use one or more of the following methods to attempt to increase shareholder value:

- increasing production efficiency through modernization of equipment and enhancing performance of existing assets;
- developing operational efficiency (including improving operating process efficiency, updating supervisory systems, equipment modernization and cost reduction);
- commissioning of new production capacities;
- improving the company's cost structure (including by reductions in expenditures and improvements in the fuel efficiency of production assets); and
- improving corporate governance.

Some of the OGKs also intend to become involved in the simultaneous development of the generation and grid segments of the Russian power industry. In addition, a stated aim of HydroOGK's strategy moving forward is the development of its energy production facilities in an ecologically friendly manner (by using Kyoto protocol methods and by introducing new international ecological standards).

TGKs

Formation of the TGKs

On April 23, 2004, RAO UES' Board of Directors approved the formation of the 14 TGKs. In a resolution of RAO UES' Board of Directors, dated February 3, 2006, the details of the TGKs' corporate structure were finalized. The formation of the TGKs involved the integration of the generation assets of regional energy companies covering neighboring regions. The initial reform plan contemplated that TGKs were to be established as wholly-owned subsidiaries of RAO UES and would be composed of merged regional generation companies (RGKs), which were spun-off from the Energos. This plan, however, has not been strictly followed in at least two circumstances. First, TGK-1 and Volzhskaya TGK (TGK-7) were established by several RGKs directly. Second, Mosenergo (TGK-3) and Kuzbassenergo (TGK-12) were the successor entities to Mosenergo and Kuzbassenergo, respectively, following the spin-off of non-generation assets from these companies. By March 31, 2007, all fourteen TGKs had been established and the formation of eleven TGKs has now been completed, and it is intended that the formation of the remaining TGKs will be completed by the end of 2007.

History of Individual TGKs

TGK-1

TGK-1 was incorporated on March 25, 2005 on the basis of the generating capacity of Lenenergo, Kolenergo and Karelennergogeneratsiya. In November 2006 OJSC Peterburgskaya Generating Company, OJSC Kolskaya Generating Company, OJSC Karelennergogeneratsiya and OJSC Apatitskaya TES merged into TGK-1 as a result of reorganization. In 2007, TGK-1 acquired 84.06% of the share capital of OJSC Murmanskaya TES. In the course of these reorganizations, shares in TGK-1 were distributed to shareholders of those entities. The shares of TGK-1 are listed on RTS and MICEX.

In addition to the four generating companies, TGK-1 also holds in trust management the shares of three electricity sales companies which are responsible for the marketing and sale of electricity, primarily that produced by TGK-1 and its subsidiaries.

TGK-2

TGK-2 was incorporated on April 19, 2005 as a wholly-owned subsidiary of RAO UES. In August 2005, the shares in OJSC Arkhangelsk Generating Company, were transferred to the trust management of TGK-2. In July 2006, OJSC Kostroma Generating Company, OJSC Novgorod Generating Company, OJSC Tver Generating Company, OJSC Yaroslavl Energy Company and OJSC Vologda Thermal Energy Company merged into TGK-2 as a result of reorganization. In May 2007, OJSC Arkhangelsk Generating Company was also merged into TGK-2. In the course of these reorganizations, shares in TGK-2 were distributed to shareholders of those entities. The shares of TGK-2 are listed on RTS and MICEX.

In addition to the six generating companies, TGK-2 also holds in trust management the shares of three electricity sales companies which are responsible for the marketing and sale of electricity, primarily that produced by TGK-2 and its subsidiaries.

Mosenergo

Mosenergo was incorporated on April 6, 1993 as a result of privatization and was the largest regional vertically integrated energy company in Russia. In 2004, OJSC Mosenergo was split up into 13 new companies. From April 1, 2005 Mosenergo has operated as a generation company. The shares of Mosenergo are listed on RTS and MICEX.

TGK-4

TGK-4 was incorporated on April 20, 2005 as a wholly-owned subsidiary of RAO UES. In July 2005, the powers of the sole executive bodies of the regional generation companies of Belgorod, Bryansk, Voronezh, Kaluga, Kursk, Lipetsk, Orel, Ryazan, Smolensk, Tambov and Tula regions, which were formerly part of the respective Energos, were transferred to TGK-4. In September 2006, these companies, whose shares were formerly held in trust management, merged into TGK-4 as a result of reorganization. In the course of these reorganizations, shares in TGK-4 were distributed to shareholders of those entities. The shares of TGK-4 are listed on RTS and MICEX.

In addition to the 11 generating units, TGK-4 also owns one separate power generation company, Novomoskovskaya GRES and holds shares of eight electricity sales companies in trust management. These companies are primarily focused on the marketing and sale of electricity to regional consumers. They supply electricity to regions by purchasing it on wholesale electricity markets, as well as on retail markets.

TGK-6

TGK-6 was incorporated on April 27, 2005 as a wholly-owned subsidiary of RAO UES. In 2005, TGK-6 acquired a controlling interest in OJSC Vladimir Generating Company, OJSC Penza Generating Company, OJSC Mordovia Generating Company, OJSC Mordovia Thermal Network Company, OJSC Ivanovo Generating Company and OJSC Nizhny Novgorod Generating Company. In the course of these acquisitions, shares in TGK-6 were distributed to shareholders of those entities. The shares of TGK-6 are listed on RTS and MICEX. Subsequently the shares of four electricity sales companies, OJSC Penza Energy Sales Company, OJSC Mordovia Generating Company, OJSC Ivanovo Energy Sales Company and OJSC Vladimir Energy Sales Company, were transferred to the trust management of TGK-6.

Volzhskaya TGK

Volzhskaya TGK was incorporated on August 1, 2005 on the basis of the generating facilities of Samaraenergo, Saratovenergo and Ulyanovskenergo. On March 13, 2007, RAO UES contributed 100% shares of Orenburg Heat Generation Company to the charter capital of Volzhskaya TGK. In June 2007, OJSC Samara Territorial Generation Company, OJSC Saratov Territorial Generation Company and OJSC Ulyanovsk Territorial Generation Company merged into Volzhskaya TGK as a result of reorganization. In the course of these reorganizations, shares in Volzhskaya TGK were distributed to shareholders of those entities. The shares of Volzhskaya TGK trade in the unlisted market of RTS, and the company currently plans to list its shares on RTS and MICEX.

SGK TGK-8

SGK TGK-8 was incorporated on March 22, 2005 as a wholly-owned subsidiary of RAO UES. In July 2005, the generation facilities of five regional generation companies (OJSC Astrakhan Regional Generation Company, OJSC Generation Company Volzhskaya, OJSC Rostov Generation Company, OJSC Stavropol Heat Generation Company and OJSC Dagestan Heat Generation Company) were leased out to SGK TGK-8. In January 2006, the generation facilities of OJSC Kubanenergo were leased out to SGK TGK-8. In June 2006, the five regional generating companies merged into SGK TGK-8 as a result of reorganization. In the course of these reorganizations, shares in SGK TGK-8 were distributed to shareholders of those entities. In July 2006, OJSC Kuban Generation Company was spun off from OJSC Kubanenergo as a result of reorganization. In 2007 OJSC Kuban Generation Company was merged into SGK TGK-8 as a result of reorganization. The shares of SGK TGK-8 are listed on RTS and MICEX.

TGK-9

TGK-9 was incorporated on December 9, 2004 as a wholly-owned subsidiary of RAO UES. In 2005, the generating facilities of Perm Generating Company and Sverdlovsk Generating Company were leased out to TGK-9. In May 2006, OJSC Perm Generating Company and OJSC Sverdlovsk Generating Company merged into TGK-9 as a result of the reorganization. In February 2007, OJSC Komi Regional Generating

Company was also merged into TGK-9. In the course of these reorganizations, shares in TGK-9 were distributed to shareholders of those entities. The shares of TGK-9 are listed on RTS and MICEX.

TGK-10

TGK-10 was incorporated as OJSC Tyumen Regional Generating Company on March 30, 2005 as a result of the spin-off of generating facilities of Tyumenenergo. In December 2006, OJSC Chelyabinsk Generating Company and TGK-10 merged into OJSC Tyumen Regional Generating Company as a result of the reorganization and OJSC Tyumen Regional Generating Company was renamed into TGK-10. In the course of these reorganizations, shares in TGK-10 were distributed to shareholders of those entities. The shares of TGK-10 trade in the unlisted markets of RTS and MICEX, and the company currently plans to list its shares on those markets.

TGK-11

TGK-11 was incorporated on August 26, 2005 as a wholly-owned subsidiary of RAO UES, the Russian state-owned power monopoly. From November 2005, TGK-11 has operated as a holding company for OJSC Omsk Electricity Generation Company and OJSC Tomskenergo and performs the CEO functions of these companies. The merger of OJSC Omsk Electricity Generation Company and OJSC Tomskenergo into TGK-11 is planned for the fourth quarter of 2007. In the course of these reorganizations, shares in TGK-11 will be distributed to shareholders of those entities. TGK-11 currently plans to list its shares on RTS and MICEX in the first quarter of 2008.

Kuzbassenergo

Kuzbassenergo (TGK-12) was incorporated in 1943; in 2006 it was reorganized in the course of a spin-off of OJSC Kuzbassenergo — Regional Electric Network Company, OJSC Kuzbassenergo Energy Sales Company, OJSC Electric Trunk Grid Network Company Kuzbassenergo, OJSC Western Siberian TES, OJSC Kuzbasskaya GRES, and Kuzbassenergo in the form of TGK-12, on the basis of the generating and thermal network facilities of OJSC Kuzbassenergo and OJSC Altayenergo. In December 2005, the generating facilities of OJSC Altayenergo were sold to OJSC Kuzbassenergo. In September 2006, OJSC Kuzbassenergo incorporated its Barnaul branch. OJSC Kuzbassenergo has operated as Kuzbassenergo since January 2007. The shares of Kuzbassenergo are listed on RTS and MICEX.

Eniseyskaya TGK

Eniseyskaya TGK was incorporated on June 28, 2005 as a wholly-owned subsidiary of RAO UES, the Russian state-owned power monopoly. In December 2006, OJSC Krasnoyarskaya Generation and TGK-13 merged into Eniseyskaya TGK as a result of the reorganization. In the course of these reorganizations, shares in Eniseyskaya TGK were distributed to shareholders of those entities. The merger of OJSC Tyvaenergo into Eniseyskaya TGK is planned to take place in 2007. The shares of Eniseyskaya TGK trade in the unlisted markets of RTS and MICEX, and the company currently plans to list its shares on those markets.

TGK-14

TGK-14 was incorporated on December 7, 2004 as a wholly-owned subsidiary of RAO UES, the Russian state-owned power monopoly. In 2005, the generating facilities of OJSC Chitaenergo and OJSC Buryatenergo were leased out to TGK-14. OJSC Chitaenergo and OJSC Buryatenergo were subsequently reorganized to form the RGKs: OJSC Chita Generation Company and OJSC Buryatgeneration. In September 2006, these regional generation companies merged into TGK-14 as a result of the reorganization. In the course of these reorganizations, shares in TGK-14 were distributed to shareholders of those entities. The shares of TGK-14 are listed on RTS and MICEX.

Operations of Individual TGKs

Overview

Formed on the basis of power plants not included in the OGKs and located in various regions, each TGK is uniquely situated. The table below provides information concerning the location, power stations, the age of generation assets and production units and the number of employees of each TGK.

	TGK-1	TGK-2	Mosenergo
Headquarters location	St. Petersburg	Yaroslavl	Moscow
Geographic location of power stations	North	North-west	Moscow Region
Power plants owned	55	16	17
Electricity sales companies owned . . .	3 (shares in trust)	3 (shares in trust)	0
Age of generation assets (years)			
0-10		6.1%	
10-20		8.7%	
20-30	data unavailable	17.3%	data unavailable
30-40		28.6%	
40+		39.3%	
Average age		34 years	
Employees (as of 31/12/06)	8,490	7,899	17,909
	TGK-4	TGK-6	Volzhskaya TGK
Headquarters location	Tula	Nizhny Novgorod	Samara
Geographic location of power stations	West	Upper Volga	Lower Volga
Power plants owned	25	12	20
		2 (CEO functions)	
Electricity sales companies owned . . .	8 (shares in trust)	4 (shares in trust)	0
Age of generation assets (years)			
0-10	9.2%	11.9%	3.1%
10-20	11.5%	10.1%	15.3%
20-30	27.3%	44.7%	29.8%
30-40	12.6%	19.3%	31.3%
40+	39.4%	14.0%	20.6%
Average age	33 years	27 years	31 years
Employees (as of 31/12/06)	16,017	6,863	15,842

	SGK TKG-8	TKG-9	TKG-10
Headquarters location	Rostov-on-Don	Perm	Chelyabinsk
Geographic location of power stations	South, West	Urals	West Siberia
Power plants owned	18	24	8
Electricity sales companies owned . . .	0	2 (shares in trust)	1 (share in trust)
Age of generation assets (years)			
0-10	6.3%	7.9%	
10-20	7.6%	data unavailable	
20-30	13.9%	9.9%	data unavailable
30-40	17.7%	15.8%	
40+	54.4%	66.3%	
Average age	data unavailable	44 years	
Employees (as of 31/12/06)	8,118	10,913	6,732
	TKG-11	Kuzbassenergo	Eniseyskaya TKG
Headquarters location	Novosibirsk	Barnaul	Krasnoyarsk
Geographic location of power stations	Omsk and Tomsk regions	Altay	Krasnoyarskiy Krai and Republic of Khakassia
Power plants owned	6	8	8
Electricity sales companies owned . . .	2 (shares in trust)	0	1 (share in trust)
Age of generation assets (years)			
0-10			
10-20			
20-30	data unavailable	data unavailable	data unavailable
30-40			
40+			
Average age			
Employees (as of 31/12/06)	4,868	5,011	6,984
	TKG-14		
Headquarters location	Chita		
Geographic location of power stations	Chita Region and Republic of Buryatiya		
Power plants owned	7		
Electricity sales companies owned . . .	2 (shares in trust)		
Age of generation assets (years)			
0-10			
10-20			
20-30	data unavailable		
30-40			
40+			
Average age			
Employees (as of 31/12/06)	4,891		

Source: TKGs.

Capacity and Output

The installed electric and heat capacity of each TKG, as well as the heat and electricity supplied in 2006, is shown in the table below. Subsequent tables break down the generating capacity and output of each TKG into its component generation companies.

	Year ended December 31, 2006		
	<u>TGK-1</u>	<u>TGK-2</u>	<u>Mosenergo</u>
Installed Electric Capacity (MW).....	6,237	2,453	10,677
Installed Heat Capacity (Gcal/h)	13,686	12,271	34,290
Output in 2006			
Electricity (bln kW/h).....	23.24	9.83	64.38
Heat (million Gcal).....	22.82	19.57	70.18
	<u>TGK-4</u>	<u>TGK-6</u>	<u>Volzhskaya TGK</u>
Installed Electric Capacity (MW).....	3,324	3,140	6,880
Installed Heat Capacity (Gcal/h)	17,384	10,825	29,793
Output in 2006			
Electricity (bln kW/h).....	13.05	29.22	27.23
Heat (million Gcal).....	30.44	18.60	50.22
	<u>SGK TGK-8</u>	<u>TGK-9</u>	<u>TGK-10</u>
Installed Electric Capacity (MW).....	3,602	3,280	2,593
Installed Heat Capacity (Gcal/h)	13,393	16,952	9,711
Output in 2006			
Electricity (bln kW/h).....	16.15	20.12	16.80
Heat (million Gcal).....	17.44	42.99	18.86
	<u>TGK-11</u>	<u>Kuzbassenergo</u>	<u>Eniseyskaya TGK</u>
Installed Electric Capacity (MW).....	2,026	4,772	2,458
Installed Heat Capacity (Gcal/h)	8,241	6,997	7,091
Output in 2006			
Electricity (bln kW/h).....	8.40	24.90	10.38
Heat (million Gcal).....	16.42	13.79	15.31
	<u>TGK-14</u>		
Installed Electric Capacity (MW).....	643		
Installed Heat Capacity (Gcal/h)	2,708		
Output in 2006			
Electricity (bln kW/h).....	2.77		
Heat (million Gcal).....	5.65		

Source: RAO UES.

TGK-1

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-1's four generation companies in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Nevskiy branch:	3,407	12,262
Central TES		
Pravoberezhnaya TES-5		
Vasileostrovskaya TES-7		
Dubrovskaya TES-8		
Pervomayskaya TES-14		
Avtovskaya TES-15		
Vyborgskaya TES-17		
Severnaya TES-21		
Yuzhnaya TES-22		
Karelskiy branch	914	689
Cascade of Sunskiy GES		
Cascade of Vygskiy GES		
Cascade of Kemskiy GES		
Petrozavodskaya TES		
Kolskiy branch:	1,916	735
Cascade of Nivskiy GES		
Cascade of Pazskiy GES		
Cascade of Tulomskiy GES		
Cascade of Serebryanskiy GES		
Apatitskaya TES		
Murmanskaya TES	12	1,111
Total TGK-1	6,249	14,797

Source: TGK-1.

Output

The table below shows the electricity and heat output, respectively, of TGK-1's four generation companies in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Nevskiy branch	13,048	20,822
Karelskiy branch	3,361	1,715
Kolskiy branch	6,834	284
Murmanskaya TES	data unavailable	data unavailable
Total TGK-1	23,243	22,821

Source: TGK-1

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-2's six generation companies and thermal networks in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Arkhangelsk Generation Company	1,049	3,142
Arkhangelskaya TES		
Severodvinskaya TES-1		
Severodvinskaya TES-2		
Kostroma Generation Company	215	1,763
Kostromskaya TES-1		
Kostromskaya TES-2		
Sharyinskaya TES		
Regional boiler house No. 1		
Regional boiler house No. 2		
Novgorod Generation Company	190	630
Novgorodskaya TES		
Tver Generation Company	279	2,187
Tverskaya TES-1		
Tverskaya TES-3		
Tverskaya TES-4		
Vyshnevolotskaya TES		
Kamenskaya industrial boiler house		
Yaroslavl Generation Company:	686	3,967
Yaroslavskaya TES-1		
Yaroslavskaya TES-2		
Yaroslavskaya TES-3		
Lyapinskaya boiler house		
Teninskaya water boiler house		
Vologda Generation Company:	34	582
Vologda Generation Company		
Thermal networks:	data unavailable	517
Water boiler house No. 1		
Water boiler house No. 2		
Boiler house shop		
Bezhetskaya steam boiler house		
Konakovskaya water boiler house		
Total TGK-2	2,453	12,788

Source: TGK-2.

Output

The table below shows the electricity and heat output, respectively, of TKG-2's six generation companies in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Arkhangelsk Generation Company	3,468	5,856
Kostroma Generation Company	1,232	2,311
Novgorod Generation Company	765	1,066
Tver Generation Company	1,627	4,203
Yaroslav Generation Company	2,617	6,210
Vologda Generation Company	125	1,017
Total TKG-2	9,834	20,806.2

Source: TKG-2.

Mosenergo

Capacity

The table below shows the installed electric and heat capacity, respectively, of Mosenergo's one generation company in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Mosenergo:	10,677	34,290
GES-1		
GRES-3		
TES-6		
TES-8		
TES-9		
TES-11		
TES-12		
TES-16		
TES-17		
TES-20		
TES-21		
TES-22		
TES-23		
TES-25		
TES-26		
TES-27		
TES-28		
Total Mosenergo.	10,677	34,290

Source: Mosenergo.

Output

The table below shows the electricity and heat output, respectively, of Mosenergo's one generation company in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Mosenergo	64,378	70,182
Total Mosenergo	64,378	70,182

Source: Mosenergo.

TGK-4

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-4's eleven generation units (branches) in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Belgorod Regional Generation branch	154	2,631
Belgorodskaya TES		
GT TES "Luch"		
Tshebekinskaya TES		
Gubkinskaya TES		
Bryansk Regional Generation branch	50	236
Bryanskaya GRES		
Klintsovskaya TES		
Voronezh Regional Generation branch	180	2,274
Voronezhskaya TES-1		
Voronezhskaya TES-2		
Kaluga Regional Generation branch	12	70
Kaluzhskaya TES-1		
Kursk Regional Generation branch	197	2,239
Kurskaya TES-1		
Kurskaya TES-4		
Lipetsk Regional Generation branch	543	3,043
Liptskaya TES-2		
Eletskaya TES		
Dankovskaya TES		
Orel Regional Generation branch	342	1,133
Orlovskaya TES		
Livenskaya TES		
Ryazan Regional Generation branch	100	414
Dyagilevskaya TES		
Smolensk Regional Generation branch	403	1,489
Smolenskaya TES-2		
Dorogobuzhskaya TES		
Tambov Regional Generation branch	315	1,132
Tambovskaya TES		
Kotovskaya TES		

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Tula Regional Generation branch:	1,028	2,614
Tshekinskaya GRES		
Novomoskovskaya GRES		
Aleksinskaya TES		
Pervomayskaya TES		
Efremovskaya TES		
Total TGK-4.	3,324	17,384

Source: TGK-4.

Output

The table below shows the electricity and heat output, respectively, of TGK-4's eleven generation units (branches) in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Belgorod Regional Generation branch	578	4,948
Bryansk Regional Generation branch	115	316
Voronezh Regional Generation branch	962	4,467
Kaluga Regional Generation branch	29	19
Kursk Regional Generation branch	916	3,112
Lipetsk Regional Generation branch	1,871	4,839
Orel Regional Generation branch	1,419	1,681
Ryazan Regional Generation branch	482	675
Smolensk Regional Generation branch	1,809	2,767
Tambov Regional Generation branch	2,284	1,715
Tula Regional Generation branch	3,580	5,899
Total TGK-4.	13,045	30,438

Source: TGK-4.

TGK-6

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-6's five generation companies (and one network company) in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Vladimir Generating Company	407	1,161
Vladimirskaya TES-1		
Vladimirskaya TES-2		
Ivanovo Generating Company	523	2,213
Ivanovskaya TES-1		
Ivanovskaya TES-2		
Ivanovskaya TES-3		
Ivanovskaya GRES		
Penza Generating Company:	389	1,368
Penzenskaya TES-1		
Kuznetskaya TES-3		

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity(Gcal/h)</u>
Penza Thermal Network Company:	16	768
Penzenskaya TES-2		
Arbekova boiler house		
Mordovia Generating Company:	349	851
Sarankaya TES		
Alekseevskaya TES-3		
Nizhny Novgorod Generating Company	876	339
Igumnovskaya TES		
Sormovskaya TES		
Novogorkovskaya TES		
NIGRES		
Dzerzhinskaya TES.	580	1,474
Total TGK-6.	3,140	10,825

Source: TGK-6.

Output

The table below shows the electricity and heat output, respectively, of TGK-6's five generation companies (and one network company) in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Vladimir Generating Company.....	2,153	2,194
Ivanovo Generating Company	1,767	2,908
Penza Generating Company:.....	17,766	2,335
Penza Thermal Network Company:.....	54	1,493
Mordovia Generating Company:	1,601	2,047
Mordovia Thermal Network Company:	0	209
Nizhny Novgorod Generating Company.	3,185	4,486
Dzerzhinskaya TES.	2,695	2,931
Total TGK-6.	29,221	18,603

Source: TGK-6.

Volzhskaya TGK

Capacity

The table below shows the installed electric and heat capacity, respectively, of Volzhskaya TGK's four generation companies as of July 2007.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Samara Region:	3,520	16,152
TES VAZ		
Tolyattinskaya TES		
Novokuibyshevskaya TES-2		
Samarskaya TES		
Syzranskaya TES		
Novokuibyshevskaya TES-1		
Bezmyanskaya TES		
Samarskaya GRES		
Saratov region	1,479	6,064
Balakovskaya TES-4		
Saratovskaya TES-5		
Saratovskaya TES-2		
Engelskaya TES-3		
Saratovskaya GRES		
Saratovskaya TES-1		
Ulyanovsk region:	852	3,415
Ulyanovskaya TES-1		
Ulyanovskaya TES-2		
Orenburgskaya TGK:	1,029	4,162
Samarskaya TES		
Kargalinskaya TES		
Orskaya TES		
Mednogorskaya TES		
Total Volzhskaya-TGK	6,880	29,793

Source: Volzhskaya-TGK.

Output

The table below shows the electricity and heat output, respectively, of Volzhskaya TGK's four generation companies as of July 2007.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Samara Region	14,294	26,373
Saratov region	5,294	9,437
Ulyanovsk region	2,927	4,617
Orenburgskaya TGK	4,715	9,796
Total Volzhskaya-TGK	27,230	50,223

Source: Volzhskaya-TGK.

Capacity

The table below shows the installed electric and heat capacity, respectively, of SGK TKG-8's seven generation units (branches) in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Astrakhanskaya Generation branch:	480	1,834
Astrakhanskaya GRES		
Astrakhanskaya TES-2		
Central boiler house		
Municipal unitary facility "Teplovye Seti" of Astrakhan city		
Volgogradskaya Generation branch:	1,501	5,932
Volgogradskaya GRES		
Volgogradskaya TES-2		
Volgogradskaya TES-3		
Volzhskaya TES-1		
Volzhskaya TES-2		
Kamyshinskaya TES		
Municipal unitary facility "Teplovye Seti" of Kamyshin city (rent)		
Dagestanskaya Generation branch:	44	527
Mahachkalinskaya TES		
Kaspiiskaya TES		
Kubanskaya Generation branch:	736	856
Krasnodarskaya TES		
Rostovskaya Generation branch:	669	2,198
Volgodonskaya TES-2		
Kamenskaya TES		
Rostovskaya Gorodskaya Generation branch:	160	1,794
Rostovskaya TES-2		
Central boiler house		
Rostov boiler house-1		
Rostov boiler house-2		
Rostov boiler house-3		
Rostov boiler house-4		
Stavropolskaya Generation branch:	12	252
Kislovodskaya TES		
Boiler houses		
Boiler house "Mashuk"		
Total SGK TKG-8.	3,602	13,393

Source: SGK TKG-8.

Output

The table below shows the electricity and heat output, respectively, of SGK TKG-8's seven generation units (branches) in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Astrakhanskaya Generation branch:	2,674	2,411
Volgogradskaya Generation branch:	4,825	9,007
Dagestanskaya Generation branch:	74	617
Kubanskaya Generation branch:	5,538	1,103
Rostovskaya Generation branch:	2,188	1,159
Rostovskaya Gorodskaya Generation branch:	824	2,917
Stavropolskaya Generation branch:	24	230
Total SGK TKG-8	16,147	17,444

Source: SGK TKG-8.

TKG-9

Capacity

The table below shows the installed electric and heat capacity, respectively, of TKG-9's three generation companies in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Permskiy Krai:	1,359	6,898
Bereznikovskaya TES-2		
Bereznikovskaya TES-4		
Bereznikovskaya TES-10		
Kizelovskaya GRES-3		
Zakamskaya TES-5		
Permskaya TES-6		
Permskaya TES-9		
Permskaya TES-13		
Permskaya TES-14		
Chaikovskaya TES-18		
Votkinskaya GES		
Kamskaya GES		
Sverdlovskaya Oblast:	1,230	7,242
Nizhneturinskaya GRES		
Krasnogorskaya TES		
Bogoslovskaya TES		
Sverdlovskaya TES		
Pervouralskaya TES		
Kachkanarskaya TES		
Novo-Sverdlovskaya TES		
Verhoturskaya GES		
Komi Republic:	690	2,812
Sosnogorskaya TES		
Vorkutinskaya TES-1		
Vorkutinskaya TES-2		
Intinskaya TES		
Total TKG-9	3,280	16,952

Source: TKG-9.

Output

The table below shows the electricity and heat output, respectively, of TGK-9's three generation companies in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Permskiy Krai	10,754	16,148
Sverdlovskaya Oblast	6,424	20,501
Komi Republic.....	2,938	6,345
Total TGK-9.....	20,116	42,994

Source: TGK-9.

TGK-10

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-10's two generation companies in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Tyumen region:	1,679	5,235
Tyumenskaya TES-1		
Tyumenskaya TES-2		
Tobolskaya TES		
Chelyabinsk region:	914	6,336
Agayashskaya TES		
Chelyabinskaya TES-1		
Chelyabinskaya TES-2		
Chelyabinskaya TES-3		
Chelyabinskaya GRES		
Total TGK-10.....	2,593	11,571

Source: TGK-10.

Output

The table below shows the electricity and heat output, respectively, of TGK-10's two generation companies in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Tyumen region.....	11,155	9,809
Chelyabinsk region	5,641	9,049
Boiler houses	n/a	3,403
Total TGK-10.....	16,796	22,261

Source: TGK-10.

TGK-11

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-11's two generation companies in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
OA Omsk Electricity Generation Company	1,605	5,870
TES-3		
TES-4		
TES-5		
OA Tomskenergo:	421	2,371
GRES-2		
TES-3		
Total TGK-11.	2,026	8,241

Source: TGK-11.

Output

The table below shows the electricity and heat output, respectively, of TGK-11's two generation companies in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
OA Omsk Electricity Generation Company.	6,131	12,172
OA Tomskenergo	2,262	4,248
Total TGK-11.	8,393	16,420

Source: TGK-11.

Kuzbassenergo

Capacity

The table below shows the installed electric and heat capacity, respectively, of Kuzbassenergo's one generation company in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Kuzbassenergo:	4,772	6,997
Tom-Usinskaya GRES		
Belovskaya GRES		
Kemerovskaya GRES		
Kemerovskaya TES		
Novokuibyshevskaya TES		
Kuznetskaya TES		
Total Kuzbassenergo.	4,772	6,997

Source: Kuzbassenergo.

Output

The table below shows the electricity and heat output, respectively, of Kuzbassenergo's one generation company in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Kuzbassenergo.....	24,904	13,785
Total Kuzbassenergo.....	24,904	13,785

Source: Kuzbassenergo.

Eniseyskaya TGK

Capacity

The table below shows the installed electric and heat capacity, respectively, of Eniseyskaya TGK's one generation company in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Eniseyskaya TGK:	2,458	7,091
Nazarovskaya GRES		
Krasnoyarskaya TES-1		
Krasnoyarskaya TES-2		
Minusinskaya TES (including TES)		
Kanskaya TES		
Abakanskaya TES		
Total Eniseyskaya TGK	2,458	7,091

Source: Eniseyskaya TGK.

Output

The table below shows the electricity and heat output, respectively, of Eniseyskaya TGK's one generation company in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Eniseyskaya TGK	10,378	15,313
Total Eniseyskaya TGK	10,378	15,313

Source: Eniseyskaya TGK.

TGK-14

Capacity

The table below shows the installed electric and heat capacity, respectively, of TGK-14's two generation companies in 2006.

<u>Generation Unit</u>	<u>Installed Electric Capacity (MW)</u>	<u>Installed Heat Capacity (Gcal/h)</u>
Buryatiya generation:	130	1,283
Ulan-Udenskaya TES-1		
Chita generation:	513	1,425
Chitinskaya TES-1		
Sherlovogorskaya TES		
Priargunskaya TES		
Total TGK-14	643	2,708

Source: TGK-14.

Output

The table below shows the electricity and heat output, respectively, of TGK-14's two generation companies in 2006.

<u>Generation Unit</u>	<u>Electricity Output (million kW/h)</u>	<u>Heat Output (thousand Gcal)</u>
Buryatiya generation	391	3,050
Chita generation:.....	2,378	2,602
Total TGK-14	2,769	5,652

Source: TGK-14.

Tariffs

The markets for electricity and heat are both subject to government regulation and the great majority of electricity and heat output is sold at prices set by the FST and the regional tariff authorities. The table below shows the average electricity and heat tariffs for each of the power stations of the TGKs in 2007.

Tariffs for 2007

TGK-1

data unavailable

TGK-2

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Arkhangelsk Generation Company	1,158.6	152,376.5	692.8
Kostroma Generation Company	477.2	86,153.9	474.8
Novgorod Generation Company	502.7	68,508.3	337.6
Tver Generation Company	461.4	82,965.3	555.1
Yaroslav Generation Company	551.1	38,194.8	461.1
Vologda Generation Company	537.5	136,657.2	491.2

Mosenergo

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
GES-1	300.7	108,811.8	data unavailable
GRES-3.....	932.9	108,811.8	
TES-6.....	481.8	108,811.8	
TES-8.....	454.9	108,811.8	
TES-9.....	389.0	108,811.8	
TES-11.....	387.3	108,811.8	
TES-12.....	372.2	108,811.8	
TES-16.....	359.0	108,811.8	
TES-17.....	630.0	108,811.8	
TES-20.....	381.6	108,811.8	
TES-21.....	337.0	108,811.8	
TES-22.....	398.9	108,811.8	
TES-23.....	366.7	108,811.8	
TES-25.....	401.7	108,811.8	
TES-26.....	366.6	108,811.8	
TES-27.....	318.6	108,811.8	
TES-28.....	316.8	108,811.8	

TGK-4

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Belgorod Regional Generation branch	444.4	784,688.8	562.3
Bryansk Regional Generation branch	745.7	233,183.9	370.8
Voronezh Regional Generation branch	683.0	101,546.2	461.1
Kaluga Regional Generation branch	1,651.7	data unavailable	417.4
Kursk Regional Generation branch	524.3	69,792.4	442.8
Lipetsk Regional Generation branch.....	504.9	152,426.8	447.9
Orel Regional Generation branch	490.5	55,123.6	362.2
Ryazan Regional Generation branch.....	424.2	114,769.5	426.2
Smolensk Regional Generation branch.....	436.9	91,657.2	453.7
Tambov Regional Generation branch	534.8	76,391.4	474.4
Tula Regional Generation branch	564.2	98,572.5	316.5

TGK-6

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Vladimir Generating Company.....	457.7	103,386.0	343.2
Ivanovo Generating Company	549.8	71,996.0	467.2
Penza Generating Company	452.2	38,616.6	434.9
Penza Thermal Network Company	554.2	47,083.3	303.1
Mordovia Generation Company & Mordovia Thermal Network Company	442.7	67,521.6	405.7
Nizhny Novgorod Generating Company.....	622.3	65,847.3	392.6
Dzerzhinskaya TES.....	557.7	109,195.8	410.0

Volzhskaya TGK

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Samara region:			301
TES VAZ	464.85	77,799.91	
Tolyattinskaya TES	485.00	77,799.91	
Novokuibyshevskaya TES-1	535.72	77,799.91	
Samarskaya TES	446.75	77,799.91	
Syzranskaya TES	448.12	77,799.91	
Novokuibyshevskaya TES-2	590.18	77,799.91	
Bezemyannaya TES	538.62	77,799.91	
Samarskaya GRES	546.70	77,799.91	
Saratov region:			402
Balakovskaya TES-4	569.78	79,755.69	
Saratovskaya TES-5	456.07	79,755.69	
Saratovskaya TES-2	591.15	79,755.69	
Engelskaya TES-3	563.06	79,755.69	
Saratovskaya GRES	569.47	79,755.69	
Saratovskaya TES-1	605.27	79,755.69	
Ulyanovsk region:			359
Ulyanovskaya TES-1	456.03	70,117.78	
Ulyanovskaya TES-2	411.26	70,117.78	
Orenburgskaya TGK:	data	data	372.9
	unavailable	unavailable	

SGK TGK-8

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Astrakhanskaya Generation branch	416.5	62,891.4	406.7
Volgogradskaya Generation branch	519.0	61,479.2	382.6
Dagestanskaya Generation branch	487.7	76,692.1	270.7
Kubanskaya Generation branch	556.8	103,106.4	334.0
Rostovskaya Generation branch	392.4	80,076.8	
Rostov-on-Don city			491.5
Volgodonsk city			542.5
Kamensk-Shakhtinsky city			455.1
Stavropolskaya Generation branch	568.5	137,242.1	666.0

TGK-9

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Bereznikovskaya TES-2	585.42	156,417.75	data unavailable
Bereznikovskaya TES-4	742.63	156,417.75	
Bereznikovskaya TES-10	591.06	156,417.75	
Kizelovskaya GRES-3	577.77	156,417.75	
Zakamskaya TES-5	564.11	156,417.75	
Permskaya TES-6	533.58	156,417.75	
Permskaya TES-9	513.26	156,417.75	
Permskaya TES-13	680.27	156,417.75	
Permskaya TES-14	547.98	156,417.75	
Chaikovskaya TES-18	505.60	156,417.75	
Votkinskaya GES	data	data	
	unavailable	unavailable	
Kamskaya GES	data	data	
	unavailable	unavailable	
Nizhneturinskaya GRES	535.54	129,186.14	
Krasnogorskaya TES	641.94	129,186.14	
Bogoslavskaya TES	831.03	129,186.14	
Sverdlovskaya TES	541.39	129,186.14	
Pervouralskaya TES	533.53	129,186.14	
Kachanarskaya TES	425.06	129,186.14	
Novo-Sverdlovskaya TES	408.30	129,186.14	
Verkhoturkskaya GES	data	data	
	unavailable	unavailable	
Sosnogorskaya TES	478.26	140,715.28	
Vorkutinskaya TES-1	1,185.50	140,715.28	
Vorkutinskaya TES-2	544.82	140,715.28	
Intinskaya TES	613.64	140,715.28	

TGK-10

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Tyumen region	data	data	169.6
	unavailable	unavailable	
Chelyabinsk region	data	data	307.7
	unavailable	unavailable	

TGK-11

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
OA Omsk Electricity Generation Company ...	772.0	data	422.8
		unavailable	
OA Tomskenergo	804.8	data	394.8
		unavailable	

Kuzbassenergo

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Tom-Usinskaya GRES	305.1	97,411.7	data unavailable
Belovskaya GRES.....	280.5	97,411.7	
Kemerovskaya GRES.....	303.0	97,411.7	
Kemerovskaya TES.....	419.3	97,411.7	
Novokemerovskaya TES	334.5	97,411.7	
Kuznetskaya TES	356.3	97,411.7	
Barnaulskaya TES-2	524.0	76,613.7	
Barnaulskaya TES-3	359.0	76,613.7	

Eniseyskaya TGK

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Nazarovskaya GRES.....	230.7	88,202.9	data unavailable
Krasnoyarskaya TES-1	199.1	88,202.9	
Krasnoyarskaya TES-2	160.2	88,202.9	
Minusinskaya TES.....	222.8	88,202.9	
Kanskaya TES	148.6	88,202.9	
Abakanskaya TES.....	256.4	78,832.3	

TGK-14

<u>Generation Unit</u>	<u>Average Electricity Tariffs (RUB/MW/h)</u>	<u>Capacity (RUB/MW/month)</u>	<u>Heat (RUB/Gcal)</u>
Buryatiya generation.....	442.2	83,038	data unavailable
Chita generation	389.3	99,300	482.4

Source: TGKs.

Fuel rates

Fuel rates measure the amount of fuel (in terms of oil or its equivalent) required to produce one kilowatt-hour of electricity. Calculated in terms of a gram of oil equivalent per kW/h (“Goe/kW/h”), it is used to assess the efficiency of a generator. The table below shows the average fuel rate of each TKG in 2006.

	<u>Average fuel rate 2006 (Goe/kW/h)</u>
TGK-1.....	316.2
TGK-2.....	344.7
Mosenergo	291.9
TGK-4.....	344.8
TGK-6.....	338.3
Volzhskaya TKG.....	327.2
SGK TKG-8.....	354.3
TGK-9.....	376.6
TGK-10.....	311.9
TGK-11.....	340.5
Kuzbassenergo.....	359.0
Eniseyskaya TKG.....	330.6
TGK-14.....	406.6

Source: TKGs.

Load Factors

The following table shows the average load factor (actual production of electricity and heat, as applicable, of theoretical maximum production) for each of the TGKs.

Year ended December 31, 2006			
	TGK-1	TGK-2	Mosenergo
Average load factor (%)			
Electricity	data unavailable	43%	69.8%
Heat	data unavailable	19%	88%
	TGK-4	TGK-6	Volzhskaya TGK
Average load factor (%)			
Electricity	data unavailable	48.1%	45.2%
Heat	data unavailable	19.6%	18.6%
	SGK TGK-8	TGK-9	TGK-10
Average load factor (%)			
Electricity	51.2%	47.9%	73.9%
Heat	14.9%	data unavailable	11.2%
	TGK-11	Kuzbassenergo	Eniseyskaya TGK
Average load factor (%)			
Electricity	47.2%	62.9%	45%
Heat	30.4%	28.9%	25%
	TGK-14		
Average load factor (%)			
Electricity	data unavailable		
Heat	data unavailable		

Source: TGKs.

Fuel supply

The TGKs currently depend on a fuel supply composed primarily of gas, coal and fuel oil. The following table shows the percentage of the total fuel supply made up by each of these fuels.

Year ended December 31, 2006			
	TGK-1	TGK-2	Mosenergo
Fuel supply (%)			
Gas.....	90.87%	63.89%	95.68%
Oil residue	4.46%	22.76%	1.71%
Coal	4.65%	11.97%	2.54%
Other	0.02% (peat)	1.38%(peat)	0.07%
	TGK-4	TGK-6	Volzhskaya TGK
Fuel supply (%)			
Gas.....	96.94%	92.69%	95.9%
Oil residue	1.95%	5.34%	3.6%
Coal	1.11%	1.97%	0.5%
Other	0%	0%	0%
	SGK TGK-8	TGK-9	TGK-10
Fuel supply (%)			
Gas.....	97.47%	81.26%	95.39%
Oil residue	2.53%	2.01%	0%
Coal	0%	16.73%	4.61%
Other	0%	0%	0%
	TGK-11	Kuzbassenergo	Eniseyskaya TGK
Fuel supply (%)			
Gas.....	52.6%	4.34%	0%
Oil residue	0.5%	0.72%	1%
Coal	46.9%	94.94%	99%
Other	0%	0%	0%
	TGK-14		
Fuel supply (%)			
Gas.....	0%		
Oil residue	1%		
Coal	99%		
Other	0%		

Source: RAO UES Companies of the Target Structure, 2006.

Board of Directors and Management Board

The Board of Directors

The Board of Directors of each of the TGKs is responsible for general management matters, with the exception of those matters that are designated by law or the TGK's charter as being within the exclusive competence of the general meeting of shareholders. The tables below set out the membership of the current Board of Directors of each TGK.

Management Board

The Management Board is the TGK's collegiate executive body and is appointed by the Board of Directors. The Management Board is principally responsible for the day-to-day management of the

company's business. The General Director, who is also the Chairman of the Management Board, exercises executive authority over all activities, except for those within the exclusive competence of the general meeting of shareholders, the Board of Directors or the Management Board.

Directors of TGK-1

The current directors were elected on June 19, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Chikunov, Aleksandr Vasilyevich	Chairman of the Board of Directors; Member of the Management Board of RAO UES; Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of: OJSC Far East Energy Company and TGK-9; Member of the Board of Directors of: GRES-4, Lenenergo, Moscow City Electric Grid Company, Chelyabinsk Generation Company and MRSK of Center.
Akhanov, Dmitry Sergeevich	Director; Head of Strategy Department, Reform Management Center of RAO UES; Member of the Board of Directors of: OGK-5, SGK TGK-8, OAO Rostovenergo, OAO Kamchatskenergo, and OAO Mosenergosbyt and OGK-1.
Bugrov, Andrey Evgenievich.	Director; Member of the Board of Directors of RAO UES; Managing Director and Member of the Board of Directors of CJSC Holding Company Interros.
Chukhlebov, Vitaly Stepanovich.	Director; Executive Secretary of the Board of Directors of RAO UES.
Grave, Irina Vladimirovna.	Director; Vice-President of Fortum Power and Heat Oy.
Herne, David Alexander	Director; Managing Director of Halcyon Advisors; Member of the Board of Directors of OGK-3, TGK-2 and HydroOGK.
Kuula, Tapio.	Director; President of Fortum Power and Heat Oy.
Matvienko, Valentina Ivanovna	Director; Governor of St. Petersburg, Member of the Board of Directors of CJSC Lenenergo.
Novoselov, Dmitry Borisovich	Director; Vice-President, Head of Russian Operations of Fortum Power and Heat Oy.
Pichugina, Maria Nikolaevna	Director; Deputy Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of: OJSC Kolenergosbyt and CJSC Saint Petersburg Sales Company; Deputy Chairman of the Board of Directors of OGK-5; Member of the Board of Directors of: OJSC Karelian Power Sales Company and Mosenergo.
Rodin, Valery Nikolaevich.	Director; General Director and Chairman of the Management Board; Member of the Board of Directors of OJSC Engineering Center of Ural Energy.

Directors of TGK-2

The current directors were elected on May 11, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Ischenko, Igor Vladimirovich.	Chairman of the Board of Directors; Member of the Board of Directors: Azkhangel'sk Sales Company, OAO, Volgogradenergosbyt, OAO, Kostroma Sales Company, OAO, Novgorod Power Sales Company and OAO TVER Power Sales Company.
Branis, Alexander Markovich.	Deputy Chairman of the Board of Directors; Director of Prosperity Capital Management Ltd. Moscow Representative Office; Director of Prosperity Capital Management Ltd, Member of the Board of Directors of TGK-4 and TGK-6, OAO Tula Sales Company, OAO Bryansk Sales Company.
Filkin, Roman Alexeevich.	Director; Director of the Moscow Representative Office of Prosperity Capital Management Ltd.; Member of the Board of Directors of: TGK-4 and TGK-6.
Girbasov, Vladimir Igorevich.	Director; Head of Trade Operations Department of Investment and Financial Company ProfInvest, LLC.
Herne, David Alexander.	Director; Managing Director of Halcyon Advisors; Member of the Board of Directors of: OGK-3, TGK-1 and HydroOGK.
Ivashkovsky, Sergey Stanislavovich.	Director; Director of the Moscow Representative Office of Prosperity Capital Management Ltd.
Melnikov, Dmitry Alexandrovich.	Director; Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of OGK-6 and SGK TGK-8; Member of the Board of Directors of: TGK-9, OJSC Volgogradenergosbyt, OJSC Energobyt Rostovenergo, OJSC Kamchatskenergo, OJSC Sakhalinenergo and CJSC Regional Energy Service.
Tulchinskaya, Yana Ilyinichna.	Director; Head of Monitoring and Forecast Division of Marketing Department of RAO UES.
Vagner, Andrey Alexandrovich.	Director; General Director.
Zenyukov, Igor Alikovich.	Director; Deputy Head of Corporate Governance and Investor Relations Department, Corporate Center of RAO UES. Member of the Board of Directors of: OAO Institute of Corporate Governance, OAO Kurskenergo, OAO Moscow Unified Electricity Distribution Company, OAO Chelyabenergo, OAO Chitaenergo, OAO Yazenergo and MRSK of Volga.

Zotov, Alexey Alexandrovich	Director; Lead Expert of Corporate Events Department of RAO UES (Business Unit No. 1); Member of the Board of Directors: OAO Far East Power Managing Company, OAO Perm Power Sales Company, OAO Stavropolenergosbyt, OAO Tula Sales Company, OAO Chita Power Sales Company, OAO Energosbyt Rostovenergo and OAO Yakutskenergo.
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Directors of Mosenergo

The current directors were elected on May 15, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Seleznyov, Kirill Gennadyevich	Chairman of the Board of Directors; Member of the Management Board; Head of Gazprom Department of Marketing, Gas and Liquid Hydrocarbon Processing Department.
Aksenov, Pyotr Nikolaevich	Director; Representative of the Moscow City Government.
Budzulyak, Bogdan Vladimirovich	Director; Member of the Management Board, Head of Gazprom Department of Transportation, Underground Storage and Use of Gas.
Fil, Sergey Sergeevich	Director; Head of RAO UES Corporate Events Department (Business Unit No. 1); Director of: OGK-6, SGK TGK-8, TGK-4, OJSC Astrakhan Power Sales Company, OJSC Mosenergosbyt, OJSC Perm Power Sales Company, Komi Power Sales Company, OAO Sakhaenergo, OAO Far East Energy Company.
Gavrilenko, Anatoliy Anatolievich	Director; General Director and Member of the Board of Directors of OJSC Moscow City Electricity Grid Company.
Golubev, Valeriy Alexandrovich	Member of the Board of Directors; Deputy Chairman of the Management Board, Gazprom.
Kopsov, Anatoliy Yakovlevich	Director; General Director.
Matveev, Alexey Anatolievich	Director; Deputy Chairman of the Management Board of CJSC AB Gazprombank.
Negomedsyarov, Alexander Alexandrovich	Director; First Deputy General Director of Mosenergo for Financial and Economic Issues, Logistics and Sales.
Pavlova, Olga Petrovna	Director; Member of the Management Board, Head of Department for Property Management and Corporate Relations of Gazprom.

Scribot, Wolfgang	Director; Director for Corporate Financing Department of CJSC AB Gazprombank, Member of the Board of Directors of: MRSK of Center and Privoljie, OAO Moscow City Electric Grid Company, OAO Mosenergosbyt.
Smirnov, Pavel Stepanovich.	Director; Member of the Management Board of RAO UES; Member of the Board of Directors of: OAO Mosenergosbyt, OAO Moscow City Electric Grid Company.
Udaltsov, Yuri Arkadievich.	Director; Member of Management Board of RAO UES; Head of Reform Management Center of RAO UES; Member of the Board of Directors of the FSK, the System Operator and HydroOGK.

Directors of TGK-4

The current directors were elected on May 15, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Orudzhev, Eldar Valerievich	Chairman of the Board of Directors; Deputy Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of: OGK-5, TGK-14 and OJSC Yakutskenergo; Member of the Board of Directors of: OJSC Institute of Corporate Governance, OJSC Central Moscow Depository, Energy North Company, OJSC Far East Generation Company and OJSC Far East Energy Company.
Branis, Alexander Markovich.	Deputy Chairman of the Board of Directors; Director of Prosperity Capital Management Ltd. Moscow Representative Office; Director of Prosperity Capital Management Ltd. Member of the Board of Directors of TGK-2 and TGK-6; Deputy Chairman of the Board of Directors of TGK-2.
Evkharitskiy, Alexander Valerievich	Director; Chief Expert of Operations and Fuel Supply Department of RAO UES (Business Unit No. 1); Member of the Board of Directors of: OGK-6 and OAO Komi Power Sales Company.
Fil, Sergey Sergeevich.	Director; Head of RAO UES Corporate Events Department (Business Unit No. 1); Director of: OGK-6, SGK TGK-8, OJSC Sakhaenergo, OJSC Astrakhan Power Sales Company, OJSC Mosenergosbyt, OJSC Perm Power Sales Company, OJSC Komi Power Sales Company, OJSC Far East Energy Company and Mosenergo.
Filkin, Roman Alexeevich.	Director; Director of the Moscow Representative Office of Prosperity Capital Management Ltd.; Member of the Board of Directors of: TGK-2 and TGK-6, OAO Tula Sales Company and OAO Bryansk Sales Company.

Galka, Vadim Vadimovich	Director; Head of the Personnel Management Department, Corporate Center of RAO UES; Member of the Board of Directors of: OAO Mosenergosetstroy, OAO SB Energozaschita, NP Corporate Educational and Scientific Center of UES and the RaEl Association.
Klaptsov, Alexey Vitalievich	Director; Vice-President of Halcyon Advisors.
Kochetkov, Gennadiy Alexandrovich . . .	Director; General Director, General Director of OJSC Tula Power Sales Company.
Shiryaeva, Larisa Vladimirovna	Director; Head of the Market Department of Reform Management Center, RAO UES; Member of the Board of Directors of: Volzhskaya TGK and TGK-10.
Soloviev, Roman Igorevich	Director; Deputy Head of Subsidiaries and Dependent Companies' Economics Department of RAO UES (Business Unit No. 1); Member of the Board of Directors of: OAO Smolenskenergosbyt and OAO Kirovenergosbyt.
Starchenko, Alexander Grigorievich . . .	Director; Deputy General Director for the Power Complex of Rumelco; Member of the Board of Directors of: Lipetsk Power Sales Company.

Directors of TGK-6

The current directors were elected on April 10, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Avetisyan, Vladimir Evgenievich	Chairman of the Board of Directors; Member of the Management Board and Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors and Member of the Management Board of: OGK-1, Volzhskaya TGK and TGK-10.
Boyko, Natalia Grigorievna.	Director; Head of Department within the Reform Management Center of RAO UES; Member of the Board of Directors of: OAO Samaraenergo and OAO Orelenergo.
Branis, Alexander Markovich	Deputy Chairman of the Board of Directors; Director of Prosperity Capital Management Ltd. Moscow Representative Office; Director of Prosperity Capital Management Ltd. Member of the Board of Directors of TGK-2 and TGK-4; Deputy Chairman of the Board of Directors of TGK-2.
Filkin, Roman Alexeevich	Director; Director of the Moscow Representative Office of Prosperity Capital Management Ltd.; Member of the Board of Directors of: TGK-2, TGK-6, OAO Tula Sales Company and OAO Bryansk Sales Company.

Gluschenko, Alexei Dmitrievich	Director; Senior Vice-President for Asset Management of CJSC IES; Member of the Board of Directors of: OJSC Rostovenergo, OJSC Sverdlovennergo, OJSC Permenergo, OJSC AEK Komienergo, OJSC Nizhnovenergo, TGK-5, TGK-9, OJSC Kirovenergo, OJSC Pskovenergo and OJSC Irkutskenergo.
Privalov, Vladimir Vitalievich	Director; General Director.
Smelov, Eduard Yurievich	Director; Member of the Management Board; General Director of CJSC Federal Center of Sales; Chief Vice-President for Strategy and Development of CJSC IES; Member of the Board of Directors of: TGK-5 and TGK-9; General Director of TGK-5.
Spitsyn, Leonid Evgenievich	Director; Head of IT Department, Corporate Center of RAO UES; Member of the Board of Directors of: MRSK of Center and Privoljje, OAO GVC of Energy and OAO MUS of Energy.
Tarasov, Vladimir Mikhailovich	Director; Head of Investment and Technical Policy Department of RAO UES (Business Unit No. 2).
Uliyanov, Valeriy Vasilievich	Director; Minister of Fuel and Power Complex of Nizhny Novgorod Oblast.
Zhelyabovsky, Yuri Anatolievich	Director; Head of Economic Planning and Financial Control Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: TGK-1, Volzhskaya TGK and OAO GVC of Energy.

Directors of Volzhskaya TGK

The current directors were elected on May 25, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Avetisyan, Vladimir Evgenievich	Chairman of the Board of Directors; Member of the Management Board and Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors and Member of the Management Board of: OGK-1, TGK-6 and TGK-10.
Fedorchuk, Dmitry Vasilievich	Director; Head of Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-4 and TGK-11.
Kalinin, Alexey Vladimirovich	Director; Managing Director of Baring Vostok Capital Partners; General Director of CJSC East Capital and Partners; Department Chairman of Moscow Energy Institute (Technical University); Member of the Board of Directors of OJSC Samaraenergo.

Makushin, Yuri Pavlovich	Director; Deputy Managing Director RAO UES (Business Unit No. 2); Chairman of the Board of Directors of OGK-4; Member of the Board of Directors of: OJSC Ulyanovskenergo, Volzhskaya MRK, Eniseyskaya TGK and OAO Institute of Corporate Governance.
Nikonov, Vasiliy Vladislavovich	Director; General Director; General Director and Member of the Board of Directors of: OJSC SMUEK, Chairman of the Board of Directors of: OJSC Saratovenergo and Orenburg Heat Generation Company; Deputy Chairman of the Board of Directors of OJSC Samaraenergo; Member of the Board of Directors of OJSC Engineering Center of the Volga Region.
Pakston, Peter Leslie	Director; Director for Operations and Client Relations of Fleming Family and Partners (Liechtenstein) AG (FF&P).
Shiryaeva, Larisa Vladimirovna	Director; Head of the Market Department of Reform Management Center, RAO UES; Member of the Board of Directors of: TGK-4 and TGK-10.
Teplukhin, Pavel Mikhailovich	Director; President of Managing Company Troika Dialog; Member of the Board of Directors of: OJSC Arbat Prestige and OJSC Open Investments; Member of the Supervisory Board of OJSC MOSTOTREST; General Director of CJSC Varvarino.
Zavalko, Maxim Valentinovich	Director; First Deputy Head of Corporate Governance and Investor Relations Department, Corporate Center of RAO UES; Member of the Board of Directors of TGK-11, MRSK of North-West, Volzhskaya MRK, OAO Khakassenergo and Home Energetic LLC.
Zhelyabovsky, Yuri A.	Director; Head of Economic Planning and Financial Control Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-1 TGK-6 and OAO GVC of Energy.
Zhoffrey, Adrian Richarde	Director; Chairman of the Management Board, Director of Fleming Family and Partners (Liechtenstein) AG (FF&P).

Directors of SGK TGK-8

The current directors were elected on June 25, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Melnikov, Dmitry Alexandrovich	Chairman of the Board of Directors; Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of OGK-6; Member of the Board of Directors of: OJSC Energosbyt Rostovenergo, OJSC Volgogradenergoby, OJSC Kamchatskenergo, OJSC Sakhalinenergo, TGK-9, TGK-2, CJSC Regional Energy Service and OAO Far East Power Managing Company.

Akhanov, Dmitry Sergeevich	Director; Head of Strategy Department, Reform Management Center of RAO UES; Member of the Board of Directors of: OGK-5, TGK-1, OAO Rostovenergo, OAO Kamchatskenergo, OAO Mosenergosbyt and OGK-1.
Fil, Sergey Sergeevich.	Director; Head of RAO UES Corporate Events Department (Business Unit No. 1); Member of the Board of Directors of: OGK-6, Mosenergo, TGK-4, OJSC Sakhaenergo, OJSC Astrakhan Power Sales Company, OJSC Mosenergosbyt, OJSC Perm Power Sales Company, Komi Power Sales Company and OAO Far East Energy Company.
Gabov, Andrey Vladimirovich	Director; Head of RAO UES Department of Corporate Governance and Investor Relations, Corporate Center; Chairman of the Board of Directors of: LLC Depository and Corporate Technologies and OJSC Zagorskaya GAES; Member of the Board of Directors of: OJSC AEK Komienergo, OJSC Permenergo, OJSC Pskovenergo, OGK-3, OJSC Institute of Corporate Governance, MRSK of Northern Caucasus and OAO Tverelectrosetrement.
Gvozdev, Viktor Sergeevich	Director; General Director; Member of the Board of Directors of: CJSC Regional Energy Service and OJSC Kuban Generation Company.
Nikulov, Alexander Evgenievich	Director; General Director and Member of the Board of Directors of CJSC Promregion Holding; Member of the Board of Directors of: OJSC Volgogradenergo and MRSK of South.
Solodyankin, Dmitry Germanovich	Director; Deputy General Director for Strategy and Development; Member of the Board of Directors of OJSC Stavropolenergosbyt.
Solomentsev, Oleg Viktorovich.	Director; Head of Corporate Relations Department, CJSC MC Management-Center; Member of the Board of Directors of OJSC Astrakhanenergo.
Tnalin, Alibek Aybekovich	Director; Head of Financial and Analytical Department; Member of the Board of Directors of OJSC Astrakhanenergo.
Vasilieva, Anna Alexandrovna	Director; Deputy Head of Personnel Management Department of the Corporate Center of RAO UES; Member of the Board of Directors of: OJSC Stavropolenergo, GVC Energy, OGK-4, OAO Center of Energy and Home Energetic LLC.
Zagretidinov, Ilyas Shamilievich	Director; Deputy Managing Director of RAO UES (Business Unit No. 1); Member of the Board of Directors of: OJSC VTI, OJSC Far-East Generation Company and OJSC Mobilnye GTES.

Directors of TGK-9

The current directors were elected on June 28, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Chikunov, Aleksandr Vasilyevich	Chairman of the Board of Directors; Member of the Management Board of RAO UES; Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of: OJSC Far East Energy Company and TGK-1; Member of the Board of Directors of: GRES-4, Lenenergo, Moscow City Electric Grid Company, Chelyabinsk Generation Company and MRSK of Center.
Slobodin, Mikhail Yurievich	Deputy Chairman of the Board of Directors; President and General Director of CJSC IES; Member of the Board of Directors of: OJSC Russian Utilities Systems, TGK-5 and MRSK of Ural.
Bukhvalov, Nikolay Yuvenalievich	Director; Chairman of Perm Krai Government.
Burnashev, Dmitry Alexandrovich	Director; Head Business Planning Department, Corporate Center of RAO UES; Member of the Board of Directors of: OGK-6, OJSC Orelenergo, Non-Commercial Investment Ecological Organization Energy Hydrocarbon Fund and MRSK of Center.
Chernov, Alexey Leonidovich	Director; Deputy Head of Komi Republic.
Ekzarkho, Elena Villenovna	Director; Chief Expert of the Market Department of the Reform Management Center, RAO UES; Member of the Board of Directors of: OJSC East Energy Company and OJSC Tyumenenergo.
Gluschenko, Alexei Dmitrievich	Director; Senior Vice-President for Asset Management of CJSC IES; Member of the Board of Directors of: OJSC Rostovenergo, OJSC Sverdlovennergo, OJSC Permenergo, OJSC AEK Komienergo, OJSC Nizhnovenergo, TGK-5, TGK-6, OJSC Kirovenergo, OJSC Pskovenergo and OJSC Irkutskenergo.
Makarov, Andrey Yurievich	Director; General Director; Member of the Management Board.
Melnikov, Dmitry Alexandrovich	Director; Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of OGK-6 and SGK TGK-8; Member of the Board of Directors of: OJSC Energosbyt Rostovenergo, OJSC Kamchatskenergo, OJSC Sakhalinenergo, TGK-2 and CJSC Regional Energy Service; OAO Volgogradenergosbyt, OAO Far East Power Managing Company.

Molchanov, Vladimir Antonovich	Director; Deputy Head of Projects Facilitation Department (RAO UES Business Unit No. 2); Member of the Board of Directors of: OJSC Ural Power Managing Company and OGK-4.
Smelov, Eduard Yurievich	Director; General Director of Federal Sales Center, Senior Vice-President for Strategy and Development of CJSC IES; General Director of TGK-5; Member of the Board of Directors of: OJSC Russian Utilities Systems, TGK-5 and TGK-6; Member of the Management Board of TGK-6.
Tsuranov, Igor Grigorievich.	Director; Executive Director; Director for Investments of RAO UES; Member of the Board of Directors of OGK-6.
Tulyakov, Vadim Viktorovich	Director; Deputy Head of Property Relations Regulatory Department, Corporate Center of RAO UES; Member of the Board of Directors of OAO Zelenchukskie GES.

Directors of TGK-10

The current directors were elected on June 26, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Avetisyan, Vladimir Evgenievich	Chairman of the Board of Directors; Member of the Management Board and Managing Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors and Member of the Management Board of: OGK-1, TGK-6 and Volzhskaya TGK.
Blagoveshenskaya, Larisa Valentinovna .	Director; Head of Business Planning and Financial Analysis Division within the Holding and Subsidiaries' Economy Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: Eniseyskaya TGK and Ural Power Managing Company.
Bochka, Irina Sergeevna	Director; Head of Division of the Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OJSC Omsk Electricity Generation Company, OJSC Engineering and Analytic Center of Kuzbasstekhenergo, OJSC EPM Omskenergoremont, OJSC Kurganenergoremont, OJSC Energoheatcontrol, OJSC Altayenergotekhremont, Eniseyskaya TGK, OGK-2 and OAO Saratovenergo.
Fadeev, Alexander Nikolaevich	Director; Head of Economic Security Department of RAO UES; Member of the Board of Directors of OJSC Saratovenergo.
Kotelnikov, Denis Vladimirovich	Director; LLC Managing Company Renaissance Capital; Head of Asset Management of LLC New Age Company.

Lisyansky, Mikhail Eduardovich	Director; Deputy General Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors of OGK-2 and Kuzbassenergo; Member of the Board of Directors of: OJSC Ural Energy Management Company, OJSC Yuzhno-Kuzbasskaya GRES, OJSC Ulyanovskenergospetsremont, OJSC Orenburgenergoremont, OJSC Orenburgenergostroyremont, LLC Managing Company KVARTS, OGK-1 and OGK-4.
Molchanov, Mikhail Sergeevich	Director; Deputy Head of Projects Division within the Projects Facilitation Department, RAO UES (Business Unit No. 2); Member of the Board of Directors of: OJSC Ural Energy Management Company, OJSC Kuzbass Power Sales Company, OJSC Khakass Generation Company, OJSC Saratov Distribution Company, OJSC Vladimir Generation Company.
Shiryaeva, Larisa Vladimirovna	Director; Head of the Market Department of Reform Management Center, RAO UES; Member of the Board of Directors of: TKG-4 and Volzhskaya TKG.
Shishkin, Andrey Nikolaevich	Director; General Director; Member of the Board of Directors of: OJSC Tyumen Power Sales Company and OJSC Managing Company Joint Stock Bank Finance.
Shtykov, Dmitry Viktorovich	Director; General Director of the Institute of Professional Directors Fund; Member of the Board of Directors of: OGK-1, Lenenergo, OAO Volgogradenergo and OAO Orelenergo.
Vlasov, Alexander Vladimirovich	Director; Head of the Territorial Administration of the Federal Agency for Federal Property Management for the Chelyabinsk Region.

Directors of TKG-11

The current directors were elected on June 1, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Eremeev, Maxim Alexandrovich	Chairman of the Board of Directors; Consultant to the Institute of Professional Directors Fund.
Fedorchuk, Dmitry Vasilievich	Director; Head of Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-4 and Volzhskaya TKG.
Kachey, Alexey Romanovich	Director; Deputy Head of RAO UES Department of Strategy of the Reform Management Center; Member of the Board of Directors of: OGK-4 and MRSK of Center.
Kozhemyako, Sergey Ivanovich	Director; General Director.

Krasnopevtseva, Vlada Sergeevna	Director; Member of the Board of Directors of: OAO Srednevolzhskaya Interregional Managing Power Company.
Mironosetsky, Sergey Nikolaevich	Director; Deputy General Director of SUEK.
Muromtseva, Tatiana Anatolievna	Director; Head of Department for Operational Management and Wholesale Market Participants Organization of RAO UES (Business Unit No. 2); Member of the Board of Directors of OAO Krasnoyarskenergosbyt.
Rosenzweig, Alexander Shoilovich	Director; Operations Executive Director of Subsidiaries and Dependent Companies of RAO UES (Business Unit No.2); Deputy Head of Project Center for Presale Preparation and Disposal of Assets, RAO UES; Chairman of the Board of Directors of OAO Turkey Power Sales Company; Member of the Board of Directors of: OGK-2 and Volzhskaya MRK.
Stepanov, Alexey Yurievich.	Director; Head of Technical Inspection Directorate of RAO UES (Business Unit No. 2).
Ulanovskaya, Elena Nikolaevna	Director; Head of Division in the Department of Corporate Governance of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-1, OGK-4 and OAO Samaraenergo; Chairman of the Board of Directors of Omsk Electricity Generation Company.
Zavalko, Maxim Valentinovich	Director; First Deputy Head of Corporate Governance and Investor Relations Department, Corporate Center of RAO UES; Member of the Board of Directors of: Volzhskaya TGK, MRSK of North-West, Volzhskaya MRK, OAO Khakassenergo and Home Energetic LLC.

Directors of Kuzbassenergo

The current directors were elected on June 6, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Lisyansky, Mikhail Eduardovich.	Chairman of the Board of Directors; Deputy General Director of RAO UES (Business Unit No. 2); Chairman of the Board of Directors of OGK-2; Member of the Board of Directors of: OJSC Ural Energy Management Company, OJSC Yuzhno-Kuzbasskaya GRES, OJSC Ulyanovskenergospetsremont EPM, OJSC Orenburgenergoremont, OJSC Orenburgenergostroyremont, LLC Managing Company KVARTS, OGK-1, OGK-4 and TGK-10.
Bolshakov, Andrei Nikolaevich	Director; Project Director within the Fuel and Power Complex of LLC KOIMTEK; Expert in Fuel and Power Complex of SUEK; Member of the Board of Directors of: Eniseyskaya TGK, OJSC Far East Generation Company, OJSC Omskenergo and OJSC South Yakut Energy Company.

Dunin, Oleg Valentinovich	Director; Deputy Head of the Project Facilitation Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-2, Eniseyskaya TGK, OJSC Karachaevo-Cherkess Hydrogeneration Company, Cascade of Nizhny-Chereksk HPS, OJSC North-Ossetia Hydrogeneration Company and OAO Kurgan Generation Company.
Evseenkova, Elena Vladimirovna	Director; Deputy Head of Economic Planning and Financial Control Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-2, OGK-4, OAO Omsk Electricity Generation Company and OAO Srednvolzhskaya Interregional Managing Power Company.
Kochetkova, Tatiana Vladimirovna	Director; Advisor of the Reform Management Center of RAO UES; Member of the Board of Directors of OAO Yarenergoremont Holding.
Mazikin, Valentin Petrovich	Director.
Mikhailov, Sergey Nikolaevich	Director.
Platonov, Vladimir Yurievich	Director; Deputy Chairman of the Management Board; Head of Economic Security and Regime Department; Member of the Management Board of RAO UES.
Rashevsky, Vladimir Valeryevich	Director; Member of the Board of Directors of: RAO UES and the FSK; Chairman of the Management Board of OJSC MDM-Bank, General Director (President) of CJSC Holding Company "SUEK"; President and General Director of OJSC SUEK.
Shatsky, Pavel Olegovich	Director; Director of Power Complex Strategy Department and Deputy Director for Energy, Mergers and Acquisitions of OJSC SUEK; Member of the Board of Directors of: OJSC Far East Generation Company, OJSC Kuzbass Energy Supply Company, OJSC Far East Energy Company, OGK-6, Eniseyskaya TGK and OAO Chita Power Sales Company.
Sorokin, Igor Yurievich	Chief Specialist of Energy Assets Management of SUEK; Member of the Board of Directors of: OJSC Kuzbass Power Sales Company, OJSC Kuzbassenergосervice, OJSC Kuzbassetremont, OJSC Altayenergo, OJSC AK Omskenergo, OJSC Far East Generation Company, OJSC Omsk Electricity Generation Company, OJSC Omsk Power Sales Company and Eniseyskaya TGK.

Directors of Eniseyskaya TGK

The current directors were elected on May 17, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Makushin, Yuri Pavlovich	Chairman of the Board of Directors; Deputy Managing Director RAO UES (Business Unit No. 2); Chairman of the Board of Directors of OGK-4; Member of the Board of Directors of: OJSC Ulyanovskenergo, Volzhskaya MRK, Volzhskaya TGK and Institute of Corporate Governance.
Blagoveshenskaya, Larisa Valentinovna .	Director; Head of Business Planning and Financial Analysis Division within the Holding and Subsidiaries' Economy Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: TGK-10 and Ural Energy Management Company.
Bochka, Irina Sergeevna	Director; Head of Division of the Corporate Governance Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OJSC Omsk Electricity Generation Company, OJSC Engineering and Analytic Center of Kuzbasstekhenergo, OJSC EPM Omskenergoremont, OJSC Kurganenergoremont, OJSC Energoheatcontrol, OJSC Altayenergotekhremont and TGK-10, OGK-2 and OAO Saratovenergo.
Bolshakov, Andrei Nikolaevich	Director; Project Director within the Fuel and Power Complex of LLC KOIMTEK; Expert in Fuel and Power Complex of SUEK; Member of the the Board of Directors of: Kuzbassenergo, OJSC Far East Generation Company, OJSC Omskenergo and OJSC South Yakut Energy Company.
Bunyakina, Maxim Nikolaevich	Director; Chief Expert of Strategy Department of Reform Management Center; Member of Board of Directors of OJSC Ryazanenergo, OAO Kubanenergo, OAO Khakassenergo.
Dunin, Oleg Valentinovich	Director; Deputy Head of the Project Facilitation Department of RAO UES (Business Unit No. 2); Member of the Board of Directors of: OGK-2, Kuzbassenergo, and OJSC Kurgan Generation Company.
Kosarev, Sergey Borisovich	Director; Head of the Management Property Relations Regulatory Department of the Corporate Center, RAO UES; Member of the Board of Directors of: OGK-2 and OJSC Center Energy.
Salkov, Oleg Ivanovich	Director; General Director; General Director of: OJSC Krasnoyarskenergobyt, OJSC Tyvaenergo-Holding, Khakassenergobyt; Member of the Board of Directors of Krasnoyarskaya GES.

Shatsky, Pavel Olegovich	Director; Director of Power Complex Strategy Department and Deputy Director for Energy, Mergers and Acquisitions of OJSC SUEK; Member of the Board of Directors of: OJSC Far East Generation Company, OJSC Kuzbass Energy Supply Company, OJSC Far East Energy Company and Chita Power Sales Company.
Sorokin, Igor Yurievich	Director; Chief Specialist of Energy Assets Management of SUEK; Member of the Board of Directors of: OJSC Kuzbassenergосervice, OJSC Kuzbassetremont, OJSC Altayenergo, OJSC AK Omskenergo, OJSC Far East Generation Company, OJSC Kuzbass Power Sales Company, OJSC Omsk Electricity Generation Company, OJSC Omsk Power Sales Company and Kuzbassenergo.
Zarkhin, Vitaliy Yurievich	Director; Chief Specialist, Director's Consultant for Energy, Mergers and Acquisitions, Head of Administration of Structural Energy Projects of SUEK; Member of the Board of Directors of: OJSC Far East Distribution Company Omskenergo, OJSC Kuzbass Power Sales Company, Kuzbassenergo Main Power Grids, OJSC Yakutskenergo, OJSC Omsk Electricity Generation Company, OJSC Omsk Trunk Grid Company and OJSC Far East Power Company.

Directors of TGK-14

The current directors were elected on May 18, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Orudzhev, Eldar Valerievich	Chairman of the Board of Directors; Deputy Managing Director of RAO UES (Business Unit No. 1); Chairman of the Board of Directors of: OGK-5, TGK-4 and OJSC Yakutskenergo; Member of the Board of Directors of: OJSC Institute of Corporate Governance, OJSC Central Moscow Depository, OJSC Far East Generation Company and OJSC Far East Energy Company.
Abramov, Evgeny Yurievich	Director; Deputy Head of Gas Complex Directorate of Norilsk; Member of the Board of Directors of: OJSC NTEK and OGK-3.
Alfyorov, Vladimir Gennadievich.	Director; General Director; Chairman of the Management Board; General Director of: OJSC Chita Utilities Systems and OJSC Buryatia Utilities Systems; General Director and Member of the Board of Directors of: OJSC Chita Power Sales Company and OJSC Buryatenergосbyt.
Bakaev, Grigoriy Nikolaevich	Director, General Director of OJSC Taimyrgaz.

Gadzhiev, Ilya Ibragimovich	Director; Head of Sector within Business Unit No. 1 of RAO UES; Member of the Board of Directors of: OJSC Volgogradenergosbyt, OJSC Primorskaya Trunk Grid Company, OAO Kolymaenergo, OAO Orel Sales Company, OJSC Tambovskaya ESC and OJSC South-Yakut Energy Company.
Malov, Alexey Alexandrovich	Director; Head of Division within the Subsidiaries and Dependent Companies Management Department, Norilsk; Member of the Board of Directors of Karsnoyarsk Ship Repair Plant.
Nagoga, Margarita Georgievna	Director; Head of Cooperation with Mass Media Department, Corporate Center of RAO UES.
Shumilov, Alexander Alexandrovich	Director; Head of Energy Assets Management of SUEK; Member of the Board of Directors of: OJSC AutotransportEnergo, OJSC Altayelectrosetremont, OJSC Omsk Trunk Grid Company, OJSC Buryatenergosbyt, OJSC Kuzbassenergo-Regional Electric Grid Company, OJSC Buryatenergo, Chitaenergo, OJSC Krasnoyarskenergo, OJSC Omskenergo, OJSC Altayenergo and OAO Chita Power Sales Company.
Sokolovsky, Mikhail Zinovievich	Director; Head of Legal Department of RAO UES (Business Unit No. 1); Member of the Board of Directors of: OGK-6, TGK-5, OJSC Kubanenergosbyt, OJSC Lipetsk Power Sales Company, OJSC Kamchatskenergo and OJSC Kurskeneregosbyt.
Voronin, Yuriy Nikolaevich	Director; Project Director; Chief Manager of Technical Administration of Power Complex Directorate of Norilsk; Chairman of the Board of Directors of: OJSC Taimyrenergo and OJSC Kolskaya Power Sales Company.
Zholnerchik, Svetlana Semenovna	Director; Head of Information and Communications Directorate of RAO UES; Member of the Board of Directors of: OJSC North-Western TES, Permenergo, MRSK of North-West, OAO Moscow Unified Electricity Distribution Company.

Strategy

Each TGK is uniquely situated with respect to geography and resources; thus each has its own strategy for future growth and development that takes into account its geographic location and market position. The development strategy of each of the TGKs generally aims to increase the effectiveness and profitability of the company's assets. The anticipated liberalization of the energy markets is fundamental to these companies' development strategies, as the limited income provided by the current tariff regulations effectively restrict each TGK's ability to develop its facilities on an economically justifiable basis. Based on the current economic and business environment, the TGKs generally plan to use one or more of the following methods to increase shareholder value:

- increasing production efficiency through modernization of equipment and enhancing performance of existing assets;
- developing operational efficiency (including improving operating process efficiency, updating supervisory systems, equipment modernization and cost reduction);

- enhancing existing generation facilities and optimizing energy distribution systems;
- commissioning of new production capacities;
- improving efficiency in the company's supply of heat through an increased use of co-generation facilities;
- expanding its industrial customer base, regaining lost industrial customers and entering into long-term partnerships with major power consumers;
- expanding the scope of professional services offered by the company and entering new regions;
- improving the company's cost structure (including by reductions in expenditures and improvements in the fuel efficiency of production assets); and
- improving corporate governance.

Some of the TGKs also intend to become involved in the simultaneous development of generation and grid segments of the Russian power industry. As part of an overall development strategy, some of the TGKs also plan to participate in joint implementation projects under the Kyoto Protocol to the UN Framework Convention on Climate Change, which along with the development of ecological management systems are expected to lead to a decrease in the discharge of greenhouse gases from the relevant power facilities and related cost reductions.

Sochinskaya TES

History

Sochinskaya TES was incorporated on November 11, 2002.

Overview

Sochinskaya TES is uniquely situated at the foot of the Caucasus, 4 kilometers from the Black Sea coast.

The table below provides information concerning the location, generation units, age of generation assets and production units and the number of employees of Sochinskaya TES.

Headquarters location	Sochi
Geographic location of power stations	Sochi
Power plants owned	2
Age of generation assets (years)	
0-10	100%
10-20	
20-30	
30-40	
40+	
	data
Average age	unavailable
Employees (as of 31/12/06)	153

Source: Sochinskaya TES.

Capacity and Output

The installed electric and heat capacity of Sochinskaya TES, as well as the heat and electricity supplied in 2006, is shown in the table below.

Installed Electric Capacity (MW).....	78
Installed Heat Capacity (Gcal/h)	25
Output in 2006	
Electricity (bln kW/h).....	0.5
Heat (Thousand Gcal)	0

Source: Sochinskaya TES.

Tariffs

The market for electricity and heat is subject to government regulation and the great majority of electricity and heat output is sold at prices set by the FST and the regional tariff authorities. The table below shows the average electricity capacity tariffs for Sochinskaya TES in 2007.

Tariffs for 2007

Average Electricity Tariffs (RUB/MW/h)	Capacity (RUB/MW/month)
381.29	524,104.33

Source: Sochinskaya TES.

Sales

Electricity generation is the core business of Sochinskaya TES. The power generated is provided primarily to sales companies, industrial and municipal purchasers. The following table shows the installed electric capacity utilization rate.

Year ended December 31, 2006

Installed capacity utilization rate (%)	
Electric capacity	73

Source: Sochinskaya TES.

Fuel supply

Sochinskaya TES currently depends on a fuel supply composed primarily of gas and fuel oil. The following table shows the percentage of the total fuel supply made up by each of these fuels.

	(%)
Fuel supply (%)	
Gas.....	99.9%
Oil residue	0.1%

Source: Sochinskaya TES.

Board of Directors and Management Board

The Board of Directors

The Board of Directors of Sochinskaya TES is responsible for general management matters, with the exception of those matters that are designated by law or the Sochinskaya TES' charter as being within the

exclusive competence of the general meeting of shareholders. The table below sets out the membership of the current Boards of Directors of Sochinskaya TES.

Management Board

The Management Board is Sochinskaya TES' collegiate executive body and is appointed by the Board of Directors. The Management Board is principally responsible for the day-to-day management of the company's business. The General Director, who is also the Chairman of the Management Board, exercises executive authority over all activities, except for those within the exclusive competence of the general meeting of shareholders, the Board of Directors or the Management Board.

Directors of Sochinskaya TES

The current directors were elected in 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Voronin, Vyacheslav Pavlovich	Chairman of the Board of Directors; Member of the Management Board of RAO UES; Managing Director of the Service Business Unit of RAO UES.
Tolstoguzov, Sergey Nikolaevich.	Deputy Chairman of the Board of Directors; Deputy Managing Director of the Service Business Unit of RAO UES; Head of Construction Complex and Generation Management Department.
Korobov, Valeriy Ivanovich	Director; Deputy Head of Capital Construction Directorate, Corporate Center of RAO UES.
Pozdeeva, Natalia Ivanovna	Director; Chief Expert of the Infrastructure Development Center, Reform Management Center of RAO UES.
Zaitsev, Alexey Valerievich	Director; Advisor to the Managing Director of the Service Business Unit of RAO UES.

MRSK HOLDING

Formation of MRSK Holding

After the Spin-Offs, the MRSKs will become subsidiaries of MRSK Holding.

MRSK Holding's share capital is expected to be 43,116,903,368 rubles, comprised of 43,116,903,368 shares, including 41,041,753,984 ordinary shares and 2,075,149,384 preferred shares. Each ordinary share is expected to have a nominal value of RUB 1.00. Each preferred share is expected to have a nominal value of RUB 1.00.

It is expected that the total power lines of MRSK Holding will be:

	<u>Electricity lines of 110 kV and more</u>	<u>Electricity lines of 35 kV</u>	<u>Electricity lines of 6-10/0.4 kV</u>
Total length, '000 kms	252.77	165.71	1,681.2

It is expected that the total number of MRSK Holding substations will be:

	<u>Substations (110 kV and more)</u>	<u>Substations (35 kV)</u>	<u>Substations of 6-10/0.4kV</u>
Total	5,773	6,541	359,103

The transformer capacity of the substations that are expected to be part of MRSK Holding is as follows:

	<u>Substations (110 kV)</u>	<u>Substations (35 kV)</u>	<u>Substations (6-10/0.4kV)</u>
Capacity as of January 1, 2007	194,370	44,936.8	78,541.65
Capacity as of July 1, 2007	195,250	44,936.8	82,081.65

Electricity load factor and forecasts are as follows:

<u>Load factor as of January 1, 2007</u>	<u>Load factor as of July 1, 2007</u>	<u>Load factor for 2008</u>	<u>Load factor for 2009</u>	<u>Load factor for 2010</u>
0.58%	0.54%	0.60%	0.61%	0.62%

Equipment wear and tear of the substations that are expected to be part of MRSK Holding is as follows:

<u>Average (total) power transmission lines and substation equipment wear and tear</u>	<u>Equipment wear and tear with a breakdown by voltage</u>		
	<u>110 kV</u>	<u>35 kV</u>	<u>20, 10(6)/0.4 kV</u>
57.5%	59.1%	56.4%	57.1%

The volume of transmitted electricity (sales) of the substations that are expected to be part of MRSK Holding is as follows:

For the year 2006	526,695,030 MW/h
For the first six months of 2007	262,338,103 MW/h

Strategy

It is anticipated that MRSK Holding's strategy will focus on the following:

- the development and implementation within the power distribution grid companies of an operational management system for the power distribution grid in accordance with the Target Operating Model for Operational Dispatch Management within RAO UES, approved by Order No. 68 of RAO UES dated January 31, 2006;
- the development and implementation of technical processes to facilitate the management (including automation) and monitoring of power grid facilities; and
- the implementation and development within the power distribution grid companies of a multi-tier system to monitor operations, work and industrial safety, and fire and environmental hazards.

Basic 3-Year Plans

MRSK Holding is expected to operate as the top-level holding company for the management system of the power grid distribution system, including:

- In the RSKs: formation of Grid Management Centers (“GMC RSK”) undertaking RSK centralized operational and process management functions of power grid facilities;
- In the MRSKs and MRSK Holding: formation of IS units performing non-operational functions in connection with the supervision of the GMC RSK and the operations state of the power grid, as well as formulation and implementation of a unified technical standard and methodology for the operational process management of the power distribution grid system; and
- Optimization of the functions of grid management centers (RSK, grid companies, district grids) within the distribution grid companies.

MRSK Holding is expected to formulate a plan to develop the management and monitoring of power grids, as well as the technical requirements to facilitate the management (including the automation) and the monitoring of power grid facilities. In addition, it is expected to develop a plan for the management and monitoring of power grids for each distribution grid company.

MRSK Holding is also expected to develop a plan for the supervision of technical aspects of the distribution grid within each of the power distribution grid units, and establish a technical supervisory department at MRSK Holding responsible for monitoring and evaluating the efficiency of operations, work safety, industrial safety, and fire and environmental safety of the MRSKs and RSKs.

In addition, the FSK, as a trustee management company of the MRSKs, has developed a comprehensive Development Strategy for the Distribution Grid Facilities for the period ending 2015 (the “Distribution Grid Strategy”) to encourage investment into the electricity distribution sector and to resolve other issues relating to the operation of the electricity distribution grids. The key provisions of the Distribution Grid Strategy include the adoption of a new system of tariff regulation based on the Regulatory Asset Base (“RAB”), enhancement of market regulation in the sector and the modification of the MRSKs’ composition.

RAB-Based Regulation

All tariffs for electricity distribution services are currently based on a “costs plus” system. This system encourages higher operating expenses of the distribution grid companies, which are able to maintain their grid infrastructure by virtue of the higher tariffs they receive. Requirements for investments into the upgrade and development of the grids are covered only by the current tariff. This tariff regulation results in only limited upgrade and development of the electricity distribution grids being carried out.

The tariff system proposed in the Distribution Grid Strategy will be based on the established rate of return on the involved regulatory asset base rather than regulation of future costs. Financing provided by investors to a distribution grid company will enhance such base, while depreciation of capital will reduce it and provide return on investments through tariff proceeds. It is expected that the tariffs would be applicable for five years, instead of the current one-year tariffs, with an annual adjustment for inflation and other factors. The basic rate of return on the RAB will be 13-15% before tax. Such rate is similar to the rate of return on the RAB reported in the emerging market economies in Europe such as Poland, Romania and Estonia. The real rate of return in the economically developed countries with more than 10 year of RAB regulation, including the U.K., Austria and the Netherlands, does not exceed 6-8%.

The MRSK Configuration

The second key element contemplated an increase in the number of MRSKs (from 4 to 11) with the goal of establishing a quasi-market with a sufficient number of large companies competing for investments in this sector. The MRSKs will be formed as operating companies by merger of the relevant RSKs into them.

The composition of the MRSKs, approved by the Board of Directors of RAO UES in April 2007, is as follows:

- OAO MRSK of the North-West will include the following RSKs: OAO Arkhenergo, OAO Vologdaenergo, OAO Karelenegero, OAO Kolenergo, OAO AEK Komienergo, OAO Novgorodenergo, OAO Pskovenergo;
- OAO MRSK of Center and Privoljie will include the following RSKs: OAO Vladimirenergo, OAO Ivenergo, OAO Kalugaenergo, OAO Kirovenergo, OAO Marienergo, OAO Nizhnovenergo, OAO Ryazanenergo, OAO Tulenergo, OAO Udmurtenergo;
- OAO MRSK of Center will include the following RSKs: OAO Belgorodenergo, OAO Bryanskenergo, OAO Voronezhenergo, OAO Kostromaenergo, OAO Kurskenergo, OAO Lipetskenergo, OAO Orelenergo, OAO Tambovenergo, OAO Smolenskenergo, OAO Tverenergo, OAO Yarenergo;
- OAO MRSK of Siberia will include the following RSKs: OAO Altayenergo, OAO Buryatenergo, OAO Krasnoyarskenergo, OAO Kuzbassenergo — Regional Electricity Grid Company, OAO AK Omskenergo, OAO TRK, OAO Tyvaenergo, OAO Khakassenergo, OAO Chitaenergo;
- OAO MRKS of South will include the following RSKs: OAO Astrakhanenergo, OAO Volgogradenergo, OAO Kubanenergo, OAO Rostovenergo, OAO Kalmenergo;
- OAO MRSK of Northern Caucasia will include the following RSKs: OAO Dagenergo, OAO KEUK, OAO Nurenergo, OAO Stavropolenergo;
- OAO MRSK of Volga will include the following RSKs: OAO Mordovenergo, OAO Orenburgenergo, OAO Penzaenergo, OAO Volzhskaya MRK, OAO Chuvashenergo;
- OAO MRSK of Ural will include the following RSKs: OAO Kurganenergo, OAO Permenergo, OAO Sverdlovenegero, OAO Chelyabenergo;
- OAO Tyumenergo;
- OAO Lenenergo; and
- the MRSK on the basis of the RSKs that operate in Moscow and the Moscow Region.

It is expected the reorganization of the MRSKs will be completed prior to the Spin-Offs.

Management

The management structure of MRSK Holding is expected to include the following:

- the General Shareholders' Meeting;
- the Board of Directors; and
- the General Director (individual executive body).

Employees

The total number of employees as at December 31, 2006 of the companies that are expected to combine into MRSK Holding was approximately 189,000.

FSK

OAO “Federal Grid Company of the Unified Energy System” (the FSK) was established pursuant to the program of reform of the Russian power industry as the management company responsible for maintaining and developing the Unified National Energy Grid. State registration of the FSK took place on June 25, 2002. Upon its establishment, the sole shareholder of the FSK was RAO UES, and at that time RAO UES transferred the Unified National Energy Grid electric system complex to the charter capital of the FSK.

The FSK is a key infrastructure component of the newly created electricity market. Pending the restructuring of RAO UES, the FSK is responsible for managing the shares of the MRSKs owned by RAO UES. Under the rules applicable to the restructuring of the sector, following the completion of the restructuring of RAO UES, the Russian Federation will be required to retain at least 75% (plus one share) of the issued and outstanding shares of the FSK.

Operations

The FSK’s principal operations include:

- Management of the Russian unified energy system;
- Provision of electricity transmission and power grid connection services to customers within the wholesale electricity market;
- Investment into the development of the Russian unified energy system;
- Proper maintenance of the power grid; and
- Technical monitoring of the state of the grid facilities of the Russian unified energy system.

The table below shows the total extension of electric transmission lines of the FSK and MSK according to voltage.

<u>Line voltage, kV</u>	<u>Extension of lines owned by the FSK, thousand kms</u>	<u>Extension of lines owned by the MSK, thousand kms</u>
1,150 kV	0.82	0.0
800 kV	0.40	0.0
750 kV	2.97	0.0
500 kV	32.58	1.65
400 kV	0.13	0.0
330 kV	7.97	2.54
220 kV	2.02	69.70
110 kV or less	0.17	1.21
Total	47.06	75.10

Source: FSK.

The table below shows the total number of the FSK and MSK substations.

<u>Voltage, kV</u>	<u>Number of substations owned by the FSK</u>	<u>Number of substations owned by the MSK</u>
1,150	2	0
750	8	0
500	85	8
400	1	0
330	35	22
220	1	587
110	6	30
35	0	7
Total	138	654

Source: FSK.

The table below shows the aggregate capacity of transformers of the FSK and MSK by voltage rating.

Voltage, kV	The FSK transformers capacity, MVA	MSK transformers capacity, MVA
110 kV or less	1,108.8	31,528.9
220 kV	9,345.0	108,400.0
330 kV	17,250.0	10,282.0
400 kV	2,788.0	0.0
500 kV	90775.0	9,439.0
750 kV	16,089.0	0.0
Total	137,355.8	159,649.9

Source: FSK.

The table below shows the structure of transformers of the FSK and MSK, depending on the period of use.

	Voltage, kV	Installed Capacity, MVA	Less than 15 years, %	16 – 20 years, %	21 – 25 years, %	26 – 30 years, %	31 – 35 years, %	36 – 40 years, %	Over 40 years, %
FSK	750	16,089.00	13	32.1	32.1	10.4	12.4	0.00	0.00
	500	90,775.00	23.3	26.5	23.5	16.0	9.3	1.1	0.3
	400	2,788.00	38.5	0.00	38.0	23.5	0.00	0.00	0.00
	330	17,125.00	25.4	4.1	22.5	20.4	17.4	9.4	0.8
	220	9,345.00	25.5	19.9	11.9	17.6	6.7	9.4	9.0
	110	1,108.80	39.5	17.2	6.2	11.6	11.9	6.2	7.4
MSK	500	9,439.00	21.1	27.5	22.9	2.7	10.2	0.0	15.6
	330	10,282.00	14.0	10.5	30.0	10.7	17.2	15.5	2.1
	220	108,075.00	10.8	20.5	22.5	18.3	14.3	6.8	6.8
	110	10,556.20	11.1	13.5	17.5	18.0	16.2	11.1	12.6

Source: FSK.

Strategy

The organizational and technological management consolidation of the Russian unified energy system assets under the control of the FSK within the framework of reform of the power industry is expected to lead to:

- Strengthening of the role of the Russian unified energy system in integrating key assets and facilitating interaction between electricity producers and consumers in the competitive wholesale electricity market;
- Guaranteed equal access to the wholesale electricity market for buyers and sellers;
- Efficient state regulation of tariffs for electricity transmission;
- Greater national electrical power supply security; and
- Facilitation of an effective foreign trade policy in electrical power.

The development of the power grid in the period to 2020 will focus on ensuring the reliable, stable operation of the Russian unified energy system and the competitive wholesale electricity and capacity market, reliable supplies to customers, and ensuring electricity output from power stations.

The principal strategic objectives of developing the power grid of the Russian unified energy system are:

- *In the power industry as a whole* — attaining a steady, regular supply of electrical power and capacity through the grid within the country as a whole and in each separate region; ensuring reliable output by

power stations and reliable supply to customers; taking advantage of the collaborative joint work of regional power systems within the Russian unified energy system, including mutual assistance and cooperation, reduction of reserves and of the need for additional installed electric capacity for power plants, streamlining the structure of power plant installed electric capacity within the Russian unified energy system.

- *In the fuel and energy sector* — improving the structure and predictability of the energy balance; providing opportunities for flexibility in the use of energy resources in the context of an unpredictable fuel market and relying on the availability of hydroelectricity under constantly changing external and internal conditions.
- *Within the economy and society* — provision of infrastructure for the wholesale electricity and capacity market to ensure the right conditions for development of the economy, in particular to create an attractive investment climate for such development; transition of the national economy to an energy-saving concept of development; reduction of energy costs in the cost of production of goods and services, thereby raising their competitiveness on the domestic and global markets; improved housing and social conditions as well as working conditions and productivity within the community; lowering of social tensions; increasing the export share of electricity as a more efficient value-added energy source.
- *In the environment* — facilitating a reduction in the adverse impact of the energy sector and industry on the environment through increased use of electricity.

Management

The management structure of the FSK includes the following:

- The General Shareholders' Meeting;
- The Board of Directors;
- Executive bodies: the Chairman of the Management Board and the Management Board.

Directors of the FSK

The current members of the Board of Directors of the FSK were elected on March 19, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Khristenko, Viktor Borisovich	Chairman of the Board of Directors; Minister of Industry and Energy of the Russian Federation; Member of the Board of Directors of: RAO UES, HydroOGK and the System Operator.
Askinadze, Denis Arkadievich	Director; Director of the Ministry of Economic Development and Trade of the Russian Federation; Member of the Board of Directors of HydroOGK.
Ayuev, Boris Ilyich	Director; Member of the Management Board of RAO UES; Member of the Board of Directors of: OAO "APBE" and the System Operator.
Chubais, Anatoly Borisovich	Director; Chairman of the Management Board of RAO UES; Member of the Board of Directors of: RAO UES, HydroOGK and the System Operator.
Dementyev, Andrey Vladimirovich	Director; Deputy Minister of Industry and Energy of Russia.

<u>Name</u>	<u>Position</u>
Gref, German Oskarovich	Director; Minister of Economic Development and Trade of Russia; Member of the Board of Directors of RAO UES.
Rappoport, Andrey Natanovich	Director; Chairman of the Management Board; Member of the Management Board of RAO UES; Member of the Board of Directors of: HydroOGK, InterRAO and the System Operator.
Rashevsky, Vladimir Valeryevich	Director; Member of the Board of Directors of: RAO UES and Kuzbassenergo; Chairman of the Management Board of OAO MDM-Bank; General Director (President) of CJSC Holding Company "SUEK"; President and General Director of SUEK.
Medvedev, Yury Mitrofanovich	Director; Deputy head of the Federal Agency for Management of Federal Property; Member of the Board of Directors of HydroOGK.
Udaltsov, Yury Arkadyevich	Director; Member of the Management Board of RAO UES; Head of the Reform Management Center of RAO UES; Member of the Board of Directors of: Mosenergo, HydroOGK and the System Operator.
Voloshin, Alexander Stalyevich	Director; Chairman of the Board of Directors of RAO UES.

Employees

The total number of employees of the FSK group as of December 31, 2006 was 22,261.

INTER RAO

Closed Joint Stock Company “Inter RAO UES” (“InterRAO”) is an importer and exporter of electricity operating within Russia. InterRAO was formed in May 1997 as a 100% subsidiary of RAO UES. InterRAO currently represents the interests of the two largest Russian power sector participants: RAO UES and Rosenergoatom, which hold 60% and 40% of shares, respectively.

The share capital of InterRAO amounts to RUB 1.14 billion and is divided into 11.4 million ordinary shares with a par value RUB 100 each.

Reorganization of InterRAO

The current basic plan for the restructuring of InterRAO is the following: reorganization of RAO UES in the form of a spin-off, including InterRAO Holding, with the merger immediately after its establishment of the spun-off company with Sochinskaya TES. The assets to be transferred to InterRAO Holding are stakes in InterRAO, Sochinskaya TES, OAO Severo-Zapadnaya TES, OAO Kaliningradsкая TES-2, OAO Ivanovskie PGU, AO Sangtudinskaya GES-1, as well as other assets in accordance with the separation balance sheet.

Business and Operations

The principal operations of InterRAO include:

- Foreign trade, in particular:
 - Export of electricity;
 - Import of electricity; and
 - Sale and purchase of electricity outside the customs territory of the Russian Federation.
- Sales and purchasing operations on the Russian domestic market, in particular:
 - Purchase of electricity for subsequent export sale;
 - Sale of imported electricity;
 - Purchase of electricity for delivery to the Kaliningrad region;
 - Sale and purchase of electricity on the Russian domestic market;
- Electricity supply.
- Production;
- Investment; and
- Management of electricity and other assets in the Russian Federation and abroad.

The table below shows the electricity and heat produced by InterRAO.

Name of asset	Name of index										
	Volume of produced electricity, million kW/h		Volume of produced heat, thousand Gcal		Power factor, %		Prognosis for load for years 2007-2009, %			Specific expense of fuel, Goe/kW/h	
	2006	First 6 months of 2007	2006	First 6 months 2007	2006	First 6 months 2007	2007	2008	2009	2006	First 6 months 2007
Foreign assets											
Armenia											
ZAO "MEK"	583.9	320.7	—	—	65.4	63.2	69.4	66.0	66.0	—	—
ZAO "AAEK"	2,640.3	1,436.1	—	—	74.0	81.2	71.8	65.0	65.0	427.5	424.4
Total with respect to assets in Armenia	3,224.1	1,756.8									
Georgia											
OOO "Mtkvari-energetika" . .	1,218.0	523.3	—	—	90.0	83.0	67.0	67.0	67.0	327.0	327.0
AO "Khrami GES-1"	339.4	137.5	—	—	93.1	93.1	93.1	93.1	93.1	—	—
AO "Khrami GES-1"	120.0	127.2	—	—	50.0	48.3	50.0	50.0	50.0	—	—
Total with respect to assets in Georgia	1,677.3	787.9									
Others											
ZAO "MGRES".	1,374.0	1,126.7	110.4	62.8	6.2	10.3	12.4	13.0	14.0	387.0	351.3
AO "Stantsia Ekibastuzskaya GRES-2"	5,304.7	3,022.1	111.5	60.4	63.2	69.6	63.2	66.0	68.5	368.0	391.0
Total with respect to others assts	6,678.7	4,148.8	221.9	123.2							
Total with respect to foreign assets	11,580.1	6,693.5	221.9	123.2							
Russian assets											
OAo "Severo-Zapadnaya TES"	3,391.4	1,628.1	—	—	79	41.0	38.5	41.5	61.5	251	224.4
OAo "Sochinskaya TES" . . .	500.1	276.7	—	—	0.7	0.8	0.8	0.7	0.7	268.8	267.9
OAo "Ivanovskie PGU"					Building of block No 1						
OAo "Kaliningradskaya TES.	2,527.4	1,310.5	—	—	64	33	65	65	65	266	265
OAo "Sangtudinskaya GES-1"					Completion of the station construction is planned for 2009						
Total with respect to Russian assets	6,418.9	3,215.3									
Total with respect to assets of the Group	17,999.0	9,908.7	221.9	123.2							

Source: InterRAO.

The table below shows the age of generation equipment of InterRAO.

Subsidiaries	Less than 10 years	10–20 %	20–30 %	30–40 %	More than 40 %	Average age of equipment, years	Year of putting into operation the oldest equipment	Year of putting into operation the most new equipment
Ekibastuzskaya GRES		100				15	1990	1994
Moldavskaya GRES				71	29	41	1964	1982
OOO “Mtkvari” ..		100				15	1989	1994
Khrami GES-1....					100	60	1947	
Khrami GES-1....				100		44	1963	2007
ZAO “Mezhdunarodnaya energeticheskaya corporation”.....					100	54	1936 Kanakerskaya GES	1962 Erevanskaya GES-1

Source: InterRAO.

The main consumers of electricity produced by InterRAO in 2006 were:

- Abroad (65% of gross proceeds):
 - Finland (42% of gross proceeds);
 - Belarus (5% of gross proceeds); and
 - Kazakhstan (5% of gross proceeds).
- Domestic market (31% of proceeds):
 - ZAO “TSEFR” (11% of gross proceeds);
 - OAO “Yantarenergo” (8% of gross proceeds); and
 - OAO “Omskaya sbytovaya company” (2% of gross proceeds).

The table below shows export/import of electricity by InterRAO in 2006.

Destination	Export of electric power in 2006	
	Volume of supply, Million kW/h	Price of supply, Million USD
Total, including:	20,505.499	711.28
Former Soviet Union:	5,942.123	147.85
Azerbaijan.....	755.308	20.02
Belarus.....	2,345.160	54.60
Georgia	570.027	15.16
Kazakhstan	1,868.810	48.22
Moldavia	402.818	9.85
Others:	14,563.376	563.43
China	522.913	11.01
Mongolia	174.219	5.55
Finland	11,150.375	465.80
Norway.....	215.919	8.55
Lithuania	1,413.611	36.80
Latvia	1,086.339	35.72

<u>Destination</u>	<u>Import of electric power in 2006</u>	
	<u>Volume of supply, Million kW/h</u>	<u>Price of supply, Million USD</u>
Total: including:	5,115.162	80.29
Azerbaijan.....	317.109	5.01
Belarus.....	54.698	1.49
Kazakhstan	3,676.861	45.35
Mongolia	15.957	0.08
Ukraine and Moldavia	498.108	19.43
Lithuania	507.408	8.09
Latvia	45.021	0.84

Source: InterRAO.

Strategy

In accordance with the Decision adopted at the Board of Directors meeting of RAO UES on February 9, 2007 (Approaches to the Strategy of Developing and Managing InterRAO Assets and Shares), InterRAO's long term strategy is based on the acquisition of electricity assets in target markets and on increasing its installed electric capacity to 30,000 MW by 2015.

The strategy assumes that by this time InterRAO's market value will be approximately USD 14 billion and that InterRAO will have gained a substantial position within its target energy markets (the Baltic states, Scandinavia, Central and Eastern Europe, the Black Sea area, Central Asia and the Far East).

Major plans for the next 3 years

InterRAO is planned to be restructured in accordance with the Spin-Offs.

The introduction of new assets is expected to bring a considerable increase in the value and operational efficiency of the assets of InterRAO. At the same time, the structure of the business will change substantially: the share of electricity generation will grow within the overall business of InterRAO, allowing the company to offset the risk of changes in the price of electricity by generating and using its own.

InterRAO also plans to continue expanding into foreign markets in line with Russia's national interests and with the guidance and support of the government. InterRAO also intends to remain active in Russia's wholesale electricity (capacity) market, which is in the process of being liberalized.

InterRAO plans to complete its reorganization in the forthcoming year, when it will optimize its organizational structure and internal business procedures with the aim of improving interaction between the various divisions of InterRAO, better adapting business procedures to the increased scale of operations and altering conditions within the industry in the course of reform.

Management

The management structure of InterRAO includes the following:

- The general shareholders meeting;
- The Board of Directors; and
- The general director (individual executive body).

Directors of InterRAO

<u>Name</u>	<u>Position</u>
Rappoport, Andrey Natanovich	Chairman of the Board of Directors; Chairman of the Management Board of the FSK; Member of the Board of Directors of the FSK; Member of the Management Board of RAO UES.
Dod, Evgeniy Viyacheslavovich	Director; General Director.
Drachevskiy, Leonid Vadimovich	Director; Deputy Chairman of the Management Board of RAO UES.
Travin, Vladimir Valentinovich	Director; Deputy Head of Agency on Atomic Energy of Russia; Member of the Board of Directors of the System Operator.

Employees

The total number of employees of InterRAO as of December 31, 2006 was 437.

SYSTEM OPERATOR

The System Operator was established in 2002. The organizational structure of the System Operator includes an executive office, as well as 62 branches: 7 unified dispatch administrators (UDA), and 55 regional dispatch administrations (RDA), which manage the regional electricity networks.

In the initial stage of the electricity sector reform, the System Operator was established as a 100% subsidiary of RAO UES on the basis of the central dispatching management of RAO UES and the unified dispatch administrators. The System Operator was then created by RAO UES contributing to its charter capital certain assets used in the operational administration of electricity dispatch.

In July-August 2002, the System Operator assumed the function of operational administration of electricity dispatch of RAO UES and all of the Unified Energy System. Separate branches of the System Operator were formed in 2004, which became responsible for operational administration of dispatch in the regional electricity networks.

In accordance with Russian law and the System Operator's charter, the primary functions of the System Operator are as follows:

- securing reliable performance and development of the Unified Energy System of Russia;
- establishing conditions for the effective functioning of the electric (capacity) markets;
- ensuring compliance in the supply of electricity with established technical regulations and quality requirements, subject to the economic efficiency in the administration of electricity dispatch operations, and taking measures to ensure performance of the obligations of participants in the electricity sector as established in the wholesale and retail markets for electricity; and
- maintain centralized operational and technical management of the Unified Energy System of Russia.

In accordance with the Electric Power Industry Law, the activities of the System Operator with respect to operational administration of electricity dispatch constitute a natural monopoly and are governed by legislation on natural monopolies and Articles 20 and 25 of the Competition Law.

Because the System Operator is a monopoly, its business differs from other types of commercial activity and remains under government control. Payments made to the System Operator for the services it provides are made on the basis of tariffs established by the FST.

Directors of the System Operator

The current members of the Board of Directors were elected at the annual shareholders' meeting on May 25, 2007. Their term of office is due to expire at the 2008 annual shareholders' meeting.

<u>Name</u>	<u>Position</u>
Khristenko, Viktor Borisovich	Chairman of the Board of Directors; Minister of Industry and Energy of the Russian Federation; Member of the Board of Directors of: RAO UES, the FSK and HydroOGK.
Ayuev, Boris Ilyich	Director; Member of the Management Board of RAO UES; Member of the Management Board of the System Operator; Member of the Board of Directors of the FSK.
Chubais, Anatoly Borisovich	Director; Chairman of the Management Board of: RAO UES, the FSK and HydroOGK.
Dementyev, Andrey Vladimirovich . . .	Director; Deputy Minister of Industry and Energy of Russia.

<u>Name</u>	<u>Position</u>
Gref, German Oskarovich	Director; Minister of Economic Development and Trade of Russia; Member of the Board of Directors of: RAO UES and the FSK.
Ponomarev, Dmitry Valerievich	Director; Chairman of the Management Board of the Trade System Administrator; Member of the Board of Directors of HydroOGK.
Rappoport, Andrey Natanovich.	Director; Member of the Management Board; Managing Director of RAO UES (Business Unit “Networks”); Chairman of the Management Board of the FSK; Member of the Board of Directors of: the FSK, InterRAO and HydroOGK.
Remes, Seppo Juha	Director; Member of the Board of Directors of: RAO UES, MRSK of Center and Privoljie, MRSK of Volga and HydroOGK.
Travin, Vladimir Valentinovich	Director; Deputy Head of the Agency on Atomic Energy of Russia; Member of the Board of Directors of InterRAO.
Udaltsov, Yury Arkadyevich.	Director; Member of the Management Board; Head of the Reform Management Center of RAO UES; Member of the Board of Directors of: Mosenergo, the FSK and HydroOGK.
Voloshin, Alexander Stal'yevich	Director; Chairman of the Board of Directors of RAO UES; Member of the Board of Directors of the FSK.

THE REGULATION S GDR FACILITIES

It is currently expected that MRSK Holding and RAO East Energy Systems, as well as certain of the Subsidiaries (except for the Far East Energos, the MRSKs, InterRAO and the System Operator), subject to receipt of approval by the FSFM, and in the case of any such Subsidiary or Holdco that is not listed on a Russian stock exchange, subject to obtaining such listing, will establish a Regulation S GDR Facility and, thus, will enter into a deposit agreement with the depositary appointed in connection with such facility. See “Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — The Subsidiaries and Holdcos may not obtain approval from the FSFM for the placement of the Subsidiary Shares and Holdco Shares, as the case may be, outside the Russian Federation, and the Regulation S GDR Facilities may not be established”.

GDRs in a Regulation S GDR Facility are acquired outside the United States and are deposited outside the United States. Global depositary shares are usually issued by a depositary and the underlying shares are deposited with the depositary's foreign correspondent, the custodian. Holders of global depositary shares can exchange their global depositary shares for the underlying shares at any time and additional shares, subject to limitations of applicable law, may be deposited against issuance of additional global depositary shares. A global depositary share may represent one or more shares of the issuer or less than one share. Russian law currently stipulates that no more than 35% of any class of a company's issued and outstanding shares may be held in the form of depositary shares, whether those are in the form of American depositary shares or global depositary shares. See “Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — Following the Spin-Offs, RAO UES DR holders may not be able to deposit Holdco Shares or Subsidiary Shares in the relevant depositary receipt program in order to receive New GDRs”.

Under Russian law, a depositary may be considered the owner of the shares underlying the depositary shares, and as such, may be subject to the mandatory public tender offer rules. As a result, a limit of 29.99% will be established in respect of the number of Subsidiary Shares in the Regulation S GDR Facility and/or any other depositary receipt program maintained with respect to the Subsidiary Shares. See “Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — Following the Spin-Offs, RAO UES DR holders may not be able to deposit Holdco Shares or Subsidiary Shares in the relevant depositary receipt program in order to receive New GDRs”.

Regulation S GDRs are not registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The offer, sale, pledge or other transfer of the Regulation S GDRs is subject to certain conditions and restrictions. Generally, copies of the deposit agreement entered into in connection with a Regulation S GDR Facility are available for inspection by any holder of the GDRs at the principal offices of the depositary during business hours.

Shares deposited in connection with a Regulation S GDR Facility are usually registered on the share register maintained by the share registrar of the issuer in the name of the depositary, or its nominee, or of the custodian, or its nominee.

If a Regulation S GDR Facility with respect to the shares of any of Subsidiaries (except for the Far East Energos, the MRSKs, InterRAO and the System Operator in respect of which it is not currently contemplated that a Regulation S GDR Facility will be established), RAO East Energy Systems or MRSK Holding is not established within 90 calendar days of the applicable Reorganization Date or if FSFM approval is not obtained for such facility, each Non-U.S. DR Holder who held RAO UES DRs as at the Reorganization Date will be asked to provide instructions regarding its Russian securities account to the Relevant Depositary. If such an account is provided, such holders will be entitled to receive, as soon as reasonably practicable, the relevant Subsidiary Shares or Holdco Shares corresponding to the number of New GDRs they would have received had a Regulation S GDR Facility been set up. If no Russian securities account is provided to the Relevant Depositary, then such holders will (a) become entitled to receive, as soon as reasonably practicable, the net cash proceeds from the sale of the relevant Subsidiary Shares or Holdco Shares they would have received had they supplied a Russian securities account to the Relevant Depositary and (b) continue to own the same number of RAO UES DRs after the Spin-Offs

as before, unless the RAO UES Merger is completed by that date, in which case they will be entitled to additional shares in the FSK as a result of the conversion of each RAO UES Ordinary Share into 2.26600952123458 ordinary shares of the FSK and each RAO UES Preferred Share into 2.07521151954661 ordinary shares of the FSK. See “The Spin-Offs — Description of the Spin-Offs”.

Transfers of New GDRs to U.S. persons in the Regulation S GDR Facility, if any, will be restricted for 40 days following the date of issuance of Regulation S GDRs in the Regulation S GDR Facility, if any.

DESCRIPTION OF THE CAPITAL STOCK OF RAO UES AND THE SUBSIDIARIES

General

The share capital of RAO UES consists of 41,041,753,984 RAO UES Ordinary Shares and 2,075,149,384 RAO UES Preferred Shares, each with a par value of 0.50 ruble, all of which are fully paid and issued and outstanding. RAO UES is authorized under its charter to issue 6,467,535,504 additional RAO UES Ordinary Shares.

The share capital of each of the Subsidiaries consists of ordinary and (in a few cases) preferred shares, all of which are fully paid and issued and outstanding, further details of which are set forth in the table below.

OGK-1	44,643,192,918 ordinary shares, each with a par value of RUB 0.57478
OGK-2	26,480,895,818 ordinary shares, each with a par value of RUB 0.3627
OGK-3	47,487,999,252 ordinary shares, each with a par value of RUB 1.00
OGK-4	49,130,625,974 ordinary shares, each with a par value of RUB 0.40
OGK-6	26,731,061,492 ordinary shares, each with a par value of RUB 0.48
HydroOGK	140,954,759,856 ordinary shares, each with a par value of RUB 1.00
TGK-1.....	2,925,245,464,492 ordinary shares, each with a par value of RUB 0.01
TGK-2.....	1,095,996,358,137 ordinary shares, each with a par value of RUB 0.01 and 16,500,533,681 preferred shares, each with a par value of RUB 0.01
Mosenergo	39,749,359,700 ordinary shares, each with a par value of RUB 1.00
TGK-4.....	1,321,201,964,859 ordinary shares, each with a par value of RUB 0.01 75,272,938,838 preferred shares, each with a par value of RUB 0.01
TGK-6.....	1,289,500,236,067 ordinary shares, each with a par value of RUB 0.01
Volzhskaya TGK.....	26,116,076,165 ordinary shares, each with a par value of RUB 1.00
SGK TGK-8.....	1,375,859,309,304 ordinary shares, each with a par value of RUB 0.01
TGK-9.....	5,697,897,869,214 ordinary shares, each with a par value of RUB 0.003
TGK-10.....	432,425,955 ordinary shares, each with a par value of RUB 1.66
TGK-11.....	1,000,000,000 ordinary shares, each with a par value of RUB 0.01
Kuzbassenergo.....	606,163,800 ordinary shares, each with a par value of RUB 1.00
Eniseyskaya TGK.....	5,660,119 ordinary shares, each with a par value of RUB 226.42
TGK-14.....	777,945,609,114 ordinary shares, each with a par value of RUB 0.001
MRSK of Center.....	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Center and Privoljie.....	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of South.....	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Volga.....	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Ural.....	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Northern Caucasia	150,000 ordinary shares, each with a par value of RUB 1.00
MRSK of the North-West .	100,000,000 ordinary shares, each with a par value of RUB 0.10
MRSK of Siberia.....	100,000,000 ordinary shares, each with a par value of RUB 0.10
Tyumenenergo	273,738,951 ordinary shares, each with a par value of RUB 10

Lenenergo.....	691,854,144 ordinary shares, each with a par value of RUB 1.00 93,264,311 Class A preferred shares, each with a par value of RUB 1.00
InterRAO.....	11,400,000 ordinary shares, each with a par value of RUB 100
The FSK.....	361,382,207,920 ordinary shares, each with a par value of RUB 0.5
Sochinskaya TES.....	1,000,000 ordinary shares, each with a par value of RUB 1,000
System Operator	600,000,000 ordinary shares, each with a par value of RUB 100

Rights attaching to RAO UES Ordinary Shares and the ordinary shares of the Subsidiaries

Each fully paid ordinary share of any of RAO UES and the Subsidiaries, except for treasury shares, entitles its holder to (1) freely transfer the shares without the consent of the other shareholders; (2) participate in shareholders' meetings and vote on all issues voted upon at shareholders' meetings, including election of the members to the Board of Directors, the Audit Commission (or Internal Auditor, as applicable) and, in the case of RAO UES, the Chairman of the Management Board; (3) receive dividends; (4) receive information about the company's activities and review the company's documents in accordance with its charter and Russian law; (5) pre-emptive rights to acquire additionally issued ordinary shares on a pro rata basis in the cases set forth in the Joint Stock Companies Law; (6) demand that the company repurchase some or all of the holder's shares if the holder votes against, or does not participate in voting on, certain decisions enumerated in the Joint Stock Companies Law; (7) in the event of the liquidation of the company, receive a pro rata share of the assets remaining after settlement with the company's creditors; and (8) exercise other rights set forth in its charter and Russian law.

Rights attaching to the RAO UES Preferred Shares

In accordance with the Joint Stock Companies Law and RAO UES' charter, each fully paid RAO UES Preferred Share, except for treasury shares, entitles its holder to (1) receive annual dividends in the amount of (a) 10% of RAO UES' net profit based on year-end results divided by the number of RAO UES Shares representing 25% of RAO UES' issued and outstanding share capital; or (b) the amount of dividends paid on each RAO UES Ordinary Share based on year-end results, whichever is greater; (2) if such dividends are approved at an annual shareholders' meeting in lesser amount or not approved, vote on all issues voted upon at shareholders' meetings until the dividends are paid in full; (3) vote at shareholders' meeting on decisions related to RAO UES' reorganization or liquidation or that limit the preferred shareholders' rights; (4) receive information about RAO UES' activities and review its documents in accordance with RAO UES' charter and Russian law; (5) pre-emptive rights to acquire additionally issued preferred shares on a pro rata basis in the cases set forth in the Joint Stock Companies Law; (6) demand that RAO UES repurchase some or all of the holder's shares if the holder votes against, or does not participate in voting on, certain decisions enumerated in the Joint Stock Companies Law, if the holder of RAO UES Preferred Shares is entitled to vote on such decisions; (7) in the event of the liquidation of RAO UES, receive a pro rata share of the assets remaining after settlement with RAO UES' creditors.

Shareholders' meetings

The rights of shareholders are set forth in the Joint Stock Companies Law and in the charters of RAO UES and the Subsidiaries. Shareholders have the exclusive right to decide certain issues expressly set forth in the Joint Stock Companies Law. These issues include, among others: (1) alteration of the company's charter and the size and composition of its authorized share capital; (2) election and early termination of the members of the Board of Directors, the Audit Commission (or Internal Auditor, as applicable) and, in the case of RAO UES, the Chairman of the Management Board; (3) the company's reorganization or liquidation; (4) approval of certain major transactions and interested party transactions; (5) approval of issuance of shares and bonds and other securities convertible into the company's shares, where such approval is required by law or by the company's charter; (6) making decisions on participation in financial and industrial groups, associations and other alliances of commercial companies; (7) approval of year-end reports and RAS annual accounts, including the profit and loss report (profit and loss account); (8) approval of dividends; and (9) approval of main corporate documents of the company.

Voting at a shareholders' meeting is on the principle of one vote per voting share, with the exception of the election of the Board of Directors, which is done through cumulative voting. Voting shares generally comprise only ordinary shares. However, each preferred share entitles its holder to one vote at the shareholders' meeting on decisions related to the company's reorganization or liquidation or that limit the preferred shareholders' rights. In addition, if the dividends set forth in the company's charter for preferred shares were approved at a shareholders' meeting in lesser amount or not approved, the preferred shares become voting shares in the period starting after such shareholders' meeting and until the dividends are paid in full.

Decisions are generally passed by an affirmative vote of a majority of the voting shares present at a shareholders' meeting. However, the Joint Stock Companies Law and the charters of RAO UES and the Subsidiaries require a 75% affirmative vote of the voting shares present at a shareholders' meeting to approve, among other things: (1) alteration of the company's charter; (2) the company's reorganization or liquidation; (3) alteration of the size and composition of its authorized share capital; (4) the approval of major transactions involving assets with a value exceeding 50% of the balance sheet value of the company's assets; (5) issuance by closed subscription of shares or other securities convertible into shares by closed subscription; and (6) issuance by open subscription of ordinary shares or other securities convertible into the company's ordinary shares constituting more than 25% of the previously issued ordinary shares. Any alterations of the company's charter which restrict the rights of holders of preferred shares (including those relating to dividends or liquidation value) require the affirmative vote of (a) at least 75% of the ordinary shares present at a shareholders' meeting and (b) at least 75% of all preferred shares.

The quorum requirement for the shareholders' meetings is generally met if more than 50% of the voting shares are present. If the 50% quorum requirement is not met, another shareholders' meeting with the same agenda may (or, in the case of an annual meeting, must) be scheduled pursuant to a decision by the Board of Directors, in which case the quorum requirement is met if shareholders owning at least 30% of the issued voting shares are present at that meeting.

The annual shareholders' meeting must be convened by the Board of Directors between March 1 and June 30 of each year and the agenda must include the following items: (1) election of members of the Board of Directors; (2) election of members of the Audit Commission (or Internal Auditor, as the case may be); (3) approval of an external auditor; and (4) approval of the annual report, balance sheet and profit and loss statement, as well as the distribution of income (including approval (declaration) of annual dividends) or allocation of losses of the company. A shareholder, holding alone or with other shareholders no less than two percent of the company's voting shares, has the right, within 30 calendar days of the end of a fiscal year, to propose items for the agenda of the annual shareholders' meeting and nominate candidates to the Board of Directors and the Audit Commission.

In accordance with the charters of RAO UES and the Subsidiaries, all shareholders entitled to participate in a shareholders' meeting must be notified of a meeting no less than 30 calendar days prior to the date of the meeting. However, if reorganization of the company is an agenda item and the agenda also includes the election of the Board of Directors in newly created companies, shareholders must be notified at least 70 calendar days prior to the date of the meeting. In the case of an extraordinary shareholders' meeting to elect the Board of Directors, shareholders must be notified at least 70 calendar days prior to the date of the meeting. The record date of the shareholders' meeting is set by the Board of Directors and may not be (1) earlier than the date of adoption of the resolution to hold a shareholders' meeting and (2) more than 50 days (or 85 days in the case of an extraordinary shareholders' meeting to elect the Board of Directors) before the date of the meeting.

Extraordinary shareholders' meetings may be called by the Board of Directors on its own initiative or at the request of the Audit Commission (or Internal Auditor, as the case may be), the external auditor or shareholder(s) owning not less than 10% of voting shares of the company.

The rights of holders of RAO UES ADRs to vote in respect of resolutions at a RAO UES shareholders' meeting are described in Section 4.07 ("Voting of Deposited Securities") of the Depositary Agreement with respect to ADRs for RAO UES Ordinary Shares, dated as of March 27, 2000, as amended by the Supplemental Agreement with Bankers Trust Company (now Deutsche Bank Trust Company Americas),

dated as of October 5, 2001, and Section 4.07 (“Voting of Deposited Securities”) of the Depositary Agreement with respect to ADRs for RAO UES Preferred Shares, dated as of May 9, 2000, as amended by the Supplemental Agreement with Bankers Trust Company, dated as of October 5, 2001.

The Board of Directors

Pursuant to RAO UES’ charter, the Board of Directors consists of fifteen members, each of whom is elected for a one-year term. Persons elected to the Board of Directors may be re-elected an unlimited number of times. The Chairman of the Board of Directors is elected by the Board of Directors from among its members by a majority vote of the total number of members of the Board of Directors of RAO UES. Pursuant to a decision adopted by shareholders at a shareholders’ meeting, members of the Board of Directors may be removed from office before their term expires. The Board of Directors of each of the Subsidiaries generally is governed by similarly provisions. See “Gencos— OGKs— Board of Directors and Management Board”, “Gencos— TGKs— Board of Directors and Management Board”, “MRSK Holding— Management”, “FSK— Management”, “FSK— Directors of the FSK”, “Inter RAO UES— Management— Directors of InterRAO”, and “System Operator— Directors of the System Operator”.

Dividends and dividend rights

The Joint Stock Companies Law and RAO UES’ and the Subsidiaries’ charters govern the procedure for declaring and paying dividends that a company may distribute to its shareholders. According to the Joint Stock Companies Law and the Subsidiaries’ charters, dividends may be paid on a quarterly, semi-annual or annual basis. RAO UES’ charter allows dividends to be paid only annually. Dividends are paid out of the net profit of the Subsidiaries. RAO UES pays dividends out of the net profit of RAO UES for the current year. A company’s net profit is calculated according to RAS.

RAO UES and the Subsidiaries may declare a dividend payment only if: (1) the share capital has been paid in full; (2) the company’s net assets value is not less (and would not become less as a result of payment of the dividend) than the sum of (a) its share capital, (b) the reserve fund and (c) the excess of the liquidation value, if any, of preferred shares set forth in the charter over the par value of preferred shares; (3) the company has repurchased all shares with respect to which any shareholders have the right to require the company to repurchase; and (4) the company is not, and would not become as a result of payment of the dividend, insolvent (as defined under Russian law). The Board of Directors of the company recommends by a majority vote the amount of dividends to the shareholders, who approve such dividends by a majority vote at a shareholders’ meeting. The dividend approved at the shareholders’ meeting may not exceed that recommended by the Board of Directors. Dividends are paid to the shareholders as of the record date of the general shareholders’ meeting approving the dividend payment.

Pre-emptive rights

The Joint Stock Companies Law and the charters of RAO UES and the Subsidiaries grant the existing holders of ordinary and preferred shares a pre-emptive right to purchase shares of the same type or securities convertible into shares of the same type that a company may propose to sell by open subscription, proportionate to their existing stake. In a closed subscription of shares or securities convertible into shares, holders of the same type of shares who voted against it or did not vote on such closed subscription are entitled to acquire an amount of such shares or convertible securities proportionate to their existing stake. This rule does not apply when the shares are placed in a closed subscription solely among the existing holders of the relevant type of shares, provided that all such existing shareholders are entitled to acquire a whole number of new shares or securities convertible into shares in proportion to their existing holdings. The company must notify shareholders in writing of the proposed placement of securities. Such notice must also set forth the pre-emptive rights election period, which may not be less than 45 calendar days (or 20 calendar days if the placement price is defined after the expiration of the pre-emptive period) from the date of such notice.

Anti-Takeover Protection and Buy-out Procedures

Under the Joint Stock Companies Law, a person intending to purchase more than 30% of the voting ordinary or preferred shares (taking into account those already held by such person together with its

affiliates) of an open joint-stock company will have the right to make to all holders of the company's voting shares, and to holders of the company's other securities convertible into voting shares, a public offer to purchase such remaining shares or such other securities (i.e., a voluntary offer). Within 35 calendar days after any acquisition by which the acquirer's shareholdings exceed 30%, 50% or 75% of the voting ordinary or preferred shares (taking into account those already held by the acquirer together with its affiliates) of an open joint-stock company, the acquirer must, except in certain limited circumstances (such as reorganization, including the Spin-Offs), make a public offer to purchase the remaining voting shares, and the company's other securities convertible into voting shares, from all other shareholders or holders of relevant securities (i.e., a compulsory offer). The price offered in a compulsory offer may not be less than the weighted average market price of the shares over the six month period before the filing of the offer with the FSFM, as described below, if the shares are publicly traded, or the price supplied by an independent appraiser if the shares have no or insufficient trading history. In addition, the public offer price may not be less than the highest price at which the offeror or its affiliated persons purchased or undertook to purchase the relevant securities over the six month period before the offer was sent to the company. The acquirer's payment obligations arising from both voluntary and compulsory offers must be secured in each case by an irrevocable bank guarantee effective for at least six months after the relevant payment date. Until the date the offer was sent to the company, the acquirer and its affiliates will be able to register for quorum purposes and vote only 30% of the company's ordinary shares and voting preferred shares (regardless of the size of their actual holdings).

Voluntary and compulsory offers are made to the relevant holders of the company's securities through the company. From the date of a public offer until 20 calendar days after its expiry (which period may in certain cases exceed 100 calendar days) the company's shareholders' meeting will have the sole power to make decisions on share capital increase, issuance of securities convertible into shares, approval of major, interested party and certain other transactions, and on certain other significant matters.

At any time after the company receives a voluntary or a compulsory offer and until 25 calendar days prior to its expiry, any third party may make a competing offer (that satisfies the requirements for voluntary or compulsory offers, as applicable) to purchase the same or a greater number of shares and at a price that is equal to or greater than those offered in the voluntary or compulsory offer. In response to any such competing offer, any shareholder may revoke its previous acceptance of the respective offer and accept the competing offer. A copy of the competing offer must be sent to the person who made the voluntary or compulsory offer so that such person may amend its offer by increasing the purchase price and/or shortening the settlement period and/or extending the acceptance period to the date of expiration of the competing offer.

If as a result of either a voluntary or a compulsory offer the acquirer purchases more than 95% of the voting shares, it will have an obligation to (1) notify all the other shareholders (within 35 calendar days after acquisition of shares above such threshold) of their right to sell their shares and other securities convertible into such shares; and (2) purchase the respective shares upon request of each minority shareholder made within 6 months after the notice is sent to shareholders by the company, at the price determined in the manner described in the preceding paragraph but not less than the highest price of the previous acquisitions by the acquirer or its affiliates. The notice must be accompanied by an irrevocable bank guarantee securing the acquirer's payment obligations. Instead of giving such notice, the acquirer will have the right to deliver a buy-out demand, binding on the minority shareholders, requiring that they sell their shares at the same price.

If the company is publicly traded, notice of any voluntary or compulsory offers, notices or buy-out demands described above must be filed with the FSFM prior to such offer, notice or demand; otherwise, such offers, notices or buy-out demands must be filed with the FSFM not later than the date of the offer, notice of demand. The FSFM may require revisions to be made to the terms of the offer (including the price) in order to bring them into compliance with applicable law.

See "Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — Following the Spin-Offs, RAO UES DR holders may not be able to deposit Holdco Shares or Subsidiary Shares in the relevant depositary receipt program in order to receive New GDRs".

Interested party transactions

RAO UES and the Subsidiaries are required by Russian law and their charters to obtain the approval of disinterested directors or shareholders for certain transactions with “interested parties”. In general terms, interested parties are defined by Russian law to include any of the shareholders that own (together with their affiliates) at least 20% of RAO UES’ voting shares, and RAO UES’ directors and certain executives identified in the law, if any such person or such person’s relatives or affiliates are (1) a party to, or a beneficiary of, a transaction with RAO UES, whether directly or as a representative or an intermediary; (2) the owner of at least 20% of the issued shares (equity, stake) of a legal entity that is a party to, or a beneficiary of, the transaction with RAO UES, whether directly or as a representative or an intermediary; or (3) a member of the board of directors or an officer of a legal entity that is a party to, or a beneficiary of, a transaction with RAO UES, whether directly or as a representative or an intermediary.

From each of RAO UES and most of the Subsidiaries has more than 1,000 shareholders, the Joint Stock Companies Law requires that the relevant company’s transactions with interested parties be approved: (1) by a majority vote of the independent (as such term is defined in the Joint Stock Companies law) directors who are not “interested” in the transaction; or (2) by majority vote of shareholders who are not “interested” in the transaction if (i) the value of the transaction (including any related transactions) exceeds 2% of RAO UES’ assets, (ii) the transaction involves the issuance of ordinary shares or securities convertible into ordinary shares in an amount exceeding 2% of RAO UES’ ordinary shares, or (iii) all members of the Board of Directors are not eligible to vote.

See “Risk Factors— Transactions in non-compliance with applicable legal requirements”.

Major Transactions

RAO UES and each of the Subsidiaries is required by Russian law and its charter to obtain: (1) the unanimous approval of all members of the Board of Directors of transactions involving property worth 25% or more but no more than 50% of the book value of the company’s assets calculated according to RAS, or (2) the approval of the shareholders (i) by three-fourths majority of the shareholders present at the shareholders’ meeting for transactions involving property worth more than 50% of the book value of the company’s assets calculated according to RAS or (ii) by a simple majority of the shareholders present at the meeting for transactions involving property worth 25% or more but no more than 50% of the book value of the company’s assets calculated according to RAS if such transactions were not approved unanimously by its Board of Directors.

Liquidation and reorganization

Under Russian law and pursuant to the charters of RAO UES and the Subsidiaries, the liquidation of a company, which results in its termination without the transfer of rights and obligations to other persons as legal successors, and reorganization of the company may be effected by: (1) the affirmative vote of 75% of the votes present at a shareholders’ meeting; (2) a court order; or (3) on other grounds provided by legislation, including, for example, in the event of RAO UES’ bankruptcy. Creditors’ claims may be filed within a period determined by a liquidation commission that will be appointed once the decision to liquidate has been made. Creditors’ claims will be satisfied in the order of priority specified in the Civil Code. The remaining assets of RAO UES will be distributed among shareholders pursuant to the Civil Code. In the event of RAO UES’ bankruptcy, the liquidation procedure must comply with the Federal Law “On insolvency (Bankruptcy)” No. 127-FZ dated October 26, 2002.

Share registration, transfers and settlement

All of issued shares of RAO UES or the Subsidiaries are registered shares. Ownership of registered shares is evidenced by entries made in the shareholders register. Russian law requires that each Russian joint stock company maintain a shareholders register which may be kept by a licensed registrar or, in certain limited circumstances, by the company itself. The registrar of RAO UES is CJSC “Registrar Status”. The current registrar of each of the Subsidiaries whose shares may be distributed to holders of RAO UES Shares in the Spin-Offs is as set forth in the table below.

OGK-1:	OJSC “CMD” (Central Moscow Depository)
OGK-2:	OJSC “CMD” (Central Moscow Depository)
OGK-3:	OJSC “CMD” (Central Moscow Depository)
OGK-4:	OJSC “CMD” (Central Moscow Depository)
OGK-6:	OJSC “CMD” (Central Moscow Depository)
HydroOGK:	OJSC “CMD” (Central Moscow Depository)
TGK-1:	OJSC “CMD” (Central Moscow Depository)
TGK-2:	OJSC “CMD” (Central Moscow Depository)
Mosenergo:	CJSC Specialized Registrar “Register Service”
TGK-4:	OJSC “CMD” (Central Moscow Depository)
TGK-6:	OJSC “CMD” (Central Moscow Depository)
Volzhskaya TGK:	OJSC “CMD” (Central Moscow Depository)
SGK TGK-8:	OJSC “CMD” (Central Moscow Depository)
TGK-9:	OJSC “CMD” (Central Moscow Depository)
TGK-10:	OJSC “CMD” (Central Moscow Depository)
TGK-11:	OJSC “CMD” (Central Moscow Depository)
Kuzbassenergo.....	OJSC “CMD” (Central Moscow Depository)
Eniseyskaya TGK:	CJSC “Registry A-Plus”
TGK-14:	OJSC “CMD” (Central Moscow Depository)
The FSK.....	OJSC “CMD” (Central Moscow Depository)
Sochinskaya TES.....	CJSC “Novy Registrator”
System Operator	OJSC “CMD” (Central Moscow Depository)

All transfers of shares of RAO UES, the Holdcos or the Subsidiaries must be registered in the respective company’s shareholders register, or, if the shares are held by a nominee, in the books of such nominee. When making entries in the shareholders register, the registrar may not require documents beyond what is required by current regulations. Any refusal by the registrar to register the shares in the name of the transferee or, upon request of a beneficial holder, in the name of a nominee, is void, unless based on legal grounds, and may be challenged in court.

MAJOR SHAREHOLDERS OF RAO UES

The following table shows the name, address and shareholding of each registered shareholder of RAO UES holding over 5% RAO UES Shares as at August 23, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of RAO UES Shares</u> <i>(million)</i>	<u>Proportion of the total Number of RAO UES Shares</u> <i>(%)</i>
Federal Agency for Federal Property Management on behalf of the Russian Federation	Nikolsky per., 9, Moscow, 103684	22,715.4	52.6832
The Bank of New York International Nominees (as depositary for the RAO UES GDRs)	101 Barclay Street, 22 nd Floor-West, New York, NY, 10289, USA	5,546.0	12.8627
GazEnergy	16, Nametkina Street, 117997, Moscow, Russia	4,522.9	10.4898
Total major shareholders		32,784.3	76,035.7

MAJOR SHAREHOLDERS OF SUBSIDIARIES

OGKs

OGK-1

The following table shows the name, address and shareholding of each registered shareholder of OGK-1 holding over 5% OGK-1 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of OGK-1 Shares</u> (million)	<u>Proportion of the Total Number of OGK-1 Shares</u> (%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	40,929.5	91.68%
Total major shareholders		40,929.5	91.68%

OGK-2

The following table shows the name, address and shareholding of each registered shareholder of OGK-2 holding over 5% OGK-2 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of OGK-2 Shares</u> (million)	<u>Proportion of the Total Number of OGK-2 Shares</u> (%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	21,430.9	80.93%
Westmead Limited	28th October St. No. 319, Kanika Business Center, 2nd Floor, Limassol 3105	1,381.6	5.22%
Total major shareholders		22,812.5	86.15%

OGK-3

The following table shows the name, address and shareholding of each registered shareholder of OGK-3 holding over 5% OGK-3 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of OGK-3 Shares</u> (million)	<u>Proportion of the Total Number of OGK-3 Shares</u> (%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	17,609.0	37.08%
Norilsk	22 Voznesensky Pereulok Moscow 125993 Russian Federation	22,140.8	46.62%
Total major shareholders		39,749.7	83.7%

OGK-4

The following table shows the name, address and shareholding of each registered shareholder of OGK-4 holding over 5% OGK-4 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of OGK-4 Shares</u>	<u>Proportion of the Total Number of OGK-4 Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	44,020.5	89.6%
Total major shareholders		44,020.5	89.6%

OGK-6

The following table shows the name, address and shareholding of each registered shareholder of OGK-6 holding over 5% OGK-6 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of OGK-6 Shares</u>	<u>Proportion of the Total Number of OGK-6 Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	24,988.3	93.48%
Total major shareholders		24,988.3	93.48%

HydroOGK

The following table shows the name, address and shareholding of each registered shareholder of HydroOGK holding over 5% HydroOGK shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of HydroOGK Shares</u>	<u>Proportion of the Total Number of HydroOGK Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	140,954.8	100%
Total major shareholders		140,954.8	100%

TGKs

TGK-1

The following table shows the name, address and shareholding of each registered shareholder of TGK-1 holding over 5% TGK-1 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-1 Shares</u> (million)	<u>Proportion of the Total Number of TGK-1 Shares</u> (%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	1,629,287.6	55.7%
Concern Fortum Power and Heat Oy	Keilaniementi 1, 02150 Espoo, PL1, 00048 FORTUM, Finland	745,461.3	25.5%
Total major shareholders		2,374,748.9	81.2%

TGK-2

The following table shows the name, address and shareholding of each registered shareholder of TGK-2 holding over 5% TGK-2 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-2 Shares</u> (million)	<u>Proportion of the Total Number of TGK-2 Shares</u> (%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	350,078.7	49.19%
Prosperity Aurora Limited	8-10, Gascheka Str., (Securities Management ZAO KB Citibank) Moscow 125047 Russian Federation	104,327.0	14.70%
Total major shareholders		454,405.7	63.89%

Mosenergo

The following table shows the name, address and shareholding of each registered shareholder of Mosenergo holding over 5% Mosenergo shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of Mosenergo Shares</u>	<u>Proportion of the Total Number of Mosenergo Shares</u>
		<i>(million)</i>	<i>(%)</i>
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	379,166,000	36.18%
Gazprom	16, Nametkina Str., B-420, GSP-7b Moscow 117997 Russian Federation	data unavailable	42.73%
Total major shareholders		data unavailable	86.08%

TGK-4

The following table shows the name, address and shareholding of each registered shareholder of TGK-4 holding over 5% TGK-4 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-4 Shares</u>	<u>Proportion of the Total Number of TGK-4 Shares</u>
		<i>(million)</i>	<i>(%)</i>
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	660,811.9	47.32%
Prosperity Aurora Limited	8-10, Gascheka Str., (Securities Management ZAO KB Citibank) Moscow 125047 Russian Federation	113,114.4	8.11%
Immenso Enterprises Ltd.	15, Malaya Kaluzhskaya, Moscow 119071 Russian Federation	100,127.2	7.17%
Total major shareholders		874,053.5	62.59%

TGK-6

The following table shows the name, address and shareholding of each registered shareholder of TGK-6 holding over 5% TGK-6 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-6 Shares</u>	<u>Proportion of the Total Number of TGK-6 Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	647,766.8	50.23%
Integrated Energy Systems United	36, Krasnoproletarskaya, Str., a/y 27 for ING Bank (Evrazia) ZAO	245,005.0	19.00%
Prosperity Aurora Limited	8-10, Gasheka Str., (Securities Management ZAO KB Citibank) Moscow 125047 Russian Federation	125,566.4	9.74%
Total major shareholders		1,018,338.2	78.97%

Volzhskaya TGK

The following table shows the name, address and shareholding of each registered shareholder of Volzhskaya TGK holding over 5% Volzhskaya TGK shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of Volzhskaya TGK Shares</u>	<u>Proportion of the Total Number of Volzhskaya TGK Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	14,255.6	54.47%
Total major shareholders		14,255.6	54.47%

SGK TKG

The following table shows the name, address and shareholding of each registered shareholder of SGK TKG holding over 5% SGK TKG shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of SGK TKG-8 Shares</u>	<u>Proportion of the Total Number of SGK TKG-8 Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	726,727.7	52.82%
Total major shareholders		726,727.7	52.82%

TGK-9

The following table shows the name, address and shareholding of each registered shareholder of TGK-9 holding over 5% TGK-9 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-9 Shares</u>	<u>Proportion of the Total Number of TGK-9 Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	2,851,744.8	50.05%
Total major shareholders		2,851,744.8	50.05%

TGK-10

The following table shows the name, address and shareholding of each registered shareholder of TGK-10 holding over 5% TGK-10 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-10 Shares</u>	<u>Proportion of the Total Number of TGK-10 Shares</u>
		<i>(million)</i>	<i>(%)</i>
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	352.6	81.56%
Greenpark Investments Limited	22, Voznesensky per., Usadba Ctr., 4th Floor, for OOO Renaissance Broker, Moscow 125009 Russian Federation	26.2	6.06%
Federal Agency for the Management of the Federal Property of the Russian Federation	9, Nikolsky per., Moscow 103685	25.2	5.83%
Total major shareholders		404.0	93.45%

TGK-11

The following table shows the name, address and shareholding of each registered shareholder of TGK-11 holding over 5% TGK-11 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-11 Shares</u>	<u>Proportion of the Total Number of TGK-11 Shares</u>
		<i>(million)</i>	<i>(%)</i>
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	1,000	100%
Total major shareholders		1,000	100%

Kuzbassenergo

The following table shows the name, address and shareholding of each registered shareholder of Kuzbassenergo holding over 5% Kuzbassenergo shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of Kuzbassenergo Shares</u>	<u>Proportion of the Total Number of Kuzbassenergo Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	297.0	49%
SUEK	Building 22, 7 Debenskaya Naberezhnaya, Moscow 115114 Russian Federation	263.5	43.48%
Total major shareholders		560,5	92.48%

Eniseyskaya TGK

The following table shows the name, address and shareholding of each registered shareholder of Eniseyskaya TGK holding over 5% Eniseyskaya TGK shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of Eniseyskaya TGK Shares</u>	<u>Proportion of the Total Number of Eniseyskaya TGK Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	3.2	56.92%
SUEK	Building 22, 7 Debenskaya Naberezhnaya, Moscow 115114 Russian Federation	1.8	31.68%
Total major shareholders		5.0	88.92%

TGK-14

The following table shows the name, address and shareholding of each registered shareholder of TGK-14 holding over 5% TGK-14 shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-14 Shares</u>	<u>Proportion of the Total Number of TGK-14 Shares</u>
		<i>(million)</i>	<i>(%)</i>
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	383,013.7	49.45%
OJSC GMK Norilsk Nickel	2, Gvardeyskaya Square, Norilsk, Krasnoyarsky krai, 663310 Russian Federation	215,412.6	27.81%
Greenpark Investments Limited	22, Voznesensky per., Usadba Ctr., 4th Floor, for OOO Renaissance Broker, Moscow 125009 Russian Federation	42,834.7	5.3%
Total major shareholders		381,459.4	82.56%

MRSK

As at June 30, 2007, all of the shares in the MRSKs (except for Lenenergo) were held by RAO UES.

Lenenergo

The following table shows the name, address and shareholding of each registered shareholder of Lenenergo holding over 5% Lenenergo Shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of Lenenergo Shares</u>	<u>Proportion of the Total Number of Lenenergo Shares</u>
		<i>(million)</i>	<i>(%)</i>
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	439.66	56%
Total major shareholders		439.66	56%

FSK

The following table shows the name, address and shareholding of each registered shareholder of the FSK holding over 5% FSK shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of TGK-10 Shares</u>	<u>Proportion of the Total Number of TGK-10 Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	316,426.3	87.56%
Federal Agency for the Management of the Federal Property of the Russian Federation	9, Nikolsky per., Moscow 103685	44,956.0	12.44%
Total major shareholders		361,382.3	100%

InterRAO

The following table shows the name, address and shareholding of each registered shareholder of InterRAO holding over 5% InterRAO shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of InterRAO Shares</u>	<u>Proportion of the Total Number of InterRAO Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	6.84	60%
Federal State Unitary Enterprise "Russian State Concern for generation of Electricity and Heat power at Nuclear Power Plants" (Rosenergoatom)	25, Ferganskaya Str., Moscow 109507 Russian Federation	4.56	40%
Total major shareholders		11.4	100%

Sochinskaya TES

The following table shows the name, address and shareholding of each registered shareholder of Sochinskaya TES holding over 5% Sochinskaya TES shares as at June 30, 2007.

<u>Name and address of the registered shareholder</u>	<u>Address</u>	<u>Total Number of Sochinskaya TES Shares</u>	<u>Proportion of the Total Number of Sochinskaya TES Shares</u>
		(million)	(%)
RAO UES	101-3, Vernadskogo Prosp. Moscow 119526 Russian Federation	4.1	100%
Total major shareholders		4.1	100%

Other Subsidiaries

As at June 30, 2007, all of the shares in the FSK and the System Operator were held by RAO UES.

RELATED PARTY TRANSACTIONS

The following describes transactions RAO UES has entered into with related parties (as defined by IFRS). For the description of certain other transactions with related parties, see Note 7 to the financial statements of RAO UES.

The RAO UES Group, in the ordinary course of business, enters into various supply, purchases and services transactions with related parties.

Associates

The following transactions were carried out with associates (as defined by IFRS) during the periods indicated, the majority of which are based on tariffs set by the FST and the regional tariff authorities:

	Year ended December 31, 2006	Year ended December 31, 2005
	<i>(millions of Russian Rubles)</i>	
Electricity and heating revenues.....	4,793	8,023
Purchased power expenses.....	—	2,200
Receivables from associates.....	2,165	1,484
Payables to associates.....	110	2,121

The total amount of electricity and heat sales to associates was RUB 4,793 million in 2006 and RUB 8,023 million in 2005. During the year ended December 31, 2005, the RAO UES Group purchased power from its associates in the amount of RUB 2,200 million.

As at December 31, 2006, the amount of receivables from associates was RUB 2,165 million, while as at December 31, 2005 it was RUB 1,484 million. The amount of payables to associates was RUB 110 million as at December 31, 2006 and RUB 2,121 million as at December 31, 2005.

During the year ended December 31, 2006, the RAO UES Group purchased equipment from its associate, Power Machines, in the amount of RUB 1,456 million and prepaid future equipment procurements in the amount of RUB 3,467 million. Power Machines became an associate of the RAO UES Group in December 2005.

As at December 31, 2006, the RAO UES Group held long-term promissory notes of its associate, Rossiyskie Kommunalnye Sistemy, in the amount of RUB 506 million.

State-controlled entities

In the normal course of business, the RAO UES Group enters into transactions with other entities under the control of the Russian Federation, including Gazprom, Russian railways, state-controlled banks and various governmental bodies. Prices for natural gas, electricity and heat are based on tariffs set by the FST and the regional tariff authorities. Bank loans are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

The RAO UES Group had the following significant transactions and balances with state-controlled entities:

	Year ended December 31, 2006	Year ended December 31, 2005
	<i>(millions of Russian Rubles)</i>	
Electricity and heating revenues.....	357,549	300,873
Electricity and heating distribution expenses.....	14,783	10,410
Fuel expenses.....	137,572	120,114
Purchased power expenses.....	70,818	68,054
Interest expense.....	3,021	1,651

	As at December 31,	
	2006	2005
	<i>(millions of Russian Rubles)</i>	
Accounts receivable and prepayments	72,703	62,933
Non-current and current debt.....	38,251	46,960
Accounts payable and accrued charges.....	15,939	27,195

During 2006 the federal and regional governments of the Russian Federation gave financial assistance to the RAO UES Group entities in the aggregate amount of RUB 4,929 million in total, while during 2005, financial assistance in the aggregate amount of RUB 3,975 million was provided.

Compensation of the members of the Board of Directors and the Managements Board of RAO UES

Compensation is paid to members of the Management Board of RAO UES for their services in full-time management positions. The compensation is made up of salary, non-cash benefits and a performance bonus depending on the results according to Russian statutory financial statements for the relevant period. Each Management Board member's compensation is approved by the Board of Directors of RAO UES. Discretionary bonuses are also payable to members of the Management Board, which are approved by the Chairman of the Management Board.

Fees, compensation or allowances to the members of the Board of Directors of RAO UES for their services in that capacity and for attending Board meetings are paid depending on the results for the year. In accordance with Russian legislation, fees, compensation or allowances to the members of the Board of Directors who are employees of the Russian Federation are paid to the state.

Members of the Board of Directors and the Management Board of RAO UES received the following remuneration for the periods indicated.

	Year ended December 31, 2006	Year ended December 31, 2005
	<i>(millions of Russian Rubles)</i>	
Salaries and bonuses	426	465
Severance benefits.....	3	49
Other	<u>58</u>	<u>66</u>
Total.....	487	580

Employee share option plan

In June 2004, the Board of Directors of RAO UES approved a Share Option Plan for the employees of RAO UES (the "Option Plan").

The Option Plan provides for the granting of share options to the members of the Management Board and other key employees of the RAO UES Group. Participants are rewarded under the Option Plan for their work in the RAO UES Group over the period of 3 years, starting from June 25, 2004. Option Plan participants can exercise their share option at any time in the period from June 25, 2007 through January 25, 2008. As at June 30, 2007, share options had been exercised by 37 Option Plan participants to purchase an aggregate of 52,050,204 RAO UES Ordinary Shares.

In February 2005, the Board of Directors of RAO UES approved a number of changes relating to the list of Option Plan participants and to the number of shares allocated under the Option Plan. Key employees from certain RAO UES Group entities were included in the list of participants.

A total of up to 418,657,600 RAO UES Ordinary Shares (or about one percent of the issued RAO UES Ordinary Shares) may be allocated under the Option Plan. 213,671,372 shares are allocated for granting share options to the members of the Management Board, the remainder to the other key employees of RAO UES.

RAO UES Ordinary Shares ultimately allocated under the Option Plan are allocated from treasury shares purchased by the RAO UES Group for that purpose on the open market by a special-purpose entity, which is controlled by the RAO UES Group. The treasury shares held for the purpose of the Option Plan will have no voting rights, unless otherwise decided by the Board of Directors of RAO UES.

As at December 31, 2006 and 2005, the number of outstanding share options was 381,436,585.

In the event that the restructuring of RAO UES is completed prior to the exercise date of the share options, the Plan participants will be entitled to purchase shares in successor entities or other securities, distributed among the RAO UES shareholders.

In the case of an Option Plan participant who terminated his employment with the RAO UES Group entity before June 25, 2007, the number of shares that participant may purchase as part of implementation of the Option Plan will be calculated proportionally based on the number of days worked prior to terminating the employment. In case of a breach of certain provisions of the relevant labor agreement and termination of the employment of Option Plan participants at the initiative of the RAO UES Group entity, the Option Plan participants will lose their right to purchase the shares.

The exercise price of the share option is USD 0.2934 per share, which is the weighted average price of the RAO UES Ordinary Shares on the RTS over the period from June 25, 2003 through June 24, 2004. For Option Plan participants who joined RAO UES Group entities after June 25, 2004, the exercise price of the share option is the weighted average option price of the RAO UES Ordinary Shares on the RTS for one year preceding the date of the labor agreement entered into by the Option Plan participants and the RAO UES Group entities. In addition to the exercise price, the Option Plan participants who exercise their options must reimburse part of the interest expenses paid on borrowings in connection with the purchase of the shares.

One of the vesting terms of the share options is prepayment by the members of the Management Board of RAO UES (in the amount of 10% of the share option agreement) and by other key employees (in the amount of 0.2 percent of the share option agreement). In the event that the right to exercise the share option lapses, the prepayment will be returned to the Option Plan participant in full.

In 2004, the RAO UES Group issued to the members of the Management Board of RAO UES non-interest bearing loans, which could be used by individuals to make prepayments under the share option agreements. The loans were issued for a period of five years. As at December 31, 2006, the amount of loans issued to employees amounted to approximately RUB 155 million.

As at December 31, 2005, in the course of the Option Plan implementation the RAO UES Group had purchased 418,657,600 treasury shares at the total cost of RUB 3,571 million. No purchases were made up to December 31, 2006.

The fair values of services received in return for share options granted to employees are measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on the Black-Scholes model.

Share price.....	USD 0.2770
Exercise price	USD 0.2934
Expected volatility	31%
Option life	1,095 calendar days
Risk-free interest rate	3.16%
Fair value at measurement date	USD 0.0690

The measure of volatility used in the option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Volatility has been determined on the basis of the historical volatility of the share price over the most recent period (one year before the grant date). For share options outstanding as at December 31, 2006, the range of exercise prices is between USD 0.2827 per share and USD 0.2934 per share, and the weighted average remaining contractual life is 390 calendar days.

During 2006, the RAO UES Group recognized approximately RUB 100 million as expense related to the fair value of the options, while in 2005, this amount was RUB 271 million.

Subsidiaries

Other than as described above with respect to the RAO UES Group, each of Subsidiaries do not usually in the ordinary course of its businesses engage in transactions with related parties. However, the Gencos do enter into agreements with the Trade System Administrator, the System Operator and the FSK, which are also subsidiaries of RAO UES. Such agreements are mandatory for any wholesale generating company and as such do not require any special corporate approvals under Russian law.

REGULATORY MATTERS APPLICABLE TO THE SUBSIDIARIES

General

The RAO UES Group's business is large and complex and, as a result, the Subsidiaries are subject to a significant number of laws and regulations. This section is a summary of certain regulatory matters that are applicable to the Subsidiaries' operations.

Electricity Industry Regulation

The Russian electricity sector is currently in the process of restructuring and its regulation was and is subject to constant renewal and amendments. Generally, the applicable laws and regulations deal with four major issues relating to the electricity industry, which are: (i) establishing a legal framework for the electricity industry and market; (ii) electricity wholesale market regulation; (iii) electricity retail market regulation; and (iv) determination of prices in relation to electricity and heat. See "Industry Overview".

As of the date of this Information Statement, the main effective laws and regulations relevant to the Subsidiaries and their business are as follows:

- The Civil Code of the Russian Federation;
- Electricity Industry Law;
- Federal Law "On Specific Features of Functioning of the Electricity Industry during the Transitional Period, and on the Introduction of Amendments of Certain Laws of the Russian Federation and on Abolishing Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law "On the Electricity Industry" No. 36-FZ dated March 26, 2003, as amended;
- Federal Law "On State Regulation of Tariffs for Electric and Thermal Power in the Russian Federation" No. 41-FZ dated April 14, 1995, as amended;
- Federal Law "On Energy Saving" No. 28-FZ dated April 3, 1996, as amended;
- Federal Law "On Safety of Hydroelectric Facilities No. 117-FZ dated July 21, 1997;
- Resolution No. 526;
- Resolution of the Government of the Russian Federation "On Cap Limits of Tariffs for Electric and Heat Power" No. 516 dated August 22, 2003;
- Resolution of the Government of the Russian Federation "On Rules of the Wholesale Electricity (Capacity) Market for the Transitional Period" No. 643 dated October 24, 2003, as amended;
- Resolution No. 109;
- Resolution No. 529; and
- Resolution No. 205.

Resolution No. 526 established the principles of restructuring the Russian electricity industry and the goals of such restructuring. According to Resolution No. 526, the result of such restructuring is the conversion of the existing federal wholesale electricity and electricity capacity market into a truly competitive wholesale market and the creation of regional retail electricity and electricity capacity markets. See "Industry Overview — Electricity Sector Reform".

The Electricity Industry Law addressed the issues provided by Resolution No. 526 in more details. However, some of its provisions, which address the results of the restructuring of the electricity industry and market will enter into force in future, when the transitional period of the reform will be completed and the electricity market will be fully liberalized.

The Electricity Industry Law provides for the competence of the state authorities in the area of electricity industry and market. Electricity generating companies in Russia are subject to regulation and control by a number of Russian governmental authorities. The Russian government is the principal body charged with the regulation of the wholesale electricity market in Russia; its authority, among other things, includes the following:

- approval of the wholesale market rules;
- approval of rules of non-discriminatory access to the electricity transmission services, system dispatching services and wholesale market administration services;
- approval of the rules for entering into and performing public agreements in the wholesale and retail markets;
- approval of principles of pricing and rules determining the tariffs for the electricity industry and market;
- determination of the order for submitting pricing bids by participants in the wholesale market, their selection and determination of the equilibrium prices of the wholesale market; and
- determination and modification of pricing zone borders in the wholesale market.

The Russian government or the federal governmental bodies authorized by the Russian government may, inter alia, take decisions on the following:

- establishment and maintenance of the system for long-term forecasting of electricity supply and demand within the wholesale and retail markets;
- regulation of tariffs, excluding those which are under the competence of the regional authorities, including determination of cap limits for such tariffs;
- anti-monopoly regulation and control;
- licensing of certain types of activities in the area of electricity industry and market; and
- approval of standards of information disclosure.

The FST, among other things, approves tariffs and tariff ranges for electricity, electricity transmission services and dispatch management services in the electricity sector and approves rules for determining tariffs for electricity and heat.

The Electricity Industry Law sets forth specific anti-monopoly regulations in relation to the wholesale and retail electricity markets. The governmental authorities supervise the activities of the market's participants in order to, amongst other things, prevent manipulation of prices, agreements between suppliers of the electricity regarding establishment and maintenance of unfair prices and discriminatory or unreasonable refusal in supply or rendering services within the electricity market. The participants of the wholesale and retail markets should submit to such supervising authorities information in accordance with the applicable standards and to provide the officers of such authorities with unlimited access to any other information about their business. In relation to the supplier of electricity which owns generating facilities accounting for 35% or more of the registered power output within one pricing zone, if such supplier violates the anti-monopoly regulations, the Russian government may decide the following:

- establishment of state regulation of prices (tariffs) for the period up to six months; and
- involuntary separation.

Compliance with anti-monopoly law in Russia is monitored by the FAS. The FAS is authorized, among other things, to:

- initiate and examine cases regarding the violation of anti-monopoly regulations;
- issue statutory prescriptions to business entities in cases specified in the Federal Law "On Protection of Competition" No. 135-FZ dated July 26, 2006 (the "Competition Law") regarding, for instance, (i) the termination of agreements or coordinated acts of business entities limiting competition, (ii) the promotion of competition and (iii) the termination of abuse by a business entity of its dominant position;

- prosecute violations of anti-monopoly regulations; and
- bring court claims for violations of anti-monopoly regulations, including, inter alia, for invalidation in whole or in part of any agreements that do not abide by anti-monopoly regulations.

The Federal Service for Environmental, Technological and Nuclear Supervision, among other things, oversees compliance with certain mandatory industrial safety rules and environmental regulations, including safety procedures relating to installation, deployment and operation of technical devices and machinery used in the electricity and heat generation business and the procedures for maintaining production and technological processes. The Federal Service for Environmental, Technological and Nuclear Supervision also carries out the following responsibilities: (i) issues licenses for certain industrial activities and activities relating to safety and environmental protection, such as licenses for the use of explosive hazardous industrial facilities and for the disposal of dangerous waste; (ii) registers dangerous objects; and (iii) establishes limits for waste disposal. The Federal Service for the Supervision of the Use of Natural Resources oversees compliance with certain matters of environmental regulations and also forms special committees to perform ecological assessments of project papers.

The regional authorities of the Russian Federation generally deal with certain aspects of determination of price on the electricity retail market and heat power market, for instance, by determining tariffs for the transmission of electricity within local distribution electric grids and determining tariffs for heat power within the limits determined by the federal authorities.

Disclosure of Information in the Wholesale Electricity Market

The Resolution of the Government of the Russian Federation “On Approval of Standards for Disclosure of Information by the Participants in the Electricity Wholesale and Retail Market” No. 24 dated January 21, 2004 (“Resolution No. 24”) sets forth special rules for disclosure of information by participants in the wholesale and retail electricity markets and supplements the disclosure rules under the Russian securities laws. Pursuant to Resolution No. 24, participants in the electricity market must disclose the following information:

- annual financial (accounting) statements prepared in accordance with RAS and the auditor’s report thereon, when an audit is conducted with respect to such participant in the wholesale electricity market, as prescribed by the Russian legislation;
- a ratio of capital efficiency (when the method of economically reasonable return on invested capital is used for calculation of tariffs for such participant in the wholesale electricity market); and
- an assets flow report, which assets are taken into account by determining the level of economically reasonable return on invested capital as set forth by the federal authority for regulation of natural monopolies’ activities.

In addition to the above information, generating companies must further disclose:

- information on electricity tariffs, the state authority’s decision adopting such tariffs and the source of official publication of such decision; and
- information on discharges and emissions of pollutants and plans for the following year for reducing such discharges and emissions.

The information listed in the items above must be disclosed no later than June 1 of each year, provided that the historic information must be disclosed after the end of the reported year, while the prospective information must be disclosed before the beginning of the reported year. The FAS and its regional divisions exercise control over compliance by wholesale and retail electricity markets participants with the described disclosure rules.

Anti-monopoly Regulation

The anti-monopoly legislation of the Russian Federation is based primarily on the Competition Law and other federal laws and regulations governing anti-monopoly issues. The anti-monopoly legislation is intended to prevent and terminate any monopolistic operations and unfair competition.

In general, anti-monopoly restrictions for entities operating in Russia include, inter alia, the following: (i) prohibitions on setting and maintaining high or low monopoly prices for goods; (ii) withdrawal of goods from the market if such withdrawal results in price increases; (iii) curtailment or discontinuance of production of goods that is not economically or technologically justified if there is demand for such goods or if orders have been placed for their supply, and it is possible to continue to produce them at a profit; (iv) setting of different prices (or tariffs) for the same goods that are not economically, technologically or otherwise justified; and (v) creation of discriminatory conditions.

The Competition Law requires pre-approval by the anti-monopoly authorities of the following actions:

- acquisition by a person (or its group) of more than 25% of the voting shares of a joint stock company ($\frac{1}{3}$ participation interest in a limited liability company) and subsequent increase of such stakes up to more than 50% and more than 75% of the voting shares ($\frac{1}{2}$ and $\frac{2}{3}$ participation interest in a limited liability company); or acquisition by a person (or its group) of the core production assets or intangible assets of an entity if the balance sheet value of such assets exceeds 20% of the total balance sheet value of the core production and intangible assets of such entity; or obtaining rights to determine the conditions of business activity of an entity or to exercise the powers of its executive body by a person (or its group), if the aggregate asset value of an acquirer (or its group) together with a target (or its group) exceeds RUB 3 billion or the total annual revenues of such acquirer (or its group) and the target (or its group) for the preceding calendar year exceed RUB 6 billion and at the same time the total asset value of the target (or its group) exceeds RUB 150 million; or if an acquirer, and/or a target, or any entity within the acquirer's group or a target's group are included in the Register of Entities with a Market Share in Excess of 35% in a Particular Commodity Market (the "Anti-monopoly Register");
- mergers and consolidations of entities, if their aggregate asset value (the aggregate asset value of the groups to which they belong) exceeds RUB 3 billion; or total annual revenues of such entities (groups to which they belong) for the preceding calendar year exceed RUB 6 billion or if one of these entities is included in the Anti-monopoly Register; and
- foundation of an entity, if its charter capital is paid by shares (participation interest) or assets of another entity and such newly founded entity acquires the rights in respect of such shares (participation interest) or assets as specified in item (i) above, provided that (a) the aggregate asset value of the founders (groups to which they belong) and the entities (groups to which they belong) whose shares (participation interest) and/or assets are contributed to the charter capital of the newly founded entity exceeds RUB 3 billion; (b) total annual revenues of the founders (group to which they belong) and the entities (groups to which they belong) whose shares (participation interest) or assets are contributed to the charter capital of the newly founded entity for the preceding calendar year exceed RUB 6 billion; or (c) if an entity whose shares (participation interest) or assets are contributed to the charter capital of the newly founded entity is included in the Anti-monopoly Register.

The Competition Law provides for a mandatory post-transaction notification (within 45 days of the closing) of the anti-monopoly authorities in connection with the following: (i) actions specified in item (i) above, if the aggregate asset value or total annual revenues of an acquirer (its group) and a target (its group) for the preceding calendar year exceed RUB 200 million and at the same time the total asset value of the target (its group) exceeds RUB 30 million or if an acquirer, and/or target or any entity within the acquirer's group or a target's group are included in the Antimonopoly Register; and (ii) actions specified in item (ii) above if their aggregate asset value or total annual revenues for the preceding calendar year exceed RUB 200 million.

As a condition to issuing approvals for the above transactions, FAS may impose on the applicants certain conditions aimed at protection of competition, including restrictions on conducting business, such as limitations on prices, geographical expansion, entering into associations and agreements with competitors.

Furthermore, the Competition Law establishes a regulatory framework for companies with dominant positions in certain markets aimed at protecting competition in such markets. The Competition Law establishes several criteria for determining whether an entity together with its group has a dominant position in a particular commodity market. An entity holding a dominant position in a particular commodity market is prohibited from abusing such a position through, among other things, fixing or

maintaining a monopolistically high or low price of goods or creating discriminatory conditions. FAS is also authorized to issue binding orders to companies violating the applicable anti-monopoly regimes (including orders requiring a spin-off or split up of business).

The Electricity Industry Law sets forth specific anti-monopoly regulations in relation to the wholesale and retail electricity markets. The purpose of such rules is to prevent price manipulation, agreements between electricity sellers regarding establishment and maintenance of unfair prices and discriminatory or unjustified refusal to supply electricity or render services in the electricity market.

The participants in the wholesale and retail markets (except for household consumers) are required to provide to the FAS and its regional divisions information specified in the applicable rules of disclosure of information by the participants in the wholesale and retail electricity markets (see “— Electricity Industry Regulation — Disclosure of Information in the Wholesale Electricity Market”) and to provide unlimited access to any other business information. With respect to an electricity seller or a group of sellers that owns generating facilities with installed electric capacity that accounts for 35% or more of the installed electric capacity of the facilities within one pricing zone and takes coordinated actions in violation of anti-monopoly regulations or otherwise violate anti-monopoly regulations, the Russian government may take the following measures:

- introduce state regulation of prices (tariffs) for a period of up to six months; and
- require the split-up of the electricity seller which owns generating facilities with installed electric capacity that accounts for 35% or more of the installed electric capacity of the facilities within one pricing zone.

Licensing of Operations

The Subsidiaries are required to obtain certain licenses, authorizations and permits from Russian governmental authorities for their operations. In particular, many of the Subsidiaries require licenses for the operation of hazardous industrial facilities. It is anticipated that the licensing regime for the operation of hazardous industrial facilities will be replaced by technical regulations issued under the Federal Law of December 27, 2002 “On Technical Regulation”, as amended (the “Technical Regulation Law”). As of the date of this Information Statement, these technical regulations have not been introduced, and the operation of hazardous industrial facilities continues to be conducted on the basis of licenses issued under the Licensing Law and the regulations introduced thereunder (the “Licensing Regulations”).

Licensing of the Operation of Hazardous Facilities

Licenses for the operation of hazardous industrial facilities are issued by the Federal Service for Ecological, Technological and Nuclear Supervision. This authority also monitors compliance with legislation governing atmospherical emissions and waste management, sets limits on waste disposal and maintains a register of hazardous industrial facilities. Under the Licensing Law and the Licensing Regulations, licenses are issued for a term of five years and may be extended upon the application of the licensee. The issuance of the license is subject to completion of an industrial safety declaration and a state industrial safety review. See “—Health and Safety”.

In the event that a licensee breaches the terms of its license, the licensing authorities may seek a court order to suspend that license. If, following a suspension of that license, the licensee fails to cure the relevant breach within the prescribed period, the licensing authorities may seek a court order to terminate that license.

Licensing of Underground Water Use

Users of underground water resources in the Russia require a subsoil license issued under the Law “On Subsoil” No. 2395-1 dated February 21, 1992, as amended (the “Subsoil Law”), and the regulations adopted thereunder. Licenses for use of underground water are currently issued by the Federal Agency for Subsoil Use following a decision process which involves representatives of the federal and regional subsoil authorities. Licenses may be granted for a term of up to twenty five years. The conditions of a

subsoil license, including its term, may only be amended by further application to the licensing authorities. The user must also enter into an agreement with the licensing authorities which sets out further terms of use of the relevant resources. In addition, the licensee is required to hold a right of use (through ownership, lease or otherwise) to the land plot where the licensed deposit is located.

In the event of repeated breaches by the licensee of the applicable regulations or the material terms of the license, as well as upon the occurrence of certain emergency situations, the licensing authorities may amend, suspend or terminate the license, and such breaches may also result in the imposition of fines.

The Water Code of the Russian Federation No. 74-FZ dated June 3, 2006, which came into force on January 1, 2007 (the “Water Code”), does not require licensing of surface water use. However, previously issued licenses remain in force until their expiration. Under the Water Code, surface water use may be effected either on the basis of (i) a water use agreement concluded with state or local authorities, (ii) a decision of state or local authorities on granting rights to the use of surface water or (iii) without any such agreements or decisions, depending on the purpose of surface water use. An agreement on water use may be concluded for a period of up to 20 years.

Technical Regulation

The Technical Regulation Law introduces new rules relating to the development, enactment, application and enforcement of mandatory requirements concerning products, the manufacturing, storage, transportation, selling and utilization of products and processes and the instruments regulating the quality of products and processes, such as technical regulations, standards and certification.

One of the methods of ensuring consistent quality product and service, as well as improving customer satisfaction, is the establishment of an effective management system for the Subsidiaries, based on the introduction of quality management systems in accordance with ISO 9000:2000 international standards and equivalent Russian standards.

Technical regulations set forth mandatory requirements for different products and processes. In addition, detailed characteristics of different products and processes are established according to national standards and standards of organizations. Following their adoption, technical regulations and standards will replace the previously adopted state standards (the “GOSTs”). Since, however, most technical regulations have not yet been adopted, the existing federal laws and regulations, including GOSTs, establishing requirements for different products and processes shall remain mandatory to the extent they facilitate protection of health, life, property and environment and prevent actions which may mislead consumers. Moreover, the federal standardization authority, Roscomstandard, has declared GOSTs and interstate standards adopted before July 1, 2003 as national standards.

Compliance with the requirements of technical regulations, standards and terms of contracts is confirmed by mandatory or voluntary certification. Mandatory certification is given through either the issuance of a compliance certificate or the certification by the respective authority of a compliance declaration. Mandatory certification confirms compliance only with the requirements of a technical regulation and only when such certification is prescribed by the respective technical regulation. Such technical regulations have not been adopted yet, and currently the list of products subject to obligatory certification is established by Government Resolution No. 1013 dated August 13, 1997, as amended. Electricity is currently included in this list.

In contrast, a voluntary certification is carried out at the request of a particular company and is done so in order to confirm the compliance of products and processes with the requirements of different standards and terms of contracts. Voluntary certification is carried out by an authorized certifying authority, which issues a compliance certificate and grants to an applicant the right to use a compliance mark.

Environmental Regulation

The Subsidiaries are subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites and the protection of flora and fauna. Environmental protection in Russia is regulated primarily by the Federal

Law “On Environmental Protection” No. 7-FZ dated January 10, 2002, as amended (the “Environmental Protection Law”), as well as by a number of other federal and local legal acts. The Russian government, the Ministry of Natural Resources, the Federal Service for Supervision of Use of Natural Resources, the Federal Service for Ecological, Technological and Nuclear Supervision, the Federal Service for Hydrometrology and Environmental Monitoring, the Federal Agency on Subsoil Use, the Federal Agency on Forestry and the Federal Agency on Water Resources (along with their regional branches), as well as other state authorities and public and non-governmental organizations, are responsible for the monitoring, implementation and enforcement of relevant environmental laws and regulations.

Pay-to-pollute

The Environmental Protection Law establishes a “pay-to-pollute” regime administered by federal and local authorities. Additional payment obligations may arise under the Water Code, the Federal Law “On the Wastes of Production and Consumption” No. 89-FZ dated June 24, 1998, as amended, and the Federal Law “On Atmospheric Air Protection” No. 96-FZ dated May 4, 1999, as amended.

The Russian government, the Ministry of Natural Resources and the Federal Service for Ecological, Technological and Nuclear Supervision have established standards which govern the permissible impact of industrial and other business activities on the environment. They have also determined limits for emissions and disposal of hazardous substances, waste disposal and soil and subsoil contamination. Companies must develop their own pollution standards on the basis of these statutory standards, as modified to take into account the type and scale of the environmental impact of their operations. These standards must then be submitted for approval by the Federal Service for Ecological, Technological and Nuclear Supervision, which, in the event that those standards do not comply with the relevant regulations, may itself determine the applicable limit for pollution and require the company to prepare and submit a program for the reduction of emissions or disposals to the prescribed limit. The emission reduction program is generally required to be implemented within a specified period. If, by the end of that period, the company still exceeds the prescribed limit, a new emission reduction program must be submitted for approval.

Payments are assessed on a sliding scale, ranging from pollution within the standards (the lowest fees) through pollution within individually approved limits (higher fees) to pollution in excess of those limits (the highest fees). Payments must be made on a quarterly basis, and any failure to make such payments when due may lead to an administrative fine of up to RUB 10,000. These payments do not relieve the relevant company from its responsibility to implement environmental protection measures and undertake restoration and clean-up activities.

Enforcement Authorities

The Federal Service for the Supervision of the Use of Natural Resources, the Federal Service for Environmental, Technological and Nuclear Supervision, the Federal Service for Hydrometrology and Environmental Monitoring, the Federal Agency on Subsoil Use, the Federal Agency on Forestry and the Federal Agency on Water Resources (along with their regional branches) are involved in environmental control and the implementation and enforcement of relevant laws and regulations. The Russian government, including the Ministry of Natural Resources, is responsible for coordinating the activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-governmental organizations, also have the right to initiate lawsuits for compensation for damage caused to the environment.

Ecological Impact Assessment

A company intending to conduct activities that may have an adverse impact on the environment must perform an ecological impact assessment of those activities in accordance with the Environmental Protection Law and certain ancillary regulations. The authorities are also required to assess those activities to develop a program to ensure compliance with applicable environmental legislation. A failure to obtain the required assessments or any subsequent non-compliance with the prescribed program may result in administrative fines of up to RUB 15,000, as well as certain other liabilities. See “—Environmental Liability”.

Environmental Liability

If the operations of a company breach environmental requirements or cause harm to the environment or any individual or legal entity, a court action may be brought to limit or prohibit those operations and require the company to remedy the effects of the breach. The statute of limitations for such actions is 20 years. Any company and/or the employees of such company that fail to comply with environmental regulations may be subject to administrative and/or civil liability, including fines and clean-up orders, and individuals may also incur criminal liability in such circumstances. Certain Subsidiaries have, in the past, been subject to fines in relation to breaches of environmental regulations. Although no court actions or fines have had, individually or in aggregate, a material adverse effect on the Subsidiaries or their business and results of operations, there can be no assurance that any such court actions or fines will not have a material effect on the Subsidiaries in the future.

Environmental Protection Programs

Each of the Subsidiaries has been developing and implementing environmental protection programs, either its own programs or within the framework of the RAO UES Group's programs, in order to minimize the environmental impact of its operations. These programs have included the introduction of new industrial technologies, the repair and reconstruction of industrial water supply systems, and the recycling of water.

Regulation of Real Estate

At the present time, most land in Russia is owned by the state or the Russian regions and municipalities, and only a small proportion of land is in private ownership. A relatively higher proportion of buildings and similar real estate is privately owned due to less restrictive regulatory regime which applies to such assets.

Land Use Rights

Russian legislation prohibits the conducting of any commercial activity on a land plot without appropriate land use rights.

Under the Land Code of the Russian Federation No. 136-FZ dated October 25, 2001, as amended (the "Land Code"), companies generally have one of the following rights to the use of land in the Russian Federation: (1) ownership; (2) right of free use for a fixed term; or (3) lease. A majority of land plots in the Russian Federation are owned by federal, regional or municipal authorities, which, through public auctions or tenders or through private negotiations, can sell, lease or grant other use rights to the land to third parties. Companies that obtained the right to perpetually use a given plot of land prior to the enactment of the Land Code are required, by January 1, 2008, either to purchase the land from, or to enter into a lease agreement with, the relevant federal, regional or municipal authority owning the land.

Details of land plots, including their measurements and boundaries, are recorded in a unified register, or cadastre. As a general rule, a state cadastre number must be obtained for a land plot as a condition to selling, leasing or otherwise transferring interests in that plot. As described below, a separate register is maintained for the registration of all real estate and transactions relating to that real estate.

All land is categorized as having a particular designated purpose, for example agricultural land, land for use by industrial enterprises, power companies and communication companies, land for military purposes, forestry land and reserved land (i.e. land which is owned by the state but which may be transferred to any of the other categories). Land may only be used in accordance with the purpose designated by the relevant category.

Under the Land Code, land plots owned by the state or municipalities may generally be sold or leased to Russian and foreign individuals or legal entities. However, certain land plots owned by the state may not be sold or leased to the private sector and are referred to as being "withdrawn from commerce" (for example, natural reserves and land used for military purposes). Other land plots may be subject to ownership restrictions which stipulate that such plots may be held by the private sector only under a lease (for example, land reserved for cultural heritage).

Most of the Subsidiaries' facilities are situated on energy land. In accordance with the Land Code, energy land must be used for the operation of energy facilities. Land plots can be provided for:

- hydroelectric stations, nuclear power stations, nuclear material and radioactive substance storage facilities, radioactive waste storage facilities, thermal generation stations and other generation stations, as well as structures and facilities servicing them; or
- facilities of the electricity network sector and other electricity facilities as provided by the Russian electricity laws.

Under Russian law, it is possible that the ownership rights to a building and the land plot on which it is constructed may not be held by the same person or entity. In such circumstances, the owner of that building, as a general rule, has the right of permanent use over the relevant portion of that plot of land, unless otherwise determined by law, contract or the regulatory decision which determined the allocation of that plot of land. Moreover, an owner of a building or plot of land may request that the owner of an adjoining plot of land grant rights in favor of that first owner. In addition, federal, regional or municipal authorities may exercise similar rights in the interests of the state, municipality or local population.

State Registration of Real Estate and Transactions Involving Registered Real Estate

The Federal Registration Service maintains the Unified State Register of Rights to Immovable Property and Transactions Therewith (the "Register of Rights"). Under the Federal Law "On State Registration of Rights to Immovable Property and Transactions Therewith" No. 122-FZ dated July 21, 1997, as amended, registration with the Register of Rights is, *among other things*, required for: (i) buildings, facilities, land plots and other real estate; and (ii) specified transactions involving such registered real estate, including the establishment of trusts, sales, mortgages, as well as leases for a term of not less than one year. Registration is effected in the Russian region where the property is located, and rights to the relevant real estate are acquired only upon such state registration. A failure to register a transaction which requires state registration generally results in the transaction being rendered null and void.

Regulation of the Sale and Lease of Real Estate

The Civil Code requires that agreements for the sale or lease of buildings expressly set out the price of such sale or lease. In relation to leases, both the rights granted by the lease and the lease agreement (other than lease agreements for a term of less than one year) require registration. In relation to sales, only the transfer of ownership effected by the relevant sale (but not the sale agreement itself) requires registration.

Health and Safety

The Subsidiaries' operations are subject to various Russian health and safety regulations.

The principal law regulating industrial safety is the Federal Law "On Industrial Safety of Dangerous Industrial Facilities" No. 116-FZ dated July 21, 1997, as amended (the "Safety Law"). The Safety Law applies, in particular, to industrial facilities and sites where certain activities are conducted, including sites at which lifting machines are used. The Safety Law also contains a comprehensive list of sites and facilities where dangerous substances are used.

Maintenance of Industrial Safety

Companies that operate industrial facilities and sites of the type specified in the Safety Law have a wide range of obligations under both that law and the Labor Code of the Russian Federation dated December 30, 2001, as amended (the "Labor Code"). In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and maintain insurance for third-party liability for injuries caused in the course of operating industrial sites. The Safety Law also requires these companies to enter into contracts with professional wrecking companies or, in certain circumstances, create their own wrecking services, conduct personnel training programs, develop and maintain systems to cope with accidents and inform the Federal Service for Ecological, Technological and Nuclear Supervision of any such accidents.

Industrial Safety Review

The authorities are required to conduct an industrial safety review of any construction, reconstruction, liquidation or other activities conducted at regulated industrial sites. Any deviation from the relevant project documentation during the process of construction, reconstruction or liquidation of industrial sites is prohibited unless it has been reviewed by a licensed expert and approved by the Federal Service for Ecological, Technological and Nuclear Supervision.

Declarations of Industrial Safety

In certain cases, companies operating industrial sites must also prepare a declaration of industrial safety which summarizes both the risks associated with operating a particular industrial site and the measures that the company is implementing in order to mitigate such risks and ensure compliance with applicable industrial safety requirements. This declaration must be made by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein.

State Control over Industrial Safety

The Federal Service for Ecological, Technological and Nuclear Supervision has broad authority in the area of industrial safety. Industrial accidents may be investigated by a special commission led by a representative of the Federal Service for Ecological, Technological and Nuclear Supervision. The company operating the hazardous industrial facility where the accident took place bears all the costs of such investigation. Officials of the Federal Service for Ecological, Technological and Nuclear Supervision have the right to access industrial sites and may inspect documents to ensure the company's compliance with safety rules. The Federal Service for Ecological, Technological and Nuclear Supervision may suspend or terminate operations or impose administrative liability.

Liability

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that has an adverse impact on the health of an individual may also be required to compensate that individual for lost earnings, as well as health-related damages.

Employment and Labor

Labor matters in Russia are primarily governed by the Labor Code, which regulates the establishment and termination of labor relations and the rights and duties of employees and employers.

Employment contracts

As a general rule, employment contracts are concluded for an indefinite term. However, Russian labor legislation permits employment contracts in certain cases to be entered into for a fixed term of up to five years.

Employment may be terminated by the agreement of the employer and employee, upon the expiration of the relevant employment contract or on the basis of other grounds established by the Labor Code. In addition, an employee has the right to terminate an employment contract on giving a minimum of two weeks' notice. An employer may terminate an employment contract only on the grounds specified by the Labor Code, including absenteeism, breach of industrial safety rules and certain other serious breaches of employment duties.

Employees' Rights

The Labor Code provides an employee with certain minimum rights, which may be extended by an employment contract, including the right to a working environment which complies with health and safety requirements and the right to receive a salary on a timely basis and participate in the management of the organization.

In addition, an employee is entitled to certain protections in specified circumstances. For example, an employee dismissed from an enterprise due to downsizing or liquidation is entitled to receive compensation, including a severance payment and, depending on the circumstances, salary payments for a certain period of time.

The Labor Code also provides protections for specified categories of employees. For example, except under a limited number of circumstances, an employer cannot dismiss minors, expectant mothers, mothers with a child under the age of three, single mothers with a child under the age of 14 or other persons caring for a child under the age of 14 without a mother.

Any termination by an employer that is inconsistent with the Labor Code may be invalidated by a court, and the employee may be reinstated and compensated. Lawsuits resulting in the reinstatement of illegally dismissed employees and the payment of damages for wrongful dismissal are increasingly frequent, and Russian courts tend to support employees' rights in most cases. Where an employee is reinstated by a court, the employer must compensate the employee for unpaid salary for the period between the wrongful termination and reinstatement, as well as for emotional distress.

Work Time

The Labor Code generally sets the regular working week at 40 hours. Any time worked beyond 40 hours per week, as well as work on public holidays and weekends, must be compensated at a higher rate. Annual paid vacation leave under the law is generally 28 calendar days. The retirement age in the Russian Federation is generally 60 years for males and 55 years for females.

Salary

The minimum salary in Russia, as established by federal law, is calculated on a monthly basis and is RUB 2,300 as of the date of this Information Statement. Although the law requires that the minimum wage be at or above the minimum subsistence level, the current minimum wage is generally considered to be less than such minimum level of subsistence.

Strikes

The Labor Code defines a strike as the temporary and voluntary refusal of workers to fulfill their work duties with the intention of settling a collective labor dispute. Russian legislation contains several requirements for legal strikes. An employer may not use an employee's participation in a legal strike as grounds for terminating that employee's employment contract, although employers are generally not required to pay wages to striking employees for the duration of the strike. Participation in an illegal strike may be adequate grounds for termination of an employment contract.

Trade Unions

Trade unions in Russia still retain significant influence over employees and may affect the operations of large industrial companies in Russia. The activities of trade unions are generally governed by the Labor Code and the Federal Law "On Trade Unions, Their Rights and Guaranties of Their Activity" No. 10-FZ dated January 12, 1996, as amended (the "Trade Union Law").

The Trade Union Law defines a trade union as a voluntary union of individuals with common industrial and professional interests that is incorporated for the purposes of representing and protecting the social and labor rights and interests of its members. National trade union associations, which coordinate activities of trade unions throughout Russia, are also permitted.

As part of their activities, trade unions may:

- represent their members and guarantee their individual rights;
- represent and guarantee the collective rights of employees;
- negotiate and conclude collective contracts and agreements on behalf of employees;

- participate in the settlement of individual and collective labor disputes;
- request information relating to social and labor issues from employers, their unions and state and municipal authorities;
- monitor compliance by employers and offices with labor legislation;
- participate in the formation of state programs for employee rights and environmental protection;
- participate in strikes; and
- monitor redundancy of employees and seek action by municipal authorities to delay or suspend mass layoffs.

Russian laws require that companies cooperate with trade unions and do not interfere with their activities.

Trade unions and their officers enjoy certain guarantees. If a trade union discovers a breach of labor laws, it may notify the employer with a request that the breach be remedied and, if there is an immediate threat to the health of employees, work be suspended. The trade union may also apply to state authorities and labor inspectors and prosecutors to ensure that an employer does not violate Russian labor laws. Trade unions may also initiate collective labor disputes, which may lead to strikes.

To initiate a collective labor dispute, trade unions must present their demands to the employer. The employer is then obliged to consider the demands and notify the trade union of its decision. If the dispute remains unresolved, a reconciliation commission attempts to end the dispute. If this proves unsuccessful, collective labor disputes are generally referred to mediation or labor arbitration.

Although the Trade Union Law provides that those who violate the legal rights granted to trade unions and their officers may be subject to disciplinary, administrative or criminal liability, no specific sanctions for these violations are set forth in Russian legislation.

CERTAIN TAX CONSEQUENCES

Notwithstanding the summary descriptions contained in this Information Statement, holders of RAO UES Shares and RAO UES DRs should consult with their own tax advisors concerning the overall tax consequences of the Spin-Offs.

Russian tax consequences for RAO UES, Holdcos and Subsidiaries

Under the Russian Tax Code, the transfer of Subsidiary Shares from RAO UES to the Holdcos within the Spin-Offs and their further transfer from the Holdcos to the relevant Subsidiaries within the mergers of the Holdcos into the relevant Subsidiaries should not trigger profits tax obligations for RAO UES, the Holdcos and the Subsidiaries, as these transactions are covered by the specific provision regulating income tax application established for corporate reorganizations under Russian tax legislation. The transfer of the Subsidiary Shares from RAO UES to the Holdcos within the Spin-Offs and their further transfer from the Holdcos to the relevant Subsidiaries within the mergers of the Holdcos to the relevant Subsidiaries should not be subject to VAT and other Russian taxes under the Tax Code either.

The subsequent distribution of Subsidiary Shares to RAO UES shareholders should not trigger Russian profits tax and VAT for the Subsidiaries to the extent such distribution is regarded as accomplished within the framework of the Spin-Offs and exempt from taxation under the Tax Code specific provision relating to the corporate reorganization. Should such technical position be challenged by the FSFM and/or the authorized governmental agencies including tax authorities this may lead to unfavorable tax treatment of the corresponding distribution for the Subsidiaries. Expenses incurred by RAO UES in respect of the redemption of its shares will establish the acquisition cost of so called “treasury shares” and will not impact the profits tax base of RAO UES until the subsequent sale of these shares.

Upon the state registration the Holdcos shall be subject to general tax procedures as well as the tax authorities administration procedures. Meanwhile, the Tax Code does not provide specific tax compliance and tax audit rules in a situation where state registration of entities set up as a result of the Spin-Offs (the Holdcos) is followed by the immediate state registration of their mergers into other entities. Such legislative uncertainty may lead to additional tax administration issues for the Subsidiaries which will be recognized as the Holdcos’ successors for tax purposes.

Russian tax consequences for shareholders of RAO UES

General

The following is a summary of certain Russian tax consequences for the “resident” and “non-resident holders” (as defined below) of RAO UES Shares and RAO UES DRs relating to the Spin-Offs and the exercise of redemption rights. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regional or municipal authorities of the Russian Federation. Nor does the summary seek to address the availability of double tax treaty relief under specific double tax treaties.

For the purposes of this summary, a “resident holder” means (1) a physical person actually present in the Russian Federation for an aggregate period of 183 days or more (excluding days of arrival into Russia but including days of departure from Russia) in any period consisting of 12 consecutive months; or (2) a legal entity, organized under Russian law. Moreover, unless otherwise stated, for the purposes of this summary a “resident holder” means also a legal person or organization, in each case not organized under Russian law, that holds or disposes RAO UES Shares or RAO UES DRs through a permanent establishment in Russia.

For the purposes of this summary, a “non-resident holder” means a physical person actually present in the Russian Federation for an aggregate period of less than 183 days in any period consisting of 12 consecutive months (presence in Russian is not considered interrupted if an individual departs for short periods (less than six month) for medical treatment or education) or a legal person or organization, in either case not organized under Russian law, that holds or disposes RAO UES Shares or RAO UES DRs other than through a permanent establishment in Russia.

The residency rules may be affected by an applicable tax treaty. It is anticipated that the Russian tax residency rules applicable to legal entities may change in the future.

For the purposes of this summary, a “tax agent” means a legal entity organized under Russian law or a legal person or organization, in either case organized under a foreign law and paying out income attributable to its permanent establishment or, arguably, any other registered presence in the Russian Federation, which pays out dividend or capital gains income to non-resident holders.

The Russian tax rules applicable to financial instruments such as the RAO UES DRs are uncertain and official interpretive guidance is limited. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in a jurisdiction with a more developed capital market and tax system. The interpretation and application of these tax provisions will in practice rest substantially with local tax inspectors.

For Russian tax purposes, it is unclear under the applicable federal legislation if a holder of a RAO UES DR will be treated as the holder of the underlying RAO UES Shares because of the absence of any official interpretive guidance on the beneficial ownership concept in Russia by the tax authorities and the fact that the Depositary (and not the holders of the DRs) is the legal holder of the shares under Russian law. Although in the years 2005-2007 the Russian Ministry of Finance have issued a number of private clarifications stating that DR holders should be treated as the beneficial owners of the underlying shares for the purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that beneficial ownership rights and the tax residencies of the DR holders are duly confirmed, in the absence of any official clarification from the Russian tax authorities on the application of relevant double tax treaties there is a risk that application of the corresponding double tax treaties towards DR holders will be disallowed by the Russian tax authorities, including local tax inspectors.

This summary assumes that non-resident holders of RAO UES DRs will be treated as non-resident holders of RAO UES Shares for Russian tax purposes. References below to RAO UES Shares should be understood to refer as appropriate to RAO UES Shares that are held directly, as well as those RAO UES Shares the ownership of which is represented by RAO UES DRs.

Tax Consequences Relating to the Exercise of Redemption Rights

As discussed above, RAO UES shareholders entitled to vote and who either vote against the Spin-Offs or do not vote on the transactions, may elect to have RAO UES redeem their RAO UES Shares if the Spin-Offs are approved. The sub-section below reflects relevant Russian tax treatment for those holders of RAO UES Shares who exercise their redemption rights.

RAO UES believes that the redemption of RAO UES Shares by RAO UES should be treated as sale of shares in Russia and this summary outlines the tax consequences if the redemption of RAO UES Shares under the Spin-Offs is in fact treated in this way.

Resident holders

Individuals

Capital gains arising from the sale, exchange or other disposition of Shares by individuals who are Russian resident holders must be declared on the holder's annual tax declaration and are subject to personal income tax at a rate of 13%.

The tax base in respect of a sale of the securities by an individual is calculated as the sale proceeds less documentary confirmed expenses related to the purchase of such securities (including the cost of such securities and expenses associated with the purchase, holding and sale of such securities).

Legal entities

Capital gains arising from the disposition (including redemption) of the shares by a Russian resident holder that is a legal entity or organization will be taxed at the regular Russian profits tax rate of 24%. Russian tax legislation contains the requirement that profit arising from operations with securities quoted

on a stock exchange must be calculated and accounted for separately from profit from operations with securities that are not quoted on a stock exchange and from operating profit. As RAO UES Shares are quoted on a stock exchange, Russian resident holders that are legal entities may be able to apply losses arising in respect of the shares only to offset capital gains, or as a carry forward to offset future capital gains, from the sale, exchange or other disposition of securities quoted on a stock exchange. Special tax rules apply to Russian legal entities that hold a dealer license.

Non-Resident Holders

Individuals

Where non-resident holders who are individuals elect to have RAO UES redeem their RAO UES Shares, proceeds from the sale of RAO UES Shares by such holders (subject to any available tax treaty relief) considered Russian source income will be subject to a 30% Russian personal income tax on the gross amount of proceeds received minus documentary supported expenses, including the cost of acquisition. The tax agent is required to withhold the applicable tax and to report to the Russian tax authorities on the income realized by the non-resident holder individual and the tax withheld upon the redemption of RAO UES Shares.

If the sale is made by a non-resident holder individual through a tax agent the acquisition cost and related expenses may be deducted from the sale price at the source of payment. Where the sale, exchange or other disposition of the DRs or the Shares is made in Russia but not through a tax agent, generally no tax withholding needs to be made and the non-resident holder individual will have an obligation to file a tax return with the Russian tax authorities. The acquisition cost and related expenses can be claimed for deduction in the tax return. The purchaser will be required to report the Russian tax authorities on the income realized by the non-resident holder individual upon the sale of the Shares or the DRs by April 1 of the year following the reporting period.

Under certain tax treaties between Russia and other countries, including the treaties with the United States and the United Kingdom, holders of RAO UES Shares may be eligible for exemption from Russian taxation of proceeds of individuals received from the redemption of shares (see “— Tax treaty relief — non-resident holders” below).

As discussed above, there is a risk that treaty relief will not be available for holders of RAO UES DRs.

Holders of RAO UES Shares and RAO UES DRs should consult with their own tax advisors concerning application of a relevant double tax treaty.

Legal entities

Under Russian tax legislation, non-resident holders of RAO UES Shares that are legal entities and that elect to have RAO UES redeem their RAO UES Shares will be exempt from Russian taxation on the proceeds received, provided that 50% or more of RAO UES’ assets are not considered to be real property as defined in Russian civil legislation located in Russia.

If more than 50% of RAO UES’ assets consist of real property located in Russia at the time of the redemption (assuming that repurchase will occur outside foreign stock exchanges), the proceeds received from the redemption of RAO UES Shares by RAO UES (subject to any available treaty relief) will be subject to Russian income tax and RAO UES will be required to withhold an amount equal to 24% of any holder’s gain in the case where the holder is able to document the costs connected with acquisition of the RAO UES Shares or otherwise 20% of the gross proceeds from the exercise of redemption rights where the holder fails to provide documents to support the costs connected with acquisition.

Some tax treaties entered into by the Russian Federation provide for elimination of taxation of capital gains in Russia for non-resident holders that are legal entities qualifying for the relevant treaty benefits. Under the U.S.-Russia Tax Treaty, capital gains from the redemption of RAO UES Shares realized by U.S. holders that are legal entities should be exempt from taxation in Russia, unless 50% or more of the fixed assets of RAO UES were to consist of immovable property located in Russia.

Since relief from capital gains taxation in Russia provided by the U.S.-Russia Tax Treaty referred to above is no more beneficial for a U.S. holder (legal entity or organization) than the treatment provided by the current Russian domestic tax legislation, it is unlikely that the need will arise for non-resident holders that are legal entities to seek to obtain the benefit of the U.S.-Russia Tax Treaty in relation to capital gains resulting from redemption of RAO UES Shares.

Under the U.K.-Russia Tax Treaty, capital gains from the redemption of RAO UES Shares by U.K. resident holders that are legal entities should not be subject to tax in Russia, unless the value of such shares or the greater part of their value is derived directly or indirectly from immovable property located in Russia and the shares are not quoted on an approved stock exchange.

There is a risk that the tax agents which are obligated to withhold tax on capital gains may not have sufficient information regarding RAO UES' assets to conclude what percentage consists of immovable property and could therefore conservatively seek to withhold tax on the consideration paid to the non-resident holders that are legal entities disposing their RAO UES Shares. If there is an applicable double tax treaty, non-resident holders of RAO UES Shares that are legal entities may apply for a refund of a portion of the withholding tax. However, there is no assurance that such refund will be obtained. See "— Advance tax clearance."

As discussed above, there is a risk that treaty relief will not be available for holders of RAO UES DRs.

Holders of RAO UES Shares and RAO UES DRs should consult with their own tax advisors concerning application of a relevant double tax treaty.

Sale of Subsidiary Shares and Holdco Shares by the Depositary (both for non-resident individuals and legal entities)

In the event that the Regulation S GDR Facilities are not established within 90 calendar days of the Reorganization Date, in certain circumstances, holders of record of the RAO UES DRs may become entitled to receive cash in lieu of receiving shares in the relevant Subsidiaries and Holdcos, and it is expected that the Depositary will, as soon as reasonably practicable, sell any such shares and deliver the corresponding cash proceeds to such holders.

Legal entities

Non-resident holders that are legal entities and that receive proceeds from the sale of shares in the Subsidiaries of Holdcos by the Depositary will be exempt from Russian taxation on proceeds received, provided that 50% or more of the Subsidiaries' and Holdcos' assets are not real property as defined in Russian civil legislation located in Russia.

Alternatively, if more than 50% of a Subsidiaries' or Holdcos' assets consist of real property located in Russia, gain/proceeds received from the sale (subject to any treaty relief) should be subject to Russian profits tax/withholding tax. In case the purchaser of the shares is a Russian resident entity, the income tax should be withheld at the source of payment at the amount equal to 24% of any holder's gain in the case where the holder is able to document the costs connected with acquisition of the RAO UES Shares or otherwise 20% of the gross proceeds from the sale where the holder fails to provide documents to support the costs connected with acquisition.

Currently Russian tax law does not provide for a practical mechanism for paying the tax in case the sale is executed between two non-residents, while gains/proceeds from such a sale are still technically subject to the same tax treatment as described above.

Individuals

Where non-resident holders that are individuals receive proceeds from the sale of shares in the Subsidiaries or Holdcos from a source within Russia, the gross amount of the proceeds minus any available deductions, including the cost of acquisition, will be subject to a 30% Russian personal income tax.

In the absence of a clear definition of what constitutes income from sources within Russia in the case of the sale of securities, there is a risk that income from the disposal of Russian securities may be considered by the tax authorities as received from Russian source, whether the purchaser is a Russian resident entity or not.

Tax treaty relief — non-resident holders

Russia has concluded tax treaties with a number of countries which may entitle foreign holders of RAO UES Shares, Holdco Shares or Subsidiary Shares to a reduced rate of taxation or exemption from Russian taxation on amounts that would otherwise be taxable in Russia. This sub-section discusses issues related to reduced rates of taxation on disposal of RAO UES Shares, Holdco Shares or Subsidiary Shares and to obtaining treaty benefits, if it is considered that more than 50% of the total assets underlying the respective shares relate to real property as defined by Russian civil law located in Russia.

Notwithstanding the foregoing, there is a risk that treaty relief may not be available to non-resident holders of DRs because of the absence of any official interpretative guidance on the beneficial ownership concept in Russia by the Russian tax authorities and the fact that the Depositary (and not the holders of the DRs) is the legal holder of the shares under Russian law.

Advance tax clearance

Where proceeds from the disposition of the shares are received by a non-resident holder, whether an individual or a legal entity or organization, from a Russian source, in order to enjoy the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty under which benefits are claimed. Currently, a holder would need to provide to the payer a confirmation of its tax residency for the purposes of the applicable double tax treaty, legalized or apostilled with a notarized Russian translation attached to it. The tax residency confirmation needs to be renewed on an annual basis and provided to the payer of income before the first payment of income in each calendar year.

In accordance with the Russian Tax Code, a non-resident individual holder must present to the tax authorities a tax residency certificate issued by the competent authorities in his/her country of residence for tax purposes and a confirmation of the income received and the tax paid in such foreign jurisdictions, as confirmed by the relevant foreign tax authorities. Technically, such requirements mean that an individual cannot rely on the tax treaty until he or she pays the tax in the jurisdiction of his or her tax residency.

For individuals, advance relief from or reduction of withholding taxes will not generally be available as it is unlikely that the supporting documentation for treaty relief will be provided to the Russian tax authorities and approval obtained from such authorities before the receipt of dividends or sale proceeds.

Refund of tax withheld

If a non-resident holder does not obtain double tax treaty relief at the time that income or gains are realized and tax is withheld by a Russian payer, the non-resident holder may apply for a refund within three years from the end of the year in which the tax was withheld, if the recipient is a legal entity or organization, or within one year from the end of the tax year in which the tax was withheld, if the recipient is an individual.

To process a claim for a refund, the Russian tax authorities require: (1) an apostilled or legalized confirmation of the foreign tax residency of the non-resident holder at the time the income was paid, as required by an applicable tax treaty; (2) an application for a refund of the tax withheld; (3) copies of the relevant contracts or other documents based on which the income was paid, as well as payment documents confirming the payment of the tax that was withheld to the appropriate Russian authorities (Form 1012DT for dividends and interest and 1011DT for other income are intended to combine (1) and (2) for foreign legal entities and organizations; individuals are also required to submit a document issued or approved by the tax authorities in the country in which they are residents for tax purposes, confirming the amount of income received and taxed in that country). The Russian tax authorities may require a Russian translation of some documents.

In practice, the Russian tax authorities may require a wide variety of documentation confirming the right to benefits under a double tax treaty, while such documentation may not be explicitly required by the Russian Tax Code.

The refund of the tax withheld should be granted within one month following the filing of the application for the refund and the relevant documents with the Russian tax authorities. However, in practice, the procedures for processing such tax refund claims have not been clearly established and there is significant practical uncertainty regarding the availability and timing of such refunds.

Russian Tax Consequences of the Receipt of Holdco Shares and Subsidiary Shares by RAO UES shareholders

Resident and non-resident holders

Legal entities

Resident and non-resident holders that are legal entities should not recognize income for Russian profits tax purposes on the receipt of shares in the Holdcos provided receipt of such shares is regarded as accomplished within the framework of the Spin-Offs and exempt under the Tax Code specific provision relating to corporate reorganizations.

Cost of acquisition (tax basis) of shares in the Holdcos for the shareholder will be determined based on the cost of RAO UES Shares in the shareholder's tax accounting and proportion of assets allocation between RAO UES and Holdcos.

The acquired shares of the Subsidiaries will be accounted for in the tax books of the shareholder at the cost of the shares in the relevant Holdcos.

Individuals

Resident and non-resident holders that are individuals will not recognize income for Russian tax purposes on the receipt of shares in the Holdcos and Subsidiaries, as applicable, provided receipt of such shares is regarded as accomplished within the framework of the Spin-Offs and exempt under the Tax Code specific provision relating to corporate reorganizations.

United States Federal Income Taxation

The following is a general summary of certain U.S. federal income tax considerations relating to a U.S. Holder (as defined below) of RAO UES DRs that fails to certify that it is a Non-U.S. Holder for purposes of applicable U.S. securities laws (i) the distribution of Holdco Shares pursuant to the Spin-Offs and the exchange of Holdco Shares in each of the Holdcos that are merged into a Subsidiary upon the Reorganization Date for Subsidiary Shares of the relevant Subsidiary pursuant to the merger of each such Holdco into the relevant Subsidiary and (ii) the sale by the Depositary of Holdco Shares and Subsidiary Shares and the distribution of the net cash proceeds thereof to such U.S. Holder (the "Cash-Out"). This summary applies only to U.S. Holders who hold their RAO UES DRs as capital assets. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof and the income tax treaty between the United States of America and the Russian Federation (the "Tax Treaty"), all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This summary is for general information only and does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, dealers in securities, brokers, real estate investment trusts, certain former citizens or residents of the United States, persons who hold or acquire the RAO UES DRs as part of a straddle, hedge, conversion transaction or other integrated investment, persons that have a "functional currency" other than the U.S. dollar, persons that own (or are deemed to own) 10% or more (by voting power) of the stock of RAO UES or any Holdco

or Subsidiary, or persons that generally mark their securities to market for U.S. federal income tax purposes). This summary does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations. This summary does not apply to a holder of RAO UES DRs that is not subject to the Cash-Out because it certifies that it is a Non-U.S. Holder for purposes of applicable U.S. securities laws or to a holder of RAO UES Shares. Such holders of RAO UES DRs or RAO UES Shares should consult their own tax advisors as to the tax consequences of the Spin-Offs.

As used in this summary, the term “U.S. Holder” means a beneficial owner of RAO UES DRs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or an electing trust that was in existence on August 19, 1996 and was treated as a domestic trust on that date.

If an entity treated as a partnership for U.S. federal income tax purposes holds RAO UES DRs, the tax treatment of such partnership and each partner thereof will generally depend upon the status and activities of the partnership and the partner. Any such entity should consult its own tax adviser regarding the U.S. federal income tax considerations of the Spin-Offs and the Cash-Out applicable to it and its partners.

U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE SPIN-OFFS AND CASH-OUT, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS AND NON-U.S. TAX LAWS.

EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS INFORMATION STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER U.S. FEDERAL TAX LAW; (B) ANY SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Treatment of the RAO UES DRs and the Ownership of Holdco Shares

A U.S. Holder of RAO UES DRs should be treated for U.S. federal income tax purposes as the owner of the U.S. Holder's proportionate interest in the RAO UES Shares, Holdco Shares and Subsidiary Shares held by the Depositary (or its custodian) that are represented and evidenced by such DRs. References below to “RAO UES Shares” should be understood to refer to RAO UES Shares the ownership of which is represented and evidenced by RAO UES DRs. Although the matter is not free from doubt, for U.S. federal income tax purposes, a U.S. Holder's ownership of Holdco Shares in each Holdco that is merged into a Subsidiary upon the Reorganization Date, and the exchange of such Holdco Shares for Subsidiary Shares, should be disregarded. Accordingly, the Spin-Offs and the mergers should be treated as a distribution to each U.S. Holder of RAO UES DRs of: (i) the Subsidiary Shares of the Subsidiaries into which such Holdcos are merged and (ii) the Holdco Shares in the Holdcos that are not merged into Subsidiaries on the Reorganization Date, and the sale by the Depositary of Holdco Shares and Subsidiary Shares should be treated as a sale by each U.S. Holder of RAO UES DRs of the Holdco Shares and Subsidiary Shares that are represented by such RAO UES DRs for U.S. federal income tax purposes. There can be no assurance that the U.S. Internal Revenue Service (the “IRS”) will agree that a U.S. Holder's ownership of Holdco Shares in the Holdcos that merge into their Subsidiaries upon the Reorganization Date and the exchange of such Holdco Shares for Subsidiary Shares will be disregarded. The remainder of this discussion assumes that each U.S. Holder's ownership of such Holdco Shares and such exchange will be disregarded for U.S. federal income tax purposes.

Tax Consequences of the Redemption of RAO UES DRs

Subject to the discussion below under “— Passive Foreign Investment Company Considerations,” the payment that a U.S. Holder of RAO UES DRs receives upon the redemption of some or all of its RAO UES DRs pursuant to the exercise of its redemption rights will generally be treated as a payment received in exchange for the redeemed RAO UES DRs for U.S. federal income tax purposes, provided that the payment meets at least one of the following requirements (the “Exchange Requirements”):

- the payment is not “essentially equivalent to a dividend” as determined for U.S. federal income tax purposes;
- the payment is “substantially disproportionate” with respect to the U.S. Holder for U.S. federal income tax purposes; or
- the payment results in a “complete termination” of the U.S. Holder’s interest in RAO UES DRs.

In determining whether any of the Exchange Requirements apply, RAO UES DRs considered to be owned by the U.S. Holder by reason of certain attribution rules must be taken into account.

If the payment a U.S. Holder receives in redemption of its RAO UES DRs satisfies any of the Exchange Requirements, the U.S. Holder generally will be treated as selling its redeemed RAO UES DRs for the amount of such payment. The tax consequences to the U.S. Holder generally will be as described in “Treatment of the Spin-Offs— If the Spin-Offs Are Treated as a Liquidation” below.

If the payment a U.S. Holder receives in redemption of its RAO UES DRs does not satisfy any of the Exchange Requirements, then the entire amount received (i.e., without any offset for the U.S. holder’s tax basis in the redeemed RAO UES DRs) will be treated as a distribution from RAO UES for U.S. federal income tax purposes. The tax consequences to the U.S. Holder of such distribution generally will be as described in relation to the distribution of non-qualifying Distribution Companies under of “Treatment of the Spin-Offs—If the Spin-Offs Are Treated as Tax-Free Spin-Offs” below.

As discussed above under “Certain Tax Consequences—Russian Tax Consequences for RAO UES Shareholders,” gain realized on the redemption of the RAO UES DRs by a U.S. Holder may be subject to Russian taxes. U.S. Holders should consult their own tax advisers concerning their ability to credit such Russian taxes against their U.S. federal income tax liability in their particular situation.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the redemption of their RAO UES DRs.

Treatment of the Spin-Offs

Although not free from doubt, for U.S. federal income tax purposes it is more likely than not that if the Large Holdcos are distributed pursuant to the Spin-Offs the distribution of Holdco Shares that are not merged into Subsidiaries on the Reorganization Date and the deemed distribution of Subsidiary Shares (collectively, the “Distribution Shares” of the “Distribution Companies”) pursuant to the Spin-Offs will be treated as a distribution in complete liquidation of RAO UES, and not as a tax-free spin-off under section 355 of the Code. Among other things, section 355(b) of the Code requires that each “controlled corporation” distributed in a spin-off be engaged in an “active conduct of a trade or business” immediately after the distribution. RAO UES does not expect to satisfy the active trade or business requirement if the Large Holdcos are distributed because the Large Holdcos, which will be controlled corporations with respect to RAO UES are not expected to be treated as “engaged in the active conduct of a trade or business”. The Spin-Offs may also may not satisfy other requirements of section 355. However, there can be no assurance that the U.S. Internal Revenue Service will not assert successfully that the distribution of one or more (but not all) of the Distribution Companies that RAO UES controls qualifies for tax-free treatment under section 355 of the Code. Since RAO UES has not determined, and does not intend to determine, which, if any, of the controlled Distribution Companies satisfy the technical requirements of section 355 of the Code, each U.S. Holder should consult its own tax adviser as to allocation of tax basis among its qualifying Distribution Shares in the event that one or more of the Spin-Offs qualify as tax-free spin-offs for U.S. federal income tax purposes. Except as specifically described below, the remainder of this discussion assumes that the distribution of the Distribution Shares pursuant to the Spin-Offs will be treated as a complete liquidation for U.S. federal income tax purposes.

Except as specifically described below, the remainder of this discussion assumes that the distribution of the Distribution Shares pursuant to the Spin-Offs will be treated as a complete liquidation for U.S. federal income tax purposes.

If the Spin-Offs Are Treated as a Liquidation

Upon the Spin-Offs, a U.S. Holder of RAO UES DRs generally will be treated as selling its RAO UES Shares that are represented by such RAO UES DRs for an amount equal to the fair value of the holder's Distribution Shares.

Subject to the discussion below under “— United States Federal Income Taxation — Passive Foreign Investment Company Considerations”, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the deemed sale of the RAO UES Shares in an amount equal to the difference, if any, between the amount realized on the Spin-Offs and the U.S. Holder's adjusted tax basis in its RAO UES DRs. Such capital gain or loss generally will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders) or loss if, on the date of the deemed sale, the RAO UES DRs were held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations. Such gain or loss generally will be sourced within the United States for U.S. foreign tax credit purposes.

If the Spin-Offs Are Treated as Tax-Free Spin-Offs

If the Spin-Off of one or more (but not all) of the Distribution Companies qualifies for tax-free treatment under section 355 of the Code, a U.S. Holder generally would not be subject to tax on the distribution of the shares of such qualifying Distribution Companies. However, the aggregate fair market value of the shares of non-qualifying Distribution Companies that RAO UES distributes pursuant to the Spin-Offs (i.e., without any offset for the U.S. Holder's tax basis in its RAO UES Shares) would be treated as a distribution from RAO UES for U.S. federal income tax purposes. A U.S. Holder's tax basis in its qualifying Distribution Shares generally would be determined, first, by decreasing the tax basis of the U.S. Holder's RAO UES Shares by the fair market value of the non-qualifying Distribution Shares that are distributed with respect to such holder's RAO UES Shares in the Spin-Offs, then by increasing the tax basis of the holder's RAO UES Shares by the amount of dividends and gain recognized by the U.S. Holder upon the Spin-Offs, and then by allocating such adjusted tax basis among all of the holder's qualifying Distribution Shares. Each U.S. Holder would have a tax basis in its non-qualifying Distribution Shares equal to the fair market value of such shares on the date of the Spin-Offs.

Subject to the discussion below under “— United States Federal Income Taxation — Passive Foreign Investment Company Considerations”, if the distribution of Distribution Shares pursuant to the Spin-Offs is treated as a distribution to a U.S. Holder with respect to its RAO UES Shares for U.S. federal income tax purposes, such holder generally will be required to include the fair market value of such Distribution Shares in gross income as a dividend to the extent of the earnings and profits (as determined for U.S. federal income tax purposes) of RAO UES. To the extent the amount of such distribution exceeds such current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in its RAO UES Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of such RAO UES Shares. RAO UES has not maintained and does not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder may be required to report the entire amount of the distribution as a taxable dividend unless the U.S. Holder is able to demonstrate such distribution is not paid out of current and accumulated earnings and profits (as determined for U.S. federal income tax purposes).

To the extent the distribution of Distribution Shares pursuant to the Spin-Offs is treated as a dividend for U.S. federal income tax purposes, such dividend generally will constitute income from sources outside the United States and will be categorized for U.S. foreign tax credit purposes as “passive income” or, in the case of some U.S. Holders, as “passive category income” or, in the case of some U.S. Holders, as “general category income”. Such dividend will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations.

Distributions treated as dividends that are received by a non-corporate U.S. Holder (including an individual) through taxable years beginning on or before December 31, 2010 from “qualified foreign corporations” generally qualify for a 15% reduced maximum tax rate so long as certain holding period requirements are met. Dividends paid on the RAO UES Shares should qualify for the reduced rate if the issuer of the RAO UES Shares is treated as a qualified foreign corporation. A non-U.S. corporation (other than a passive foreign investment company with respect to a U.S. Holder) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States that the Secretary of the Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program. The Tax Treaty as currently in effect meets these requirements. However, because the Treasury Department has not yet issued guidance concerning when a non-U.S. corporation is eligible for the benefits of an applicable income tax treaty, no assurance can be given that RAO UES will be treated as a qualified foreign corporation for such purpose. Accordingly, no assurance can be given that such reduced rate will apply to any portion of the distribution of Distribution Shares pursuant to the Spin-Offs that is treated as a dividend. Special rules apply for purposes of determining the recipient’s investment income (which limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax adviser regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Each U.S. Holder should consult its own tax adviser with respect to the appropriate U.S. federal income tax treatment of the Spin-Offs in its particular circumstances.

Tax Consequences of the Cash-Out

Although not free from doubt, for U.S. federal income tax purposes the Cash-Out should be treated as a sale of Distribution Shares by each U.S. Holder of the RAO UES DRs that fails to certify that it is a Non-U.S. Holder for purposes of applicable U.S. securities laws. Subject to the discussion below under “— Passive Foreign Investment Company Considerations”, a U.S. Holder generally will recognize short-term capital gain or loss for U.S. federal income tax purposes on the sale of the Distribution Shares in an amount equal to the difference, if any, between the amount received for the Distribution Shares and the U.S. Holder’s adjusted tax basis in such Distribution Shares. The deductibility of capital losses is subject to limitations. Such gain or loss generally will be sourced within the United States for U.S. foreign tax credit purposes.

A U.S. Holder of RAO UES DRs generally will realize an amount equal to the U.S. dollar value of the non-U.S. currency that the Depositary receives from the sale of the Distribution Shares represented by the U.S. Holder’s DRs pursuant to the Cash-Out on the settlement date of such sale if (i) the U.S. Holder is a cash basis or electing accrual basis taxpayer and the Distribution Shares are treated as being “traded on an established securities market” or (ii) such settlement date is also the date of such sale. If the non-U.S. currency so received is converted into U.S. dollars on the settlement date, the U.S. Holder should not recognize foreign currency gain or loss on such conversion. If the non-U.S. currency so received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in such non-U.S. currency equal to its U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the non-U.S. currency generally will be treated as ordinary income or loss to the U.S. Holder and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes. As discussed above under “— Russian Tax Consequences for Shareholders of RAO UES — Sale of Subsidiary Shares and Holdco Shares by the Depositary (both for non-resident individuals and legal entities)”, gain realized on the sale, exchange or other disposition of shares by a U.S. Holder may be subject to Russian taxes. U.S. Holders should consult their own tax advisers concerning their ability to credit such Russian taxes against their U.S. federal income tax liability in their particular situations.

Each U.S. Holder should consult its own tax adviser regarding the U.S. federal income tax consequences of receiving non-U.S. currency from a sale, exchange or other disposition of shares in cases not described in the first sentence of this paragraph.

There can be no assurance that the IRS will agree with the conclusion that the Cash-Out should be treated as a sale of Distribution Shares by a U.S. Holder. If the Cash-Out is not treated as a sale of Distribution Shares, the entire distribution of cash received by a U.S. Holder with respect to the Distribution Shares in the Cash-Out could be treated for U.S. federal income tax purposes as a distribution in complete liquidation of RAO UES or as a distribution from RAO UES with respect to its Shares. Subject to the discussion below under “— Passive Foreign Investment Company Considerations,” the tax consequences to the U.S. Holder generally will be as described above in relation to liquidating distributions or distributions of non-qualifying Distribution Shares in “— Treatment of the Spin-Offs” above.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the Cash-Out.

Passive Foreign Investment Company Considerations

RAO UES has not determined and does not intend to determine whether it is or expects to become a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes. Whether RAO UES is treated as a PFIC is a determination made annually at the end of each taxable year in a U.S. Holder’s holding period in the RAO UES DRs. Since this determination is dependent upon a number of factors, some of which are beyond RAO UES’ control, including the value of the assets and the amount and type of income of RAO UES, and because RAO UES has not determined whether it was a PFIC for any previous taxable year, there can be no assurance that RAO UES has not been or that it is not or will not become a PFIC. If RAO UES has been or is a PFIC in any year U.S. Holders could suffer adverse consequences as discussed below.

In general, a corporation organized outside the United States will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is “passive income” or (ii) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, gains from securities transactions and from the sale or exchange of property that gives rise to passive income, and gains from certain transactions in commodities. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

If RAO UES is treated as a PFIC, a U.S. Holder may be treated as receiving an excess distribution equal to all or a portion of the fair market value of the Distribution Shares that RAO UES distributes pursuant to the Spin-Offs. The tax payable by a U.S. Holder on an excess distribution with respect to a RAO UES Share will be determined by allocating such excess distribution ratably to each day of the U.S. Holder’s holding period for the RAO UES Share. The amount of excess distribution allocated to the taxable year of the excess distribution, or to any portion of the U.S. Holder’s holding period prior to the first taxable year for which the issuer of the RAO UES Share was a PFIC, will be included as ordinary income for the taxable year of such distribution. The amount of excess distribution allocated to any other period included in the U.S. Holder’s holding period cannot be offset by any net operating losses of the U.S. Holder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. Furthermore, the amount of excess distribution not includable in income in the taxable year of such distribution will not be included in determining the amount of the total excess distribution for any subsequent taxable year.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the Spin-Offs and Cash-Out if RAO UES or any of the Distribution Companies is treated as a PFIC and the consequences to any U.S. Holder that has made a mark-to-market election with respect to its RAO UES DRs for U.S. federal income tax purposes.

Backup Withholding Tax and Information Reporting Requirements

Under certain circumstances, U.S. backup withholding tax and/or information reporting may apply to U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of the RAO UES Shares, unless an applicable exemption is satisfied. U.S. Holders that are corporations

generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if the U.S. Holder furnishes required information to the IRS.

Reportable Transactions

A U.S. Holder that participates in any "reportable transaction" (as defined in U.S. Treasury regulations) must attach to its U.S. federal income tax return a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the sale, exchange or other disposition of any non-U.S. currency received as proceeds from the sale of the Distribution Shares.

Certain United Kingdom Tax Considerations

The following is a general summary of certain United Kingdom ("U.K.") tax considerations relating to (i) the proposed Spin-Offs by RAO UES of its entire equity interests in certain of its subsidiaries, (ii) the proposed merger and exchange of Holdco ordinary and preferred shares for the issue of ordinary shares in the relevant Subsidiary, (iii) a future disposal of shares in RAO UES (including by way of redemption) and/or the Subsidiaries by U.K. Holders (as defined below) and (iv) a future disposal of DRs in RAO UES and/or the Subsidiaries by U.K. Holders. This summary is based on current U.K. law and practice, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This summary is for general information only and does not address all of the U.K. tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under U.K. law; in particular this summary does not apply to the following:

- investors who are not the absolute beneficial owners of Shares (as defined below) and DRs;
- investors who do not hold Shares or DRs as capital assets;
- special classes of investor such as dealers and tax-exempt investors;
- investors that are insurance companies, collective investment schemes or persons connected with RAO UES, the Holdcos or the Subsidiaries; or
- investors that control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, a 10% or greater interest in RAO UES.

Further, this summary assumes that (i) there will be no register in the U.K. in respect of the Shares or DRs; (ii) the Shares and DRs will not be held by a depository incorporated in the U.K.; and (iii) the Shares will not be paired with shares issued by a company incorporated in the U.K.

This summary assumes that each Regulation S GDR Facility will be established within 90 calendar days of the applicable Reorganization Date. For a summary of the tax consequences for U.K. Holders arising from a failure to set up that system, see the final paragraph in the section below entitled "— Future disposals of DRs in RAO UES and the Subsidiaries".

In this summary defined terms have the same meaning as in the rest of this Information Statement except that the following terms shall have the following particular meanings for the purposes of this U.K. taxation summary:

- "DR" means each and any of the depository receipts over Shares in RAO UES and the Subsidiaries as the context requires;
- "HMRC" means Her Majesty's Revenue and Customs;
- "Shares" means each and any of the RAO UES Shares, shares in the Holdcos and Subsidiary Shares (whether ordinary or preferred shares) as the context requires;
- "U.K. Holders" means persons who are resident (and in the case of individuals, ordinarily resident and domiciled) in the U.K. for tax purposes;

- “ITA 2007” means the Income Tax Act 2007;
- “Taxes Act” means the Income and Corporation Taxes Act 1988; and
- “TCGA 1992” means the Taxation of Chargeable Gains Act 1992.

In this summary and for the purposes of U.K. tax on capital gains, any acquisition expenditure or disposal proceeds that a U.K. Holder incurs or receives in a currency other than sterling will be converted into sterling at the rate prevailing on the date such expenditure is incurred or such disposal proceeds are received (as appropriate).

U.K. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS BEFORE VOTING ON THE PROPOSED REORGANIZATION WITH RESPECT TO THEIR OWN PARTICULAR CIRCUMSTANCES AND THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES AND DRs.

Taxation of RAO UES, the Holdcos and the Subsidiaries

RAO UES intends that its affairs and the affairs of the Holdcos and the Subsidiaries should be managed and controlled so that they do not become resident in the U.K. for U.K. tax purposes. Accordingly, and provided (as intended) that neither RAO UES, the Holdcos nor the Subsidiaries carry on a trade in the U.K. through a permanent establishment, branch or agency, none of them should be subject to U.K. income tax or corporation tax on its profits other than on any U.K. source income.

Certain interest and other income received by RAO UES, the Holdcos or the Subsidiaries which has a U.K. source may be subject to withholding taxes in the U.K.

Spin-Offs

Issue of Shares in the Holdcos

The issue by the Holdcos of their shares to the U.K. Holders of RAO UES Shares, or RAO UES DRs, as the case may be, following the transfer by RAO UES to the Holdcos of its shareholdings in the Subsidiaries may be treated as a distribution for U.K. tax purposes. The receipt of the shares by U.K. Holders will be taxed differently according to whether such receipt is treated as income or capital for U.K. tax purposes, which will depend on an analysis of the effect of the receipt of the shares under Russian corporate law on a U.K. Holder’s existing holding of RAO UES Shares or RAO UES DRs. If the correct analysis is that the distribution of the shares in the Holdcos is a capital distribution, that distribution should be subject to the corporation tax rules on chargeable gains for corporate U.K. Holders and the rules on capital gains tax for individual U.K. Holders.

Capital Treatment — Disposal

The receipt of the shares in the Holdcos may be treated as a capital distribution in respect of a U.K. Holder’s RAO UES Shares or RAO UES DRs (as appropriate). This would constitute a deemed part disposal of the RAO UES Shares or RAO UES DRs for a consideration equal to the market value of the shares in the Holdcos on the date of their distribution. A U.K. Holder’s base cost in the original RAO UES Shares or RAO UES DRs would need to be apportioned between the shares in the Holdcos and the RAO UES Shares or RAO UES DRs in accordance with Section 42 TCGA 1992 by reference to the respective market values of the RAO UES Shares or RAO UES DRs, and the shares in the Holdcos, on the date of the distribution. If such an apportionment creates a gain on the disposal, tax may be payable on that gain. The factors that will determine whether or not U.K. Holders must pay tax are described below in the second and third paragraphs of “— Future disposals of Shares in RAO UES and the Subsidiaries”.

Reliefs and Exemptions

U.K. Holders of RAO UES Ordinary Shares may be able to obtain the benefit of Section 136 TCGA 1992, which allows certain reconstructions of share capital to take place without the holder of the relevant

shares disposing of them (the “Reconstruction Rules”) provided certain conditions have been met. The Reconstruction Rules may apply to U.K. Holders of RAO UES Ordinary Shares who receive an entitlement to receive shares in the Holdcos equal to that which they hold in RAO UES. They may also apply to a disposal by U.K. Holders who hold RAO UES Ordinary Shares in depositary form provided the Depositary is a nominee for the U.K. Holder or a bare trustee of those Shares. The Reconstruction Rules will not apply to prevent a deemed disposal by U.K. Holders of their RAO UES Preferred Shares. U.K. Holders are advised to take professional advice on whether the Reconstruction Rules apply to the issue of Holdco Shares. U.K. Holders should note that RAO UES does not intend to apply to HMRC for clearance under Section 138 TCGA 1992 in relation to the proposed reorganization.

If the Reconstruction Rules do not apply to the deemed part disposal, individual U.K. Holders may be able to use capital losses incurred in the tax year in which the Spin Offs take place or earlier to set against any gain arising from the receipt of shares in the Holdcos. They may also be able to set their annual exemption against any such gain or benefit from taper relief to reduce that gain. A summary of taper relief is set out below in “— Future disposals of Shares in RAO UES and the Subsidiaries”.

Income Treatment

U.K. Holders should note that HMRC may not agree with the analysis that the issue of shares in the Holdcos is a capital transaction and may seek to treat the distribution as a receipt of income by U.K. Holders. In that case, the receipt of an income distribution of shares in the Holdcos would constitute taxable income in the hands of U.K. Holders. For individual U.K. Holders who are higher-rate taxpayers, income tax would be charged on the full amount of the distribution at the rate of 32.5%. The amount of the distribution for these purposes would be the market value of the shares in the Holdcos as at the date of the issue of those Shares. There would be no tax credit given for such a dividend.

For corporate U.K. Holders, the distribution would constitute Schedule D, Case (V) income and corporation tax would be charged thereon.

Merger of Holdco Shares with Subsidiary Shares

Issue of Subsidiary Shares

Under the proposed merger, the shares in the Holdcos are cancelled and the U.K. Holders instead receive Shares in the Subsidiaries. As described in the section above entitled “The Spin-Offs”, the U.K. tax treatment depends on an analysis of the effect of the merger under Russian corporate law. As described in that section, if the receipt of Holdco Shares is treated as a capital distribution, that receipt will be subject to the corporation tax rules on chargeable gains rules for corporate U.K. Holders and the rules on capital gains tax for individual U.K. Holders.

Capital Treatment — Disposal

The receipt of the Subsidiary Shares as a result of the merger may be treated as a capital distribution in respect of a U.K. Holder’s shares in the Holdcos. This would constitute a deemed part disposal of the shares in the Holdcos for a consideration equal to the market value of the Subsidiary Shares on the date of their distribution. A U.K. Holder’s base cost in his original shares in the Holdcos would need to be apportioned between the shares in the Holdcos and the Subsidiary Shares in accordance with Section 42 TCGA 1992 by reference to the respective market values of the shares in the Holdcos, and the Subsidiary Shares, on the date of the distribution. If such an apportionment creates a gain on the disposal, tax may be payable on that gain. The factors that will determine whether or not U.K. Holders must pay tax are described below in the second and third paragraphs of “— Future disposals of Shares in RAO UES and the Subsidiaries”.

Reliefs and Exemptions

U.K. Holders of Holdco ordinary shares may also be able to rely on the Reconstruction Rules in Section 136 TCGA 1992, as described in the section above entitled “The Spin-Offs”, in relation to the merger provided certain conditions have been met. The Reconstruction Rules may apply to the U.K.

Holders of Holdco ordinary shares who receive an entitlement to receive Subsidiary Shares equal to that which they hold in the Holdcos. The Reconstruction Rules may also apply to U.K. Holders who hold their Holdco ordinary shares in depositary form provided the Depositary is a nominee for the U.K. Holder or a bare trustee of those shares. U.K. Holders are advised to take professional advice on whether the Reconstruction Rules apply to the merger. U.K. Holders should note that RAO UES does not intend to apply to HMRC for clearance under Section 138 TCGA 1992 in relation to the proposed reorganization.

If the Reconstruction Rules do not apply to the deemed part disposal, individual U.K. Holders may be able to use capital losses incurred in the tax year in which the merger takes place or earlier to set against any gain arising from the receipt of Subsidiary Shares. They may also be able to set their annual exemption against any such gain or benefit from taper relief to reduce that gain. A summary of taper relief is set out below in “— Future disposals of Shares in RAO UES and the Subsidiaries”.

Income Treatment

U.K. Holders should note that HMRC may not agree with the analysis that the issue of Subsidiary Shares is a capital transaction and may seek to treat the distribution as a receipt of income by U.K. Holders. In that case, the receipt of an income distribution of Subsidiary Shares would constitute taxable income in the hands of U.K. Holders. For individual U.K. Holders who are higher-rate taxpayers, income tax would be charged on the full amount of the distribution at the rate of 32.5%. The amount of the distribution for these purposes would be the market value of the Subsidiary Shares as at the date of the merger. There would be no tax credit given for such a dividend.

For corporate U.K. Holders, the distribution would constitute Schedule D, Case (V) income and corporation tax would be charged thereon.

Future disposals of Shares in RAO UES and the Subsidiaries

Capital Gains

The disposal of Shares in RAO UES (whether by sale, by redemption as described in “The Spin-Offs — Dissenting and non-voting shareholders’ and DR holders’ redemption rights”, or otherwise) or in the Subsidiaries by a U.K. Holder at any future date following the Reorganization Date will be subject to U.K. legislation on corporation tax payable on chargeable gains for corporate U.K. Holders and capital gains tax for individual U.K. Holders.

The disposal of Shares by a corporate U.K. Holder may, depending on the investor’s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss. A corporate U.K. Holder should be entitled to an indexation allowance which applies to reduce capital gains to the extent that they arise due to inflation. Indexation allowance may reduce a chargeable gain but not create any allowable loss.

The disposal of Shares by an individual U.K. Holder may, depending on that individual’s circumstances, give rise to a chargeable gain or allowable loss. The principal factors that will determine the extent to which any gain realized by a disposal of Shares will be subject to U.K. capital gains tax, which will be taxed at the U.K. Holder’s highest marginal tax rate, are the extent to which the individual U.K. Holder realizes any other capital gains in the tax year in which the disposal is made, the extent to which the individual U.K. Holder has incurred capital losses in that or any earlier tax year, the level of the annual allowance of tax-free gains in that tax year (the “annual exemption”) and the amount of taper relief available in relation to the disposal.

Taper Relief

Shares in RAO UES and the Subsidiaries may be regarded as business assets for taper relief purposes if RAO UES or the Subsidiaries, as the case may be, are “qualifying companies” by reference to the individual U.K. Holder. HMRC does not regard the Russian Trading System and the Moscow Interbank Currency Exchange stock exchanges as “recognized stock exchanges” and so the Shares are unlisted for

taper relief purposes. Provided the Shares do qualify as business assets for taper relief purposes, the proportion of any gain realized by an individual U.K. Holder on the disposal of Shares that is brought into the charge to U.K. capital gains tax will be reduced by taper relief so that 50% of the gain is subject to tax if the Shares have been held by the individual U.K. Holder for at least one year. A further reduction of 25% of the gain is made if the individual U.K. Holder has held the Shares for two years. The maximum reduction available is 75% if the Shares have been held for two years or longer.

If the Shares qualify as non-business assets for taper relief purposes, the proportion of any gain realized on a disposal of those Shares that is brought into the charge to capital gains tax will be reduced by taper relief if the Shares have been held by an individual U.K. Holder for at least three years. A reduction of 5% of any gain is made for each whole year for which the Shares have been held in excess of two years. The maximum reduction available is 40% if the Shares have been held for ten complete years.

Annual Exemption

The annual exemption for individuals is £9,200 for the 2007-2008 tax year and, under current legislation, this exemption is, unless the U.K. Parliament decides otherwise, increased annually in line with the rate of increase in the retail price index. Investors should be aware that the U.K. Parliament is entitled to withdraw this link between the level of the annual exemption and the retail price index or even to reduce the level of the annual exemption for future tax years below its current level.

Future disposals of DRs in RAO UES and the Subsidiaries

Capital Gains

The disposal of DRs in RAO UES or the Subsidiaries by a U.K. Holder at any future date following the Reorganization Date will be subject to U.K. legislation on corporation tax on chargeable gains for corporate U.K. Holders and capital gains tax for individual U.K. Holders.

RAO UES regards the disposal of a DR as a disposal of the underlying Shares and accordingly the analysis of the taxation treatment of Shares, as described in “— Future disposals of Shares in RAO UES and the Subsidiaries— Capital Gains”, will apply equally to a disposal of DRs. This view is based on the assumption that the Depositary acts as a mere nominee for the U.K. Holders or as a bare trustee of the Shares and therefore, for capital gains purposes, the U.K. Holder would be treated as holding the Shares directly with the nominee or bare trustee being ignored.

RAO UES can give no assurance that HMRC will agree with RAO UES’ view of how the disposal of the DRs should be regarded for tax purposes. HMRC may treat the disposal of a DR as a disposal of two separate assets which constitute (i) the beneficial interest in the underlying Shares and (ii) the depositary receipt itself. If HMRC do take such a view, RAO UES believes that the DRs will be regarded as having no value. There would therefore only be a gain or loss on the disposal of the Shares and not the DRs.

If the Regulation S GDR Facility is not established within 90 calendar days of the applicable Reorganization Date, or if U.K. Holders fail to give the certification required or provide their Russian securities account details to the Relevant Depositary as described in “Regulation S GDR Facilities”, U.K. Holders of RAO UES DRs will become entitled to receive cash in lieu of receiving Subsidiary Shares. In that case, the U.K. Holders of RAO UES DRs will dispose of their RAO UES DRs for capital gains tax purposes and tax may be payable thereon depending on each U.K. Holder’s individual circumstances. For a summary of the factors that determine whether or not tax will be payable, see “— Future disposals of Shares in RAO UES and the Subsidiaries”.

Stamp duty and Stamp Duty Reserve Tax

No U.K. stamp duty will be payable on the issue of Shares or DRs and no U.K. stamp duty should be payable on the transfer of Shares or the DRs provided that any instrument of transfer is not executed in any part of the U.K. and does not relate to any property situated or to any matter or thing done or to be done, in any part of the U.K. No U.K. stamp duty reserve tax will be payable on the issue or transfer of the Shares or the DRs.

U.K. inheritance tax

Since it is intended that the Shares and DRs will not be registered on a register in the U.K., the Shares and DRs should constitute assets located outside the U.K. for the purposes of U.K. inheritance tax. This means that on the death of an individual U.K. Holder, inheritance tax could be payable if, but only if, the individual U.K. Holder is domiciled or deemed domiciled, in the U.K. for such purposes at the time of death. If the Shares or DRs are held on trust, then depending on the circumstances, tax could be payable on the amount of any distributions received in relation to the Shares or DRs out of the trust and on the trust's 10 year anniversaries.

Other U.K. tax considerations

Corporate U.K. Holders having an interest in any of RAO UES, the Holdcos or the Subsidiaries, such that 25% or more of the profits of RAO UES, the Holdcos or the Subsidiaries for an accounting period could be apportioned to them, may be liable to U.K. corporation tax in respect of their share of the undistributed profits of such companies, if any, in accordance with the provision of Chapter IV of Part XVII of the Taxes Act relating to controlled foreign companies. These provisions only apply if RAO UES, the Holdcos or the Subsidiaries are controlled by U.K. residents, and such companies are not expected to be so controlled.

Individuals ordinarily resident in the U.K. should note that Chapter 2 of Part 13 of the ITA 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of RAO UES, the Subsidiaries or the Holdcos.

RAO UES draws the attention of U.K. Holders to the potential application of Russian taxation laws in addition to U.K. taxation laws as described in the Russian tax section entitled “— Tax Consequences Relating to the Exercise of Redemption Rights— Non-Resident Holders” and “— Tax treaty relief — non-resident holders— Advance tax clearance”.

MARKET INFORMATION

The Gencos

The table below presents the highest and lowest prices for the Genco Shares on RTS and MICEX, as applicable, for the periods indicated (in each case, only for full quarters in which trading occurred). Share prices are quoted in U.S. dollars on the RTS exchange and in rubles on the MICEX exchange.

For each quarter from January 1, 2006 through June 30, 2007 and for the months of July and August 2007:

<u>Year</u>	<u>RTS</u>		<u>MICEX</u>	
	<u>High</u> <i>(U.S. dollars)</i>	<u>Low</u>	<u>High</u> <i>(rubles)</i>	<u>Low</u>
OGK-1				
2007				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	3.8810	2.8990
July 2007	0.1161	0.1161	3.0700	2.5540
August 2007	0.1130	0.1020	2.9000	2.5540
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	n/a	n/a	n/a	n/a
OGK-2				
2007				
First Quarter	0.1675	0.1387	4.5860	3.6290
Second Quarter	0.1660	0.1410	4.3000	4.1200
July 2007	0.1750	0.1600	n/a	n/a
August 2007	0.1600	0.1550	n/a	n/a
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	0.0970	0.0742	2.6490	2.2000
Fourth Quarter	0.1370	0.0935	3.6640	2.5100
OGK-3				
2007				
First Quarter	0.1675	0.1330	4.3510	3.2110
Second Quarter	0.1705	0.1660	4.4300	4.3140
July 2007	0.1750	0.1695	4.5010	4.3900
August 2007	0.1725	0.1450	4.4800	3.5800
2006				
First Quarter	0.0725	0.0599	1.9460	1.8400
Second Quarter	0.0800	0.0675	2.1900	1.7670
Third Quarter	0.0870	0.0730	2.3060	1.9060
Fourth Quarter	0.1225	0.0785	3.5150	2.0970

Year	RTS		MICEX	
	High	Low	High	Low
	(U.S. dollars)		(rubles)	
OGK-4				
2007				
First Quarter	0.1230	0.0792	3.2530	2.0620
Second Quarter	0.1185	0.0905	3.0770	2.4160
July 2007	0.1265	0.1195	3.2420	2.9930
August 2007	0.1185	0.1100	3.1400	2.5326
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	0.0605	0.0532	n/a	n/a
Fourth Quarter	0.0817	0.0556	2.1430	1.9230
OGK-6				
2007				
First Quarter	0.1660	0.1160	4.3770	3.3280
Second Quarter	0.1615	0.1490	4.2300	3.7560
July 2007	0.1655	0.1550	4.2740	3.9100
August 2007	0.1485	0.1340	n/a	n/a
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	0.0930	0.0930	2.9960	2.1000
Fourth Quarter	0.1275	0.0905	2.9650	2.5320
TGK-1				
2007				
First Quarter	0.0015	0.0010	0.0378	0.0378
Second Quarter	0.0015	0.0013	0.0392	0.0353
July 2007	0.0016	0.0014	0.0409	0.0367
August 2007	0.0014	0.0012	0.0365	0.0318
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	n/a	n/a	n/a	n/a
TGK-2				
2007				
First Quarter	0.0015	0.0009	0.0438	0.0259
Second Quarter	0.0014	0.0010	0.0366	0.0263
July 2007	0.0011	0.0010	0.0300	0.0273
August 2007	0.0010	0.0009	0.0276	0.0253
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	0.0009	0.0008	n/a	n/a

Year	RTS		MICEX	
	High	Low	High	Low
	(U.S. dollars)		(rubles)	
Mosenergo				
2007				
First Quarter	0.2640	0.2050	7.2100	5.0850
Second Quarter	0.2650	0.2290	6.8910	5.8540
July 2007.	0.2385	0.2300	6.0640	5.7550
August 2007	0.2400	0.2275	6.1260	5.7710
2006				
First Quarter	0.2035	0.1430	5.7460	4.0020
Second Quarter	0.2050	0.1750	6.3140	4.9640
Third Quarter	0.2065	0.1980	5.6450	5.0850
Fourth Quarter	0.2100	0.1860	5.4350	5.0680
TGK-4				
2007				
First Quarter	0.0014	0.0010	n/a	n/a
Second Quarter	0.0013	0.0011	0.0324	0.0272
July 2007.	0.0012	0.0011	0.0300	0.0280
August 2007	0.0011	0.0010	0.0284	0.0250
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	n/a	n/a	n/a	n/a
TGK-6				
2007				
First Quarter	0.0016	0.0010	0.0452	0.0262
Second Quarter	0.0013	0.0010	0.0340	0.0268
July 2007.	0.0013	0.0012	0.0336	0.0288
August 2007	0.0011	0.0010	0.0302	0.0263
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	0.0008	0.0007	n/a	n/a
Fourth Quarter	0.0011	0.0007	0.0285	0.0269
Volzhskaya TGK				
2007				
First Quarter	n/a	n/a		
Second Quarter	n/a	n/a		
July 2007.	0.1285	0.1225		
August 2007	0.1260	0.1150		
2006			Not listed	
First Quarter	n/a	n/a		
Second Quarter	n/a	n/a		
Third Quarter	n/a	n/a		
Fourth Quarter	n/a	n/a		

Year	RTS		MICEX	
	High	Low	High	Low
	(U.S. dollars)		(rubles)	
SGK TKG-8				
2007				
First Quarter	0.0015	0.0012	0.0402	0.0274
Second Quarter	0.0014	0.0010	0.0340	0.0260
July 2007	0.0014	0.0011	0.0332	0.0282
August 2007	0.0012	0.0010	0.0281	0.0270
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	0.0007	0.0007	0.0000	0.0000
Fourth Quarter	0.0012	0.0007	0.0309	0.0184
TKG-9				
2007				
First Quarter	0.0005	0.0003	0.0116	0.0079
Second Quarter	0.0004	0.0003	0.0108	0.0065
July 2007	n/a	n/a	0.0071	0.0066
August 2007	0.0003	0.0003	0.0000	0.0000
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	0.0049	0.0047
Fourth Quarter	0.0003	0.0002	0.0161	0.0050
TKG-10				
2007				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	4.0500	3.8000	104.4000	95.2200
July 2007	4.1500	3.9500	106.8600	100.4100
August 2007	4.5500	4.1000	116.6700	106.7700
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	n/a	n/a	n/a	n/a
TKG-11				
2007				
First Quarter				
Second Quarter				
July 2007				
August 2007				
2006				
First Quarter			Not listed	
Second Quarter				
Third Quarter				
Fourth Quarter				

Year	RTS		MICEX	
	High	Low	High	Low
	(U.S. dollars)		(rubles)	
Kuzbassenergo				
2007				
First Quarter	3.5800	2.6000	92.1600	65.5000
Second Quarter	3.9000	3.2500	102.2600	83.3600
July 2007	3.6500	3.5000	96.7300	85.0000
August 2007	3.4500	3.2900	92.5500	85.0000
2006				
First Quarter	2.0950	1.0900	57.2400	30.7100
Second Quarter	2.3000	1.7500	69.0100	49.4000
Third Quarter	n/a	n/a	46.4000	33.1600
Fourth Quarter	2.8000	1.7500	72.0100	37.3100
Eniseyskaya TGK				
2007				
First Quarter	280.0000	225.0000	n/a	n/a
Second Quarter	289.0000	225.0000	n/a	n/a
July 2007	265.0000	253.0000	n/a	n/a
August 2007	253.0000	230.0000	5700.0000	5568.7500
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	n/a	n/a	n/a	n/a
TGK-14				
2007				
First Quarter	0.0007	0.0003	n/a	n/a
Second Quarter	0.0004	0.0003	0.0121	0.0103
July 2007	0.0004	0.0004	0.0105	0.0094
August 2007	n/a	n/a	0.0093	0.0081
2006				
First Quarter	n/a	n/a	n/a	n/a
Second Quarter	n/a	n/a	n/a	n/a
Third Quarter	n/a	n/a	n/a	n/a
Fourth Quarter	n/a	n/a	n/a	n/a

It is currently expected that certain of the Gencos whose shares are not currently listed on a Russian stock exchange (namely, HydroOGK, Volzhskaya TGK, TGK-11, Kuzbassenergo and Eniseyskaya TGK) will apply for listing before the Reorganization Date and each Subsidiary that has or obtains such a listing will apply to the FSFM for approval to establish a Regulation S GDR Facility. It is also currently expected that each of the Shareholder Holdcos that will continue to exist (namely MRSK Holding and RAO East Energy Systems), as soon as practicable after the Reorganization Date, will apply for a listing on the RTS or MICEX and, after obtaining such a listing, will apply to the FSFM for approval to establish a Regulation S GDR Facility. Such listings are subject to the approval of the respective stock exchange, and there can be no assurance that the shares of the relevant Holdcos and Subsidiaries will qualify for listing on any Russian stock exchange. The Holdco Shares and Subsidiary Shares are being distributed in accordance with available exemptions from, or in transactions not subject to, the registration requirements or public offer rules under applicable securities laws and regulations.

Non-U.S. DR Holders who receive New GDRs in the Spin-Offs will be required to undertake that for 40 calendar days following the establishment of the Regulation S GDR Facilities, they will not transfer the New GDRs to U.S. persons (as defined in Regulation S). See “The Spin-Offs”. Prices at which the Holdco Shares, Subsidiary Shares and New GDRs, if any, may trade cannot be predicted. There can be

no assurance as to the establishment or continuity, as the case may be, of any trading market for the Holdco Shares, the Subsidiary Shares or the New GDRs, if any. See “Risk Factors — Risks Relating to the relevant Holdco Shares, Subsidiary Shares, New GDRs and Trading Market — There may only be a limited trading market for the relevant Holdco Shares, the Subsidiary Shares and, if the Regulation S GDR Facilities are created, the New GDRs”.

Certain U.S. securities law requirements

The Holdco Shares, Subsidiary Shares and New GDRs have not been registered under the U.S. or under any applicable state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any applicable state securities laws.

Each holder of RAO UES Shares by virtue of voting on the Spin-Offs and acquiring Holdco Shares or Subsidiary Shares will be deemed to have acknowledged, represented to and agreed with RAO UES that either:

(1) it is not a U.S. person and is acquiring the Holdco Shares or Subsidiary Shares, as applicable, for its own account or for the account of a non-U.S. person in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S, and it acknowledges and agrees that such Holdco Shares or Subsidiary Shares, as applicable, may not be resold in the United States absent registration under the Securities Act and applicable state securities laws or pursuant to an exemption from the Securities Act and such laws; or

(2) (A) it is a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) or an “accredited investor” (as defined in Rule 501(a) under the Securities Act) that is not formed for the purpose of the Spin-Offs and is aware (and each beneficial owner of such RAO UES Shares has been advised) that the issuance of the Holdco Shares or Subsidiary Shares, as applicable, to it is being made in reliance on the exemption provided by Section 4(2) of the Securities Act; (B) it is acquiring the Holdco Shares or Subsidiary Shares, as applicable, for its own account or the account of one or more persons that are qualified institutional buyers or accredited investors, respectively, as to which it exercises sole investment discretion, for investment purposes only and not with a view to any resale, distribution or other disposition in violation of any U.S. federal or state securities laws; (C) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Holdco Shares and Subsidiary Shares, and it, and each person for which it is acting, is able to bear the economic risks of such investment; (D) it has had the opportunity to ask questions and receive answers concerning the terms and conditions of the Spin-Offs, and to request additional information, and has chosen to rely solely on the information contained in this Information Statement; (E) it understands that the Holdco Shares and Subsidiary Shares issued to it will be “restricted securities” as defined in Rule 144 under the Securities Act and may not be resold in the United States absent registration under the Securities Act and applicable state securities laws or pursuant to an exemption from the Securities Act and such laws; (F) it agrees, for the benefit of RAO UES and the Subsidiaries, that, if in the future it decides to offer, resell, pledge or otherwise transfer such Holdco Shares or Subsidiary Shares or any beneficial interest therein, any such offer, resale, pledge or transfer will be made in compliance with the Securities Act and applicable state securities laws; and (G) it agrees, for the benefit of RAO UES, the Holdcos and the Subsidiaries, that the Holdco Shares and the Subsidiary Shares may not be deposited in any “unrestricted” depositary receipt facility that a Holdco or a Subsidiary may establish.

Each holder of RAO UES DRs, by virtue of voting on the Spin-Offs and acquiring Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be, will be deemed to have acknowledged, represented to and agreed with RAO UES that it is not a U.S. person and was outside the United States at the time of receipt of the Information Statement and when voting on the Spin-Offs, and will be outside the United States when receiving Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be, is acquiring the Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs for its own account or for the account of a non-U.S. person in an offshore transaction

(as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S, and it acknowledges and agrees that such Holdco GDRs and Subsidiary GDRs may not be resold in the United States absent registration under the Securities Act and applicable state securities laws or pursuant to an exemption from the Securities Act and such laws. **Holders of RAO UES DRs who are unable to make the foregoing acknowledgements, representations and agreements will not receive Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs and, instead, will receive the net cash proceeds on a pro rata basis from the sale by the Relevant Depositary of the Holdco Shares and Subsidiary Shares they would have received had they provided such acknowledgements, representations and agreements.**

Each holder of RAO UES Shares or RAO UES DRs, by virtue of voting on the Spin-Offs and acquiring Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be, will be deemed to have acknowledged that RAO UES, the Holdcos and the Subsidiaries reserve the right to make inquiries of any holder of the Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs at any time as to such persons' status under the U.S. securities laws and compliance with these transfer restrictions. RAO UES, the Holdcos, the Subsidiaries and their agents shall not be obligated to recognize any resale or other transfer of such Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs or any beneficial interest therein made other than in compliance with these restrictions.

RAO UES

The RAO UES Shares have been listed in the "A" quotation list and are traded on RTS and MICEX as well as in the form of American depositary receipts and global depositary receipts traded in the United States over-the-counter and quoted on the over-the-counter in Western Europe.

As at June 30, 2007, there were 41,041,753,984 RAO UES Ordinary Shares and 2,075,149,384 RAO UES Preferred Shares issued and outstanding, including 685,557,700 RAO UES Shares in the form of RAO UES ADRs and 5,654,068,800 RAO UES Shares in the form of RAO UES GDRs.

The table below presents the highest and lowest prices for RAO UES Shares on RTS and MICEX for the periods indicated. Share prices are quoted in U.S. dollars on the RTS exchange and in rubles on the MICEX exchange.

For each year from 2004 through 2006 and for the six months ended June 30, 2007

<u>RAO UES Ordinary Shares Period</u>	<u>RTS</u>		<u>MICEX</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	<i>(U.S. dollars)</i>		<i>(rubles)</i>	
Six months ended June 30, 2007	1.4640	0.9940	37.8660	26.4720
2006	1.0800	0.4450	28.4420	12.6310
2005	0.4275	0.2600	12.3700	7.2600
2004	0.3542	0.2290	10.1110	6.6600

<u>RAO UES Preferred Shares Period</u>	<u>RTS</u>		<u>MICEX</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	<i>(U.S. dollars)</i>		<i>(rubles)</i>	
Six months ended June 30, 2007	1.3300	0.8930	34.2910	23.3350
2006	0.9425	0.3695	24.9910	10.7920
2005	0.3650	0.2387	10.5000	6.6420
2004	0.3385	0.2100	9.5600	5.6500

For each quarter from January 1, 2004 through June 30, 2007 and for the months of July and August 2007

RAO UES Ordinary Shares Period	RTS		MICEX	
	High	Low	High	Low
	<i>(U.S. dollars)</i>		<i>(rubles)</i>	
2007				
First Quarter.....	1.3752	0.9940	35.8820	26.4720
Second Quarter.....	1.4640	1.1800	37.8660	30.5940
July 2007.....	1.4400	1.3500	36.7930	33.4116
August 2007.....	1.3760	1.2310	35.1140	30.5190
2006				
First Quarter.....	0.7500	0.4450	20.8330	12.6170
Second Quarter.....	0.7995	0.5415	21.6950	15.0000
Third Quarter.....	0.7920	0.6175	21.1570	16.6500
Fourth Quarter.....	1.0800	0.7190	28.4420	19.2520
2005				
First Quarter.....	0.3090	0.2600	8.5600	7.2600
Second Quarter.....	0.3059	0.2820	8.6900	7.7800
Third Quarter.....	0.3875	0.2936	11.0310	8.4500
Fourth Quarter.....	0.4275	0.3465	12.3700	9.9250
2004				
First Quarter.....	0.3270	0.2900	9.3200	8.3770
Second Quarter.....	0.3542	0.2445	10.1110	7.1040
Third Quarter.....	0.2915	0.2290	8.4990	6.6600
Fourth Quarter.....	0.3265	0.2555	9.4910	7.1400
RAO UES Preferred Shares Period	RTS		MICEX	
	High	Low	High	Low
	<i>(U.S. dollars)</i>		<i>(rubles)</i>	
2007				
First Quarter.....	1.2000	0.8930	31.3000	23.3350
Second Quarter.....	1.3300	1.0100	34.2910	26.0580
July 2006.....	1.2150	1.1700	31.3060	29.4000
August 2007.....	1.2100	1.1220	30.9000	28.9100
2006				
First Quarter.....	0.6510	0.3695	17.6140	10.7800
Second Quarter.....	0.6850	0.4650	18.4600	12.6630
Third Quarter.....	0.7100	0.5920	18.9650	14.2680
Fourth Quarter.....	0.9425	0.6750	24.9910	17.1880
2005				
First Quarter.....	0.2806	0.2387	7.9240	6.6420
Second Quarter.....	0.2850	0.2590	7.9350	7.1830
Third Quarter.....	0.3415	0.2840	9.8400	7.8420
Fourth Quarter.....	0.3650	0.3100	10.5000	8.8660
2004				
First Quarter.....	0.3000	0.2852	8.5960	7.5160
Second Quarter.....	0.3385	0.2195	9.5600	6.3170
Third Quarter.....	0.2660	0.2100	8.0000	5.6500
Fourth Quarter.....	0.3007	0.2420	8.8070	6.3300

Listing on the RTS and MICEX stock exchanges

The RTS and MICEX stock exchanges are located in Moscow. The RTS stock exchange was created in mid-1995 in order to merge uncoordinated regional markets into a single organized Russian securities market. The RTS stock exchange comprises two stock exchanges, one of which is structured as a non-commercial partnership, and the other is an open joint-stock company.

The MICEX stock exchange was created in January 1992 as a closed joint stock company, but trading in shares began only in March 1997.

Generally, trading on RTS and MICEX takes place through automated systems, which, depending on the type of the securities traded and the exchange, are open between approximately 10.00 am and 7.00 pm (Moscow time) on every business day. Trading in securities listed on RTS and MICEX may also be carried out over-the-counter. The exchanges have a system of automatic suspension of trades in the shares of a specific issuer as a means of controlling excessive share volatility.

Exchange transactions are generally settled based on the principle of “delivery against payment” through specialized organizations, although on the RTS it is also possible to settle based on the principle of “free settlement”. Transactions are settled on the same day. Deferred payment is not allowed even pursuant to mutual agreement of the parties. A majority of securities traded on MICEX, including RAO UES Shares, are on deposit with Non-Commercial Partnership National Depository Center (“NDC”), which has received the “reliable foreign depository” status from the U.S. SEC. Securities traded on RTS, including RAO UES Shares, are on deposit with CJSC Depository Clearing Company (“DCC”). According to the requirements of the NDC and the DCC, settlements are conducted through the clearing systems of RTS and MICEX, respectively.

Regulation of Russian securities markets

- The Russian securities market is regulated by the Government of the Russian Federation. The primary relevant legislation consists of the Federal Law on the Securities Market No. 39-FZ, dated April 22, 1996, as amended (the “Securities Market Law”), the Joint Stock Companies Law, the Federal Law on Protection of Rights and Legitimate Interests of Investors in the Securities Market No. 46-FZ, dated March 5, 1999, as amended, and regulations of the FSFM and its predecessor, the Federal Commission for the Securities Market (“FCSM”).
- The Securities Market Law defines various types of securities, sets forth key rules regarding the issuance of, placement of, and trading in, securities and imposes certain disclosure obligations on issuers. The Securities Market Law also provides basic rules governing activities of the professional market participants, such as brokers, dealers, clearing organizations and exchanges. Generally, the Securities Market Law provides a framework for more specific regulations by the FCSM and its successor the FSFM.
- The Joint Stock Companies Law addresses such issues as the legal status, foundation, reorganization and liquidation of joint-stock companies, as well as the rights and obligations of shareholders and protection of shareholder rights. The Joint Stock Companies Law provides guidelines for corporate approvals and other corporate procedures necessary for issuance of securities by joint-stock companies. The Joint Stock Companies Law outlines corporate steps that must be taken to carry out a corporate reorganization of a joint-stock company, including its reorganization through a spin-off or merger. In particular, the Joint Stock Companies Law requires that the terms of distribution of shares of a spun-off entity to the shareholders of the reorganized company, and the terms of conversion of shares of a company being merged into shares of a surviving merging company, be approved at the general shareholders’ meetings of the reorganizing company or the surviving company, as the case may be. Generally, the issuance of the shares of a spun-off company must be approved by corporate action and the shares must be registered with the FSFM. However, in the Spin-Offs described herein, the shares in the Holdcos are expressly exempt by the Joint Stock Companies Law from registration with the FSFM due to their immediate conversion into the Genco Shares.

- The FCSM was established in 1996 to contribute to the formation and development of the securities market in Russia. As part of administrative reforms, the FCSM was replaced and its functions are now performed by the FSFM. The FSFM has broad authority and may issue mandatory instructions, suspend and revoke licenses of the securities market professional participants and seek invalidation of transactions in court. One of the most important regulations issued by the FSFM is the Standards of Issuance of Securities and Registration of Securities Prospectuses approved by the FSFM Order No. 07-4/pz-n dated January 25, 2007, which sets forth rules and procedures for the issuance of shares, bonds and issuers' options. It also regulates the registration of offering and placement documents and prospectuses.
- The FSFM Order For Issue of Permits for Admission of Securities to Placement and/or Circulation Outside the Russian Federation No. 06-5/pz-n, dated January 12, 2006, requires prior approval by the FSFM for any placement of securities by a Russian issuer outside the Russian Federation or circulation of such securities outside the Russian Federation organized either by an issuer or a shareholder, including, for example, the issuance under American or global depositary receipt facilities of depositary receipts or other similar instruments for which the securities of a Russian issuer are an underlying asset. The approval is granted if the issuer meets certain conditions, including that (1) the underlying securities are registered with the FSFM and are listed on a licensed Russian stock exchange, (2) the number of shares of a certain class that are proposed to be placed or circulated abroad does not exceed 35 percent of all the issued and outstanding shares of such class; (3) the agreement pursuant to which foreign securities (such as depositary receipts) are placed provides that the underlying Russian shares can only be voted in accordance with the instructions of foreign security holders and (4) in case of a Russian securities offering outside the Russian Federation, the securities must be simultaneously offered on the Russian securities market and not more than 70% of the offered securities may be purchased outside the Russian Federation. This last condition does not apply to distributions of shares in the course of reorganizations.
- On February 7, 2003, the FCSM adopted Regulation No. 03-6/ps, amending Regulation No. 17/ps, dated May 31, 2002, which addressed concerns about corporate governance and the protection of investor rights. This Regulation imposes procedures for conducting general shareholders' meetings that apply to both closed and open joint stock companies. In particular, Clause 2.12 of the Regulation provides for "split voting" by nominal holders, who may represent the interests of the holders of DRs at shareholders' meetings, requiring them to vote separate portions of blocks of shares individually and specifically on the basis of instructions received from the beneficial owners.
- FSFM Order No. 06-68/pz-n dated June 22, 2006 "On Approval of Trading Activities in the Securities Markets" was published on October 26, 2006 and became effective on November 12, 2006. This Order sets forth the general requirements for listing of securities. The Order mandates that, in order to be listed, among other things, the companies must prepare their financial reports in compliance with U.S. GAAP or IFRS (in the case of application for a first or second level tier "A" listing) and comply with the corporate governance requirements or, in the case of application for a "B" listing, undertake to comply with such requirements within one year following listing (similar regulations were previously set forth in FSFM Order No. 04-1245/pz-n, dated December 15, 2004).

Violations of securities regulations may result in civil, administrative or, with regard to individuals, criminal liability. The most common sanction is an administrative fine. Violators may also be required to pay compensatory damages, including lost profits. Criminal liability for knowingly using false information in the registration documents, the offering of unregistered securities, failure to disclose required information, or securities forgery may result in criminal fines of up to RUB 1 million or up to 5 years of imprisonment.

GLOSSARY OF TERMS

“Adjusted EBITDA”	Profit/(loss) before finance costs, income taxes, depreciation and reversal of impairment of property, plant and equipment.
“Cash-Out”.....	The sale by the Depositaries of Subsidiary Shares and Holdco Shares, as applicable, and the distribution of the net cash proceeds thereafter to U.S. DR Holders.
“CBR”.....	Central Bank of the Russian Federation.
“Code”	The United States Internal Revenue Code of 1986, as amended.
“Depositaries”	The RAO UES ADR Depositary and the RAO UES GDR Depositary.
“DRs”	Depositary receipts representing either American depositary shares and/or global depositary shares, as the case may be, including each and any of the depositary shares evidenced by depositary receipts over shares in RAO UES, the Subsidiaries and the Holdcos, as applicable.
“EGM”	The extraordinary general meeting of the shareholders of RAO UES to be held on the EGM Date to consider, among other things, the Spin-Offs proposal.
“EGM Date”	October 26, 2007.
“EGM Record Date”	August 23, 2007.
“Electric Power Industry Law”.....	Federal Law “On the electric power industry” No. 35-FZ dated March 26, 2003.
“Energos”.....	The regional vertically integrated energy companies that transmit, distribute and sell both electricity and heat in their respective regions.
“Exchange Act”.....	United States Securities Exchange Act of 1934, as amended.
“FAS”	Federal Antimonopoly Service.
“FCSM”	The Federal Commission for the Securities Market, the predecessor of the FSFM.
“Financial Advisors”.....	J.P. Morgan plc, Limited Liability Company “Investment and Finance Company Metropol” and Investment Bank “KIT Finance”.
“FSFM”.....	Federal Services on Financial Markets.
“FSK”	OAO The Federal Grid Company of Unified Energy System (OAO FSK UES).

“FST”	Federal Service on Tariffs, which is responsible for regulating the activities of the natural monopolies, including in the energy sector, as well as for regulating electricity and thermal energy tariffs.
“Gazprom”	Russian Open Joint-Stock Company Gazprom.
“Gcal”	Gigacalories.
“Gcal/h”	Gigacalories per hour.
“GDRs”	Global depositary receipts representing global depositary shares.
“Gencos”	OGKs and TGKs (except OGK-5 and TGK-5).
“Genco Shares”	Ordinary shares of any of the Gencos, as applicable.
“Goe/kW/h”	Gram oil equivalent per kW/h, a measure used to calculate the efficiency of a generation unit in terms of how much fuel it requires to produce one kilowatt-hour of electricity.
“HMRC”	Her Majesty’s Revenue and Customs.
“Holdcos”	New Russian companies (open joint-stock companies) to be formed as a result of the Spin-Offs.
“IFRS”	International Financial Reporting Standards.
“IRS”	U.S. Internal Revenue Service.
“Joint Stock Companies Law”	The Federal Law on Joint Stock Companies No. 208-FZ, dated December 26, 1995, as amended.
“kms”	Kilometers.
“KPMG”	ZAO KPMG, independent auditors, 11 Gogolevsky Boulevard, Moscow 119019, Russian Federation.
“kV”	Kilovolts.
“kW”	Kilowatts.
“kW/h”	Kilowatts per hour.
“Licensing Law”	Federal Law on Licensing of Certain Types of Activities No. 128-FZ dated August 8, 2001.
“LIFO”	Last in, first out.
“MICEX”	Closed Joint-Stock Company Moscow Interbank Currency Exchange.
“MMSKs”	Inter-regional transmission (trunk grid) companies.

“MRSKs”	Inter-regional distribution grid companies.
“MW”	Megawatts.
“MW/h”	Megawatts per hour.
“n/a”	not applicable.
“New GDRs”	Global depositary receipts of the relevant Holdco or Subsidiary representing Holdco Shares and Subsidiary Shares, as the case may be.
“New Wholesale Market Rules”	A set of rules, issued pursuant to the Electric Power Industry Law, which provide for the creation of a new wholesale electricity market. Pursuant to the New Rules, electricity supply companies in the wholesale market are allowed to sell power at market rates, with their distribution fees determined by market mechanisms.
“Non-U.S. DR Holders”	Each holder of record of RAO UES DRs representing RAO UES Ordinary Shares or RAO UES Preferred Shares, as the case may be, who certifies within 30 days following the Spin-Offs Record Date to the Relevant Depositary that it is not (and is not acting on behalf of) a U.S. person and was outside the United States at the time of receipt of the Information Statement and when voting on the Spin-Offs, and will be outside the United States when receiving Holdco Shares, Holdco GDRs, Subsidiary Shares or Subsidiary GDRs, as the case may be.
“OGKs”	Wholesale Generating Companies.
“Opinions”	Separate opinions of the Financial Advisors provided to the Board of Directors of RAO UES.
“Option Plan”	Share option plan for the employees of RAO UES, approved in June 2004.
“PFIC”	Passive foreign investment company.
“RaEl Association”	All-Russian Branch Association of Employers of Electric Power Industry.
“RAO UES”	Russian Joint Stock Company Unified Energy System of Russia.
“RAO UES ADR Depositary”	Deutsche Bank Trust Company Americas.
“RAO UES ADR Deposit Agreements”	Deposit agreements relating to the RAO UES ADRs.
“RAO UES ADR Redemption Agent”	The Redemption Agent to be appointed with respect to the RAO UES ADRs.

“RAO UES ADRs”	RAO UES’ American depositary receipts.
“RAO UES DRs”	The RAO UES ADRs and the RAO UES GDRs.
“RAO UES GDR Depositary”	The Bank of New York.
“RAO UES GDR Redemption Agent” .	The Bank of New York.
“RAO UES GDRs”	RAO UES’ Global depositary receipts.
“RAO UES Group”	RAO UES, together with its subsidiaries.
“RAO UES Ordinary Shares”	Ordinary shares of RAO UES, each with a par value of RUB 0.50.
“RAO UES Preferred Shares”	Class “A” preferred shares of RAO UES, each with a par value of RUB 0.50.
“RAO UES Shares”	RAO UES Ordinary Shares and RAO UES Preferred Shares.
“RAS”	Russian accounting standards.
“Reconstruction Rules”	Section 136 TCGA 1992, which allows certain reconstructions of share capital to take place without the holder of the relevant shares disposing of them.
“Redemption Agents”	The RAO UES ADR Redemption Agent and the RAO UES GDR Redemption Agent.
“Redemption Election Period”	The 45 calendar day period from the EGM Date through December 10, 2007 during which RAO UES shareholders entitled to vote at the EGM and who either vote against the Spin-Offs or do not vote on the Spin-Offs proposal, may elect to have RAO UES redeem their shares.
“Regulation S”	Regulation S under the Securities Act.
“Regulation S GDR Facility”	Regulation S global depositary receipt facility.
“Reorganization Date”	The date of state registration (with the USRLE) of the Holdcos.
“Resolution No. 109”	Resolution No. 109 On Price Setting with respect to Electric and Thermal Energy in the Russian Federation, dated February 26, 2004.
“Resolution No. 529”	Resolution of the Government of the Russian Federation “On improvement of the functioning of the wholesale electricity market” No. 529 dated August 31, 2006.
“Resolution No. 530”	Resolution of the Government of the Russian Federation “On approval of rules of the retail energy market for the transitional period” No. 530, August 31, 2006.

“RSKs”	Distribution grid companies.
“RTS”	Russian Trading System Stock Exchange.
“rubles” and “RUB”	The lawful currency for the time being of the Russian Federation.
“Rule 144”	Rule 144 under the U.S. Securities Act of 1933, as amended.
“Rule 144A”	Rule 144A under the U.S. Securities Act of 1933, as amended.
“Securities Act”	U.S. Securities Act of 1933, as amended.
“Securities Market Law”	The Federal Law on the Securities Market No. 39-FZ, dated April 22, 1996, as amended.
“Spin-Offs”	The proposed reorganization of RAO UES as described in this Information Statement.
“System Operator”	Open Joint-Stock Company System Operator-Central Dispatching Office of the Unified Energy System.
“Tax Code”	Russian Federation Tax Code.
“Taxes Act”	Income and Corporation Taxes Act 1988 (U.K.).
“Tax Treaty”	The income tax treaty between the United States of America and the Russian Federation.
“TCGA 1992”	Taxation of Chargeable Gains Act 1992 (U.K.).
“TGKs”	Territorial Generating Companies.
“Trade System Administrator”	Non-profit Partnership Trade System Administrator of the Wholesale Electricity Market of Unified Energy System.
“U.K. Holders”	Persons who are resident (and in the case of individuals, ordinarily resident and domiciled) in the U.K. for tax purposes.
“US” or “U.S.”	United States of America.
“U.S. dollars” and “USD”	The lawful currency for the time being of the United States.
“U.S. DR Holders”	Holders of RAO UES ADRs or RAO UES GDRs, as the case may be, who fail or are unable to certify to the Relevant Depositary that they are not (and are not acting on behalf of) U.S. persons and were outside the United States at the time of receipt of the Information Statement and when voting on the Spin-Offs, and will be outside the United States when receiving the relevant Holdco Shares, the Subsidiary Shares or the New GDRs, as the case may be.
“U.S. GAAP”	United States generally accepted accounting principles.

“U.S. Holder”	For purposes of the discussion of U.S. tax consequences of the Spin-Offs in this Information Statement, a holder of the relevant Holdco Shares or Subsidiary Shares, or New GDRs, that is (i) a citizen or resident of the United States of America, (ii) a corporation organized under the laws of the United States of America or any state thereof, or (iii) otherwise subject to U.S. federal income taxation on a net income basis with respect to the relevant Holdco Shares, Subsidiary Shares or New GDRs.
“U.S. person”	“U.S. person” as defined under Regulation S of the Securities Act.
“U.S. SEC”	United States Securities and Exchange Commission.
“USRLE”	Russian Unified State Register of Legal Entities.
“VAT”	Value-added tax.
“ZAO PricewaterhouseCoopers Audit”	ZAO PricewaterhouseCoopers Audit, independent auditors.

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EXHIBIT I — DISAGGREGATION OF HISTORICAL FINANCIAL INFORMATION OF THE RAO UES GROUP

The following tables present certain consolidated historical financial information of the RAO UES Group disaggregated by certain Subsidiaries.

This disaggregation has been prepared on the basis described in the accompanying notes using information from the IFRS consolidated financial statements of the RAO UES Group for the year ended December 31, 2006, however it is not part of those financial statements.

Information in this section is provided for illustrative purposes only and does not purport to represent what the actual financial position of the RAO UES Group would have been if the reorganization process had finished on December 31, 2006, nor is it necessarily indicative of the financial position of the RAO UES Group, or any of the Subsidiaries' financial position, individually or in the aggregate, for any future period.

The RAO UES Group's consolidated financial statements for the year ended December 31, 2006 were prepared in accordance with IFRS, which differs in certain respects from U.S. GAAP. For a description of the principal differences between IFRS and U.S. GAAP, see "Summary of Certain Differences between U.S. GAAP and IFRS".

This disaggregation of historical financial information is presented with respect to the Spin-Offs from the RAO UES Group according to the following subgroups:

- HydroOGK;
- OGKs (excluding HydroOGK);
- TGKs;
- FSK (including entities, which will be consolidated into the FSK in the course of the reorganization of RAO UES);
- MRSKs (including entities, which will be consolidated into the MRSKs in the course of the reorganization of RAO UES);
- East Energy Systems; and
- InterRAO (including Sochinskaya TES).

**Consolidated Balance Sheet of the RAO UES Group as at December 31, 2006 (in millions RUB)
disaggregated by certain Subsidiaries**

	<u>RAO UES Group¹</u>	<u>Consolidation adjustments²</u>	<u>OGKs³ aggregated</u>	<u>TGKs⁴ aggregated</u>	<u>HydroOGK⁵</u>	<u>FSK⁶</u>	<u>MRSKs⁷</u>	<u>East Energy Systems⁸</u>	<u>InterRAO⁹</u>
ASSETS									
Non-current assets									
Property, plant and equipment	1,217,526	35,618	113,114	289,297	141,841	244,877	276,083	71,141	45,555
Investments in associates and jointly-controlled entity	3,338	(1,048)	—	1,319	—	2,533	—	—	534
Deferred profit tax assets	3,988	205	116	91	913	65	2,073	503	21
Other non-current assets	<u>34,165</u>	<u>(9,441)</u>	<u>1,932</u>	<u>4,655</u>	<u>5,919</u>	<u>18,347</u>	<u>6,282</u>	<u>5,665</u>	<u>807</u>
Total non-current assets	<u>1,259,017</u>	<u>25,334</u>	<u>115,162</u>	<u>295,362</u>	<u>148,673</u>	<u>265,822</u>	<u>284,438</u>	<u>77,309</u>	<u>46,917</u>
Current assets									
Cash and cash equivalents	54,101	17,020	3,004	9,890	2,385	11,221	7,392	1,049	2,140
Accounts receivable and prepayments . .	134,282	(40,932)	8,216	31,707	21,249	44,852	40,971	16,440	11,779
Inventories	60,973	4,505	11,526	21,953	929	1,485	11,444	7,667	1,464
Other current assets .	<u>30,180</u>	<u>(1,494)</u>	<u>1,351</u>	<u>1,975</u>	<u>5,423</u>	<u>18,859</u>	<u>3,740</u>	<u>12</u>	<u>314</u>
Total current assets . .	<u>279,536</u>	<u>(20,901)</u>	<u>24,097</u>	<u>65,525</u>	<u>29,986</u>	<u>76,417</u>	<u>63,547</u>	<u>25,168</u>	<u>15,697</u>
Non-current assets classified as held for sale	4,883	—	—	4,883	—	—	—	—	—
TOTAL ASSETS . . .	<u>1,543,436</u>	<u>4,433</u>	<u>139,259</u>	<u>365,770</u>	<u>178,659</u>	<u>342,239</u>	<u>347,985</u>	<u>102,477</u>	<u>62,614</u>

**Consolidated Balance Sheet of the RAO UES Group as at December 31, 2006 (in millions RUB)
disaggregated by certain Subsidiaries**

	<u>RAO UES Group¹</u>	<u>Consolidation adjustments²</u>	<u>OGK³ aggregated</u>	<u>TGK⁴ aggregated</u>	<u>HydroOGK⁵</u>	<u>FSK⁶</u>	<u>MRSKs⁷</u>	<u>East Energy Systems⁸</u>	<u>InterRAO⁹</u>
EQUITY AND LIABILITIES									
Equity									
Total equity¹⁰	<u>1,026,750</u>	<u>91,492</u>	<u>92,570</u>	<u>237,171</u>	<u>130,409</u>	<u>202,599</u>	<u>220,894</u>	<u>17,943</u>	<u>33,672</u>
Non-current liabilities									
Deferred profit tax liabilities.	136,496	4,720	15,048	29,904	9,379	52,348	17,843	6,593	661
Non-current debt . . .	107,777	4,423	1,075	30,426	18,783	30,616	12,604	3,618	6,231
Other non-current liabilities.	15,755	(2,281)	2,047	3,669	130	(300)	8,619	3,127	745
Total non-current liabilities.	<u>260,028</u>	<u>6,862</u>	<u>18,170</u>	<u>63,999</u>	<u>28,292</u>	<u>82,664</u>	<u>39,066</u>	<u>13,338</u>	<u>7,637</u>
Current liabilities									
Current debt and current portion of non-current debt . .	101,935	(10,499)	16,897	29,705	10,085	12,808	23,655	15,011	4,274
Accounts payable and accrued charges.	112,128	(91,371)	8,496	27,139	8,601	42,947	53,583	47,341	15,393
Taxes payable.	41,965	7,949	3,126	7,126	1,272	1,221	10,787	8,844	1,638
Total current liabilities.	<u>256,028</u>	<u>(93,921)</u>	<u>28,519</u>	<u>63,970</u>	<u>19,958</u>	<u>56,976</u>	<u>88,025</u>	<u>71,196</u>	<u>21,305</u>
Liabilities directly associated with non-current assets classified as held for sale.	630	—	—	630	—	—	—	—	—
Total liabilities	<u>516,686</u>	<u>(87,059)</u>	<u>46,689</u>	<u>128,599</u>	<u>48,250</u>	<u>139,640</u>	<u>127,091</u>	<u>84,534</u>	<u>28,942</u>
TOTAL EQUITY AND LIABILITIES.	<u>1,543,436</u>	<u>4,433</u>	<u>139,259</u>	<u>365,770</u>	<u>178,659</u>	<u>342,239</u>	<u>347,985</u>	<u>102,477</u>	<u>62,614</u>

**Consolidated Statement of Operations for the year ended December 31, 2006 (in millions RUB)
disaggregated by certain Subsidiaries**

	RAO UES Group ¹	Consolidation adjustments ²	OGK ³ aggregated	TGK ⁴ aggregated	HydroOGK ⁵	FSK ⁶	MRSKs ⁷	East Energy Systems ⁸	InterRAO ⁹
Revenues	894,896	(87,644)	133,320	282,583	26,702	111,483	298,290	87,489	42,672
Other operating income	6,592	4,765	558	1,269	—	—	—	—	—
Reversal of tariff imbalance	11,708	(886)	—	—	—	3,915	1,705	6,355	620
Reversal of impairment	189,629	6,709	30,725	76,074	28,546	33,351	299	12,299	1,626
Operating expenses . .	(820,556)	112,153	(133,518)	(285,115)	(28,621)	(95,974)	(264,693)	(87,488)	(37,301)
Operating profit	282,269	35,097	31,085	74,811	26,627	52,775	35,601	18,655	7,617
Finance costs	(15,669)	(2,058)	(1,600)	(2,323)	(1,285)	(2,027)	(2,859)	(2,815)	(700)
Share of profit/(loss) of associates	(520)	18	—	18	—	(490)	—	—	(66)
Profit before profit tax	266,080	33,057	29,485	72,506	25,342	50,258	32,742	15,840	6,851
Total profit tax charge	(116,562)	(3,787)	(8,500)	(22,877)	(8,516)	(53,341)	(10,495)	(7,798)	(1,248)
Profit for the period .	149,518	29,270	20,985	49,629	16,826	(3,083)	22,247	8,042	5,603

Notes:

1. RAO UES Group's consolidated balance sheet as at December 31, 2006 and statement of operations for the year ended December 31, 2006 were derived from the RAO UES Group's consolidated financial statements for the year ended December 31, 2006.
2. Information for each of the subsidiary subgroups has been presented prior to elimination of any inter-subgroup transactions and balances (except where intragroup transactions and balances arose within a subsidiary subgroup). The consolidation adjustments include: elimination of inter-subgroup revenues and costs, borrowings, accounts receivable and payable, inter-subgroup investments and share capitals. In addition, consolidated financial statements of OGK-5, TGK-5 and energy retailing companies (a full list of such entities is available on the web-site of RAO UES) were included into this column.
3. OGKs aggregated represent all OGKs except OGK-5 and HydroOGK.
4. TGKs aggregated represent all TGKs except TGK-5.
5. HydroOGK includes all entities which will be merged with or otherwise acquired by HydroOGK during the reorganization process (mainly hydro power stations).
6. The FSK includes high-voltage transmission companies and certain RAO UES subsidiaries, which will merge with the FSK. In addition, the FSK as a successor company will receive certain assets and liabilities of RAO UES.
7. The MRSKs include low-voltage distribution companies, which will be within the MRSKs' segment.
8. East Energy Systems represents entities which are located in the Far East region.
9. InterRAO includes the entities of the InterRAO Group (with foreign subsidiaries), Kaliningradskaya TES, Severo-Zapadnaya TES, Sochinskaya TES and Ivanovskie PGU.
10. Due to the fact that it is difficult to determine the final share capital structure of the RAO UES Group entities after reorganization, share capitals are not presented in separate lines and shown together in the line Total equity.

EXHIBIT II — SUMMARY OF CERTAIN DIFFERENCES BETWEEN IFRS AND RAS

The financial information included herein is prepared and presented in accordance with IFRS. Certain differences exist between IFRS and RAS, which might be material to the financial information herein.

The following is a discussion of some of the differences between IFRS and RAS and the consequential differences in disclosure and presentation in financial statements prepared under IFRS and RAS. RAO UES is responsible for preparing the summary below. RAO UES has not prepared a complete reconciliation of its financial statements and related footnote disclosure between IFRS and RAS and has not quantified such differences. Accordingly, no assurance is provided that the following discussion is complete. It is not intended to be a comprehensive analysis of all significant differences, nor a detailed comparison, of IFRS and RAS. Shareholders should consult their own professional advisors for an understanding of the differences between IFRS and RAS and how those differences might affect the financial information herein and elsewhere.

Some general differences in accounting treatment between RAS and IFRS include the following:

- IFRS' versatility and strength lies in the assessment of the economic substance of the underlying transactions, rather than their legal form. In Russian accounting practice legal form usually determines transaction's treatment and presentation at the face of financial statements, which may have the effect of impeding the fair presentation of the operations' results and financial position.
- The system of Russian accounting standards is still in the process of formation. Therefore, some Russian accounting standards that have been adopted may not be applied in practice, including the presentation of consolidated financial statements, the recognition of certain valuation allowances and accruals and detailed levels of financial disclosures.
- In accordance with IFRS, companies operating in a "hyperinflationary economy" are required to restate their local currency financial statements in terms of a measurement unit current at the balance sheet date by applying a general price index to all non-monetary assets and liabilities, all components of shareholders' equity and items of income and expense, before their financial statements are presented and/or included in their parent's consolidated financial statements. For Russian enterprises reporting under IFRS, the use of indexation tended to have an important impact on financial results because of the high levels of inflation experienced by the Russian economy from the early 1990s. Effective January 1, 2003, Russia is no longer considered to be a hyperinflationary economy for IFRS purposes. Under RAS, which does not have specific rules for reporting in a hyperinflationary environment, companies continued to report in historical rubles during the periods of hyperinflation without any adjustments for loss of the purchasing power of the ruble.

Consolidation***Subsidiaries***

Control is a key basis to determine whether company is a subsidiary or not. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Definition of subsidiary is based on possibility to influence its decision taking process via dominant stake, agreement or in other manner.

Associates

Significant influence is a key basis to determine whether company is an associate or not. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case.

Associate is a company in which a parent company has more than 20% of voting shares.

For presentation of associate results equity method is used. Share of post-tax results is shown.

Equity method is not used.

Special purpose entities

Special purpose entities ("SPE") should be consolidated where substance of the relationship indicates control.

No such guidance in RAS.

Business combinations

Business combinations initiated after March 31, 2004, are acquisitions and accounted for in accordance with one method — the purchase method.

Acquired assets and liabilities should be recorded based on their carrying book value at the date of acquisition.

The purchase method records the assets and liabilities of the acquired entity at fair value. The cost of acquisition is the amount of cash or cash equivalents (or fair value of non-monetary assets exchanged). Goodwill is recognized as the residual between the consideration paid and the percentage of the fair value of the business acquired.

Fair value determined on a provisional basis can be adjusted against goodwill within 12 months of the acquisition date. Subsequent adjustments are recorded in income statement unless they are to correct an error.

No subsequent adjustments arise as fair value is not determined and pre-acquisition carrying value of assets and liabilities is used.

Minority interest at acquisition stated at minority's share of the fair value of acquired identifiable assets, liabilities and contingent liabilities.

Minority interest at acquisition stated as minority's share of the carrying book value of acquired net assets.

The identification and measurement of acquiree's identifiable assets, liabilities and contingent liabilities are reassessed. Any excess remaining after reassessment is recognized in statement of operations immediately.	No such guidance in RAS.
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Non-current assets held for sale

Non-current assets is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current assets classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Comparative balance sheet is not restated.	No such guidance in RAS.
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Accounting of property, plant and equipment

Historic cost of assets, acquired before January 1, 2003, has been restated upwards for IFRS purposes to remove the effect of inflation up to that date.	Concept of inflation accounting does not exist in RAS. Correspondingly, property, plant and equipment is presented at historic cost net of accumulated depreciation, and subject to obligatory and voluntary revaluation.
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Book value of assets acquired before 1998 equals to their depreciated replacement cost.

Property, plant and equipment are shown in balance sheet after impairment provision (IAS 36). An entity must assess annually whether there are any indications that an asset may be under- or over-impaired. If there is any such indication, the assets must be tested for impairment. If impairment is indicated, assets are written-off to the higher of fair value less costs to sell and value in use based on discounted cash flows. Reversal of impairment loss is required in certain circumstances. An impairment loss or reversal should be recognized in statement of operations.	There are no specific rules for impairment of assets under RAS.
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Accounts receivable and accounts payable

Accounts receivable and accounts payable are shown at fair values.	Accounts receivable and accounts payable are shown at historic costs except for trade accounts receivable, which are shown in the financial statements net of bad debt provision.
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Financial instruments

Trading, available-for-sale and derivative financial assets are generally recognized at fair value.	Trading and derivative financial liabilities are often carried off-balance sheet until their settlement date, when the gains and losses from these instruments are recognized.
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Profit tax

Only balance sheet method can be used to calculate deferred tax assets and liabilities.

RAS do not specify that only a balance sheet method should be used to calculate deferred tax assets and liabilities.

Pensions and other post-employment benefits

Projected unit credit method is used to determine benefit obligation and record plan assets at fair value. Actuarial gains and losses can be deferred.

No such guidance in RAS.

Share-based payment transactions

Expenses for services purchased are recognized. Corresponding amount is recorded either as a liability or an increase in equity, depending on whether transaction is determined to be cash- or equity-settled. Amount recorded is measured at fair value of share options granted.

No such requirements in RAS.

Cash-flow statement

Use direct or indirect method.

Only direct method is used. The indirect method is not allowed.

Disclosures

Starting from January 1, 2005, for state-controlled entities operations with other state-controlled entities should be disclosed in financial statements as related party transactions. In most cases, IFRS disclosure requirements, particularly with regard to listed securities, are much more extensive and detailed than comparable RAS disclosure requirements.

No such requirements in RAS.

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