JSC «Bashkirenergo»

ANNUAL REPORT **2010**

OJSC "BASHKIRENERGO" ANNUAL REPORT 2010

Annual Report of Bashkir open joint-stock company of the power industry and electrification "Bashkirenergo" following the results of 2010 was preliminary approved by the Board of Directors of OJSC "Bashkirenergo" on April 29, 2011 (Minutes No. 21(7)).

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Letter to Shareholders of the Chairman of the Board of Directors and the Director General of OJSC "Bashkirenergo"

Dear Shareholders

Summing up the results of 2010, we can safely say that OJSC "Bashkirenergo" passed it worthily. High efficiency of the enterprise management under conditions of gradual surmounting the Russian economy crisis has allowed us to move forward. We increased power generation by 14% in 2010 compared to the previous year, heat supply has also increased. Net profit has significantly exceeded target indicators, and the debt load of an enterprise was reduced to zero values.

Concerning figures and indicators, we do not forget about the main task of OJSC "Bashkirenergo" — secure and reliable heat and power supply to the enterprises and homes of Bashkortostan residents. This important task we performed flawlessly in 2010, despite of natural anomalies memorable to all Russians for the last year. Hot and dry summer in 2010 caused the emergency conditions in virtually all regions of the Russian Federation. Bashkir power engineering specialists had also many problems and worries, but we worthily coped with all troubles. In particular, engineering solutions implemented in the drought in order to prevent potential problems with water supply of power engineering facilities, have earned appraisal of the federal government and recommended to scaling within the Russian Federation.

During the winter natural disasters in December 2010, central regions of the Russian Federation and neighboring regions of the Republic of Bashkortostan seriously affected by freezing rain and massive damage to the electrical networks. Bashkortostan power engineers have gone through many trials without any serious disruption in power supply (black-out). Moreover, the Company found reserves to help the regions located near Moscow during recovery efforts. All this indicates a high readiness of our power system to act in abnormal situations, a competent tactical and technical guidance and an efficiency of our routine work, creating a proper safety and stability margin.

As Russian industry is gaining momentum and returns to normal pre-crisis mode of business, OJSC "Bashkirenergo" continues technological development, implements technical re-equipment and modernization programs. In 2010 we decommissioned obsolete facilities of 334 MW and 1759 Gcal/h, reduced specific reference fuel consumption up to 1%, brought gas share in the fuel balance of the Company up to 99% (91% as in previous year). One of the key indicators is Capacity Factor (CF). In 2010 CF has increased up to 61% and come to a level of pre-crisis years. This fact once again demonstrates a recovery of power engineering industry and regional economy as a whole.

Last year we have successfully implemented large and medium-sized investment projects. We have built power distribution lines (construction of 110 kV cable line Ibragimovskaya-GPP-1 was brought to an end), connected new facilities (Amet substation in the east of the region and Zaton substation in Ufa), engaged in modernization and technical re-equipment of generation facilities (K-45-1,6 bottom turbine installation works are completed at Ufimskaya CHPP-4, the turbine and generator of CCGTU-60 Combined Cycle Gas Turbine Unit are foundation mounted at Ufimskaya CHPP-2) A huge amount of routine technical work was also carried out providing reliable and uninterrupted operation of power system. Long-term work was carried out as well. Major investors and participants of the Russian energy market came to the Republic. At the end of 2010 OJSC "Bashkirenergo" has signed the Memorandum of Understanding and Cooperation with RusHydro OJSC. Partnership relations with one of the largest Russian state holdings offer great opportunities for the country hydropotential development. The Republic's leadership renders support, realizing the possible benefits of large-scale projects for the economy of Bashkortostan.

We should also note the changes that have occurred in OJSC "Bashkirenergo" in connection with the completion of the Russian electric power industry market reform. Since January 1, 2011 all consumers (except for population and similar categories) purchase electricity from guarantee supplier who purchases it at the Wholesale Electricity and Capacity Market (OREM). OJSC "Bashkirenergo" took full advantage of the transition period, having examined the positive and negative experiences of other industries accumulated during 2006-2010 and properly prepared for the transition to new operating principles. Starting with 2011 OJSC "Bashkirenergo" stops its activity as a guarantee electricity supplier, and transfers the entire generation volume in the OREM. BPSC LLC (Bashkortostan Power Supply Company) became a guarantee supplier in the Republic of Bashkortostan. The fact that we have been preparing for such organizational changes for several years allows the consumers to pass through the transition period without serious consequences and start working according to the new rules.

In 2010 OJSC "Bashkirenergo" retained Republican leader position in the corporate social responsibility sphere, and an amount of charity support provided by the Company to the Republic is the most significant among the largest enterprises taxpayers.

Evidently we have successfully passed 2010, having met all the performance targets with commendable economic and operating results. OJSC "Bashkirenergo" has entered 2011 in good shape, with the assurance that our further development plans will be implemented in full.

Chairman of the Board of Directors
Kurapov Nikolay Andreevich

Director General
Doronin Alexey Yuryevich

II General Information

Bashkir open joint-stock company of the power industry and electrification "Bashkirenergo"was established by the State Committee for State Property Management of the Republic of Bashkortostan on 30 October 30, 1992.

The Company generates and sales electric and thermal energy to ultimate consumers.

OJSC "Bashkirenergo" is a large regional vertically-integrated electricity company in Russia, which occupies a dominant position in the electricity and capacity market of the Republic of Bashkortostan. Its installed electric capacity is 4 247.7 MW, installed heat capacity — 13,254.98 Gcal/h. Power system generating capacities of the Republic of Bashkortostan integrate as follows: one state district power plant (GRES), ten combined heat and power plants (CHPP), including gas-engine Zauralskaya CHPP, two hydro power plants (HPP), five gas turbine plants, seven gas generator units, one wind power plant and eight small HPPs.

In 2010, OJSC "Bashkirenergo" increased power generation by 14% compared with 2009, reaching a figure of 22.6 bln. kWh. Thermal energy supply amounted to 24.1 mln. Gcal, which is 1% above the 2009 results. Generation share of OJSC "Bashkirenergo" in All-Russia generation amounted to 2.25% in 2010.

Effective power supply to ultimate consumers amounted to 19.1 billion kWh, which is 2.6% above the 2009 results. Thermal energy supply to ultimate consumers increased by 1% and amounted to 22.6 mln. Gcal.

OJSC "Bashkirenergo" owns companies engaged in transmission and distribution of electricity and heat, as well as their sales to ultimate consumers, repair and maintenance of power-generating equipment.

The Company had 1,192,894 residential consumers and 45,000 corporate consumers as of 31.12.2010.

Bashkirenergo Holding Structure as of 31.12.2010*

Electric and Thermal Energy Generation	Electric and Thermal Energy Transmission	Retail Business	Engineering, Maintenance and Repair Activities	Non-Productive and Social Sphere
BGK LLC	BashRTS LLC	ESKB LLC	Energoremont LLC	PNCEI ETC Bashkirenergo
KGRES	BSK LLC	Bashenergotrade LLC	Energoteploremont LLC	HRC Energetik LLC
Ufimskaya CHPP-1	BashRES LLC	Bashenergotrade LLC	Energoavtomatica LLC	Agrohozyajstvo Mir LLC
Ufimskaya CHPP-2			Bashenergouchet LLC	**Branches**
Ufimskaya CHPP-3			Bashenergotrans LLC	Energosvyaz
Ufimskaya CHPP-4			Energosnabkomplekt LLC	HRC
PUCHPP				
StCHPP				
STCHPP				
NStCHPP				
KTCHPP				
PGTPP				
ZuCHPP				
CCGTU CHPP-5 LLC				

* On date of adoption of annual accounts.

Branches of OJSC "Bashkirenergo"

No.	Full name of the branch	Abbreviated name of the branch	Key activities
1.	Energosvyaz — branch of Bashkir open joint-stock company of the power industry and electrification "Bashkirenergo"	Energosvyaz OJSC "Bashkirenergo" (ES)	Ensuring reliable operation of communication channels for supervisory and process management of power system within the Republic of Bashkortostan
2.	Health and Recreation Complex — branch of Bashkir open joint-stock company of the power industry and electrification "Bashkirenergo"	Health and Recreation Complex of OJSC "Bashkirenergo" (HRC)	Complex medical support of full occupational adaptation of operating staff

Subsidiaries of OJSC "Bashkirenergo" with 100% ownership interest

No.	Full name of the Company	Abbreviated name of the Company	Key activities
1.	Limited Liability Company "Bashkir Electricity Distribution Grids"	BashRES LLC	Provision of services for transmission and distribution of electricity, connection to the power grids
2.	Limited Liability Company "Bashkir Grid Company"	BSK LLC	Transmission and distribution of electricity throughout Unified National Electric Grid (UNEG)
3.	Limited Liability Company "Retail Electricity Company of Bashkortostan"	ESKB LLC	Electricity supply to individuals and legal entities
4.	Limited Liability Company "Energoremont"	Energoremont LLC	Repair, installation, reconstruction, adjustment, diagnostics of power-generating equipment
5.	Limited Liability Company "Energoteploremont"	Energoteploremont LLC	Designing, reconstruction, upgrading and repair of buildings, structures, networks and equipment
6.	Limited Liability Company "Energoavtomatica"	Energoavtomatica LLC	Designing, reconstruction, upgrading and repair of control and management systems
7.	Limited Liability Company "Bashenergouchet"	Bashenergouchet LLC	Repair and maintenance of electric and thermal energy accounting meters
8.	Limited Liability Company "Bashenergotrans"	Bashenergotrans LLC	Road transportation of passengers, large and dangerous goods; executing works and rendering services with the help of hoisting equipment
9.	Limited Liability Company Health and Recreation Complex "Energetik"	HRC Energetik LLC	Provision of services for health resort and preventive treatment
10.	Limited Liability Company "Baza otdyha "Pavlovka"	B/O Pavlovka LLC	Provision of leisure services
11.	Limited Liability Company "Agrohozyajstvo "Mir"	Agrohozyajstvo Mir LLC	Production, processing and marketing of agricultural products
12.	Private Non-Commercial Educational Institution "Education and Training Complex OJSC "Bashkirenergo""	PNCEI ETC Bashkirenergo	Organization and conduction of personnel training and continuing education; internship and certification of management; organization and conduction of personnel audit

* On 31.12.2010.

Subsidiaries of OJSC “Bashkirenergo” with less than 100% ownership interest*

No.	Full name of the Company	Abbreviated name of the Company	Key activities
1.	Limited Liability Company "Bashkir Generating Company"	BGK LLC	Electric and thermal energy generation
2.	Limited Liability Company "Bashkir Heat Distribution Grids"	BashRTS LLC	Thermal energy generation, transportation and distribution, power-generating equipment maintenance
3.	Limited Liability Company "Bashteplosbyt"	Bashteplosbyt LLC	Thermal energy supply
4.	Limited Liability Company "Energosnabkomplekt"	Energosnabkomplekt LLC	Provision of power system continuous processes with material resources, warehousing management
5.	Limited Liability Company "CCGTU "CHPP-5"	CCGTU CHPP-5 LLC	Performing construction management functions concerning construction of buildings and structures
6.	Limited Liability Company Health and Recreation Complex "Rosinka"	HRC Rosinka LLC	Provision of services for health resort and preventive treatment
7.	Limited Liability Company "Bashkirenergitrade"	"Bashkirenergitrade" LLC	Sales of electrical energy, electrical power and heat energy to personal and corporate bodies

* On 31.12.2010.

2.1.1. Key Operating Indicators

Generation	2008	2009	2010	Chan.,%
Installed electric capacity, MW	4 624	4 556	4 248	-7%
Installed capacity of TPP, MW	4 409	4 341	4 032	-7%
Installed capacity of HPP, MW	213	213	213	0%
Installed capacity of WPP, MW	2	2	2	0%
Operating capacity, MW	3 324	3 236	3 259	1%
Power generation, mln. kWh	23 351	19 834	22 612	14%
Effective power supply to consumers, mln. kWh	21 027	18 604	19 203	3%
Including: ultimate consumers	21 027	18 604	19 083	3%
OREM output	-	0	120	-
Capacity Factor, %	55%	50%	61%	11 p.p.
Installed heat capacity, Gcal/h	15 691	15 204	13 255	-13%
Heat supply, thousand Gcal	27 267	23 889	24 128	1%
Specific reference fuel consumption for power supply, g/kWh	327	326	323	-1%
Specific reference fuel consumption for heat supply, kg/Gcal	145	146	145	-1%

Power grid	2008	2009	2010	Chan.,%
Total length of transmission grid (220-500 kV overhead line), km	2 127	2 201	2 205	0%
Total installed capacity of 220-500 kV substation (SS), MVA	5 729	5 723	5 971	4%
Total length of overhead distribution lines (0.4-110 kV overhead line), km	77 574	79 095	79 441	0%
Total length of cable distribution lines, km	6 431	6 564	6 241	-5%
Total installed capacity of 35-110 kV substation (SS), MVA	10 450	10 564	10 564	0%
Total installed capacity of transformer substation (TS), MVA	4 337	4 384	4 484	2%

Heat transmission and distribution	2008	2009	2010	Chan.,%
Total length of pipelines and heating grid, km	2 008	2 023	2 024	0%
Installed capacity of steam boilers, Gcal/h	871	871	871	0%
Installed capacity of hot-water boilers, Gcal/h	4 062	4 070	4 108	1%

Retail power supply	2008	2009	2010	Chan.,%
Effective power supply to ultimate consumers, mln kWh	21 027	18 604	19 083	3%
Number of consumers — legal entities	35 346	39 507	41 040	4%
Number of residential consumers	1 482 180	1 383 559	1 192 894	-14%

Retail heat supply	2008	2009	2010	Chan.,%
Heat supply to ultimate consumers, thousand Gcal	27 753	22 400	22 623	1%
Heat supply with steam, thousand. Gcal	13 802	8 622	8 923	3%
Heat supply with water, thousand Gcal	13 951	13 777	13 701	-1%
Number of consumers — legal entities	5 451	5 939	5 394	-9%
Number of residential consumers	1 190	1 249	1 496	20%

2.1.2.
Key Financial and Economic Indicators

Indicator	2009	2010	Chan.,%
Financial indicators, in mln. RUR			
Revenue	50 295	62 835	25%
Operating expenses	(47 238)	(58 719)	24%
Operating profit	3 057	4 116	35%
EBIT margin	6%	7%	1 p.p.
OIBDA	6 423	7 613	19%
OIBDA margin, %	13%	12%	- 1 p.p.
Earnings before taxes (EBT)	3 068	4 077	33%
Profit for the year	2 135	2 791	31%
Net profit margin, %	4%	4%	0
CAPEX (financing)	5 700	3 289	- 42%
Return on investment CAPEX/Sales	11%	5%	6 p.p.

2.2
Competitive Environment and Competitive Advantages of the Company

The Company's most important market outlet for its products is in the Republic of Bashkortostan .
OJSC "Bashkirenergo" operates in the First Price Zone of the Wholesale Electricity and Capacity Market (OREM). The Company operates in 10 subjects of the Russian Federation integrated in the Unified Power Systems of Ural and Middle Volga. Unified Power Systems of Ural and Middle Volga are extremely competitive in terms of stations and companies participated in OREM.
Capacity sales at OREM are made in the "Ural" Free Power Transfer Zone (No.FZUROE07), one of two zones not covered by prices caps during competitive selection of capacity for 2011.
In the analysis of the competitive environment, the Company takes into consideration three main areas:

- electricity and heat generation;
- electricity distribution grids;
- retail business.

Competitors in "Electricity and heat generation" area:

- Volga Territorial Generating Company OJSC (Volga TGC-7);
- Open Joint Stock Company "Territorial Generating Company #9";
- Fortum \JSC;
- JSC "OGK-1";
- JSC "OGK-2" ;
- JSC «WGC-3»;
- JSC "OGK-4" ;
- OJSC "Enel OGK-5";
- JSC "RusHydro".

Company	Installed capacity (electric)	Generation	CF (electric)	Installed capacity (heat)	Heat supply
Territorial generating companies					
OJSC "Bashkirenergo"	4 248 MW	22 612 mln. kWh	61%	13 255 Gcal/h	24 128 thous. Gcal
Generating Company Tatenergo OJSC	4995 MW	19 820 mln. kWh	41%	7305 Gcal/h	19 219 thous. Gcal
Volga Territorial Generating Company OJSC (Volga TGC-7including Orenburg TGC OJSC	6879.7 MW	25 264 mln. kWh	42%	30 955 Gcal/h	46 262 thous. Gcal
Open Joint Stock Company "Territorial Generating Company #9"	3280 MW	11 606 mln. kWh	40%	17 000 Gcal/h	39860 thous. Gcal
Fortum JSC	2784 MW				
Stations of wholesale generating companies					
Permskaya GRES, Iriklinskaya GRES, Verhnetagilskaya GRES (JSC "OGK-1")	6 327 MW	33 401 mln. kWh	60%	1 320 Gcal/h	2220 thous. Gcal
Serovskaya GRES, Surgutskaya GRES-1, Troitskaya GRES (JSC "OGK-2")	5 865 MW	34 594 mln. kWh	67%		
Gusinoozerskaya GRES, Yuzhnoural-skaya GRES (JSC "WGC-3" OJSC)	1 982 MW	9 703 mln. kWh	56%	616 Gcal/h	706 thous. Gcal
Yayvinskaya GRES, Surgutskaya GRES-2 (JSC "OGK-4")	5400 MW	40 663 mln. kWh	86%	909 Gcal/h	1120 thous. Gcal
Sredneuralskaya GRES, Reftinskaya GRES (OJSC "Enel OGK-5")	4 982 MW	30 212 mln. kWh	69%		
Votkinskaya HPP, Zhigulevskaya HPP, Kamskaya HPP, Saratovskaya HPP, Cheboksarskaya HPP (JSC "RusHydro")	6589 MW	22 070 mln. kWh	38%		

If we consider in this area combined heat and power generation, OJSC "Bashkirenergo" will rank third among TGKs in terms of installed electric and heat capacity. The key feature of the electricity generating structure of the Company is an availability of small HPPs, GTPs, GPUs and WPPs (5% IC) and a relatively low CHPP share (55% IC). For comparison, the leader in terms of installed capacity TGK-7 has CHPP share of 96%.
Analysis of differences in the structure of OJSC "Bashkirenergo" capacities between other companies makes it possible to identify some specific advantages, including those associated with the activity specialization. Thus, OJSC "Bashkirenergo" has competitive advantages in comparison with other TGKs in the operation at the Wholesale Electricity and Capacity Market because of presence in its Power generating structure of large condensation station — the Karmanovskaya GRES.
OJSC "Bashkirenergo" has a low share of the out-of-date generating equipment that allows to have lower expenses on repairs. OJSC "Bashkirenergo" has the smallest number of workers per 1 MW of installed capacity. This fact allows OJSC "Bashkirenergo" to take of the second best position, by level of semi-fixed costs after TGK-7, but thus considerably outperforms other companies-competitors.
However, if we carry out the competitive analysis among all power producing companies it is necessary to take into account individual advantages of the different stations functioning in the same competitive environment. One of the indicators of compatibility is the Capacity Factor (CF). By this factor OJSC "Bashkirenergo" takes the fourth place among 11 companies, having advantage of even some of the OGKs.
Financial results of generating activity of OJSC "Bashkirenergo" are critically dependant on fuel expenses which make over 70 % of total expenditures.

Competitors in "Power distribution grid" area:

- Ural Interregional Disctribution Grid Company OJSC;
- Volga Interregional Disctribution Grid Company OJSC;
- Grid Company OJSC (Republic of Tatarstan).

Factor	OJSC "Bashkirenergo"	"Ural IDNC"	"Volga IDNC"
Branches	The structure of BashRES LLC consists of 5 branches: «BashRES-UHPP», «BashRES-Ufa», «BashRES-Sterlitamak», «BashRES-Beloretsk», «BashRES-Neftekamsk», which carrying out their activities on the territory of the Republic of Bashkortostan.	The structure of «Ural IDNC» consists of three branches — «Sverdlovenergo», «Chelyabenergo» and «Permenergo», and also two subsidiary enterprises — OJSC «Kurganenergo» and OJSC «UPSK».	«Samara power distribution networks», «Saratov power distribution networks», «Ulianovsk power distribution networks», «Mordovenergo», «Orenburgenergo», «Penzaenergo», «Chuvashenergo».
Total length of overhead transmission lines, thous. km	78	122	222
Total length of cable transmission lines, thous. km	6.5	4.7	1.1
Substation total installed capacity, MW	10 560	20 400	26 500
Total installed capacity of transformer substation (TS), MW	4 500	7 400	7 200
Number of standard units of equipment, thous. of S.U.	379	532	782

The comparative analysis conducted in 2010 showed the leading position of power distribution grid of OJSC "Bashkirenergo" (BashRES LLC) among the similar companies in Russia, especially in terms of operational efficiency and technical level of equipment.

Competitors in "Retail business" area:

- Permenergosbyt JSC;
- Chelyabenergosbyt JSC;
- Orenburgenergosbyt JSC

Factor	OJSC "Bashkirenergo" LLC "Retail Electricity Company of Bashkortostan"	Permenergos-byt JSC;	Chelyabener-gosbyt JSC;	Orenburgener-gosbyt JSC
Effective power supply, mln. kWh	19 080	15 732	12 539	9 720
Market share of the region, %	79	65	61	65
Ratio of the accounts receivable to revenue, %	4.0	6.4	25	4.5

*Data source: annual reports of competitor companies, analytical agencies reviews and rates of OJSC "Bashkirenergo" experts.

In the "Retail business" OJSC "Bashkirenergo" has an overwhelming advantage over its competitors in the region by dominating in the local market .
One of the most important performance indicators for the retail company is the level of reciavables for the supplied electricity. OJSC "Bashkirenergo" shows high efficiency in this respect in comparison with other companies with low ratio of the accounts receivable to revenue.

2.3
Development Strategy of Company

Power production

22 612

mln. kW-h

OJSC "Bashkirenergo" never forgets about its main mission — improvement of living standards of the population of the Republic of Bashkortostan and the Russian Federation through reliable supply of heat and electricity to consumers, and raising power efficiency while increasing business scales, providing for a high level of return for shareholders and pay-back of investments,.
On the 28th of May, 2010 the Board of Directors of Company adopted the development strategy of OJSC "Bashkirenergo" with the key course on the establishment of the highly effective power company, capable to adapt to the changing environment of the power and heat market in the view tomaximize profits, increase investment appeal and capitalization growth.

The main targets of the Development Strategy are:

- Enhancing of competitive advantages through energy-efficiency measures;
- Maintaining technological leadership by using state-of-the-art technologies in new construction and modernization projects;
- Improving operational effectiveness by introducing best international management practices.

In order toe implement the substantive provisions of the given strategy the functional strategies of all main areas of the Company activities were developed and adopted in the second and third quarter of 2010 . Within the implementation framework of the given functional strategies the following measures have been taken:

1) generating capacities of the OJSC "Bashkirenergo" gained access to the OREM,

2) differentiated service of power and heat consumers were introduced,

3) preparatory measures for the transition of the grid companies to establishment of the long-term tariffs saw implementation.
The key challenges facing OJSC "Bashkirenergo" are: the implementation of the functional strategy in the area of the Company organizational maturity, improvement of strategic management standards and enhancement of business-process efficiencies .
In the fourth quarter of 2010 for the purpose of operational efficiency improvement of OJSC "Bashkirenergo" the strategy of energy conservation and power efficiency development was worked out and adopted. This strategy covers all main areas of the Company activities:

- improvement of power efficiency and adherence to the Russian legislation on energy conservation;
- obtaining of economic benefits from investments into the energy conservation while maintaining the specified reliability level;
- improvement of staff motivation in the area of energy conservation by introducing energy management system.

The fourth quarter of 2010 saw the initiation of the development of the OJSC "Bashkirenergo" heat business optimization strategy , oriented on raising economic efficiency and guaranteeing heat supply reliability of the cities of Republic of Bashkortostan. It is planned to develope and approve the following strategies in 2011:

- strategy of improvement of the power grid business ;
- heat business optimization strategy;
- repair and maintenance development strategy.

Achievement of strategic targets will allow OJSC "Bashkirenergo" to get additional competitive advantages and guarantee the high level of return, keeping the required reliability of the power supply in the Republic of Bashkortostan.

2.4 Risk Management

Integrated risk management includes identification, analysis, evaluation and scaling risks, as well as development and implementation of procedures of response to relative situations, selection of risk management methods, control and monitoring.

Top-management of OJSC "Bashkirenergo" focuses on preventive approach in risk administration, the target of which is to avoid and minimize potential losses.

Within the framework of the integrated risk prevention system in different business areas adopted by the Board of Directors the Company, has taken several measures in organizing risk management business processes, namely:

- The establishment of the Risk Management Department inDecember 2009 is responsible for organization of risk management processes;
- comprehensive measures in indentifying significant risks associated with the activities of OJSC "Bashkirenergo" as well as in estimating all of the possible consequences were taken in 2010 with the participation of international consulting company and;
- Risks Committee created;
- Insurance function applied to the competence of the risks management department in 2010, guaranteeing the comprehensive approach of the risks management of all activities of the Company;
- mitigation plans and reacting provisions were made during the preparation of the consolidated budget.

In 2011 it is planned to finish integration of the risk and insurance control system into the operational activity of the Company subject to the best world practice in the power engineering area.

At the present time, OJSC "Bashkirenergo" considers that following risks are the most important.

Industry Risks

Risks of the Company associated with changes in sales volumes and fuel prices are not considerable as far as prices for raw materials used in the power and heat production are regulated in accordance with the Federal Law "On State Regulation of Tariffs". For the purpose of minimization of these risks, Company's power plants are forming fuel reserves that will satisfy extra expenses.

Regulating Risks

Russian Wholesale Electricity and Capacity Market (OREM) is in a formative state and udergoing constant changes. There is a probability of restrictions applied by the System operator to the represented pricing bids submitted by the Company, and also the control of the Federal Antimonopoly Service (FAS) and ATS OJSC in the conditions of constant change in trade rules of OREM. This, in turn, can lead to an inefficient planning risk of the Company's operational activity and deficiency of necessary effective return production facilities for development and modernization.

Commercial Risks

Risks deriving from the purchase of raw materials and equipment and loans involvement are related to possible increase in prices and bad faith of contracting parties. In this case, it is supposed to carry out some actions aimed at reduction of production costs, minimization of costs, and sequestration of investment plans, loan raising and also estimation implementation of contracting parties, establishing and controlling limits on operations with financial institutions.

Risks associated with the commissioning of new equipment, are minimized through the purchase of equipment from the producers that approved themselves in the market of this product in a positive way and confirmed its technical and economic indicators throughout guarantee testing and during the testing period.

Country and Regional Risks

OJSC "Bashkirenergo" is registered in the Russian Federation and carries out its activities in the Republic of Bashkortostan, so that country risks of business activities mostly depend on political and economic situation in the Russian Federation and in the Republic of Bashkortostan.

In case of significant political instability in Russian Federation and / or in the Republic of Bashkortostan, which could negatively affect activities and revenues of the Company, it is supposed to take measures of anti-crisis management in order to minimize the negative impact of the political situation in the country and in the region at the business of the Company.

Financial Risks

Moderate exchange rate fluctuations do not exert any considerably negative influence on the business of Bashkirenergo, as the Company does not effect export-import operations and all obligations of the Company are denominated in RUR. In case of significant changes in the exchange and interest rates, the Company plans to take general economic measures according to the program of costs reduction.

Legal Risks

The probability of changes in laws related to the business of the Company is negligible. Legal risks management is based on the optimization of legal processing of documents and maintenance of the Company and also daily following of changes in legislation.

Operational Risks

The Company constantly operates the risks connected with uninterrupted operation of production activity and industrial supervision technique. New advanced methods of operation safety protection during manufacturing are developed. The Company also develops corporate culture and increases social responsibility before all parties interested in.

2.5

Economic Situation in the Republic of Bashkortostan in 2010

In 2010 industrial growth has exceeded the forecast level of the Ministry of Economic Development of the Republic of Bashkortostan (10.8%), coming to 14% in the Russian average level of 8.2%. This fact testifies the strengthening of positive trends in the economy and overcoming the consequences of the economic crisis by the Republic. Improved factors performance is observed in all economic activities.

Industrial growth in Bashkortostan

14

%

The Republic of Bashkortostan takes 7th place in Russia in terms of shipped industrial products volume (70% of the national total). More than half of these products are made by manufacturing activities. Main part in the structure of the republican manufacturing activities compound next sectors:

- oil products (37.6%);
- chemistry (15.6%);
- mechanical engineering (17.8%).

Enterprises of the energy complex were the first of the industries that came to the pre-crisis level of production. The index of industrial manufacturing in the production of fuel-energy minerals amounted to 117.8%. Growth rate of oil production (15.8%), "Bashneft" OJSC keeps the leadership among domestic oil companies.

In refining the index of industrial production come to 104.2%. Since the beginning of the year 27.8 million tons of crude oil were refined, that increase the rate of 2009 over 5.3%. Oil refinery complex at the end of 2010 provided to Bashkortostan first place in Russia in terms of refining crude oil (processed 11.2% of Russian oil), for the production of gasoline (15%) and diesel fuel (14%), and the depth of oil processing (average on Russia for about 70%, in Ufaneftekhim OJSC — up to 94.84%). In 2010 it was given about 7.4 billion rubles by oil companies for production development.

The total volume of services on transportation of energy resources provided by the enterprises of the Republic of pipeline transport, exceeded the level to 24.5% in 2009.

Results of chemical manufacturing companies in 2010 showed an increase in the rate of exit from the crisis of both producers and consumers of chemical products. The industrial production index for this type of economic activity has made up 112.6%. The share of innovative products in total shipments of chemical production products made up for 46.7%.

There was a growth in republic's machine-building complex: in manufacturing of machinery and equipment — 13.7%, in manufacturing of electrical and optical equipment — 16.2%, in the production of vehicles and equipment — 26.1%. Production growth in the number of enterprises was provided by the export increase. By the end of 2010 the republic ranked first among Russian regions for the production of machine tools, the second largest producer of light bulbs, trolleys, truck, universal motors, and the third — for the production of helicopters, the fifth — for the production of buses.

OJSC "Bashkirenergo" investment program

3 289

mln. rubles

Increase of the world prices for nonferrous metals contributed to increased production of enterprises extracting mineral resources.

In 2010, wood production increased by 15.9%, in pulp and paper industry three times growth compared to the corresponding period last year.

Despite the growth shipped products volume on the enterprises of light industry in general, in the textile and clothing manufacture pre-crisis level is not reached.

In 2010 innovation activity of enterprises and organizations of the Republic was growing. The cost of innovation in all economic activities was 8.6 billion rubles, the vast majority of which — 8.5 billion — came from technological innovation. Substantial growth in commercial products has been achieved by the new parties of the innovation infrastructure. Residents of industrial parks commodity output worth around 5 billion rubles that is 4 times higher than in 2009.

Industrial growth was accompanied by qualitative changes in the financial area: profit growth of enterprises, reducing the number of unprofitable enterprises and losses amount.

Powerful industrial republican potential creating a demand for energy resources and emphasizes the priority of the power system.

In connection with the rise of industrial production the production and release of electricity and heat has been increased. The rate of industrial manufacturing in «Electricity, gas and water production and distribution" area made up 107%. OJSC "Bashkirenergo" invested 1.5 billion rubles in the proceeding construction of new generating facilities.

The practical implementation of the Integrated Program "Energy conservation and energy efficiency improvement for 2010 — 2014" of the Republic of Bashkortostan started in the industry. It was signed the Agreement between the Republic of Bashkortostan and RusHydro JSC about mutual cooperation to enhance energy and environmental security, water and hydrotechnical objects efficiency use in the Republic.

2.6

Main Events of the Energy Sector in 2010 (and the Company's Position in the Industry)

In 2010 an important events occurred in the energy industry:

• Liberalisation of the electricity and capacity market was 60% in the first half of the year, while in the second half — 80% in accordance with the Enactment of the Government of the Russian Federation of April, 07, 2007, No. 205 «On amendments to some acts of the Government of the Russian Federation on the issue of determining the volume of sales of electricity for free (unregulated) prices»;

• Cancelation of the government regulation of the electricity tariffs for industrial consumers.

• The Federal Law № 190-FL «On Heat Supply» was passed.

• Changes has been made to the following regulations in the operation area of the OREM:

1) Enactment of the Government of the Russian Federation of 24.02.2010 №89 "On Certain Issues Concerning Organization of Long-term Capacity Outtake on a Competitive Basis in the Wholesale Electricity and Capacity Market";

2) Enactment of the Government of the Russian Federation of 13.04.2010 №238 "On Determination of Price Parameters of Power Trade in the Wholesale Electricity and Capacity Market for Transition Period";

3) Enactment of the Government of the Russian Federation of March 3, 2010 № 117»On the selection order of subjects of electricity and the electricity consumers, providing service to ensure system reliability, and the provision of such services, as well as approving the changes being made to the acts of the Government of the Russian Federation on services to ensure system reliability».

Power generation

Power generation by UPS plants of Russia in 2010 reached 1 004.72 billion kWh, that is up 5% more than in 2009. OJSC "Bashkirenergo" in 2010 generated 22.612 million kWh, that is 2.25% of total Russian generation. The growth of power generation by the OJSC "Bashkirenergo" is 14% compared to 2009 outpacing of the growth rates of Russia as a whole.
Electricity consumption in 2010 came to 988.96 billion kWh.

Power generation	2008	2009	2010	Chan.
Total generation in Russia, kWh	1 006 542	957 111	1 004 730	5%
Bashkirenergo, mln. kWh	23 351	19 834	22 533	14%
OJSC "Bashkirenergo" share in the total power generation in Russia	2.32%	2.07%	2.25%	0.18 p.p.
Russian UPS installed capacity	210 616	211 846	214 869	1.43%
Bashkirenergo installed capacity	4 624	4 556	4 248	-7%

Installed capacity

At the end of 2010 the total installed capacity of Russian UPS made up 214.869 MW. Installed capacity of the OJSC "Bashkirenergo" at the end of 2010 made up 4 248MW or 1.97% of the All-Russian installed capacity.

2.7

Major Events in 2010

Date, location	Event	Urgency
January, 14, Ufa	Extraordinary General Meeting of Shareholders	Immediately after the shareholders meeting at the first meeting of the Board of Directors next solutions were made: Chairman of the Board of Directors was elected, together with his deputy and secretary; the personal membership of the Board of Directors of OJSC "Bashkirenergo" was approved: Strategy Committee, Nomination and Remuneration Committee, Corporate Governance Committee, Audit Committee.
April, 2, Ufa	Construction of 110 kV Ibragimovskaya-GPP-1 cable line named completed	reliability of electricity supply improved in the central part of Ufa, overhead line of 110 kV Ufa-Yuzhnaya — Glumilino was unloaded deficit of electric power reduced in the city.
March, 20, Ufa	At the Ufimskaya CHPP-4 completed the installation of the bottom turbine K-45-1,6, on the place of the dismantled turbine number 10.	Installation of the bottom turbine becomes one of the most significant investment projects of the OJSC "Bashkirenergo" in the period of 2008-2010. Such power capacities in the Republic have not been entered into operation since the 80-ies of the previous century. Installation of this turbine allows more efficient use of the existing thermal power equipment for the production of electricity and in different ways to work with it has increased the power generation of station into 90 MW.
June,10, Ufa	Annual General Meeting of Shareholders	Among the adopted decision it is worth mentioning the following: — To allocate the Company's profit for 2009 in the amount of 1,790,992 rubles to: — financing of social expenses, provided by the Company's budget for 2010 — 380 000 thousand rubles, — financing the investment program, approved in 2010 for CCGTU CHPP-5 — 162 271 rubles, — payment of dividends — 1,248,721 rubles. Dividend payment to common stock for 2009 amounted to 1.087 rubles per one stock. Dividend payment to preferred stock of Company's A-type for 2009 amounted to 2.304 rubles per one preferred stock Company's A-type.
June,30, Iglinskiy District	The voltage was supplied for the substation Amet from 220 kV Ufimskaya substation .	The substation was built to supply the needs of the new production line at the Ashinskiy Metallurgical Plant; Connection of new consumers of the northeast power district of the Bashkir energy system.
June,30, Ufa	Board of Directors approved an Agreement terms with the registrar, which maintains the register of agency securities of Bashkirenergo — Reestr OJSC Register preliminary terminating an agreement with "Central Registry" JSC	
June,30, Ufa	The Board of Directors has initiated a reorganization of OJSC "Bashkirenergo" by spinning-off of "Bashkirian PowerGrid Company" JSC	In order to comply with the Russian legislation prohibiting from 2011 for the Company to combine within one price zone electricity transmission with electricity generation and supply, the Company's management prepared for the spin-off from OJSC "Bashkirenergo" of the newly created power grid company OJSC "Bashkirian power grid" (OJSC "BPG") composed of long-range and local power lines. In order to maximize the protection of rights of all shareholders of the reorganized OJSC "Bashkirenergo" the spin-off was planned to be made with a mirror-like distribution of shares in the charter capital of the newly created entity.
November, 12, Moscow	Signing of Memorandum between Bashkirenergo and RusHydro JSC.	Scheduled implementation of joint projects to build new power plants and development of hydroelectric power plants (Pavlov HPP, Yumaguzinskaya HPP and others) owned to Bashkirenergo. All this opens up broad prospects for development of the energy potential of the Republic of Bashkortostan.
December, Moscow	A competitive selection of suppliers of services normalized primary frequency regulation (NPFR)	From OJSC "Bashkirenergo" in a competitive selection participated and were selected by the System Operator, four of six units of Karmanovskaya GRES.
December, 8, Moscow	Summing up a competitive selection of capacity in 2011, in accordance with the Rules of the Wholesale Electricity and Capacity Market (OREM).	OJSC "Bashkirenergo" took part in the competitive selection of capacity in Ural free power transfer zone. All power plants of Bashkirenergo, registered in OREM, passed competitive selection of capacity. Part of the power volumes of the Sterlitamakskaya CHPP in the amount of 55 MW, and Ufimskaya CHPP-1, in the amount of 10 MW, were assigned to forced generators
December, 24, Ufa	Extraordinary General Meeting of Shareholders	Decision on the reorganization of Bashkirenergo in the form of the spin-off of the "Bashkirian Powerl Grid" JSC ("BPG" JSC) was not accepted.
December, 30, Ufa	II stage of the backbone substation "Zaton" 220/110/10 kV putted into operation.	The possibility opens for the construction of new substations in Ufa of the deep input of 110 kV, increases the reliability of Ufa external power supply and Ufimskiy District, provided facilities for new customers in central, southern and western parts of the city, power district unloaded line (VL-110 kV "Ufa-Yuzhnaya — Staraya Ufa, Ufa-Yuzhnaya — Glumilino)

Energy Production

3.1 Production Capacities

One of the main activities of OJSC "Bashkirenergo" is the production of electricity and heat. The Company has a diversified structure of the generating assets, which includes:

- one state district power plant (GRES);
- ten combined heat and power plants (CHPP);
- 4 gas-turbine mini CHPP (GT CHPP);
- 4 gas generator mini CHPP (GG CHPP);
- two hydro power plants (HPP);
- 8 mini HPP (mHPP);
- one wind power plant.

The structure of Bashkirenergo holding disposes of two subsidiaries that produce electricity and heat: BGC and BashRTS.

On December 31th, 2010, total installed capacity of power plants and boilers of the Bashkirenergo was:

- electric capacity — 4 247.738 MW;
- heat capacity — 13 254.98 Gcal/h.

on December 31, 2010.

Power Plants	Installed electric capacity, MW			Installed heat capacity, Gcal/h			Year of commissioning of the first unit	Year of commissioning of the last unit	
	2008	2009	2010	2008	2009	2010		Turbines	Boilers
Karmanovskaya GRES	1800	1800	1800	204.0	204.0	204.0	1968	1973	1973
Ufimskaya CHPP-1	84	84	69	704.0	704.0	572.0	1941	1968	1994
Ufimskaya CHPP-2	452	452	452	1408.0	1448.0	1448.0	1952	1982	1981
Ufimskaya CHPP-3	110	110	110	827.0	827.0	827.0	1951	1954	1954
Ufimskaya CHPP-4	400	400	330	1608.0	1608.0	892.0	1956	1966	1987
Salavatskaya CHPP	264	250	245	1432.0	1257.0	1027.0	1953	1964	1965
Sterlitamakskaya CHPP	511	481	375	1899.0	1769.0	1326.0	1957	1969	1983
Novo- Sterlitamakskaya CHPP	355	355	255	1392.0	1392.0	987.0	1977	1980	1981
Priufimskaya CHPP	145	145	145	401.0	401.0	401.0	1976	1986	1984
Kumertauskaya CHPP	200	200	200	565.0	565.0	565.0	1954	1970	1979
Zauralskaya CHPP	24.92	24.92	12.46	22.2	22.2	11.11	2004		
Ishimbayskaya GTP	10	10	10	16.8	16.8	16.8	2000		
"Shigili" GTP	4	4	4	8.2	8.2	8.2	2001		

as at 31.12.2010

Power Plants	Installed electric capacity, MW			Installed heat capacity, Gcal/h			Year of commissioning of the first unit	Year of commissioning of the last unit	
	2008	2009	2010	2008	2009	2010		Turbines	Boilers
"Agidel" GTP	8	8	8	15.2	17.0	17.0	2002		
"Shaksha" GTP	10	10	10	15.9	16.0	16.0	2005		
"Krasnousolsk" gas generator unit (GGU)	1.95	1.95	1.95	2.26	2.26	2.26	2002		
"Yangantau" GGU	1.9	1.9	1.9	2.2	2.2	2.2	2002	1980	1981
"Yumatovo" GGU	0.973	0.973	0.973	1.12	1.12	1.12	2003		
"Assy" GGU	2.06	2.06	2.06	2.26	2.26	2.26	2004		
BashRTS-Ufa hot-water boilers				2448.97	2557.271	2559.191			
BashRTS-Sterlitamak hot-water boilers				900.736	900.736	886.786			
BashRTS-Neftekamsk hot-water boilers				612.12	612.12	612.12			
BashRTS-Ufa steam boilers				163.68	163.68	163.68			
BashRTS-Sterlitamak steam boilers				442.25	442.25	442.25			
BashRTS-Neftekamsk steam boilers				265	265	265			
Pavlovskaya HPP	166.4	166.4	166.4				1959		
Yumaguzinskaya HPP	45	45	45				2004	2008	
Slakskaya MHPP	0.1	0.1	0.1				1999		
Mechetlinskaya MHPP	0.445	0.445	0.445				2002		
Davlekanovskaya MHPP	0.7	0.7	0.7				2004		
Abdulkarimovskaya MHPP	0.3	0.3	0.3				2007		
Tanalykskaya microHPP	0.05	0.05	0.05				2001		
Avzyan microHPP	0.075	0.075	0.075				2002		
Uzyan microHPP	0.05	0.05	0.05				2002		
Kaga microHPP	0.075	0.075	0.075				2002		
Tyupkildy WPP	2.2	2.2	2.2				2002		
TOTAL:	4600.198	4556.198	4247.738	15358.916	15204.117	13254.98			

For reasons of economic practicability in 2010 333.5 MW and 1,758.7 Gcal/h of old capacities were decommissioned.

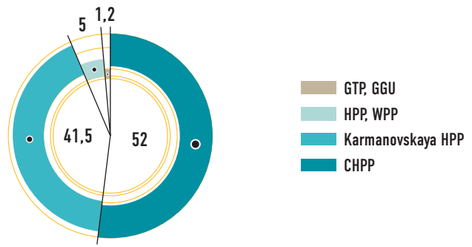
However, the following new equipment was commissioned in 2010:

Bottom turbine K-45-1,6 at the Ufimskaya CHPP-4.

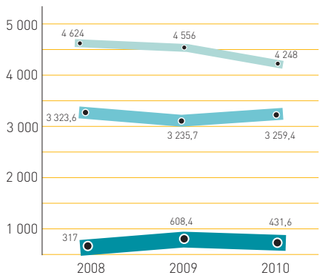
GTPP-25 at the Ufimskaya CHPP-1.

The first stage of Zauralskaya CHPP's development, including hot-water boiler with a capacity of 85 Gcal/h. Basic equipment of the second stage of development had been received and mounted (GTPP-16PA with heat recovery steam generator).

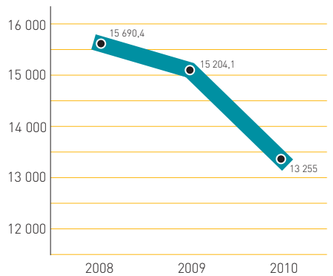
Diagram of installed electric capacity, %



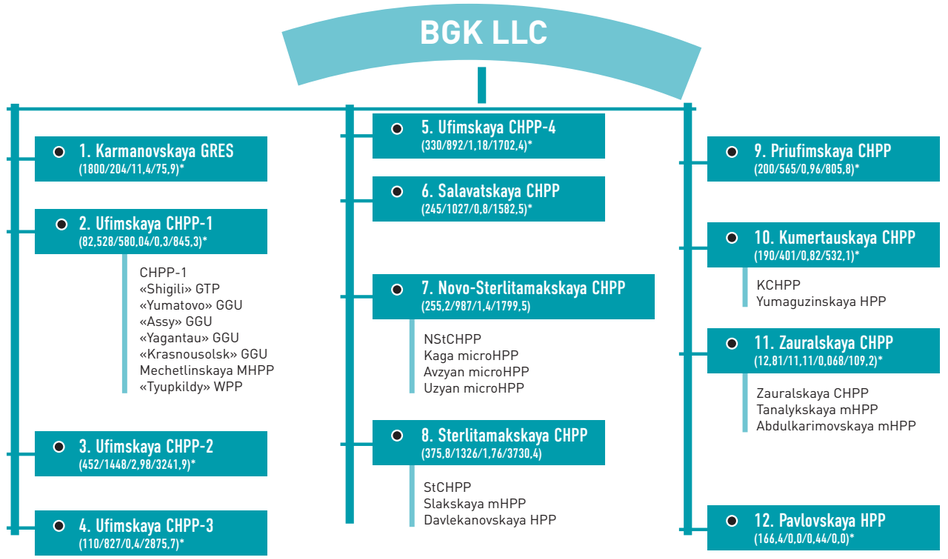
Installed electric capacity in 2008-2010, MW



Installed heat capacity, Gcal/h



Installed capacity
Operating capacity
Capacity margin



* Installed electric capacity, MW / Installed heat capacity, Gcal / h / Electric output, billion kWh / Heat output, ths. Gcal.

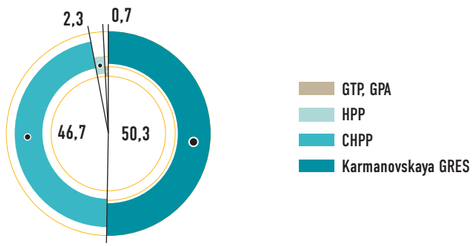
** Information on installed capacity and output of GCP Meteli served by employees of the Ufimskaya CHPP-1 is not included in the information on the BGK.

3.2 Production

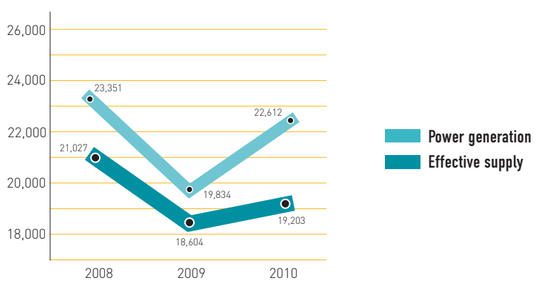
3.2.1. Power generation

In 2010, power generation of OJSC "Bashkirenergo" came to 22,612 million kWh, that is 14% larger than in 2009. In 2010 Bashkirenergo power plants have shown a substantial increase in electric power production.

Power generation structure by power stations, %



Power generation and effective power supply, mln. kWh



Power generation in 2008-2010, mln. kWh

Power Plants	2008	2009	2010	Change, % to 2009
Karmanovskaya GRES	10 087	8 432	11 366	35%
Ufimskaya CHPP-1	279	287	284	-1%
Ufimskaya CHPP-2	3 132	3 019	2 979	-1%
Ufimskaya CHPP-3	456	428	414	-3%
Ufimskaya CHPP-4	1 269	1 137	1 186	4%
Salavatskaya CHPP	1 040	921	823	-11%
Sterlitamakskaya CHPP	1 785	1 516	1 760	16%
Novo-Sterlitamakskaya CHPP	1 506	1 389	1 415	2%
Priufimskaya CHPP	1 056	1 058	956	-10%
Kumertauskaya CHPP	765	817	749	-8%
Zauralskaya CHPP	106	57	67	19%
Ishimbayskaya GTP	19	12	29	153%
"Shigili" GTP	5	3	3	16%
"Agidel" GTP	16	20	20	1%
"Shaksha" GTP	14	15	29	89%
"Krasnousolsk" gas generator unit (GGU)	8	8	7	-1%
"Yangantau" GGU	2	2	0	-100%
"Yumatovo" GGU	5	5	5	8%
"Assy" GGU	7	7	6	-8%
Pavlovskaya HPP	620	608	440	-28%
Yumaguzinskaya HPP	145	93	69	-26%
Slakskaya MHPP	0.17	0.15	0.07	-53%
Mechetlinskaya MHPP	0.71	0.86	0.80	-7%
Davlekanovskaya MHPP	1.40	1.70	1.70	0%
Abdulkarimovskaya MHPP	0.25	0.50	0.20	-60%
Tanalykskaya microHPP	0.10	0.05	0.05	0%
Avzyan microHPP	0.06	0.05	0.03	-40%
Uzyan microHPP	0.08	0.08	0.06	-25%
Kaga microHPP	0.10	0.10	0.06	-40%
Tyupkildy WPP	0.40	0.10	0.30	200%
TOTAL:	22 323	19 834	22 612	14%
Novo-Salavatskaya CHPP	1 027.6	-	-	
TOTAL:	23 351	19 834	22 612	14%

Capacity Factor (CF)

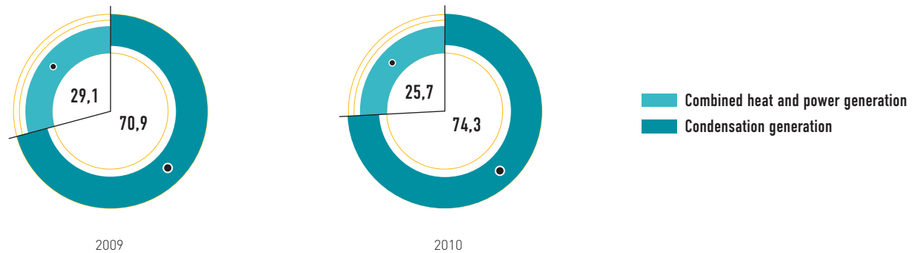
Capacity Factor (CF) is the ratio of actual power generation during entire period under review to a possible electric power generation over the same period while continuous operation at the installed capacity.
CF depends directly on the stations' power generation, which is varying subject to the power demand. In 2010, CF of Bashkirenergo power plants actually reached pre-crisis levels with 60.9% (an increase of 10.8% compared with 2009).

Capacity Factor (CF) in 2008-2010 period

Power Plants	2008	2009	2010	Incr. (+) decr. (-), p.p.
Karmanovskaya GRES	63.8	53.5	72.1	+18,6
Ufimskaya CHPP-1	33.8	39.0	42.7	+3,7
Ufimskaya CHPP-2	76.5	76.3	75.2	-1,1
Ufimskaya CHPP-3	47.2	44.4	42.9	-1,5
Ufimskaya CHPP-4	36.1	32.4	36.7	+4,3
Salavatskaya CHPP	44.9	40.4	38.8	-1,6
Sterlitamakskaya CHPP	39.8	34.4	46.9	+12,5
Novo-Sterlitamakskaya CHPP	48.3	44.7	59.6	+14,9
Priufimskaya CHPP	60.1	60.4	54.6	-5,8
Kumertauskaya CHPP	60.1	64.3	59.0	-5,3
Zauralskaya CHPP	48.6	25.9	35.3	+9,4
Ishimbayskaya GTP	21.1	13.2	33.6	+20,4
"Shigili" GTP	13.0	7.0	8.4	+1,4
"Agidel" GTP	22.8	28.1	28.5	+0,4
"Shaksha" GTP	15.9	17.6	33.2	+15,6
"Krasnousolsk" gas generator unit (GGU)	47.5	44.3	43.2	-1,1
"Yangantau" GGU	13.1	9.0	0.1	-8,9
"Yumatovo" GGU	53.8	56.4	60.9	+4,5
"Assy" GGU	36.3	36.8	33.7	-3,1
Pavlovskaya HPP	42.4	41.7	30.2	-11,5
Yumaguzinskaya HPP	39.4	23.7	17.5	-6,2

Power Plants	2008	2009	2010	Incr. (+) decr. (-), p.p.
Slakskaya MHPP	19.9	16.9	8.6	-8.3
Mechetlinskaya MHPP	18.3	22.1	21.8	-0.3
Davlekanovskaya MHPP	22.0	28.6	28.3	-0.3
Abdulkarimovskaya MHPP	9.7	19.0	7.6	-11.4
Tanalykskaya microHPP	24.8	11.6	12.3	+0.7
Avzyan microHPP	9.9	7.5	4.7	-2.8
Uzyan microHPP	18.4	17.4	13.9	-3.5
Kaga microHPP	17.9	17.7	9.7	-8.0
Tyupkildy WPP	2.2	0.7	1.7	+1.0
TOTAL:	55	50	61	+11

Structure of power generation by thermal power plants (TPP), %



2009 2010

Power generation share:
- 74.3% load in condensation cycle;
- 25.7 % load in heating cycle.

The share of condensation generation structure on the thermal power plants (TPP) came to next values:
300 MW power generating units — 69.5%;
10.0 — 14.0 MPa CHPP equipment — 30.5%.
Capacity Factor (CF) of the Karmanovskaya GRES made up 72.1%.

3.2.2. Heat generation

In 2010 total heat generation by the OJSC "Bashkirenergo" made up 24,128 thousand. Gcal, that is 1% greater than 2009 value.
Slight raise of heat supply in 2010 was due to the 3.5% increase of thermal energy supply with steam to industrial consumers with a 1.4% decrease of thermal energy supply with hot water due to warm winter weather.

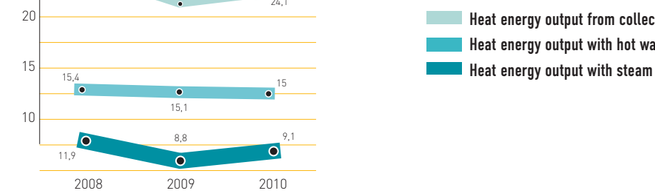
Heat supply in 2008-2010 period, Thousand Gcal

Power plants and boilers	2008	2009	2010	Change %
Karmanovskaya GRES	73	73	76	5%
Ufimskaya CHPP-1	867	851	826	-3%
Ufimskaya CHPP-2	3 403	3 271	3 242	-1%
Ufimskaya CHPP-3	3 035	2 879	2 876	0%
Ufimskaya CHPP-4	1 840	1 770	1 702	-4%
Salavatskaya CHPP	2 420	1 990	1 583	-20%
Sterlitamakskaya CHPP	3 028	2 670	3 730	40%
Novo-Sterlitamakskaya CHPP	2 385	2 133	1 800	-16%
Priufimskaya CHPP	810	828	806	-3%
Kumertauskaya CHPP	540	545	532	-2%
Zauralskaya CHPP	88	46	109	135%
Ishimbayskaya GTP	38	17	58	248%
"Shigili" GTP	11	11	8	-28%
"Agidel" GTP	36	45	45	-2%
"Shaksha" GTP	44	36	69	93%
"Krasnousolsk" gas generator unit (GGU)	6	6	6	5%
"Yangantau" GGU	1	1	0	-100%
"Yumatovo" GGU	3	3	3	10%
"Assy" GGU	3	3	3	-4%
BashRTS-Ufa hot-water boilers	4 473	4 532	4 558	1%
BashRTS-Sterlitamak hot-water boilers	1 155	1 167	1 093	-6%
BashRTS-Neftekamsk hot-water boilers	948	927	937	1%

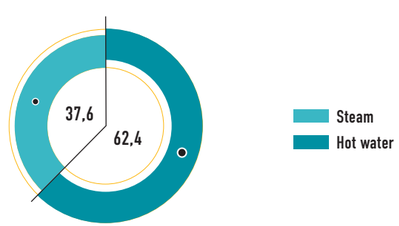
Power plants and boilers	2008	2009	2010	Change %
BashRTS-Ufa steam boilers	85	71	57	-19%
BashRTS-Sterlitamak steam boilers	11	8	6	-17%
BashRTS-Neftekamsk steam boilers	11	6	4	-29%
Novo-Salavatskaya CHPP	1 954	-	-	-
TOTAL	27 267	23 890	24 128	1%

Structure of heating output

Heat energy output, mln. Gcal



Heat energy output structure, %



3.2.3. Specific reference fuel consumption for heat supply

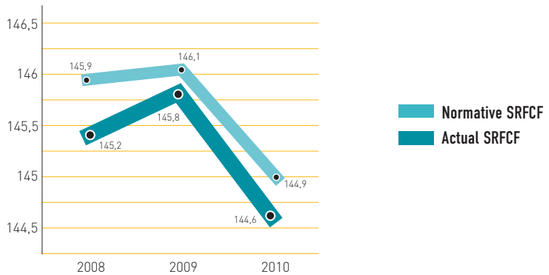
Specific reference fuel consumption factor is essential for analyzing the economic efficiency of different power equipment. In order to calculate the cost of electricity or heat the data is using for the specific fuel consumption calculation per one unit of energy.

In 2010 specific reference fuel consumption factor (SRFCF) of OJSC "Bashkirenergo" for power supply made up 323.2 g/kWh, that is about 3.1 g/kWh less than 2009 results.

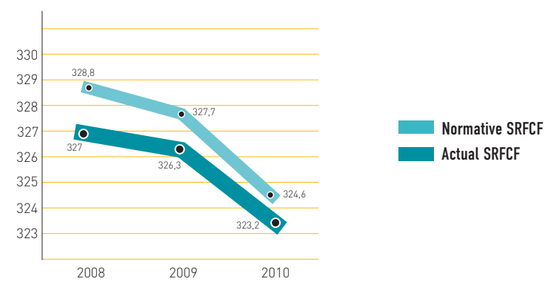
In 2010 SRFCF of Bashkirenergo for thermal energy supply made up 144.6 kg/Gcal that is 1.2 kg less than 2009 values.

The main reason for the SRFCF reduction is the optimization of the power equipment loading, production increase, as well as implementation of energy efficiency programs, technological process and operation.

Specific reference fuel consumption for heat supply, kg/Gcal



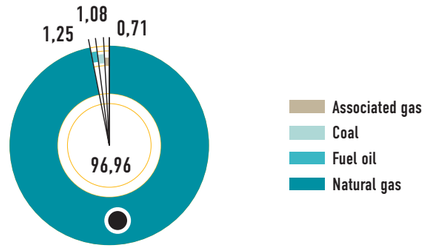
Specific reference fuel consumption for electricity supply, g/kWh



3.2.4. Fuel supply

In 2010 the fuel supply was characterized by the gas consumption growth compared to 2009. There was a significant reduction of the fuel oil combustion share in the overall balance of fuel consumption by power stations and boilers of OJSC "Bashkirenergo" compared to 2009.

Fuel mix of Bashkirenergo in 2010, %



Fuel expenses in 2009-2010 period, thous. RUR*

	2008 г.		2009 г.		2010 г.	
	thousand tons	thousand tons, thousand cubic meters	thousand tons	thousand tons, thousand cubic meters	thousand tons	thousand tons, thousand cubic meters
Natural gas	9 668,748	8 423 954,0	8 641,139	7 553 443,0	9 862,588	8 592 411,0
Fuel oil	388,781	287,781	425,174	315,177	126,999	95,921
Coal	150,225	603,590	143,517	563,736	110,228	435,682
Associated gas	67,499	57 191,0	73,857	62 452,0	72,235	63 413,0

* The discrepancy in fuel costs in this table with the sum of fuel costs specified in the IFRS financial statements due to the fact that the part of fuel expenses of IFRS is included in other operating expenses.

Totally fuel costs raised by 34% mainly due to increased fuel consumption caused by the 14% increasing production, and also because of higher prices.

Gas portion in fuel balance

98

%

In 2010 there was a one-time indexing of gas prices on the average by 15%, instead of quarterly indexation of prices in 2009.

Fuel expenses in 2009-2010 period, thous. RUR

	2009	2010	Chan.
Total fuel expenses	17 961 953	24 024 327	34%
Natural gas	16 593 152	23 073 846	39%
Fuel oil	940 380	483 531	-49%
Coal	135 675	168 855	24%
Associated gas	25 895	39 157	51%
Other fuel (sludge, UOS gas, diesel fuel)	41 937	15 727	-62%
Gasoline*	224 914	243 211	8%

* Expenditures for gasoline are mainly associated with the inspection and repair of grid and are related to BashRES LLC and BSK LLC.

3.3
Operation at the Wholesale Electricity and Capacity Market (OREM)

3.3.1.
Wholesale Electricity and Capacity Market

The Wholesale Electricity and Capacity Market (OREM) is a system of contractual relations, ensuring the purchase and sale process of electricity and capacity within the Russian Unified Energy System. OREM participants are electricity producers, guarantee suppliers, distribution companies, large electricity consumers, who received the status of the wholesale market objects and act on the basis of the wholesale market laws.

The areas are established within the wholesale market that has been unted in the price zones: The first price zone is located on the territory of Europe and Ural, the second price zone — in Siberia.

Two types of goods are traded in OREM: electricity and capacity. Capacity is a special product, the purchase of which grants the wholesale market participant the right to claim an availability of generating equipment for electricity generation of a fixed quality to the amount required to meet the participant's electricity needs, taking into account the necessary reserve.

OREM entities may also be organizations that provide infrastructure services for the market. The non-commercial partnership Market Council named "organization of the effective system of wholesale and retail electricity and capacity trade" is responsible for the operation of commercial infrastructure of the wholesale market established in accordance with the Federal Law «On Electric Power Sector». Open Joint Stock Company «Administrator of Trading System of the Wholesale Electricity and Capacity Market» — OJSC «ATS» is responsible for organization of the purchase and sale of electricity at the OREM. Clearing company "Center for financial calculations" JSC is responsible for accounts system between the members of OREM. Such entities include the System Operator — JSC SO-UES, Federal Grid Company — FGC UES, JSC.

Sale of electricity and capacity at the OREM is made on both regulated and unregulated segments of the market.

Market of regulated contracts (RC) is a segment of the market in which transactions for the sale of electricity and capacity are carried out in prices determined by order of the Russian FTS. Prices for electricity and capacity are determined equal to supplier's tariff for the electricity and capacity on every regulated contract.

The supplier must deliver the contracted amount of electricity and capacity generated on his own, or (for electricity only) purchased in the market — for the day ahead or at the free bilateral contracts at competitive market prices. The buyer must pay the contract amount, regardless of the value of his own plan consumption.

Unregulated segment of the market can be divided into unregulated eletricity market and unregulated capacity market.

In accordance with the Enactment of the Government of the Russian Federation of October 24, 2003 № 643 beginning from January 1 to June 30, 2010 at the regulated prices (tariffs) at the wholesale market was supplied from 35% to 40% of electricity from the volume, set the forecast balance of 2007, and capacity on the volume, set the forecast balance in 2008, and from July 1st until the end of 2010 from 15% up to 20% of electricity and capacity.

Period	Year	Sales share on RC, %
January, 1 — June, 30	2007	90–95
July, 1 — December, 31	2007	85–90
January, 1 — June, 30	2008	80–85
July, 1 — December, 31	2008	70–75
January, 1 — June, 30	2009	65–70
July, 1 — December, 31	2009	45–50
January, 1 — June, 30	2010	35–40
July, 1 — December, 31	2010	15–20
January, 1	2011	0

Since January, 1st, 2011 electricity and capacity are supplied to the OREM at free (unregulated) prices, except for deliveries to the population and the equivalent categories of consumers. In 2010 the volume of electricity supplied to the population was about 15%.

Unregulated Electricity Market

At the Unregulated Electricity Market trade of electricity is carried out on free (unregulated) prices in few sectors: Day-Ahead Market (DAM), Balancing Market (BM) and Unregulated Bilateral Contract Market (RAF),

At the Day-Ahead Market (DAM) the price is determined through a competitive selection of bids from buyers and suppliers, which is carried out for the day before delivery. The basis for the day-ahead market is a competitive selection of bids for the day ahead with a particular time of the equilibrium of nodal prices and delivery (purchase) volumes held by «ATS» JSC.

To participate in DAM generators must supply daily hourly bids of the entire installed power generating equipment, switched into operation by the System Operator. Regarding the volumes of electricity, corresponding to technical minimum of power plants, members must supply price-receiving bids.

Special software calculates the optimum hourly equilibrium prices (nodal prices), production and consumption with the defined constraints and technological losses.

Based on the results of competitive selection of bids at the day-ahead market, system operator is planning electric power regimes and modes of suppliers and buyers operation on the next day.

At the Balancing Market (BM) electricity trading occurs not less than four hours prior to electricity delivery in order to create a balance in the electricity production and consumption.

Deviation volumes of actual production/consumption of the planned results of trading on the DAM are putted to auction. Amounts of electricity at the BR are paid in accordance with indicators and/or prices on the up (down) balancing.

To ensure the purchase and sale of electricity the sales contracts and commissions with a unified party — JSC «FIC» are made.

Also, OREM participants can conclude Unregulated Bilateral Contracts for Electricity (SDD). Wnen entering into SDD the wholesale market participants may independently determine prices and delivery volumes of electricity on unregulated bilateral contracts for electricity.

Supplier entering into SDD is obliged to deliver electricity to the buyer by the contractual volume and price by including all parts of this volume in the planned hourly production and/or buy electricity at the wholesale market. Electricity must be purchased at the DAM to ensure electricity supply volumes in the network of SDD. Each buyer has an opportunity to buy electricity on SDD exclusively from the wholesale market participants within his price zone.

SDD can be concluded by independent search of contractors or with a help of Moscow Power Exchange.

Unregulated Capacity Market

Sale of capacity is one of two sources of revenue of generating companies, which should compensate their relatively fixed costs. In addition, the increased fee would provide for the capacity of new thermal power plants being built under Capacity Supply Agreements (CSA).

Specific reference fuel consumption

323,2

g/ kW-h

Unregulated Capacity Market formally in existence since July 1, 2008, when, in accordance with Government Decree No. 476 of 28.06.2008 had introduced a competitive selection of capacity (KOM), and established the possibility of trading power for free (unregulated) prices. However, only a decision of the Government No 89 of February 24, 2010 had set the rules of long-term capacity market (LTCM).

Competitive selection of capacity (KOM) is based on competitive selection of bids for capacity. Subjects of OREM, admitted in KOM, serves pricing proposal to sell capacity in the free power transfer zone (FPTZ) — the territory where there are no significant restrictions on the transfer of power.

In accordance with the Rules of the wholesale market in the FPTZ in which the Russian FAS was marked by a lack of competition level, the KOM is undertaken using a ceiling capacity price. Lists of such FPTZ are determined by the Russian FAS prior to KOM. Ceiling price is not used in other FPTZ during KOM. In 2011, during a competitive selection of capacity there were two FPTZ: Ural and Center.

Capacity selected in KOM is supplied following a competitive selection to the wholesale capacity market. Also, capacity of "obliged generators" and capacity signed by the CSA or contracts for the sale of new nuclear power and hydropower are supplied to the wholesale market.

Prior to capacity supply generation equipment passes certification — Definition of the limit of capacity supply, which can be delivered according to the given generator. If the volume of certified capacity is less than initially claimed, then over the missing capacity supplier must pay a fine. Penalty under contracts concluded on the basis of KOM and against forced generators, 25% of the cost of unverified power. For the capacity in respect of which the CSA are concluded, amount of a fine prescribed in the contract itself. Moreover, for suppliers that have entered the CSA, there is a possibility of non-penalty reduce of a capacity amount within 10%. If the capacity has been certified, but the volume delivered to the wholesale market has been reduced due to supplier's failure to meet the requirements of generating equipment availability for power generation, then fines are not levied. In this case, the provider should pay a reduced capacity amount.

In 2010, generators were able to conclude free-counter and exchange-traded unregulated bilateral contracts for electricity and capacity.

During conclusion of exchange-traded unregulated bilateral contract for electricity and capacity at the Moscow Power Exchange the price of electricity and capacity was determined according to the signed contract (contract options are free power transfer zone, type of hours of electricity supply, amount of electricity and capacity, price of the lot) for each pair of supplier — buyer separately by comparing them to the Exchange filed applications.

Free-counter unregulated bilateral contract for electricity and capacity is made independently by contractors and determines the price and quantity of electricity and power.

Unregulated bilateral contracts for electricity and capacity shall be effective in 2011.

3.3.2.
Operation of OJSC "Bashkirenergo" at the OREM

In 2005 in accordance with the Rules of the wholesale and retail electricity markets Bashkirenergo was granted the status of the Wholesale Electricity and Capacity Market (OREM) entity. At the same time in 2006, by the Enactment of the Government of the Republic of Bashkortostan on Tariffs the status of a supplier whose activities extend to the territory of the Republic of Bashkortostan was given to OJSC "Bashkirenergo".

In 2010, Bashkirenergo has participated in all sectors of the electricity market at the OREM (RC, DAM, BM) and capacity market (RC, KOM, Exchange).

Operation of Bashkirenergo at the OREM was determined by several important factors:

Capacity which passed the competitive selection of capacity

3 966

MW

• Increasing the share of the liberalized market;

• Growth in electricity demand from consumers of the Russian Federation.

Volume balance-overflow of electricity sales in 2010 made up 120 million kWh, while in 2009 the balanced amount of electricity was 219 million kWh to purchase.

In 2010, the average selling electricity price at the points of generation increased by 31.73% from 641.53 euro/MWh to 845.09 euro/MWh in 2010.

The main objective of the Company in marketing activities at the OREM in 2010 was the achievement of a maximum profit in the competitive sectors of the market by developing and implementing sales and marketing strategies.

Volume and value of electricity sales at the OREM by sectors during 2010

		Regulated	Unregulated
Production GTP	Volume, mln. kWh	0	15 973,762
	Price, mln.rub.	0	13 500, 55
Consumption GTP	Volume, mln. kWh	0	1 022, 778
	Price, mln.rub.	0	918, 337

Volume and value of electricity purchase at the OREM by sectors during 2010 period

		Regulated	Unregulated
Production GTP	Volume, mln. kWh	0	1 565, 883
	Price, mln.rub.	0	1 217, 261
Consumption GTP	Volume, mln. kWh	299, 899	15 010, 399
	Price, mln.rub.	116 496, 48	12 642, 497

Volume and value of capacity sales at the OREM by sectors during 2010 period

		Regulated	Unregulated
Production GTP	Volume, MW	36,8	
	Price, mln.rub.	1,82	
Consumption GTP	Volume, MW		2 616,550
	Price, mln.rub.		306,87

Volume and value of capacity purchase at the OREM by sectors during 2010 period

		Regulated	Unregulated
Production GTP	Volume, MW		36,8
	Price, mln.rub.		7,092
Consumption GTP	Volume, MWh	1 433,70	6 126,316
	Price, mln.rub.	176,75	790,14

Capacity sale

In 2010, Bashkirenergo did not sell its capacity at the OREM, and at the point of consumption it purchased the needed amount of capacity, taking into account the reserve and the sale of over-bought on EPFC.

In 2010 OJSC "Bashkirenergo" took part in the competitive selection of capacity in Ural free power transfer zone. All power plants listed in OREM have passed KOM, part of capacity volumes of the Sterlitamakskya CHPP, at a rate of 55 MW, and the Ufimskaya CHPP-1, a 10 MW, were assigned to the obligatory generators.

3.4 Analysis of Factors Influencing the Electric and Thermal Energy Production (MD&A)

Kremer
Vladimir Lvovich

Chief engineer of

OJSC "Bashkirenergo"

OJSC "Bashkirenergo" in 2010 in the sphere of production of electric and thermal energy fully complied with and even exceeded the plan, set before us by the shareholders. The growth of power generation stations of the Company made up 14% compared to 2009 outpaced the growth of all-Russian production, amounting to only 5%. Capacity Factor of power increased by 11 percentage points, reaching 61%. All this testifies not only to the accelerated economic recovery of the Republic of Bashkortostan, after the economic crisis, but also the highly competitive power generating capacities of the Company.

We are also pleased with the reduction of specific consumption of fuel at 3.1 g/kWh, which was achieved not only by increasing production, but also due to the decommissioning of inefficient equipment and modernizing existing ones.

Changing the fuel mix by reducing the proportion of expensive fuel oil from 5% to 1% as a result, had a positive impact on financial results too.

In 2011 we expect further growth in electricity production by Bashkirenergo, which confirms the forecast economic growth of the Republic of Bashkortostan and Russia in general. However, growth rates will already be making no less impressive, largely due to the lack of effect of a low base, which was observed in 2010.

Cherniy
Mikhail Davidovich

OJSC "Bashkirenergo"

General Manager's

Deputy on strategy

and energy market

In 2010, Bashkirenergo essentially worked as a vertically integrated electricity company. One of the main challenges for the management is the implementation of the preparatory activities for the access of generating capacities of OJSC "Bashkirenergo" to the Wholesale Electricity and Capacity Market allowing us to become a full member of OREM from January 1, 2011.

One of these activities was the participation in the competitive selection of capacity (KOM) for 2011. In general we are satisfied with our participation in the KOM with the capacities located in one of the two zones which did not fall under the price limit (price cap). Secondly, we are pleased that almost all of the equipment of the Company registered in OREM, qualified for KOM, and the set prices for capacity resulting from KOM were 36% higher than 2010 prices.

Another important event was the participation of the Karmanovskaya GRES capacities in the competitive selection of suppliers of services regulated primary frequency regulation (NPFR) in the services market to ensure system reliability (system services) in 2011. This will give an additional positive economic effect.

We hope that the full participation of generating capacities of OJSC "Bashkirenergo" at OREM in 2011 will provide an opportunity to take an advantage of the liberalized electricity market, and should give a positive impact on financial results in the future.

IV Energy Transmission and Distribution

4.1
Power Transmission and Distribution

Subsidiaries of OJSC "Bashkirenergo" — BSK LLC and BashRES LLC are carrying out the transmission and distribution of electricity in the Republic of Bashkortostan.

BSK LLC is responsibile for power transmission lines and 220-500 kV high-voltage substations
BashRES LLC is responsibile for power distribution lines and below 110kV high-voltage substations.

Production facilities of «Bashkir Grid Company» LLC on 31.12.2010

Description	Voltage class, kV	Year of commissioning	Installed capacity, MVA
500 kV substations			
Beketovo	500/220/110/35/10	1967	1627
Ufimskaya	500/220/35	1999	501
Buiskaya	500/220/110/10/6	1983	1001
220 kV substations			
Ufa — Southern	220/110/10	1977	500
NPZ	220/110/35	1982	250
Agramak	220/110/35/10	1992	330
Blagovar	220/110/10	1979	125
Samarovka	220/110/35/10	1979	104
Ashkadar	220/110/10	1972	250
Tuymazy	220/110/10	1976	252,5
Aksakovo	220/110/35/10	1960	280
Beloretsk	220/110/10	1976	250
Iremel	220/110/10	1996	250
Zaton	220/110/10	2009	250
35-110kV substations			
BashRES-Beloretsk	110/35	1938-2009	1223,1
BashRES-Neftekamsk	110/35	1956-2007	2844,4
BashRES-Sterlitamak	110/35	1951-2006	2713,5
BashRES-Ufa	110/35	1961-2009	1592,9
BashRES-UHPP	110/35	1927-2008	2190,5
Substations total			16 534,9

Description	Voltage class, kV	Year of commissioning	Installed capacity, MVA
Overhead transmission lines (length, km)			
VL BSK 220/500	500/220	1967–2009	2205,28
BashRES-Beloretsk	110/0,4	earlier 1965–2010	12445,16
BashRES-Neftekamsk	110/0,4	1961–2010	19977,03
BashRES-Sterlitamak	110/0,4	earlier 1966–2010	25279,52
BashRES-Ufa	110/0,4	earlier 1966–2010	18138,68
BashRES-UHPP	110/0,4	earlier 1955–2010	3595,68
Overhead transmission lines, total		earlier 1955–2010	81 641,35
Cable transmission lines (length, km)			
BashRES-Beloretsk	110/0,4	earlier 1961–2010	213,86
BashRES-Neftekamsk	110/0,4	earlier 1961–2010	573,67
BashRES-Sterlitamak	110/0,4	earlier 1961–2006	873,96
BashRES-Ufa	110/0,4	earlier 1966–2010	949,2
BashRES-UHPP	110/0,4	earlier 1955–2010	3623,15
Cable transmission lines, total		earlier 1955–2010	6233,84
Overhead and cable transmission lines, total	500/220/110/0,4	earlier 1955–2010	87 875,19

In transmission and distribution grids, he number of power equipment reaching the end of its service life as well as discontinued or requires upgrading or replacement are decreasing every year as a result of new construction, repair and maintenance.

Power transmission

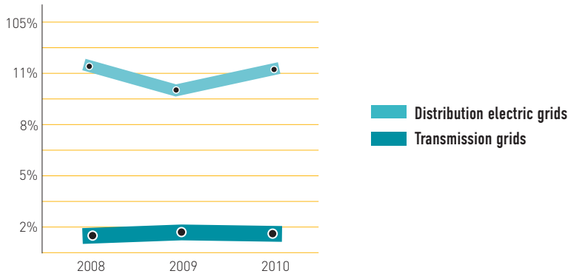
In 2010 the actual power output in OJSC "Bashkirenergo" made up 40,596 mln. kWh that make an increase of 7%.
The actual volume of power useful supply into the grid has grew up by 7% to 38,623 mln. kW/h.

The actual volume of losses in transmission and distribution electric grids made up 1,973 mln. kW/h.
Transmission grid supply made up 21,425,346 thousand kW/h, and distribution electric grid supply — 17,197,626 thousand kW/h.

Grid total power supply, effective supply, losses, thous. kWh

Grid type	2009			2010		
	Grid supply	Effective supply	Losses volume	Grid supply	Effective supply	Losses volume
Transmission grids	20 154 226	19 840 016	314 210	21 734 805	21 425 346	309 460
Distribution electric grids	17 931 855	16 294 865	1 636 990	18 860 969	17 197 626	1 663 343
Total:	38 086 081	36 134 881	1 951 200	40 595 774	38 622 972	1 972 803

Grid losses in 2008-2010 period



Technological connection

In 2010, 11,922 contracts on technological connection were concluded, that is 50,75% more than in 2009. In particular, it was 9153 contracts were concluded with individuals and 2769 contracts with legal entities. In 2010, total amount of claimed capacity for connection on concluded agreements made up 150,623 MW.

According to the program of technological connection there were connections made to the amount of 381,101.91. thous. rub., including:

- 2743 up to 15 kW power supply facilities with a total output capacity of 23892 kW
- 255 over 15 kW power supply facilities with a total output capacity of 71,231 kW, 17,501 kW.

Tariffs

Power transmission and distribution is a regulated activity. Russian FTS and the regional energy commissions set the fee for the technical connection to the grids and services for power transmission over the grids.

Tariffs for power transmission over the grids in the Republic of Bashkortostan

Voltage type	2009	2010	2011
Straight-line rate, rub./MWh			
High voltage	-	143,82	704,24
Average voltage-I	-	392,19	803,66
Average voltage-II	-	704,57	1 184,89
Low voltage	-	1 820,23	1 768,66
Double-rate tariff. Electric facilities maintenance rate in rub./MW per month.			
High voltage	38 057,15	48 822,46	279 157,43
Average voltage-I	130 647,82	145 023,2	431 502,95
Average voltage-II	254 679,48	288 237,4	484 794,48
Low voltage	360 787,26	454 326,21	994 254,23
The rate on the payment of the process flow (loss) in electrical grids, rub./MWh.			
High voltage	530,32	71,37	104,3
Average voltage-I	590,25	173,05	137,91
Average voltage-II	432,19	289,72	261,03
Low voltage	384,63	319,15	466,08

RAB–regulation

In accordance with the requirements of the Federal Law of 26.03.2003 № 35-FL «On Electricity» (as amended by Federal Law of 23.11.2009 № 261-FL «On Energy Saving and Energy Efficiency and on Amending Certain Legislative Acts of the Russian Federation» beginning from January 2011 the territorial grid companies separated from AO-Energo should start to regulate a tariff by the method of return on invested capital (RAB-regulation). The Company has adopted an operation plan to move to RAB-regulation. In this regard, the staff has been trained; the investment programs were made and sent for approval to the authorities. Also the work is running for the capital evaluation. That is, at present time is a preparation for determining the estimated level of required gross revenues and expected growth rate, associated primarily with a significant increase in investment programs for the 5-year period in accordance with the approved method of the Russian FTS.

4.2
Heat Transmission and Distribution

Limited Liability Company "Bashkir Heat Distribution Grids" (BashRTS LLC) is carrying out the transmission and distribution of heat in the Republic of Bashkortostan.
The total length of pipelines and block grids made up more than two thousand kilometers.

Length of heat supply networks of LLC 'BashRTS" in 2009–2010

Networks type	2009	2010
Length of trunk networks and steam supply lines, heat inputs (using one tube calculation)	1 019 km	1 021 km
Length of distribution networks (using one-tube calculation)	2 122 km	2 119 km
Length of water supply networks (using one-tube calculation)	906 km	907 km
Total (using two-tube calculation)	2 023 km	2 024 km

Rented and ownerless heat supply systems

In 2010 3463.08 l.m. of grids, 2,810.18 linear meters of which — heating grids, 652.9 l.m. — hot water grids were leased under the contract with the district administrations of of Ufa.
In 2010 the work was conducted to identify non-performing (ownerless) heating grids in the cities of the Republic of Bashkortostan. The areas, diameters and lengths of the grids have been determined. Total number of non-performing (ownerless) heating grids — 42249,05 l.m., including: by the next cities

- Ufa — 18984.0 linear meters,
- Sterlitamak — 11534.0 l.m.,
- Salavat — 2273.1 l.m.,
- Kumertau — 429.0 l.m.,
- Sibai — 1484.7 l.m.,
- Neftekamsk — 7544.25 l.m.

In 2010 an effective heat supply to consumers through heating grids made up 12,927 thous. Gcal that is 0.5% lower than in 2009. In this case, a heat loss in the balance grids made up 1 651.5 thous. Gcal. that is on 52.8 thousand Gcal. less than in 2009.
To minimize heat loss and ensure the reliability of consumers' heat supply following measures are made: regular major repairs of heating grids, work on pipes replacement, insulation recovery with use of modern materials.

Supply of heat through the on-balance grids and the losses in on-balance grids in 2009-2010 period, thous. Gcal

Factor	2009	2010	Chan.
Thermal energy output into the on-balance grids, thous. Gcal	12 990	12 927	-0,5%
Heat losses in the on-balance grids	1704	1652	-3%

4.3
Analysis of Factors Affecting the Transmission of Electric and Thermal Energy (MD&A)

Ishmaev
Ramil Agzamovich

President
of "Bashkir
Electricity Distribution
Grids" LLC

In 2010 in work on the transmission of electricity through the distribution electric grids has been focused on reducing of accidents and minimizing losses. In 2010, the branches of BashRES LLC displaying the decrease of process failures (accidents) number of the equipment operation to 732 value against 740 value in 2009. Reduce of the number of process failures was due to the program of measures execution to improve the reliability of the electric grid equipment. In 2011, work for the transition to RAB-regulation will begin. For the year of 2011 a tariff subject to the investment component has been already approved.

Shevchenko
Pavel Nikolaevich

Director
of LLC "BashRTS"

The transition of heat energy is one of the most socially important activities of OJSC "Bashkirenergo". The main problem of Heat Distribution economy is its increased wear and tear, which leads to high levels of heat loss.The following measures are taken to minimize heat losses and ensure the reliability of heat supply to consumers: regular major repairs of heating grids, work on replacement of pipes, insulation recovery with use of modern materials. The main goal of management is to create long-term strategy for upgrading the heating systems, which largely will be able to contribute the establishment of RAB-regulation of this type of activity. At the moment the question of RAB-regulation of heating grids have been seriously examined by local and federal authorities.

V Retail Business

5.1 Electricity Supply Business

The efficiency of the energy holding company operation is largely dependent on the implementation of its products in the retail electricity market.

Since 2006, in accordance with the Rules of the retail electricity market, OJSC "Bashkirenergo" became a guarantee supplier, whose activities extend to the territory of the Republic of Bashkortostan.

OJSC "Bashkirenergo" carries out its operation in the retail market with a help of its original subsidiary production unit named Limited Liability Company "Retail Electricity Company of Bashkortostan" (LLC ESKB), which was established in 2002 as part of the electricity reform in Russia and was an agent of a guarantee supplier on consumers' electricity sales.

By the end of 2010 the Company's client base was more than 1.245 million subscribers, including:

- 1 200 000 — residential consumers (15,6% of electricity consumption);
- 45 000 — corporate consumers (84.4% of electricity consumption).

Since January 1st, 2011 LLC ESKB became a guarantee supplier of electricity to ultimate consumers.

The main objectives of LLC ESKB are:

- quality improvement of the customers service, including the organization of most favourable electricity payment conditions by everyday consumers;
- achievement of one hundred percent payment level for the current energy consumption;
- reduction of receivables;
- ensuring the performance of regulations for Retail Electricity Markets approved by the Government of the Russian Federation.

5.1.1. Electricity supply business

Effective power supply

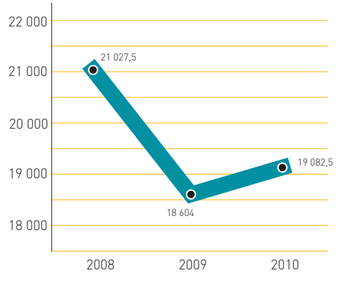
Effective power supply volume is an important factor of the power supply company operation, which directly affects the sales revenue amount and to a great extent — to a profit value. In 2010 the effective power supply on comparable data was higher than in 2009 by 478.5 million kWh (2.6%)

Effective power supply structure is the second most important factor for the retail company. Industrial enterprises traditionally are the major electricity consumers generally in Russia and particularly in the Republic of Bashkortostan. On the one hand, the industrial enterprises are the most solvent group of customers. On the other hand, during the economic downturns, this group of consumers can demonstrate a significant slowdown of consumption.

During the 2010 an effective power supply to own consumers amounted to 19 082.5 million kWh, including next groups of consumers:

- industrial and similar consumers with connected capacity of 750 kVA and more — 11188.514 mln kWh or 58.63%;
- industrial and similar consumers with connected capacity of 750 kVA and more — 826.159 mln kWh or 4.33 %;
- electrified railroad sector (traction) — 865,476 mln kWh (4,54 %);
- electrified public transport — 73,649 mln kWh (0.39%);
- non-industrial consumers — 1969,580 mln kWh (10,32 %);
- agricultural consumers — 385,436 mln kWh (2,02%);
- household consumers — 2979,304 mln kWh (15,6 %);
- internal electricity consumption — 256,009 mln kWh (1,34 %);
- technological consumption on power transmission grids — 538,414 mln kWh (2,82 %).

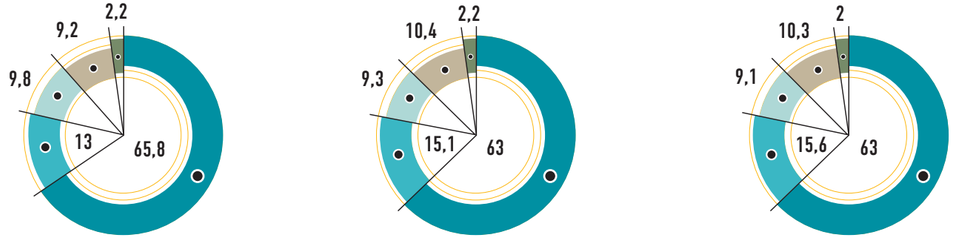
Effective power supply structure, mln. kWh



Power consumption structure, (mln kWh)

Group of consumers	2008	2009	2010
Industrial and similar consumers	13 845,541	11 715,182	12 014,673
Non-industrial and non-productive consumers	1 929,209	1 918,584	1 969,580
Agricultural consumers	469,812	415,147	385,436
Household consumers	2 726,845	2 817,025	2 978,747
Other consumers	2 056,072	1 738,109	1 734,106
Total	21 027,479	18 604,047	19 082,542

Effective power supply structure by the consumer groups, %



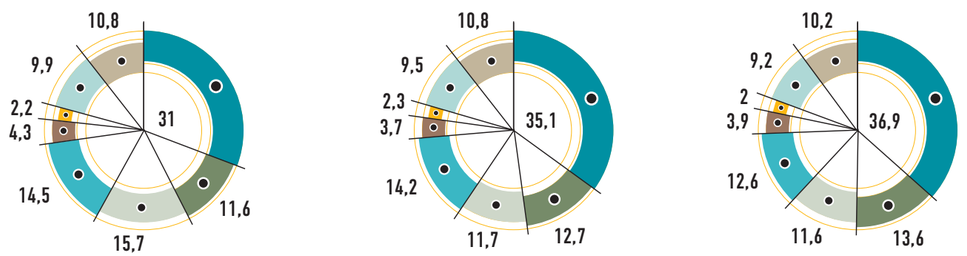
In 2010 an effective power supply on comparable data is higher than in 2009 by 478.5 million kWh (2.6%). In this regard, the growth of effective power supply has been observed by the main consumer groups to the level of 2009.

A significant part of the overall growth of effective power supply made the group "Industrial and similar consumers" 299.4 million kWh, that is corresponding to 102.5% compared to 2009.

An effective power supply growth for the group of non-industrial consumers made 50.99 million kWh or +2.6%. The increase in electricity consumption has occurred also in the group of household consumers. Effective power supply growth made up 161.72 mln kWh.

An effective power supply growth relative to the corresponding period last year, observed in following industries: petroleum, engineering and metal working, ferrous and nonferrous metallurgy.

Effective power supply structure by the production industries, %



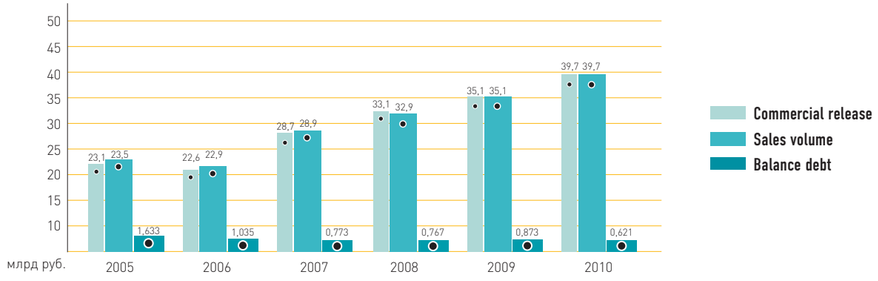
Tradable supply and sale of the electricity to ultimate consumers

In 2010, a level of electricity sales of OJSC "Bashkirenergo" enters one of three most effective power companies in Russia.

In 2010, electricity sale being consumed made up 39,723.2 million rubles, including VAT, or 99.9% of the commercial release of this period, equal to 39,752.8 million rubles, including VAT. In general, sales volume in 2010 was at a level of 2009 (a level of electricity sales in 2009 — 100,0%).

Receivables dynamics

Dynamics of dispatched production, sales and receivables for electricity

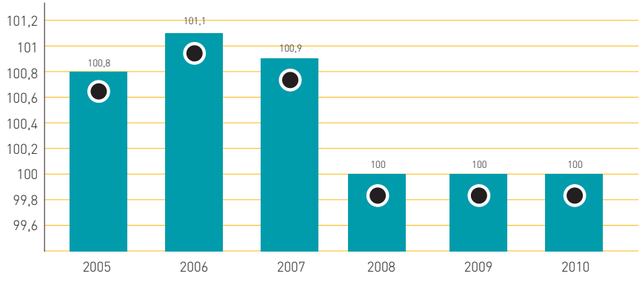


The receivables value helps to estimate an advances amount issued by electricity supplier to customers in accordance with the billing system.

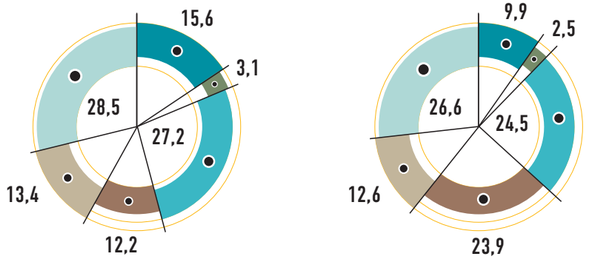
In 2010, due to an active operation with electricity consumers succeeded to the receivables reducing on 286 million rubles.

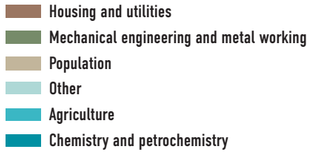
Organizations financed from the budget, made a payment of consumed electricity by 101.5%, the municipal utilities in 97.9% of the consumed products, agricultural producers to 103.6%. In 2010 the payment of electricity made by population amounted to 101.3%.

Actual ratio of sales to dispatched production, %



Receivables structure, %





The liabilities of electricity consumers on 31.12.2010 before OJSC "Bashkirenergo" amounted to 1,343.9 million rubles, including major industries and consumer groups:

Chemistry and petroleum chemistry — 132,5 mln rub.:

- Agriculture — 329,8 mln rub.;
- Housing and public servicing — 320,8 mln rub.;
- Population — 169,4 mln rub.;
- Government-financed organizations — 39.1 mln rub.;
- Others — 352.3 mln rub.

Account payable — 722,6 mln rub., including:

- Fuel industry — 226.5 mln rub.;
- Chemistry and petroleum chemistry — 138.8 mln rub.;
- Metallurgy industry — 1.6 mln rub.;
- Transportation and communication — 78.3 mln rub.;
- Others — 277.3 mln rub.

5.1.2.
Average sale prices and tariffs

Until 2011 sale of electricity to the consumers in the territory of the Republic of Bashkortostan was carried out completely on regulated tariffs.

On the January 1st, 2011 the transition period of liberalization of the electricity and capacity market has been ended. Electricity and capacity began to be delivered on the free (unregulated) prices, which formed at the Wholesale Electricity and Capacity Market (OREM). Regulated prices (approved tariffs) are preserved only for consumers-citizens and similar groups. Liberalization of prices means a complete transition from tariffs set by the state to the market-based pricing.

Average sale prices of electricity at the retail market are added subject to the regulated tariffs and non-regulated prices. As provided by a given model, the price for the electricity consumer is made up of market prices for electricity and capacity prevailing in his area, as well as transport, marketing and infrastructure additions regulated by the Russian FTS and Regional Energy Commission.

Average sale prices in 2008-2010 period, rub./kWh

	2008 Regulated tariffs	2009 Regulated tariffs	2010 Regulated tariffs
Average sale prices (tariffs) for industrial consumers and corporate clients	1,414	1,7087	1,890
Regulated tariffs for population			
in urban areas with gas stoves, garage and building societies.	1,26	1,58	1,74
in urban areas with electric stoves and in rural area.	0,88	1,1	1,21

Supply surcharges

Supply surcharges are established for suppliers for 1-year period by the Regional Energy Commission of the Republic of Bashkortostan, as well as regulated by the FTS of Russia, that establishes minimum and maximum electricity tariffs for the population.

Value of the supply surcharge is determined in terms of the required gross revenues. Required gross revenue (RGR) is an economically reasonable amount of funds required by the organization to carry out regulated activities during the current regulatory period. The values of RGR and sales increment are calculated using the economically justified expenses method and approved by the regulating authorities.

In 2010, supply surcharges of OJSC "Bashkirenergo" have been almost unchanged (8.35 cop./kWh), while for other power sales companies supply surcharges increased and exceeded the surcharge value of Bashkirenergo.

The total value of supply surcharges established for OJSC "Bashkirenergo" and ESKB LLC 200

Factors	OJSC "Bashkirenergo"			ESKB LLC
	2008	2009	2010	2011
Supply surcharges, cop./kWh	4,28	8,31	8,35	53,77 rub./MWh.

5.2
Heat Retail

Another significant segment of sales activities of OJSC "Bashkirenergo" is a heat energy supply to the consumers. Since 2006, the power sector reform, providing for the division of energy organizations, Bashteplosbyt LLC engaged in heat energy sales and in accordance with the agency agreement made up actions for the heat energy sale produced by the heat sources of Bashkirenergo and BashRTS LLC. The Company sells heat to industrial enterprises of any form of property, budget and housing organizations and other consumers in 9 cities of the Republic of Bashkortostan.

The main objectives of the marketing activities are:

- Organization of the timely payment for heat
- Heat energy commercial losses reduction
- Optimization of calculations with consumers
- Work with non-payers
- Prediction of the heat energy consumption.

5.2.1.
Effective heat energy supply structure by the groups of consumers

At present Bashteplosbyt LLC has more than 5.5 thousand of consumer organizations with more than 30 thousand objects of heat consumption. More than half of consumers are located in Ufa, the rest are located in 8 cities of the republic: Sterlitamak, Salavat, Ishimbai, Kumertau, Neftekamsk, Blagoveshchensk, Agidel, Sibay.

Heat output to internal consumers amounted to 22 623 ths. Gcal in 2010 (including community resource «hot water» and household needs).

Effective supply structure by types of heat carriers, Gcal

	2008	2009	2010
Heat energy with a steam	9 987	8 651	8 925
Heat energy with water	13 660	13 749	13 700
Total	23 647	22 400	22 623

According to the same period in 2009 an effective supply of heat energy increased by 217 thous. Gcal or +1%. Effective heat energy supply with a heat carrier «steam» increased by 272 thousand Gcal (+3.1%). The growth of heat energy supply with a steam, compared with 2009 caused due to increased steam consumption by "Sintez-Kauchuk" JSC and SNHZ JSC.

Heat in steam supply volume by delivery points in 2008-2010 period, thous. Gcal

	In steam				In water			
	2008	2009	2010	Chan., % to 2009	2008	2009	2010	Chan., % to 2009
Ufa	4987,5	4617,1	4549,1	-1,5%	7831,1	7956,0	8034,1	1,0%
Ishimbaysky District	0,3	0,3	0,3	0,0%	479,2	475,4	468,6	-1,4%
Sterlitamak	3350,4	2801,8	3623,7	29,3%	2039,9	2000,6	1933,6	-3,3%
Neftekamsk	10,7	5,7	4,2	-26,3%	760,7	777,2	787,5	1,3%
Kumertau	3,7	3,1	3,5	12,9%	473,9	482,2	466,2	-3,3%
Agidel					123,1	106,8	106,4	-0,4%
Salavat	4993,6	743,2	304,8	-59,0%	1634,8	1339,8	1310,8	-2,2%
Blagoveshchensky district	455,6	479,4	439,0	-8,4%	293,6	302,6	290,3	-4,1%
Sibai	0,0	0,0	0,0		314,8	308,5	301,0	-2,4%
Baskirenergo total	13801,8	8650,6	8924,6	3,2%	13951,1	13749,1	13698,5	-0,4%

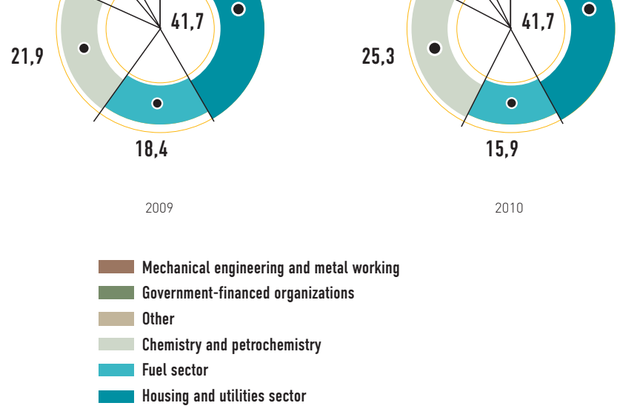
Reduction of steam consumption from manufacturers' collectors of the oil-refining companies offset by increased consumption of petrochemical companies.

Heat energy with water consumption reduce by industrial group is balanced by adding new objects, including objects of the housing stock.

Sectoral structure of heat supply
In 2010, heat energy consumption structure in section of industries and consumer groups has the following view:

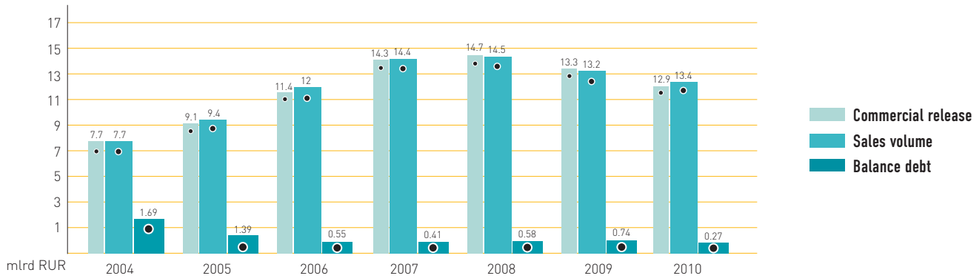
- Housing and public servicing — 9470,9 thous. Gcal (41,9%)
- fuel — 3 592,9 thous. Gcal (15,9%)
- Chemistry and petrochemistry — 5713,5 thous. Gcal (25,3%)
- Government-financed organizations — 1572,3 thous. Gcal (6,95%)
- Mechanical engineering and metal working — 700,7 thous. Gcal (3,1%)
- other — 1566,4 thous. Gcal (6,9%).

Effective supply structure of the heat energy in 2009-2010 period, %



Dispatched production, sales, dynamics of accounts receivable
In 2010, amount of dispatched heat energy in the whole power system, including chemically treated water and hot water supply, accounted for 12.910.6 billion RUR with VAT. The heat energy was sold, including chemically treated water and hot water, on the amount of 13 362.4 billion rubles, including VAT, or 103.5% of the tradable supply.
Thereby products dispatching by group of large enterprises reached 98.4%; by housing organizations — 110.1% and by other companies — 104.9%.

Dynamics of dispatched production, sales and receivables for the heat energy



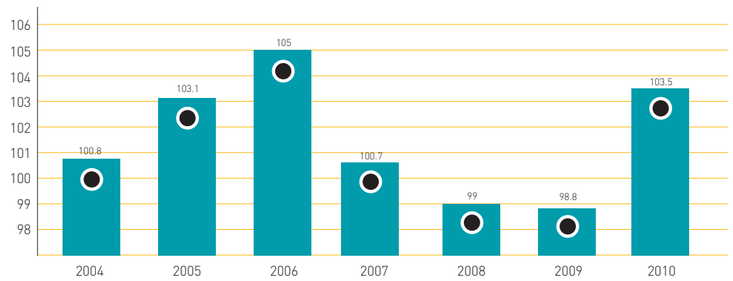
5.2.2.
Heat energy consumers' receivables

The balanced debt of consumers of the heat energy of OJSC "Bashkirenergo" was 269.9 mln RUR as of December 12, 2010.

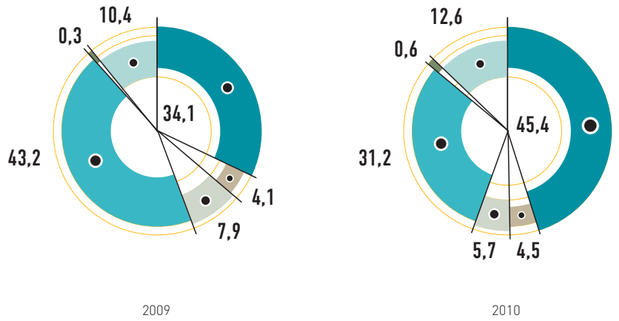
Accounts receivable amounted to 642.3 million RUR are distributed by main industries and consumer groups as follows:

	2009	2010
Chemistry and petrochemistry	330,2	291,9
Fuel industry	2,8	3,5
Housing and public servicing	418,5	200,6
Mechanical engineering and metal working	39,8	28,97
Government-financed organizations	76,9	36,5
Other	100,9	80,83

Actual ratio of sales to dispatched production, %



Structure of receivables, %



Despite the fact that the monthly receivables of the heat energy consumers still exists, a steady trend of its reduction is observed, and at the end of 2010 the level of specific debt reached 18 days.

As a result of carried out work with housing organizations in 2010, the debt for this group of consumers has decreased twofold — from 418.5 mln. RUR to 200.6 mln. RUR. Chemical and petrochemical industry receivables decreased for 40 mln. RUR (- 12%).

5.2.3.
Heat supply tariffs

Heat sales activities, as well as the sale of electricity to the ultimate consumer, are the regulated activities. Heat tariffs for ultimate consumers in accordance with Federal law as of April 14, 1995 № 41-FL "On state regulation of tariffs for electricity and heat in the Russian Federation" are regulated by the state with the help of tariffs imposed by Regional Energy Commissions (RECs).

In 2010, an average-rated tariff for heat consumers was 526.2 RUR/Gcal that is 65.4 RUR/Gcal higher than in 2009.

Hot water and Steam tariffs by the delivery points in 2008-2010 period, RUR/Gcal

	Hot water			Steam		
	2008	2009	2010	2008	2009	2010
Ufa	**360,36**	**460,11**	**528,06**	**532,5**	**610,8**	**647,0**
From manufacturers' collectors	455,2	566,3	603,3	531,3	609,7	643,8
Through heating grids	352,0	451,1	519,9	550,4	632,6	711,7
Ishimbaysky District	**344,8**	**453,4**	**520,6**	**511,0**	**577,4**	**612,1**
From manufacturers' collectors	459,0	571,0	605,3	511,0	577,4	612,1
Through heating grids	343,9	452,6	519,9			
Sterlitamak	**361,2**	**470,8**	**520,1**	**482,3**	**472,2**	**450,0**
From manufacturers' collectors	459,0	571,0	605,3	482,3	472,1	450,0
Through heating grids	360,6	470,3	519,7	454,4	571,0	
Neftekamsk	**341,0**	**445,6**	**507,2**	**516,0**	**563,6**	**594,4**
From manufacturers' collectors	0,0	202,4	238,4	676,1	563,6	594,4
Through heating grids	341,0	454,2	520,0	514,1		
Kumertau	**345,8**	**455,7**	**535,4**	**511,0**	**577,4**	**612,1**
From manufacturers' collectors	459,0	566,5	605,3	511,0	577,4	612,1
Through heating grids	330,4	436,0	520,1			
Agidel	**332,9**	**433,0**	**520,2**			
From manufacturers' collectors						
Through heating grids	332,9	433,0	520,2			
Salavat	**360,2**	**470,6**	**529,0**	**491,8**	**607,8**	**652,4**
From manufacturers' collectors	431,5	570,2	604,6	491,8	607,8	652,4
Through heating grids	335,5	453,7	516,8			
Blagoveshchensky district	375,4	486,6	554,5	505,1	577,5	611,0
From manufacturers' collectors	459,0	571,0	608,1	505,1	577,5	611,0
Through heating grids	329,5	422,7	519,8			
Sibai	**320,2**	**423,6**	**519,8**			
From manufacturers' collectors						
Through heating grids	320,2	423,6	519,8			
Baskirenergo total	**357,5**	**460,8**	**526,2**	**504,7**	**563,7**	**565,4**
From manufacturers' collectors	447,7	557,5	593,3	503,6	561,9	561,8
Through heating grids	348,8	453,1	519,6	548,8	632,5	711,7

In OJSC "Bashkirenergo" has one of the lowest tariffs for heat supplyin the region, making the company the most competitive among heat suppliers at the market of the Republic of Bashkortostan.

5.3
Analysis of Factors Affecting the Sales of Electric and Thermal Energy (MD&A)

Muhin
Yuri Fedorovich

President

of LLC ESKB

The key challenge of the 2010 was to provide for the power supply company of Bashkortostan to gain access to OREM. We strive to ensure that all activities on the transfer of rights and obligations of the guarantee supplier on behalf of OJSC "Bashkirenergo" to ESKB LLC have been painless for consumers in accordance with requirements of the current regulations. However, we do realize that transmission of OREM non-regulated prices to final consumers in the Republic of Bashkortostan as of January 1, 2011 may result in the growth of prices for certain categories of consumers, especially corporate clients.

However, ESKB LLC will seek to restrain prices in the retail market in order to save its own market through a flexible operation strategy at the OREM. ESKB LLC tariff strategy aims to ensure that each consumer can choose an optimal tariff plan for himself.

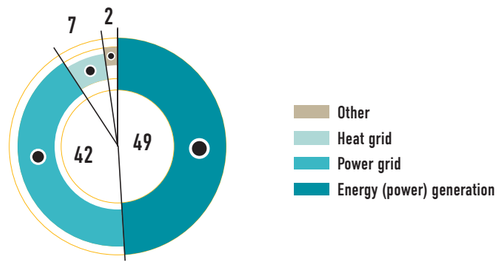
VI Investment and Repairs Activities. Information Technologies

Three major groups of investment and repair activities can be singled outr eflecting the main business directions of OJSC "Bashkirenergo":

- generating capacities;
- power grid;
- heat grid.

In 2010 investment of OJSC "Bashkirenergo", in new construction and current reconstruction and technical modernization of the functioning units, totaled 3, 173 million RUR (in accordance with RAS reports).
Investments into generating capacities amounted to 1, 583 million RUR, power grid — 1, 327 million RUR, and 211 million RUR into heat grid.

Investments in accordance with activity spheres



Execution of investment activities, mln RUR

Investment pattern	2009r.	2010r.
Energy generation	2 618	2 034
Power grid	1 225	1 344
Heat grid	119	232
Other	231	46
Total	4 193	3 656

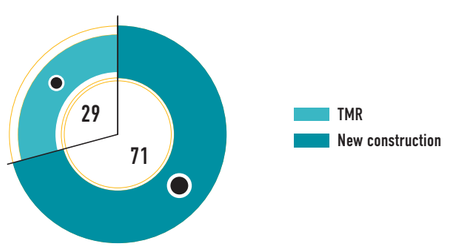
The basic financing sources of investment and repair programs are depreciation and net profit.

Investments according to financing sources, mln RUR

Financing source	2009r.	2010r.
Depreciation	2 505	2 124
Profit	1 346	765
Payment for technological connection	132	284
Total	3 983	3 173

The Company's investment policy gives priority to new construction. In 2010 the total cost of commissioned new capacities was 2, 594 mln RUR, and a 2, 273 mln RUR was financed to new construction. Projects on technical modernization and reconstruction (TMR) are rather behind considering the investment amounts. The volume of implemented TMR projects amounted to 1, 062 mln. rubles in 2010, with the TMR funding reaching 900 mln. rubles . TMR projects are mostly intended to keep up the productivity of property, plant and equipment and usually go hand in hand with the maintenance and repairs programs, which received over 913.8 mln RUR of allocations in 2010.

Construction



Construction, mln rubles

Direction	2009		2010	
	developed	financed	developed	financed
New construction	2 444	2 989	2 594	2 273
TMR	1 749	994	1 062	900
Total	4 193	3983	3656	3173

6.1
Investment, Repairs and Maintenance of Generating Capacities

Capital expenditure and maintenance of the generating capacities provide for the bulk of all CAPEX. Construction financing of new generating units amounted to 1, 454 mln RUR in 2010, 181 mln RUR were allocated to TMR projects. Repairs and maintenance received 914 mln RUR.

The key projects in constructing new generating capacities in 2010 were construction of a new power plant CHPP-5 with CCGT Unit, CCGT Unit-60 at Ufimskaya CHPP-2, water boiler and gas turbine plant GTPP-16PA with a boiler-utilizer steam generator at Zauralskaya CHPP.

Key projects of the generating capacities new construction

Project	Year of commissioning	Technical characteristics
Construction of CHPP-5 with CCGT Unit in Ufimsky District of the Republic of Bashkortostan	2013	440 MW 290 Gcal/h
Construction of CCGT Unit-60 at Ufimskaya CHPP-2	2011	55 MW
Enlargement of Zauralskaya CHPP through the construction of two boiler-utilizer steam generators GM-50-1,4-250 (gas-and-oil-fired) and gas turbine plant GTPP-16ECA with a boiler-utilizer steam generator	2011	16 MW 96 Gcal/h

Construction of CCGT Unite CHPP-5

Construction of a new CHPP with capacity of 440 MW and 290 Gcal/h on the base of a high-performance combined gas-steam cycle is planned in the center of power deficit district in the city of Ufa with existing infrastructure for gas supply and electric and heat power demand. Each of the two units are composed of gas and steam turbines produced by OJSC "Power Machines" , with capacity of 160 and 60 MW respectively, and a two-pressure boiler-utilizer steam generator produced by PJSC "EmAlliance".

The object's commissioning will decrease power deficiency of the Ufa node, it will provide OJSC "Bashkirenergo" with competitive advantages at the Wholesale Electricity and Capacity Market (OREM).

Construction of CCGT Unit-60 block at Ufimskaya CHPP-2

The project of Ufimskaya CHPP-2 reconstruction supposes the decommissioning and dismantling of the intermediate pressure unit of Ufimskaya CHPP-2 and installation in place of the new high-performance equipment based on gas-steam technologies .

The CCGT Unit-60 will include a SGT-800 gas turbine produced by Siemens Industrial Turbomachinery AB (Sweden), dual-pressure boiler-utilizer steam generator by PJSC "EmAlliance", and an existing steam turbine — type P-12-29/1,2 st. No. 3. CCGT Unit-60 will increase competitive advantages of OJSC "Bashkirenergo" at the Wholesale Electricity and Capacity Market (OREM) and provide an opportunity to increase heat load at CHPP-2.

Commissioning of CCGT Unit-60 at Ufimskaya CHPP-2 is planned to be conducted in the second quarter of 2011.

Enlargement of Zauralskaya CHPP provided by the construction of two boiler-utilizer steam generators GM-50-1,4-250 (gas-and-oil-fired) and a gas turbine plant GTPP-16ECA with a heat recovery steam generator

The territory of Zauralskaya CHPP is located in the east of the town of Sibay.

Enlargement includes two stages. The first one is construction of water boiler with capacity of 77 Gcal/h, including two heat recovery steam generators GM-50-1,4-250, reconstructed into water boiling ones. The second stage — construction of a gas turbine GTPP-16ECA manufactured by OJSC "Aviadvigatel", with capacity of 16 MW, and a water boiling utilizer steam generator with a flue gases by-pass allowing to increase the installed capacity factor of GTPP-16ECA. The boiler-utilizer steam generator was manufactured by JSC "Energomash" (Belgorod) — BZEM; its capacity is 19 Gcal/h.

The object's commissioning will increase the reliability of the heat supply for Sibay residents, and increase electricity output at heat-extraction mode.

The first stage of Zauralskaya CHPP enlargement was planned in December 2010, the second stage commissioning is to take place in the second quarter of 2011.

Investment in new generation is

1 454

mln. rubles

Generating capacities' technical modernization and reconstruction

A great variety of reconstruction and technical modernization activities of the Company's power assets was conducted in 2010, for the following purposes:

- to enhance the CHPP operating reliability the Company conducted some activities on the reconstruction of the head water faucet electric equipment at Pavlovskaya HPP;
- to increase the level of basic equipment automatic operation, a regulating system was reconstructed , with the installation of the electro hydraulic regulatory system (EHRS) of the steam turbine, st. No.7, with capacity of 110 MW, at Ufimskaya CHPP-2. Installation of EHRS on the last non-automated high-pressure steam turbine, st. No.8, is planned to be conducted in 2011;
- to decrease the production cost price, the Company continued to install power efficient regulated actuators on auxiliary mechanisms.

Maintenance and Repairs

In 2010 OJSC "Bashkirenergo" conducted the following types of repairs of the generating equipment:

- extensive and mid-life repair of power supply units No. 2,3,6 at Karmanovskaya GRES with capacity of 300 MW each,
- hydro electric generating set No.1 of Pavlovskaya HPP with capacity of 41.6 MW,
- extensive and mid-life repairs of 11 power generating boilers of CHPP with the overall steam-generating capacity of 3 480 t/h,
- 8 steam turbines with the overall capacity of 495 MW.

Total repairs expenditures in 2010 amounted to 913.8 mln RUR.

In order to optimize the repairs expenses, the repairs and maintenance program was organized according to the technical conditions of the equipment based on the technical diagnostics results.

The 2010 Maintenance and Repairs Program was conducted in a full size provided with balanced financial, staff and material resources. Equipment readiness for the autumn-winter operation was approved by a readiness certificate's issuing.

6.2
New Construction, TMR, and Power Grid capacities' Repairs

Power grid operation demands serious investments to carry out modernization and out-of-date grid equipment renovation. In 2010, as a part of the Construction and technical modernization and reconstruction program, 1,327 mln RUR was financed; conducted activities amounted to 1,344 mln RUR.

Key projects of new construction in the power grid complex in 2010

Project	Year of commissioning	Technical characteristics
Substation PS 220/110/10 kW "Zaton" construction	2011	2x125 MVA
Overhead transmission line 220 kW "Ufimskaya — AMET" construction	2010	60 km2/P. Overhead transmission line 220 kW
Cable line — 110 kW "Sipaylovo-Ishimskaya" construction	2011	5 km 2/P. Overhead transmission line 110 kW
Overhead transmission cable line 110 kW "Zaton-Krasnodonskaya" construction	2011	6 km 2/P. Overhead transmission line 110 kW 3 km 2/P. Cable line 110 kW
Ownerless power grid recovery	2009-2012	grids 0,4-10 kW

Moreover, the following power supply activities were conducted in 2010:

- "Bashkortostan" exhibition complex electricity supply;
- Housing complex "Dema-8" electricity supply;
- Entertainment and Business Center "Business-Park", TSK "IKEA" electricity supply;
- Issue concerning the extensible regions' electric power supply was solved according to the Ufa city development plan, such as the housing complexes "Kuznetsovsky Zaton", "Shaksha-Severnaya".

Technical modernization and reconstruction of the power grid complex

In 2010 a lot of reconstruction and technical modernization activities were conducted at operating power supply objects.

In 2010 LLC "BashRES" financed TMR activities amounting to 570.1 mln RUR, with projects over 575.6 mln RUR saw commissioning.

LLC "BSK" allocated 50.6 mln RUR for financing TMR projects while TMR projects worth 45.6 mln RUR were completed in 2010.

Basic TMR objects in power supply complex

Project	Year of commissioning	Technical characteristics
Transmission grid		
Reconstruction of Outdoor switchgear-500 kV, at Beketovo substation, excess voltage suppressor-500 kV, voltage transformer-500 kV replacement	2010	Excess voltage suppressor-500 kV, Voltage transformer-500 kV 1 set for each
Reconstruction of supervisory control devices at Blagovar and Ufimskaya-500 substations, and Technical data exchange system (TDES) acquisition center	2010	Instruction manual – 228 pcs., Technical arrangement — 98 pcs.
Reconstruction of Outdoor switchgear-110 kV at Aksakovo substation, substitution of switches VM-110 kV for gas-insulated ones with convertors TT-110 kV replacement	2010	VGT-110 kV, TRG-110 kV 1 set of each one
Reconstruction of Outdoor switchgear-110 kV at NPZ substation, substitution of tank switches VM-110 kV for gas-insulated ones	2010	VEB-110 kV 1 set
Reconstruction of Outdoor switchgear-110 kV at Tuymazy substation, replacement of OVM-110 and protective relaying and automation.	2010	VGT-110 kV, TRG-110 kV 1 set of each one
Voltage reduction automation organization at Iremel substation.	2010	VRAO, micro processor device Mikom 922
Distribution grid		
Reconstruction of Glumilino substation with substitution of switches MKP-110-630 for gas-insulated switches, type VEB	2010	VEB-110 1 set
Reconstruction of Dema substation. Substitution of MKP-110 for VEB-110	2010	VEB-110 2 sets

According to the power supply complex investment plan, it is planned to finance activities in 2011 at the amount of 2 070 mln RUR.

Activities intended to provide the grid reliability and the quality of power supply are planned for new projects and projects under reconstruction in mid-life perspective for 3-5 years in the housing complex Glumilino-4, in the southern part of Ufa, and other actively overbuilt micro regions of the city.

Maintenance and Repairs

In 2010 854,5 mln RUR was directed for the basic power grid repairs, and this amount is 10,8 per cent less than in 2009. This decrease is due to purchasing procedures optimization, as well as modern equipment and materials usage in repairs campaigns of the former periods.

6.3
New Construction, TMR, and Heat Grid Capacities Repairs

A high level of heat grids deterioration needs serious investments. In 2010 the whole program of capital investments was planned for construction, reconstruction, and technical modernization of boiler units, heat grids, and central heat supply stations. Construction cost 231.7 mln RUR, including construction and installation activities — 137.1 mln RUR.

Key projects of new construction in heat grid complex

Project	Year of commissioning	Technical characteristics
Construction of a modular boiler unit in the housing district Yuryuzan of the city of Ufa	2011	36 Gcal/h
Construction of transit pipeline between boiler units down ul. Metallistov (street), 28 and ul. Letchikov, 1/1.	2012	2Dy700 — 800 m 2Dy400 — 1 075 m 2Dy500 — 1 300 m

Construction of a modular boiler unit in the housing district Yuryuzan in the city of Ufa

A modular boiler unit construction project in the housing district Yuryuzan considers heat capacity sale market enlargement with the introduction of new consumers to the actively built district. The boiler unit's installed capacity is 36 Gcal/h. The commissioning is planned in 2011.

Construction of a transit pipeline between boiler units down ul. Metallistov (street), 28 and ul. Letchikov, 1/1

Construction of a transit pipeline supposes connection of three boiler units of the micro district of Zaton: KTs-14/38, ul. Letchikov 1/1, KTs-14/37, ul. Akhmetova 320, and KTs-14/44, ul. Metallistov 28. Transit pipeline will provide for a more economical boiler units load together with heat supply of existing consumers and a new construction. Moreover, right after the commissioning of CCGT Unit CHPP-5, this pipeline will allow to provide heat for consumers from a new and cheaper heat supply source.

Commissioning of the section from KTs-14/38 to KTs-14/44 is supposed to take place in 2011; and the district from KTs-14/37 to KTs-14/44 — in 2012.

Technical modernization, reconstruction and repairs of heat grid

In order to provide heat supply reliability for customers in LLC "BashRTS", minimize heat loss and reduce production cost price there are regularly held repairs of heat grid, works on pipeline replacement, insulation recovery using modern materials, optimized heat supply schemes, installed energy efficient technologies including regulated gears on auxiliary mechanisms.

In 2010 5 000 line meters (in single-tube evaluation) of pipelines were substituted for the pipelines in PU foam insulation. The total length of installed heat grid and DHW was 4.800 line meters.

Activities to install water supply metering devices in 81 Central heating supply points were also conducted; as well as heating supply metering devices at 8 Central heating supply point;

The repair of 66,000 line meters of heat grid in a single-tube evaluation was carried out in 2010 (17,000 line meters of them are distribution lines, 49,000 line meters — quarter lines). Insulation was recovered for 8,800 line meters of distribution lines and 4,400 line meters of quarter lines.

6.4
Information Technologies

OJSC "Bashkirenergo" pays much attention to information technologies and automation means development.

The Company's automation systems may be divided into two categories:

- management automation;
- production automation.

Management automation

Some activities on functionality development of the Heat power sales management joint automated system (HPSM JAS) were carried out in 2010.

The system development was conducted in the following directions:

1) Subscribers service quality improvement — the customer service period reduction and heat power calculation transparency increase.

2) Working staff supervision reinforcement according to the fulfillment and just-in-time conduction of regulatory activities and its carrying out quality.

Mechanisms that were developed and installed to reach these goals are automation of business processes of the customers' supervision and installation of the call-center, as well as the purchasing system automation.

Business processes automation

Decision of business processes automation, connected with the heat power implementation, was made in 2010. Business processes automation is carrying out some regulated functions under informational systems supervision. This automation allows to minimize labor input and data loss.

In 2010 the following business processes were automated and implemented:

- complaint work,
- work with a customer in the economic security department,
- claims work,
- enforcement proceeding,
- work with bankrupts and released structures,
- work with commissioning at the beginning of a heating season,
- work on debt restructuring diagrams preparation,
- work on the debtors shut-off.

The result of business processes automation has become a qualitative and quantitative improvement of the accounts receivable collecting. There was also conducted the personnel load reallocation; the possibility of operational incoherence was eliminated (all operations are now carried out according to a strict order); labor inputs into the administrative discipline quality control were decreased; expenses on the personnel development were minimized because work with this program allows to increase interchangeability of executors and ease new staff training. The mechanism notification system about different business processes helps the staff organize their work in a right way, decrease time for necessary data search.

During the first four months of 2010 (the period when the business process "Complaint Work" was put into industrial operation) accounts receivable payment rose by 19 per cent compared to the same period of 2009.

Call-center installation

Call-center is a technology allowing to receive outgoing and incoming calls, and effectively organize and optimize work with telephone subscribers.

Call-center is a customizing, on one hand, directed to decrease the time of work with a customer and a feedback with him, but on the other hand, it is a controlling of the working staff, especially when it deals with regulatory activities conducted on time, as well as their quality.

MoBill-CallCenter of the Mobil Company is completely integrated with the Heat power retail management joint automated system (HPSM JAS) and was placed in industrial operation in August 2010.

Effects of the Call-center performance:

- decrease of a telephone subscriber's delay on a call,
- elimination of a response period,
- increase of telephone subscribers, served on the first try,

• provision of subscribers with reference and information services,

• complete recording and control of the personnel work, optimization of their activities,

• control over the relationship between the Company and its subscribers,

• simplification of the conflicts management with subscribers,

• the Company's authority enhancement in its subscribers, partners, and its own employees' opinions.

Purchasing system automation

As a part of improving OJSC "Bashkirenergo" purchasing system, together with purchasing departments, there have been worked out and successfully started up:

• purchasing activity automated management system (based on PC "1C: Predpriyatie 8");

• official purchase and realization web-site of OJSC "Bashkirenergo" (section "Purchases" of OJSC "Bashkirenergo" web-site).

Manufacturing automation

The following activities were carried out in automation development sphere In 2010:

1. Work out of a standard project on technological equipment operating parameters data collection for affiliates.

2. Work out of a standard project on remote-control data delivery to LLC "BashRTS" from commercial heat transfer medium metering station to maintain operating mode and implementation at affiliates.

3. Information output on the technological server of LLC "BGK" from LLC "BashRTS-Sterlitamak" pump units.

4. Work out and implementation of the automated system with the data output on LLC "BGK" technological server.

We can emphasize the following projects among those on generating capacities automation:

• Implementation of different information and metering systems at CHPP-1, CHPP-2, CHPP-3, Priufimskaya CHPP, Sterlitamakskaya CHPP, Novosterlitamakskaya CHPP, Salavatskaya CHPP, Kumertauskaya CHPP.

• Implementation of electro hydraulic regulatory system at TG-7 CHPP-2.

• Modernization of the electric power commercial accounting automated system in all affiliates of LLC "BGK".

• Implementation of the technological equipment basic operating parameters collection system.

• Start-up of the business risk management system at Karmanovskaya GRES and detection of equipment failure criticality together with another program — Electronic Equipment Defects Register.

6.5

MD&A Analysis of Factors Influenced on the Investment Program Realization, TMR and Maintenance and Repairs Programs, IT-Technologies

Neganov
Leonid Valerievich

Deputy
Director General of
OJSC "Bashkirenergo"
in charge of finance,
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and investments

OJSC "Bashkirenergo" is directed to enhance the current capacities efficiency in the investment sphere. The investment program was divided into several segments. 45 per cent of the total investments are directed for the investment projects, aimed at supporting the Company's competitiveness. 29 per cent are investments into the power supply optimization and enlargement projects. 21 per cent are supposed for the capital expenditures and customers joining. 1 per cent is for the R&D expenditures. More than 50 per cent from this type of expenditures finance generating capacities development. Power grid projects are less capital intensive making up over 40 per cent of the total CAPEX. We spend more than 7 per cent on heat.

The total investments volume of 2011 may seriously go beyond the level of 2010, exceeding 8 bln RUR mainly because of the renewal of the CHPP-5 project.. The Company plans to finance additional capital expenditure through loans and borrowings, as well as by its own sources.

VII Financial and Economic Results

In its 2010 Annual Report OJSC "Bashkirenergo" published its financial reported results for the first time in accordance with International Financial Reporting Standards (IFRS).

The company's revenue in 2010, increased by 25 per cent compared to 2009 and amounted to 62,835 mln RUR, while operating expenses increased by 24 per cent and amounted to 58,719 mln RUR. Operating profit increased by 35 per cent and amounted to 4,116 mln RUR. OIBDA was 7,613 mln RUR, or 19 per cent higher. During the same period net profit jumped by 31 per cent, amounting to 2,791 mln RUR.

The Company's free cash flow in 2010 comprised 3,508 mln RUR that is 26 times higher compared to 2009; it happened primarily due to reduction in capital investments by 42 per cent, or 2, 411 mln RUR.

Key Financial Performance Indicators, thousand RUR*

Indicator	2009	2010	Change (%)
Revenue	50 295	62 835	25%
Operating expenses	(47 238)	(58 719)	24%
Operating Profit	3 057	4 116	35%
Financial profit	44	0	-100%
Financial expenses	(33)	(39)	18%
Profit before income tax	3 068	4 077	33%
Profit tax (expenses)/ profit	(933)	(1 286)	38%
Profit for the year	2 135	2 791	31%

* Free cash flow to the firm (FCFF) means the after-tax cash flow from its operating activities after deduction of net investments in capital requirement available to investors.

Net profit

2 791

mln. rubles

7.1 Revenue

Revenues from electricity and capacity (75% of total revenue) that jumped by 29% up to 47,365 mln RUR, take the major place in the consolidated revenues structure of OJSC "Bashkirenergo". Heat sales revenues (20% of total revenue) grew by 12% to 12,280 mln RUR. The total consolidated revenue from the basic production sales of OJSC "Bashkirenergo" (electricity, capacity, and heat sales) amounted to 59,645 mln RUR in 2010, that is 25% higher than in 2009.

Consolidated revenue structure 2009-2010, mln RUR

	2009	Revenue share (%)	2010	Revenue share (%)	Change (%)
Revenue	50 295	100	62 835	100	25
Electricity and capacity sales	36 792	73	47 365	75	29
Heat energy sales	10 983	22	12 280	20	12
Other revenue from operating activities	2 520	5	3 190	5	27

The main factor of revenue growth in 2010 compared to 2009 were:

- Increase by 2.57% in power output to final consumers compared to 2009 reaching 19,082.5 mln kWh;
- Increase in sales at the wholesale electricity and capacity market (OREM);
- Growth of the actual average electricity tariffs for final consumers by 10.3% compared to 2009;
- Growth of the actual average heat tariffs for consumers by 8.5% compared to 2009.

Consolidated revenue

62 835

mln. rubles

7.2
Operating Expenses

Consolidated operating expenses of OJSC "Bashkirenergo" grew 24% in 2010 up to 58,719 mln RUR. Variable costs represented the major part (68%) in the total cost price structure amounted to 39,640 mln RUR. They mainly consisted of fuel costs, expenses on purchased electricity as well as on water usage. Total variable costs hiked 45% in 2010.

Fuel costs, which increased by 35% to 23,994 mln RUR, were driven by a 15% gas price indexation, as well as by the boost in electricity output by thermal power stations.

Expenses on purchased electricity increased by 62% up to 15,132 mln RUR compared to 2009 mostly triggered by the rise in electricity and capacity prices at OREM. The share of purchased electricity rose up 6 b.p. to 26% in overall operating expenses.

Fixed costs representing 32% of overall operating expenses totaling 19,079 mln RUR lost 4% compared to 2009.

Staff costs being the largest item of fixed costs (15% of total operating expenses) fell 2% against 2009 to 8,758 mln RUR. The reduction in staff costs can mostly be explained by a shift to a new staff motivation system "salary + bonus for achieving KPI".

Maintenance and repairs together with costs of materials and spare parts (8% of operating expenses) rose 3% compared to 2009 amounting to 4,672 mln RUR mostly due to a 7% increase in expenses on repairs and maintenance.

Depreciation rose 4% in 2010 against 2009 and amounted to 3,497 mln RUR due to the basic assets' price increase.

Other operating expenses have grown 13% to 1,191 mln RUR.

Structure of operating expenses 2009-2010

	2009	Share (%)	2010	Share (%)	Change (%)
Fuel	(17 759)	38	(23 994)	41	35
Electricity purchase	(9 334)	20	(15 132)	26	62
Water usage costs	(300)	1	(514)	1	71
Variable costs	**(27 393)**	**59**	**(39 640)**	**68**	**45**
Staff costs	(8 903)	19	(8 758)	15	-2
Depreciation	(3 366)	7	(3 497)	6	4
Maintenance and repairs	(2 770)	6	(2 965)	5	7
Spare parts and materials	(1 780)	4	(1 707)	3	-4
Charity	(497)	1	(681)	1	37
Taxes, other than income tax	(403)	1	(399)	1	-1
Rent	(137)	0	(143)	0	4
Loss on disposal of property, plant and equipment	(392)	1	(132)	0	-66
Change in provision for tax and legal contingencies	(223)	0	363	-1	n.a.
Change in allowance for doubtful receivables	(200)	0	(40)	0	-80
Impairment of advances paid	(116)	0	71	0	n.a.
Other operating expenses	(1 058)	2	(1 191)	2	13
Fixed costs	**(19 845)**	**41**	**(19 079)**	**32**	**-4**
Total expenses	(47 238)	100	(58 719)	100	24

7.3
Profit and Profit Margins

Net profit

The annual results of 2010 showed that the net consolidated profit of OJSC "Bashkirenergo" compounded to 2,791 thousand RUR, which is 31% higher than in 2009.

The 2010 net profit enhancement was reached mainly due to the control over fixed cost increase.

OIBDA*

The annual results of 2010 OIBDA indicator reached 7,613 thousand RUR, which is 19% higher than in 2009. In 2010 OIBDA margin was 12% or 1 p.p. lower than OIBDA margin in 2009 (13%).

Profitability ratio in 2009 and 2010

Indicator	2009	2010	Change, (percentage point)
OIBDA Margin	13%	12%	- 1 p.p.
Net margin	4%	4%	0
EBIT Margin	6%	7%	1 p.p.
CAPEX/Sales	11%	5%	6 p.p.

* OIBDA is defined as operating income before depreciation and amortization and before the losses of long-term assets devaluation. This index reflects the financial result of the Company operating activities and allows comparing of different companies, since it doesn't depend on taxation system, credit drawing cost and depreciation and amortization system used in the Company.

OIBDA

7 613

thousand rubles

7.4 Assets, Capital and Liabilities Profile

As of the balance sheet date assets value of OJSC "Bashkirenergo" amounted to 57,806 million RUR in accordance with IFRS.

In the assets structure the share of non-current assets was 89%, or 51,488 million RUR, and the share of current assets was 11%, or 6,318 million RUR.

In the capital and contingencies structure the share of capital and reserves was 87%, or 50,119 million RUR of the total equity and liabilities.

The share of the current liabilities was 9%, or 5,473 million RUR, and the share of the non-current liabilities was 4%, or 2,214 million RUR.

Assets, capital and liabilities structure in 2009-2010

	Indicator	2009 Million RUR	Balance share	2010 Million RUR	Balance share	Change (%)
Assets	Non-current assets	52 034	89%	51 488	89%	-1%
	Current assets	6 549	11%	6 318	11%	-4%
	Total	58 583	100%	57 806	100%	-1%
Capital and liabilities	Capital and reserves	48 847	83%	50119	87%	3%
	Non-current liabilities	2 284	4%	2214	4%	-3%
	Current liabilities	7 452	13%	5473	9%	-27%
	Total	58583	100%	57806	100%	-1%

Assets value

57 806

mln. rubles

Capital assets structure in 2009-2010

Indicator	31.12.2009		31.12.2010		Chan. (%)
	mln RUR	Share %	млн. руб.	Share %	
Facilities	31 221	66%	30 174	63%	-3%
Machinery and equipment	13 133	28%	13 412	28%	2%
Other	548	1%	309	1%	-44%
Construction-in-progress	2 618	6%	3 780	8%	44%
TOTAL:	47 520	100%	47 675	100%	0%

Current assets

Current assets structure in 2009-2010

Indicator	31.12.2009		31.12.2010		Chan. (%)
	mln RUR	Share %	mln RUR	Share %	
Supplies, including:	1 459	22%	1 169	19%	-20%
Fuel	295	5%	262	4%	-11%
Materials and spare parts	1282	20%	1151	18%	-10%
Other supplies	237	4%	50	1%	-79%
Total supplies according to purchase cost	1814	28%	1463	23%	-19%
Net of obsolete inventory reserve	-355	-5%	-294	-5%	-17%
Retail and other receivables	2 413	37%	2 658	42%	10%
Advances and prepayments	414	6%	427	7%	3%
Profits tax prepayment	438	7%	181	3%	-59%
Other taxes recoverable	1 133	17%	1 272	20%	12%
Carrying value and its equivalents	598	9%	569	9%	-5%
Financial assets	94	1%	42	1%	-55%
Total current assets	6 549	100%	6 318	100%	-4%

The total amount of the capital and liabilities of OJSC "Bashkirenergo" is 57,806 mln RUR including capital and reserves amounting to -50,119 thousand RUR, or 87%. The non-current liabilities are -2,214 million RUR, or 4%. The current liabilities are 5,473 million RUR, or 9 % of the total capital and liabilities.

In 2010 current liabilities reduced by 27% (to 5,473 million RUR) due to the reduction of the current borrowings by 89%.

Liabilities structure in 2009-2010

		31.12.2009		31.12.2010		Change (%)
		mln RUR	%	mln RUR	%	
Capital and reserves		48 847	83%	50 119	87%	3%
Long-term liabilities	Loans and borrowings	8	0%	-	-	0%
	Liabilities in employees' benefits	497	1%	584	1%	18%
	Postponed tax liabilities	1 697	3%	1 549	3%	-9%
	Other long-term liabilities	82	0%	81	0%	-1%
Short-term liabilities	Loans and borrowings	1 490	3%	160	0%	-89%
	Retail and other loans and borrowings	1 513	3%	1 203	2%	-20%
	Advances received	2 525	4%	2 230	4%	-12%
	Other short-term liabilities	1 924	3%	1 880	3%	-2%
Liabilities		58 583	100%	57 806	100%	-1%

Loans and Borrowings

The financial position of OJSC "Bashkirenergo" is stable. External financing in 2010 was cut down 89% to only 160 mln RUR, resulting in a net debt indicator becoming negative -409 mln RUR. Such a significant decrease in loans and borrowings compared to 2009 was mostly the result of a growing cashflow from operating activities coupled with the reduction in capital expenditure.

Financial
debt was reduced
to

160

mln. rubles

7.5
Analysis of Financial and Economic Results (MD&A)

Neganov
Leonid Valerievich

Deputy
Director General of
OJSC "Bashkirenergo"
in charge of finance,
economics
and investments

We consider the 2010 financial results as very positive. With the rising natural gas prices outpacing electricity prices growth the Company managed to increase its net profit and OIBDA compared to 2009 mostly due to control over fixed costs. The financial situation of OJSC "Bashkirenergo" is more than stable with a financial debt almost close to zero. However, in 2011, subject to the Board of Directors decision to renew the implementation of the investment project of CCGT Unit CHPP-5, the Company may resort to raising debt financing taking advantage of favorable market conditions.

VIII Securities and Corporate Governance

8.1
Structure of Shareholder Capital

Charter capital
As of December 31, 2010 in terms of the Charter of OJSC "Bashkirenergo", capital was 1 092 728 485 RUR and divided into:

• 1 042 667 488 ordinary registered shares at par 1 RUR;

• 50 060 997 preference shares (Type A) at par 1 RUR.

National numbers and state registration dates of the stock issue:
In accordance with the instruction of the Federal Securities Commission of Russia d. d. 07.04.2004 No 04-945/r there is accomplished the consolidation of the Bashkirenergo OJSC's additional shares issues, resulted into:

• State registration number of the ordinary registered uncertified shares of OJSC "Bashkirenergo" 1-01-00012-A d. d. 07.04.2004 (national numbers assigned to OJSC's "Bashkirenergo" primary listing: 01-1p-28 d. d. 21.03.1993; 01-1-1117 d. d. 01.02.1996; 1-03-00012-A d. d. 16.11.1998 cancelled).

• State registration number of the preference registered uncertified shares (Type A) of OJSC "Bashkirenergo" 2-01-00012-A d. d. 07.04.2004. (national numbers assigned to the OJSC's "Bashkirenergo" preference registered uncertified shares issues: 01-1p-28 d. d. 21.03.1993; 01-1-1117 d. d. 01.02.1996 cancelled).

Shareholders data
For the year ended December 31, 2010 the quantity of the registered shareholders in OJSC's "Bashkirenergo" shareholder register is 20 235; 11 of them are nominal holders.

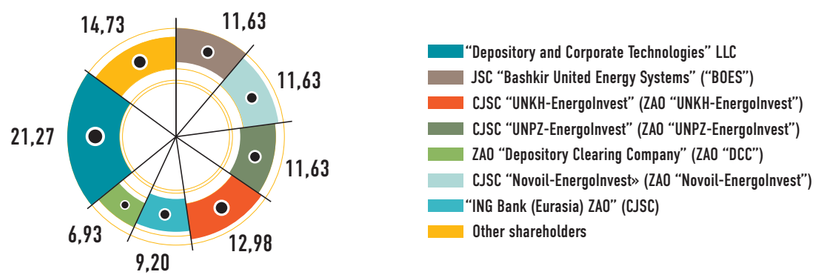
As of September 30, 2010 (the record date for listing of the persons entitled to the extraordinary shareholders meeting held on December 24, 2010) the major shareholders were:

Name	Share in Charter Capital, %	Common stock ratio, %
JSC "Bashkir Integrated Energy Systems" ("BOES")	11,63	12,19
CJSC «Novoil-EnergoInvest» (ZAO "Novoil-EnergoInvest")	11,63	12,19
CJSC "UNPZ-EnergoInvest" (ZAO "UNPZ-EnergoInvest")	11,63	12,19
CJSC "UNKH-EnergoInvest" (ZAO "UNKH-EnergoInvest")	12,98	13,6
"INTER RAO UES" (OAO «INTER RAO UES", trust management)	21,27	22,29

As of December 31, 2010 there were following shareholders in the Company's shareholder register:

Name	Share in Charter Capital, %	Common stock ratio, %
Shareholders		
JSC "Bashkir Integrated Energy Systems" ("BOES")	11,63	12,19
CJSC "Novoil-EnergoInvest» (ZAO "Novoil-EnergoInvest")	11,63	12,19
CJSC "UNPZ-EnergoInvest" (ZAO "UNPZ-EnergoInvest")	11,63	12,19
CJSC "UNKH-EnergoInvest" (ZAO "UNKH-EnergoInvest")	12,98	13,60
Nominal holders		
"ING Bank (Eurasia) ZAO" (CJSC)	9,20	8,93
ZAO "Depository Clearing Company" (ZAO "DCC")	6,93	6,36
"Depository and Corporate Technologies" LLC	21,27	22,29
Other shareholders	14,73	12,25
TOTAL	100	100

OJSC Bashkirenergo Shareholding (in percentage points of capital stock) (as of December 31, 2010)



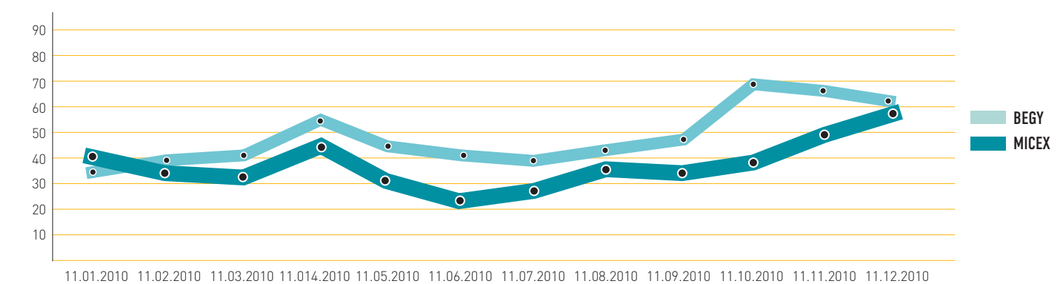
8.2 Securities

The "Russian Trading System" Stock Exchange and the MICEX (Project "MICEX Discovery") are the stock markets were the OJSC's "Bashkirenergo" circulate.

Sales of the OJSC's "Bashkirenergo" ordinary shares

Year	Stock Exchange	Maximum price, RUR.	Minimum price, RUR.	Last traded price, RUR.	Trade volume, RUR.	Bargains done, items
2008	MICEX	34,4	6	6	830 953	154
2008	RTS	51,16	5,29	6	45 732 878	479
2009	MICEX	44,4	5,07	33,12	133 987 426	8 808
2009	RTS	43	6,25	37	6 983 581	157
2010	MICEX	76,5	31,6	66,9	1 254 472 393	29 782
2010	RTS	75	36	63	50 314 193	655

Ordinary shares price performance of OJSC "Bashkirenergo" (MICEX)



In 2010 ordinary shares' price of OJSC "Bashkirenergo" rose by 102 %, or doubled, in MICEX. Thus MICEX-Index rose by 32 % during the same period. But a far greater growth was showed by the trade volume of OJSC's "Bashkirenergo" ordinary shares in the RTS Stock Exchange and the MICEX. rising 9-times to 1.3 billion RUR in 2010.

Bonds

In 2010 the number of the 03 series outstanding bonds was 8 107 totaling at par value 8 107 000 RUR due March 9, 2011. Interest coupon for remaining maturity was 8.3% per annum, and payment frequency was 90 days.

In accordance with predetermined interest coupon's payment schedule and performance the retirement of the 03 series bonds in 2010 the Company disbursed payments totaling 663.8 thousand rubles.

The 03 series bonds (registration number of the securities issue is 4-03-00012-A) were quoted by the MICEX in the list of the non-listed stocks.

The main identification codes of the 03 series bonds

Type of securities: interest bearing
Form of securities: documentary bearer
State registration number of the securities issue: 4-03-00012-A
Registration date: 03.03.2006
State registration date of the securities issue report: 16.05.2006
Nominal value of every single bond: 1,000 rubles.
The depositary institution making centralized storage of the bonds issue:
Non-commercial Partnership "National Depository Center"
The paying agent making the coupon yield payment (interest coupon) and the bond retirement:
the Bank VTB (Open Joint-Stock Company)
The prospectus is accessible in Internet. URL: www.bashkirenergo.ru

8.3 Dividend Story

The amount of dividend payment on ordinary and preference shares is determined by the Shareholders' General Meeting upon the recommendation of the Board of Directors. The dividends amount should not exceed the level recommended by the Board of Directors.

The dividends amount for preference shares is determined in accordance with effective legislation of the Russian Federation and Company's Charter. While setting the level dividend payment for the Companys' preference shares (Type A) and ordinary shares the Board of Directors is sensitive to the effective legal restrictions and the Company's Charter.

Dividends amount set to single share, RUR per share

Class of shares	for 2005	for 006	for 2007	for 2008	for 2009
Ordinary	0,366	0,41	0,82	1,00	1,087
Preference (type A)	0,775	0,87	1,74	4,11	2,304

Set dividends amount, (thousand RUR)

Class of shares	for 2005	for 006	for 2007	for 2008	for 2009
Dividends Fund	420 414	471 047	942 094	1 248 418	1 248 721
Including					
Upon ordinary shares	381 617	427 494	854 988	1 042 667	1 133 380
Upon preference shares (type A)	38 797	43 553	87 106	205 751	115 341

As of December 31, 2010 the Company paid out cumulated dividends in full outside persons, whose requisites are lacking or incorrect in shareholders' register.

8.4 Principles of Corporate Governance

By corporate governance the Company means the sequence of processes making governance and control over its activities on behalf of shareholders and including relationships between shareholders, the Board of Directors, and the executive bodies of the Company.

The Company considers the corporate governance as the effective instrument for Company's activities and its reputation growth. Principles and corporate governance procedures of OJSC "Bashkirenergo" set forth the Charter and the series of the by-laws, which as a whole specify the structure and responsibility for the management and control bodies of the Company.

The basic principles of the corporate governance effecting in OJSC's "Bashkirenergo" Code of Corporate Conduct are the pillar for the Board of Directors and Company's executive bodies:

Accountability

The Code provides for accountability of the Company's Board of Directors to all shareholders in accordance with applicable law and serves as guidance for the Board of Directors in drawing up Resolutions and effecting control over activities of the Company's executive bodies. . The Company management and the Director General are accountable to the Company's Board of Directors and the General Shareholders' Meeting.

Fair and Equal treatment to every shareholder

The Company commits itself to defending the shareholders' rights and ensuring fair treatment of all shareholders. The Board of Directors shall give all shareholders the opportunity to receive efficient protection in case of their rights being violated.

Transparency

In accordance with statutory requirements the Company provides for timely and precise disclosure of information about all substantial facts regarding its activities and particularly on its financial situation, social and environmental indicators, operating results, Company's ownership structure and management, conflicts of interests as well as concerned parties' access to respecting information.

Fair practice

It means that all shareholders, Company, its bodies, officers, and concerned parties fairly exercise their rights, prevent cases of rights abuse.

Mitigation of conflict of interests

The Company considers as the most important the arm's length principle and principle of mitigation of the conflict interests.

Key documents regulating corporate governance

In 2010, as an effort to improve practice of the corporate governance and ensure shareholders' rights there were adopted new versions of the Company's Charter and the by-laws regulating corporate governance of OJSC "Bashkirenergo".

№	Document	The approving management body	Approval date
1.	The Charter of OJSC "Bashkirenergo"	The General Shareholders' Meeting	10.06.2010
2.	The Provision on the General Shareholders' Meeting of OJSC "Bashkirenergo"	The General Shareholders' Meeting	10.06.2010
3.	The Provision on the Board of Directors of OJSC "Bashkirenergo"	The General Shareholders' Meeting	10.06.2010
4.	The Provision on the Director General of OJSC "Bashkirenergo"	The General Shareholders' Meeting	10.06.2010
5.	The Provision on the Management Board of OJSC "Bashkirenergo"	The General Shareholders' Meeting	10.06.2010
6.	The Provision on the Internal Audit Commission of OJSC "Bashkirenergo"	The General Shareholders' Meeting	10.06.2010
7.	The Regulations of OJSC's "Bashkirenergo" Board of Directors efforts	The Board of Directors	30.07.2010
8.	The Code of Corporate Conduct of OJSC "Bashkirenergo"	The Board of Directors	30.09.2010
9.	The Provisions on the Strategy Committee, the Nominating and Remuneration Committee, the Corporate Conduct Committee, and the Board Audit Committee of OJSC "Bashkirenergo"	The Board of Directors	30.04.2010

Corporate governance system development in 2010

2010 saw the introduction of the new self-appraisal procedure for the Board of Directors. The Board of Directors' self-appraisal reckoned up following criteria: the lineup and structure of the Board of Directors and the Board of Directors' Committees; the order, work planning and procedure of the Board of Directors and Committees; functional work areas of the Board of Directors and Committees; appraisal of the Board of Directors.

Based on the results of questionnaire there is developed the implementation program including recommendations on subsequent efforts improvement for the Board of Directors.

The feedback of the Board of Directors was implemented in the Company and improved its efforts efficiency.

Starting 2010 the Board of Directors of OJSC "Bashkirenergo" set the following Committees: the Strategy Committee, the Nominating and Remuneration Committee, the Corporate Conduct Committee, and the

Board Audit Committee

There is exerted a permanent control over the decision making of the Company's management bodies and the Board of Directors' Committees.

The Board Resolution d. d. 30.09.2010 ratified OJSC's "Bashkirenergo" Code of Corporate Conduct, general objects of which are Company's corporate governance development and systematization, making more transparency in Company's management, and Company's steady readiness demonstration use the corporate governance standards.

Disclosure of information

The Company maintains equal rights and opportunities for every shareholder to get information in set by legislation order about the Company's activities.

In sphere of information disclosure the Company is based on requirements of the Federal Laws "On Joint-Stock Companies" and "On Securities Market", the Statute Concerning information disclosure by issuers

of securities, approved by FSCR' decree, OJSC's "Bashkirenergo" informational policy, and other statutory instruments.

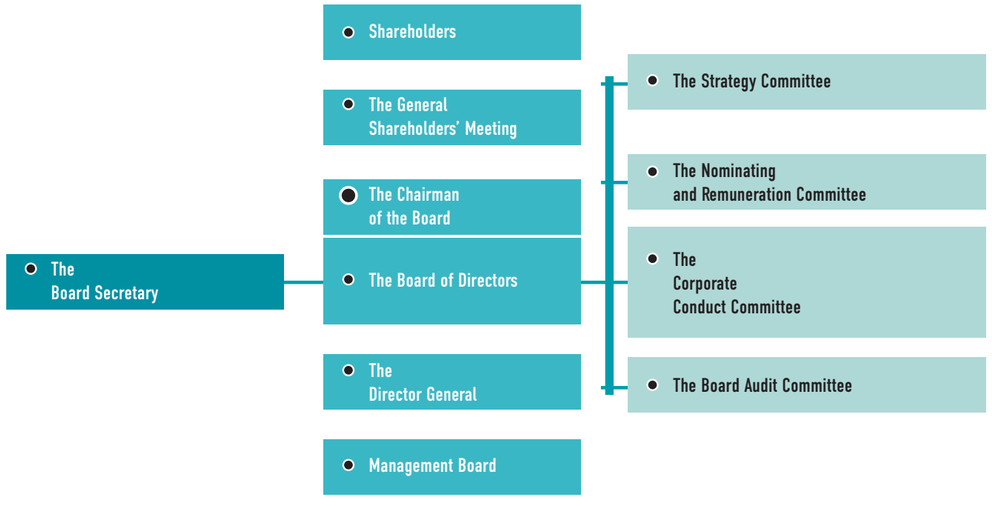
In 2010 OJSC "Bashkirenergo" management and the Board of Directors accepted the terminer "On principles of informational policy respecting freewill information disclosing concerning OJSC's "Bashkirenergo" activities", which is specified main principles of the information disclosure. In according with the approved principles OJSC "Bashkirenergo" is obliged disclose information quarterly about its operational and financial indicators.

For regular and seasonable information disclosure the Bashkirenergo OJSC uses following media:

- OJSC "Bashkirenergo" web-site: www.bash-kirenergo.ru;
- The system of the crosscutting information disclosure SKRIN "Emitent";
- The information agency "INTERFAX" RSS News;
- The newspapers "The Republic of Bashkortostan" and "Energetik Bashkortostana".

8.5

Corporate Governance Structure of the Company



Dividends paid for 2009

1 248 721

thousand rubles

The General Shareholders' Meeting

The General Shareholders' Meeting of OJSC "Bashkirenergo" is the supreme management body of the Company. Its function is based on the Laws of the Russian Federation "On Joint-Stock Companies", the Company's Charter provisions and the by-laws. Holding of the general shareholders' meeting procedure maintains shareholders' rights in full.

The general shareholders' meetings in 2010

Three general shareholders' meetings of OJSC "Bashkirenergo" were held in 2010.

On January 14, 2010 OJSC's "Bashkirenergo" extraordinary general meeting was held at the request d. d. 23.10.2009 of shareholder controlling 10% of the Company's voting shares. The business of the meeting was following:

1. Early termination of powers by the board members of OJSC Bashkirenergo.
2. Board members' election of OJSC Bashkirenergo.

On June 10, 2010 OJSC's "Bashkirenergo" annual general meeting was held with the following meeting agenda:

1. OOn adoption of annual report, annual accounting statement including the Company's statements of profit-and-loss (P&L accounts) for 2009.
2. On distribution of profit including dividends payout (dividends announcement) as well as on losses for 2009 . On determining the amountof dividend payment form and timing of dividends payment upon every class of shares (every type of shares).
3. On the elections of members of the Company's Board of Directors .
4. On the election of Internal Audit Commission .
5. On the appointment of the Company's auditor.
6. On confirmation of OJSC "Bashkirenergo" Charter in the new version.
7. On approval of the Provision on the General Shareholders' Meeting of OJSC "Bashkirenergo" in the new version.
8. On approval of the Provision of OJSC's "Bashkirenergo" Board of Directors.
9. On approval of the Provision on OJSC "Bashkirenergo" management in the new version.
10. On approval of the Provision on the Director General of OJSC "Bashkirenergo".
11. On approval of the Provision on Internal Audit Commission of OJSC "Bashkirenergo" in a new version.

On December 24, 2010 an extraordinary general shareholders' meeting (No7 (14) d. d. 30.09.2010) was held at OJSC's "Bashkirenergo" Board of Directors with the following meeting agenda:

1) On insolvent reorganization of the Bashkir Open Joint-Stock Company of the Power Industry and Electrification "Bashkirenergo" (OJSC "Bashkirenergo") in the form of sharing the "Bashkir Electric Networks" OJSC (OAO "BES").
2) On election of the Board of Directors of OJSC "Bashkir Electric Networks" (OAO "BES").
3) On appointment of OJSC's "Bashkirenergo" auditor conducting of the audit based on IFRS for 2010.

The Board of Directors

The board of Directors of OJSC Bashkirenergo is collegial management body of the Company. It has overall charge its activities outside the General Shareholders' Meeting decisions and based on the Laws of the Russian Federation, the Company's Charter, the General Shareholders' Meetings decisions, the Provision on the Company's Board of Directors, and other Company's by-laws.

The general objectives of the Board of Directors are the following:

- Corporate-wide strategy formulation and analysis, control over its implementation;
- Making control and efforts appraisal of the Company's executive bodies and supreme officers;
- Value creation of the Company, increasing market standing, progress and maintaining Company's competitive position;
- Stable financial position maintaining, increase of income and efficiency;
- Protection of shareholders' rights and legitimate interests.

Three lineups of the Board of Directors governed OJSC "Bashkirenergo" in 2010.
As of 01.01.2010 there was in force the Board of Directors elected by the General Shareholders' Meeting on May, 29 2009. The members were following:

- Kurapov Nikolay Andreevich — Chairman;
- Borisov Sergey Nikolaevich;
- Branis Alexandr Markovich;
- Vildanov Salavat Galievich;
- Gantsev Viktor Alexandrovich;
- Mazitov Fanil Khazhigareevich;
- Nikolaychuk Vadim Alexeevich;
- Pustovgarov Yuriy Leonidovich;
- Sarbayev Rail Salikhovich;
- Sukhorukov Anatoliy Mikhaylovich;
- Tikhonova Maria Gennadyevna;
- Tuzov Mikhail Yuryevich;
- Filkin Roman Alexeevich.

Before 10.06.2010 there existed the Board of Directors elected by the Company's extraordinary shareholders' meeting on January, 14 2010. The members are:

- Kurapov Nikolay Andreevich — Chairman;

Abugov Anton Vladimirovich;
Bezukladnikov Petr Volframovich;
Branis Alexander Markovich;
Buyznov Alexey Nikolaevich;
Drozdov Sergey Alexeevich;
Korsik Alexander Leonidovich;
Likhachev Andrey Nikolaevich;
Pustovgarov Yury Leonidovich;
Tikhonova Maria Gennadyevna;
Troshenkov Dmitry Alexandrovich;
Filkin Roman Alexeevich;
Tsyba Evgeny Vladimirovich.

The annual general shareholders' meeting held on June, 10 2010 approved the following members of the Board of Directors of OJSC "Bashkirenergo":

- Kurapov Nikolay Andreevich — Chairman;
- Bezukladnikov Pyotr Volframovich (Deputy Chairman);
- Abugov Anton Vladimirovich;
- Beloshitskiy Andrey Sergeevich;
- Branis Alexander Markovich;
- Busarov Igor Gennadyevich;
- Korsik Alexander Leonidovich;
- Tikhonova Maria Gennadyevna;
- Troshenkov Dmitry Alexandrovich;
- Filkin Roman Alexeevich;
- Chistyakov Valery Nikolaevich;
- Tsyba Evgeny Vladimirovich;
- Shishkin Sergey Anatolyevich.

Information on the members of the Board of Directors (as of December, 31 2010)

Kurapov
Nikolay Andreevich

The Adviser to the President of the Bashkortostan Republic, the Chairman of the Board of Directors.
He was born in 1949. Education: Novosibirsk Electrotechnical Institute, the all-Union Correspondence Polytechnic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2004–2009	OJSC "Bashkirenergo"	The Director General
2009–2010	The Office of the President of the Bashkortostan Republic	The Head
2010–2010	The Office of the President of the Bashkortostan Republic	The Adviser

Shareholders of the Company (share in charter capital is 0, 023033%, qualification shareholding is 0,022579%).

Bezukladnikov
Petr Volframovich

The Executive Vice-President, the Director of the Power Industry Department at the BE "TEK" of the "SISTEMA" JSFC, the Deputy Chairman of the Board of Directors.
He was born in 1959. Education: Moscow Physical and Technical Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2004–2006	LLC "Enel ESN Energo"	The Director General
2006–2009	The Group E4 OJSC	The Director General
2009–2010	JSFC "SISTEMA"	the Executive Vice-President, the Director of the Power Industry Department at the BE "TEK"

He is not a shareholder of the Company.

Abugov
Anton Vladimirovich

The Senior Vice-President, the Head of the Strategy and Development Complex of the "SISTEMA" JSFC.
He was born in 1976. Education: Russian Presidential Academy of National Economy and Public Administration. Professional Background (for the last 5 years):

Period	Organization name	Position
2003–2006	JSCB "ROSBANK" OJSC	The Managing Director –the Head of the Corporate Finance Directorate at the Department of Investment Banking
2006–2010	"SISTEMA" JSFC	The First Vice-President-the Head of the Strategy and Development Complex

He is not a shareholder of the Company.

Beloshitskiy
Andrey Sergeevich

The Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK" of JSFC "SISTEMA".
He was born in 1975. Education: Moscow Physicotechnical Institute (State University). Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2005	CJSC "SIBUR HOLDING"	The Lead Project Manager — The Head of the Power Industry Service.
2006–2006	CJSC "SIBUR HOLDING"	The head of the Directorate of efforts analysis and improvement at the Department of Power Industry
2006–2008	LLC "Russian Management Company"	The Investment Strategy Director of the Division "Energetika"
2008–2009	LLC "Russian Management Company"	The Associate Director on investment and estimating
2009–2010	JSFC "SISTEMA"	The Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK"

He is not a shareholder of the Company.

Branis
Alexander Markovich

The director of the Company "Prosperity Capital Management (RF) Ltd.".
He was born in 1977. Education: Russian Presidential Academy of National Economy and Public Administration. Professional Background (for the last 5 years):

Period	Organization name	Position
2004–2006	The Representative Office of the Company "Prosperity Capital Management (RF) Ltd."	Director
2006–2009	The Representative Office of the Company "Prosperity Capital Management (RF) Ltd."	Director
2009–2010	The Company "Prosperity Capital Management (RF) Ltd."	Director

He is not a shareholder of the Company.

Busarov
Igor Gennadievich

The Director of the Department of Active Operations at the Finance and Investment Complex (JSFC "SISTEMA")
He was born in 1963. Education: Moscow Physical and technical Institute (State University). Professional Background (for the last 5 years):

Period	Organization name	Position
2004–2008	JSFC "SISTEMA"	The Head of Treasurer's Office at the Finance and Investment Complex
2008–2010	JSFC "SISTEMA"	The Director of the Department of Active Operations at the Finance and Investment Complex

He is not a shareholder of the Company.

Korsik
Alexander Leonidovich

The Senior Vice-President-Chief of the Business Unit "Fuel and Energy Complex" (LLC BE "TEK") of JSFC "SISTEMA"
He was born in 1956. Education: Bauman Moscow Higher Technical School. Professional Background (for the last 5 years):

Period	Organization name	Position
2006–2006	LLC "Renaissance-Capital –Financial Consultant"	The Managing Director
2006–2007	LLC "Oil and Gas Company ITERA"	The Managing Director
2009–2010	JSFC "SISTEMA"	The Senior Vice-President-Chief of the Business Unit "Fuel and Energy Complex" (LLC BE "TEK")

He is not a shareholder of the Company.

Tikhonova
Maria Gennadievna

The Director of the Department of the Economic Regulation and Property Relations in the FEC (Ministry of Energy of the Russian Federation).
She was born in 1980. Education: Volgo-Vyatskaya Academy of Public Administration. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2008	The Federal Energy Agency	The Senior Staff of the Directorate of Enforceability and Property Relations in the FEC; the Chief Officer — appraiser of the Directorate of Enforceability and Property Relations in the FEC; the deputy manager of the section at the Directorate of Enforceability and Property Relations in the FEC (Rosenergo).
2008–2008	The Ministry of Energy of the Russian Federation	The Deputy Director of the Department of the Economic Regulation and Property Relations in the FEC
2008–2009	The Ministry of Energy of the Russian Federation	The Acting Director of the Department of the Economic Regulation and Property Relations in the FEC
2009–2010	The Ministry of Energy of the Russian Federation	The Director of the Department of the Economic Regulation and Property Relations in the FEC

He is not a shareholder of the Company.

Troshenkov
Dmitriy Alexandrovich

The First Deputy Chairman of the Board of Management of the Federal Grid Company (FGC UES).
He was born in 1966. Education: Sankt-Petersburg State University. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	OJSC "OGK-1"	The Deputy Director General — the Director on Economic and Finance
2006–2009	OJSC "TNK-BP Management"	The Vice-President on taxes of the Business-function "Finance"
2009–2010	The Federal Grid Company (FGC UES)	The First Deputy Chairman of the Board of Management

He is not a shareholder of the Company.

Filkin
Roman Alexeevich

Co-Director, Electric Energy, Engineering Industry The Representative Office of the Company "Prosperity Capital Management (RF) Ltd."
He was born in 1983. Education: Financial Academy under the Government of the Russian Federation. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2009	The Representative Office of the Company "Prosperity Capital Management (RF) Ltd."	The Deputy Director of the Department of Analysis
2009–2010	The Representative Office of the Company "Prosperity Capital Management (RF) Ltd."	Co-Director, Electric Energy, Engineering Industry

He is not a shareholder of the Company.

Chistyakov
Valery Nikolaevich

The First Deputy Chairman of the Board of Management of the Federal Grid Company (OAO FGC UES).
He was born in 1955. Education: Vladimir Polytechnic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	OJSC "IDGC of Centre and Northern Caucasus"	The Director, the Verkhnevolzhskiy a subsidiary of OJSC "IDGC of Centre and Northern Caucasus"
2006–2008	OJSC "LENENERGO"	The Director General
2008–2008	LLC RAO "UES of Russia"	The Adviser to the Chairman of the Management Board, the group of advisers to the Chairman of the Board of Management at the Chairman's Staff
2008–2009	OJSC "Engineering Centre for UES — Hydroproject, Lenhydroproject, Teploelectroproject, company ORGGRES"	The First Deputy Director General, the First Deputy Chairman of the Board of Management
2009–2009	The Federal Grid Company (FGC UES)	The Top Advisor to the Chairman of the Board of Management
2009–2009	The Federal Grid Company (FGC UES)	The Deputy Chairman of the Board of Management
2009–2010	The Federal Grid Company (FGC UES)	The Deputy Chairman of the Board of Management

He is not a shareholder of the Company.

Tsyba
Evgeny Vladimirovich

The Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA".
He was born in 1958. Education: Far Eastern Polytechnic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2007	OJSC "Holding Company Hydro OGK"	The Head of the Department of Investment Planning
2007–2007	OJSC "Federal Hydro-producing Company"	The Head of the Department of Investment Planning
2007–2009	LLC "Power Management"	The Senior Project Manager
2009–2009	OJSC "RusHydro" (OAO "RusHydro")	The Adviser to the Chairman of the Board of Management
2009–2010	JSFC "SISTEMA"	The Head of the Controlling Directorate at the Electric Power Industry Department

He is not a shareholder of the Company.

Shishkin
Sergey Anatolyevich

The Director of the Property Projects Department of the Property Complex at the JSFC "SISTEMA".
He was born in 1970. Education: Moscow State University. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2007	JSFC "SISTEMA"	The Head of the Property Projects Department of the Property Complex
2007–2010	JSFC "SISTEMA"	The Director of the Property Projects Department of the Property Complex

He is not a shareholder of the Company.

Board of Directors' Committees

The following Committees were established for the purpose of prearrangement, better and efficient consideration of questions putting forward for the Board of Directors review, effectiveness increase in interaction with Company management making assigned their tasks, making control over decision making at the Board of Directors:

- The Strategy Committee;
- The Nominating and Remuneration Committee;
- The Corporate Conduct Committee;
- The Board Audit Committee.

The Strategy Committee

The Strategy Committee's principle functions are the following:

• Development and enhancement of the Company strategic governance;

• Coordination and promotion practice enhancement for strategic governance in the SSCs;

• Monitoring the adherence by Company and the SSCs of the applicable legal requirements, Company Charter, the by-laws regulating strategic governance issues;

• Making control over the Board of Directors' decisions implementation respecting the Company and subsidiaries strategic governance.

2010 saw two compositions of the Strategy Committee:

The composition of the Strategy Committee elected by the Board of Directors d. d. 14.01.2010 (Data was reported as of election date):

• БBezukladnikov Petr Volframovich — (The Chairman of the Committee) — the Executive Vice-President, the Director of the Power Industry Department at the BE "TEK" of JSFC "SISTEMA", the Deputy Chairman of the Board of Directors.

• Beloshitsky Andrey Sergeevich — the Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK" of JSFC "SISTEMA".

• Doronin Alexey Yurievich — the Director General of OJSC "Bashkirenergo".

• Drachuk Andrey Alexandrovich — the Strategic Planning and Organizational Development Director of OJSC "SO UPS".

• Likhachev Andrey Nikolaevich — the Adviser to the President of OJSC "Russian Railroads" (OAO "RZHD").

• Ozherelyev Alexey Alexandrovich — the Adviser at the Corporate Management Section of the Department of the Economic Regulation and Property Relations in the FEC (the Ministry of Energy of the Russian Federation).

• Salimgareev Fadis Faukatovich — the Head of the Strategic Development Department of OJSC "Bashkirenergo".

• Filkin Roman Alexeevich — the Co-Director, Electric Energy, Engineering Industry, the Representative Office of the Company "Prosperity Capital Management (RF) Ltd.".

• Cherniy Mikhail Davydovich — the Deputy Director General in strategy planning and energy markets of OJSC "Bashkierenergo".

The composition of the Strategy Committee elected by the Board of Directors d. d. 10.06.2010 (Data was reported as of election date):

• Bezukladnikov Petr Volframovich — (The Chairman of the Committee) — the Executive Vice-President, the Director of the Power Industry Department at the BE "TEK" of JSFC "SISTEMA", the Deputy Chairman of the Board of Directors.

• Abramov Evgeny Valerievich — the Project Head Manager of the Power Industry Strategy Directorate at the Power Industry Department of the BE "TEK" (JSFC "SISTEMA").

• Beloshitskiy Andrey Sergeievich — the Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK" of JSFC "SISTEMA".

• Doronin Alexey Yurievich — the Director General of OJSC Bashkirenergo

• Myakotnikova Elena Aleksandrovna — the Executive Vice-President of the Finance and Investment Complex of JSFC "SISTEMA"

• Ozherelyev Alexey Alexandrovich — the Adviser at the Corporate Management Section of the Department of the Economic Regulation and Property Relations in the FEC (the Ministry of Energy of the Russian Federation)

• Filkin Roman Alexeevich — the Co-Director, Electric Energy, Engineering Industry, the Representative Office of the Company "Prosperity Capital Management (RF) Ltd.".

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA"

• Cherniy Mikhail Davydovich — the Deputy Director General in strategy planning and energy markets of OJSC "Bashkierenergo".

The Board resolution d. d. 31.08.2010 Salimgareev F. F. Was removed from the Strategy Committee composition. By the same resolution the Board of Directors elected Myakotina E.A. instead of Salimgareev.

The Nominating and Remuneration Committee

The Nominating and Remuneration Committee's principle functions are the following:

• Preliminary consideration delivering on approval of the Company Board of Directors:

1) Candidates Company Executive, members of the collegial executive body (Company management), and other supreme Company officers directly subjecting to the Company Executive;

2) Provisions of the work contracts concluding with the Company Executive and the members of the Company management as well as offers on early resignation mentioned officers;

3) Candidates proposed by the Company as members if the management bodies and bodies of control over subsidiary companies;

4) The Company by-laws regulating the personal management strategy and employees incentive and remuneration system.

• Appraisal of the corporate performance of the Company Executive, members of the Management Board, and the supreme Company officers directly subjected to the Company Executive for the reporting period and assessment the responding premium pays.

• Supervision over the implementation of the decisions resolved by the Board of Directors in the sphere of personal management strategy and staff motivating.

In 2010 there were two compositions of the Committee:

The composition of the Nominating and Remuneration Committee elected by the Board of Directors d. d. 14.01.2010 (Data was reported as of election date):

• Likhachev Andrey Nikolaevich — the Adviser to the President of OJSC "Russian Railroads" (OAO "RZHD") (The Chairman of the Committee)

• Bezukladnikov Petr Volframovich — the Executive Vice-President, the Director of the Power Industry Department at the BE "TEK" of JSFC "SISTEMA", the Deputy Chairman of the Board of Directors.

• Doronin Alexey Yurievich — the Director General of OJSC "Bashkirenergo"

• Yermakov Gleb Valentinovich — the Director of the Personal Management Department of JSFC "SISTEMA"

• Korsik Alexander Leonidovich — the Senior Vice-President-Chief of the Business Unit "Fuel and Energy Complex" (LLC BE "TEK") of JSFC "SISTEMA"

• Kuznetsov Vladislav Valerievich — the Project Manager of the Controlling Directorate at the Electric Power Industry Department (LLC BE "TEK") of JSFC "SISTEMA"

• Spirin Denis Alexandrovich — the Corporate Management Director of the Representative Office of the Company "Prosperity Capital Management (RF) Ltd."

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA".

The composition of the Nominating and Remuneration Committee elected by the Board of Directors d. d. 10.06.2010 r. (Data was reported as of election date):

• Bezukladnikov Petr Volframovich (the Chairman of the Committee) — the Executive Vice-President, the Director of the Power Industry Department at the BE "TEK" of JSFC "SISTEMA", the Deputy Chairman of the Board of Directors.

• Doronin Alexey Yurievich — the Director General of OJSC "Bashkirenergo"

• Yermakov Gleb Valentinovich — the Director of the Personal Management Department of JSFC "SISTEMA"

• Korsik Alexander Leonidovich — the Senior Vice-President-Chief of the Business Unit "Fuel and Energy Complex" (LLC BE "TEK") of JSFC "SISTEMA"

• Kuznetsov Vladislav Valerievich — the Project Manager of the Controlling Directorate at the Electric Power Industry Department (LLC BE "TEK") of JSFC "SISTEMA"

• Spirin Denis Alexandrovich — the Corporate Management Director of the Representative Office of the Company "Prosperity Capital Management (RF) Ltd."

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JFC "SISTEMA".

Corporate Conduct Committee

The Committee's basic functions are the following:

• Development and enhancement of the Company corporate governance;

• Coordination and promotion the enhancing of the corporate governance practice in DZK;

• Monitoring, how the Company and the SSCs observe applicable legal requirements and by-laws regulating corporate governance issues;

• Prevention and resolution of the corporate, ethic conflicts and conflicts of interests;

• Making control over implementation of decisions resolved by the Board of Directors in corporate governance issues.

Two compositions of the Corporate Conduct Committee functioned in 2010:

The composition of the Corporate Conduct Committee elected by the Board of Directors d. d.14.01.2010 (Data was reported as of election date):

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA" (the Chairman of the Committee)

• Alikaeva Elena Vladimirovna — the Project Manager Electric Power Industry Department at the BE "TEK" of JSFC "SISTEMA"

• Beloshitskiy Andrey Sergeevich — the Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK" of JSFC "SISTEMA".

• Gabov Andrey Vladimirovich — the Corporate Governance Director of the OJSC «Federal Grid Company UES»

• Kalenova Svetlana Nikolaevna — the Deputy Director General in corporate and legal issues of OJSC "Bashkirenergo"

• Likhachev Andrey Nikolaevich — the Adviser to the President of OJSC "Russian Railroads" (OAO "RZHD")

• Spirin Denis Alexandrovich — the Corporate Management Director of the Representative Office of the Company "Prosperity Capital Management (RF) Ltd."

The composition of the Corporate Conduct Committee elected by the Board of Directors d. d. 10.06.2010 (Data was reported as of election date):

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA" (the Chairman of the Committee)

• Alikaeva Elena Vladimirovna — the Project Manager Electric Power Industry Department at the BE "TEK" of JSFC "SISTEMA"

• Beloshitskiy Andrey Sergeevich — the Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK" of JSFC "SISTEMA".

• Gabov Andrey Vladimirovich — the Corporate Governance Director of OJSC «Federal Grid Company UES»

• Kalenova Svetlana Nikolaevna — the Deputy Director General in corporate and legal issues of OJSC "Bashkirenergo"

• Pyshkin Andrey Segeevich — The Project Manager of the Corporate Development Directorate of the Development and Control Department at BE "TEK" of JSFC "SISTEMA".

• Sorokin Roman Yurievich — the Deputy Manager of the Corporate Governance of OJSC "Federal Grid Company UES"

• Sosnovsky Igor Yakovlevich — the Head of the General Legal Issues Directorate at the Legal Department of JSFC "SISTEMA".

• Spirin Denis Alexandrovich — the Corporate Management Director of the Representative Office of the Company "Prosperity Capital Management (RF) Ltd."

• Shmakov Andrey Alexeevich — the Head of the Corporate Relationships Directorate at the Corporate Development of JSFC "SISTEMA.

Audit Committee

The Board Audit Committee's basic functions are the following:

• Inspection arrangement over financial reports preparation, implementation of the financial and economic plan targets and financial audit of OJSC "Bashkirenergo" and its subsidiaries;

• Recommendations on appointment, remuneration assessment and control over the every auditor (including resolution of matters in difference in relation to financial reporting between the OJSC's "Bashkirenergo" management and the auditor) hired by OJSC "Bashkirenergo" for the accountant's report working out or related services accomplishment;

• The Board of Directors deputizing in exercising its supervision over the internal control system, reporting and audit in OJSC "Bashkirenergo";

• Review issues brought by auditor before the Committee, the management and/or the Board of Directors, and giving respecting recommendations to the Board of Directors.

There were two compositions of the Board Audit Committee in force in 2010:

The composition of the Board Audit Committee elected by the Board of Directors d. d. 14.01.2010 (Data was reported as of election date):

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA" (the Chairman of the Committee)

• Gostev Alexander Viktorovich — the Financial Director — the Chief of the Financial Department at OJSC "Bashkirenergo"

• Kalenova Svetlana Nikolaevna — the Deputy Director General in corporate and legal issues of OJSC "Bashkirenergo"

• Kosnyreva Elena Vladimirovna — the Project Manager of the Controlling Directorate at the Electric Power Industry Department of BE "TEK" (JSFC "SISTEMA")

• Krassov Evgeny Olegovich — the Acting Manager of the Department, the Deputy Manager of the Department on Associated and Subject Companies of OJSC "Federal Grid Company UES"

• Lukovkin Kirill Viacheslavovich — the Director of the Internal Control Department of JSFC "SISTEMA"

• Neganov Leonid Valerievich — the Deputy Director General in finance, economics and investments of OJSC "Bashkirenergo"

• Ustinov Dmitry Vladimirovich — the Director of the Financial Department JSFC "SISTEMA"

• Filkin Roman Alexeevich — the Co-Director, Electric Energy, Engineering Industry, the Representative Office of the Company "Prosperity Capital Management (RF) Ltd.".

The composition of the Board Audit Committee elected by the Board of Directors d. d. 10.06.2010 (Data was reported as of election date):

• Tsyba Evgeny Vladimirovich — the Head of the Controlling Directorate at the Electric Power Industry Department of JSFC "SISTEMA" (the Chairman of the Committee)

• Beloshitsky Andrey Sergeevich — the Head of the Strategy Directorate of the Electric Energy Industry at the BE "TEK" of JSFC "SISTEMA".

• Gabov Andrey Vladimirovich — the Corporate Governance Director of OJSC «Federal Grid Company UES»

• Kosnyreva Elena Vladimirovna — the Project Manager of the Controlling Directorate at the Electric Power Industry Department of the BE "TEK" (JSFC "SISTEMA")

• Krassov Evgeny Olegovich — the Acting Manager of the Department, the Deputy Manager of the Department on Associated and Subject Companies of OJSC "Federal Grid Company UES"

• Lukovkin Kirill Viacheslavovich — the Director of the Internal Control Department of JSFC "SISTEMA"

• Myakotnikova Elena Alexandrovna — the Executive Vice-President of the Finance and Investment Complex of JSFC "SISTEMA"

• Neganov Leonid Valerievich — the Deputy Director General in finance, economics and investments of OJSC Bashkirenergo

• Suleymanov Ural Irekovich — the Head of the Internal Control and Audit Department at OJSC "Bashkirenergo"

• Filkin Roman Alexeevich — the Co-Director, Electric Energy, Engineering Industry, the Representative Office of the Company "Prosperity Capital Management (RF) Ltd.".

The Board resolution d. d. 31.08.2010 Ustinov D.V. was removed from the Board Audit Committee composition. By the same resolution the Board of Directors elected Myakotina E.A.

Management Board

Mukhin
Yury Fedorovich

The Director
of LLC "ESKB"

Yulbarisova
Dilyara Talgatovna

The Head
of the Legal Support
Department
OJSC "Bashkirenergo"

Chizhikov
Viktor Alexeevich

The Executive Director
of the LLC "BGK"

Cherny
Mikhail Davydovich

The Deputy Director General
in strategy and energy markets
of OJSC "Bashkirenergo

Usmanov
Ramil Gafurovich

The Deputy Director
General in staff, labor
and social issues
of OJSC "Bashkirenergo"

Teregulov
Rustam Zakiryanovich

The Director of LLC "BSK"

Ishmaev
Ramil Agzamovich

The Director
of LLC "BashRES"

Shevchenko
Pavel Nikolaevich

The director
of LLC "BashRTS"

Neganov
Leonid Valerievich

The Deputy Director General
in finance, economics
and investments
of OJSC "Bashkirenergo"

Kondratskiy
Stanislav Vladimirovich

The Deputy Director
General in purchasing
and logistics
of OJSC "Bashkirenergo"

Kalenova
Svetlana Nikolaevna

The Deputy Director
General in corporate
and legal issues
of OJSC "Bashkirenergo"

Doronin
Alexey Yurievich

The Director General
of OJSC "Bashkirenergo"

Kremer
Vladimir Lvovich

The Chief Engineer
of OJSC "Bashkirenergo"

The Management Board

The Management Board of OJSC "Bashkirenergo" " is the collegial executive body, which preside the Company operating performance, define the principles for implementation of the Company development strategy, work out development schedules, and assess staff performance efficiency, case the matters brought before the Board of Directors. The Management Board is governed in its activity the applicable legislation, the Charter and the Provision in the Management Board.

The Director General is the Chairman of the Board.

Composition of the Management Board of the Company (as of December 31, 2010)

Doronin
Alexey Yurievich

The Director General of OJSC "Bashkirenergo", the Chairman of the Board.
He was born in 1973. Education: Ufa State Aeronautical Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	CHPP-4 (affiliate of OJSC "Bashkirenergo")	The Deputy Chief Engineer, the Chief Engineer
2006–2007	CHPP-4 (affiliate of LLC "BGK")	The Director
2007–2009	OJSC "Bashkirenergo"	The Deputy Director General in Investment and Reparations
2009–2010	OJSC "Bashkirenergo"	The Director General

He is not the Company's shareholder.

Ishmaev
Ramil Agzamovich

the Director of LLC "BashRES".
He was born in 1958. Education: Ural Polytechnic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2006–2008	Ufa CHPP-3 (LCC "BGK" Affiliate)	The Director
2008–2009	BashRES-Ufa (LCC "Bash-RES" Affiliate)	The Director
2010–2010	LCC "Bash-RES"	The Director

He is not the Company's shareholder.

Kalenova
Svetlana Nikolaevna

The Deputy Director General in corporate and legal issues of OJSC "Bashkirenergo".
She was born in 1958. Education: Moscow Institute of Administration.
Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	OJSC "Bashkirenergo"	The Deputy Manager of the Corporate Governance Service
2006–2010	OJSC "Bashkirenergo"	The Head of the Corporate and Property Governance Service
2010–2010	OJSC "Bashkirenergo"	the Deputy Director General in corporate and legal issues

Shareholder of the Company's (share in charter capital is 0.000033%, ordinary shares are 0,000002 %).

Kremer
Vladimir Lvovich

The Chief Engineer of OJSC "Bashkirenergo".
He was born in 1962. Education: The all-Union Correspondence Polytechnic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2006–2010	LLC "BGK"	The Chief Engineer
2010–2010	OJSC "Bashkirenergo"	The Chief Engineer

Shareholder of the Company's (share in charter capital is 0,01352 %, ordinary shares are 0,013409 %).

Mukhin
Yury Fedorovich

the Director of LLC "ESKB".
He was born in 1951. Education: Ufa Institute of Petroleum. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2010	LLC "ESKB"	The Director

He is not the Company's shareholder.

Kondratskiy
Stanislav Vladimirovich

The Deputy Director General in purchasing and logistics of OJSC "Bashkirenergo".
He was born in 1961. Education: Pacific High Naval College named after S.O. Makarov, the Far Eastern State Technical University. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2010	LLC "Power Management Holding"	The Director General of the Administration
2010–2010	OJSC "Bashkirenergo"	The Head of the Purchasing Organization Department
2010–2010	OJSC "Bashkirenergo"	The Deputy Director General in purchasing and logistics

He is not the Company's shareholder.

Neganov
Leonid Valerievich

The Deputy Director General in finance, economics and investments of OJSC "Bashkirenergo"
He was born in 1972. Education: Moscow State Engineering and Physical Institute (the Technical University), the State University — the Higher School of Economics. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2007	"RAO UES of Russia"	The Main Expert of the Directorate's Head in performance enhancement SSC of the Business Unit No 1, the Deputy Executive Director of the Project Management Center at the Business Unit No 1
2007–2008	OJSC "Far Eastern Energy Holding Company" (Vladivostok)	The First Deputy Director General
2008–2009	CJSC "Optima Energostroy" (Moscow)	The First Deputy Director General, the Director General
2009-2010	OJSC "Bashkirenergo"	The Deputy Director General in finance, economics and investments

He is not the Company's shareholder.

Salkov
Oleg Ivanovich

The First Deputy Director General of OJSC "Bashkirenergo".
He was born in 1965. Education: Siberian Institute of Business, Management and Psychology. Professional Background (for the last 5 years):

Period	Organization name	Position
2003–2005	OJSC "Khakasenergo"	The Director General
2005–2005	OJSC "Krasnoyarskenergo"	The Director General
2005–2006	OJSC "Krasnoyarsk energy producing" (OAO "Krasnoyarsk generatsiya")	The Director General
2006–2008	OJSC "Yenisei Territorial Generating Company (TGC-13)"	The Director General
2008–2010	The Administration of Krasnoyarsk region	The Adviser to the Governor
2010–2010	OJSC "Bashkirenergo"	The First Deputy Director General

He is not the Company's shareholder.

Teregulov
Rustam Zakiryanovich

The Director of LLC "BSK".
He was born in 1951. Education: Chelyabinsk Institute of Agriculture Mechanization and Electro-powering. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	OJSC "Bashkirenergo"	The Head of the Republic's Dispatch Directorate in Electric Energy Industry
2006–2009	LCC "BSK"	The First Deputy Director General
2009–2010	LCC "BSK"	The Director

Shareholder of the Company (share in charter capital is 0.004556 %, ordinary shares are 0.003761 %).

Usmanov
Ramil Gafurovich

The Deputy Director General in staff, labor and social issues of OJSC "Bashkirenergo".
He was born in 1951. Education: Riga Institute of the Commercial Aviation Engineers. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2010	OJSC "Bashkirenergo"	The Deputy Director General in staff, labor and social issues

Shareholder of the Company (share in charter capital is 0.000275%, ordinary shares are 0.000288%).

Cherny
Mikhail Davydovich

The Deputy Director General in strategy and energy markets of OJSC "Bashkirenergo".
He was born in 1971. Education: Moscow State Institute of International Relations (MGIMO). Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	The Non-Profit Partnership "The Administrator of the Whole Sale Energy Market Trade System of the United Energy System"	The Adviser to the Chairman of the Board, the Project Manager in the New Markets Sector of the Regulations and New Markets Department
2006–2009	LLC "Morgan Stanly Bank" (Moscow)	The Head of the Directorate in Indastrial Business of the Fuel and Energy Complex
2009–2010	OJSC "Bashkirenergo"	the Deputy Director General in strategy and energy markets

He is not the Company's shareholder.

Chizhikov
Viktor Alexeevich

the Executive Director of the LLC "BGK".
He was born in 1951. Education: Moscow Energetic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	Ufa CHPP-2 (OJSC "Bashkirenergo" affiliate)	The Director
2006–2010	LLC "BGK"	The Director
2010–2010	LLC "BGK"	The Executive Director

Shareholder of the Company (share in charter capital is 0,000277 %, ordinary shares are 0,000197 %).

Shevchenko
Pavel Nikolaevich

The director of LLC "BashRTS".
He was born in 1959. Education: Ural Polytechnic Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2010	LLC "BashRTS"	The Director

He is not the Company's shareholder.

Yulbarisova
Dilyara Talgatovna

The Head of the Legal Support Department OJSC "Bashkirenergo".
She was born in 1964. Education: Bashkir State University, the Eastern Institute of Economics, Humanities, Administration and Law. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2010	OJSC "Bashkirenergo"	The Head of the Legal Service, The Head of the Legal Support Department

She is not the Company's shareholder.

Changes to the Composition of the Executive Board:

The Board resolution d. d. 12.11.2010 (No 11(18)) ahead of time terminated the authority the following members of the Board: Amirkhanov Rishat Minigayanovich, Gostev Alexander Viktorovich, Lipatiev Viktor Mikhaylovich, Khokhlova Zugra Anvarovna. By the same resolution the following persons were elected in the membership of the Board: Ishmayev Ramil Fgzamovich, Kremer Vladimir Lvovich, Kondratskiy Stanislav Vladimirovich. By the Board resolution No 12(19) d. d. 06.12.2010 Salkov Oleg Ivanovich was elected as a member of the Board.

Chief Ecexutive Officer

The Director General of OJSC "Bashkirenergo" is the sole executive management body, whose major task is day-to-day operation managing in order to enhance Company profitability and competitive ability, its financial and economic stability, provide the rights for shareholders and social safeguards for staff of the Company. The Director General acts within his competence and answerable before the Board of Directors and the Company's General Shareholders' Meeting.
By the resolution No 4(9) d. d. 25.08.2009 and No 1(8) d. d. 10.06.2010 the Board elected Doronin Aleksey Yurievich the Director General of OJSC "Bashkirenergo".

Doronin
Alexey Yurievich

The Director General of OJSC "Bashkirenergo", the Chairman of the Board.
He was born in 1973. Education: Ufa State Aeronautical Institute. Professional Background (for the last 5 years):

Period	Organization name	Position
2005–2006	The CHPP-4 (OJSC "Bashkirenergo" Affiliate)	The Deputy Chief Engineer, the Chief Engineer
2006–2007	The CHPP-4 (LLC "BGK" Affiliate)	The Director
2007–2009	OJSC "Bashkirenergo"	The Deputy Director General in Investment and Reparations
2009–2010	OJSC "Bashkirenergo"	The Director General

He is not the Company's shareholder.

Oversight Commission

The Oversight Commission of OJSC "Bashkirenergo" conducts periodic oversight of the Company's financial and economic performance, its management bodies and officers activities (including its separate units, services, subsidiaries and representative offices) through documentary and factual verifications of:

- lawfulness, feasibility and effectiveness of the economic and financial operations made by the Company;
- fullness and accuracy of the economic and financial operations booking in the Company administrative documents;
- lawfulness, feasibility and efforts efficiency of the management body's officers of the Company and the its organizational units managers (the services, subsidiaries, the representative offices), ttheir compliance with the legislation of the Russian Federation, the Company Charter, approved plans, programs, and other internal statutes of the Company.

On June 10, 2010 the Annul General Shareholders' Meeting of OJSC "Bashkirenergo" elected the following composition of the Control Commission (the positions are indicated as of election date):

- Zubov Valentin Sergeevich — the Director of the Internal Audit Директор Департамента внутреннего аудита OJSC "ANK Bashneft"
- Kosnyreva Elena Vladimirovna — the Project Manager of the Controlling Directorate at the Electric Power Industry Department of the BE "TEK" (JSFC "SISTEMA").
- Kuznetsov Vladislav Valerievich — the Project Manager of the Controlling Directorate at the Electric Power Industry Department (LLC BE "TEK") of JSFC "SISTEMA"
- Pyshkin Andrey Segeevich — The Project Manager of the Corporate Development Directorate of the Development and Control Department at the BE "TEK" of JSFC "SISTEMA".
- Suleymanov Ural Irekovich — the Head of the Internal Control and Audit Department at OJSC "Bashkirenergo".

Criteria of the remuneration assessment and its amount for the members of the Board of Directors, the Director General, and the members of the Management Board of OJSC "Bashkirenergo"

There was no remuneration payment to the members of the Board of Directors.

The remuneration amount for the Director General depends upon the operating results of the whole Company and the Director General's operating results within his competence.

In 2010 the system of the financial incentive for the Director General was composed with the following items:

- Monthly position salary;
- Quarter-end and the-end-of-2010 bonus for achievement the key performance indicators by the Company.

In 2010 the remuneration of the Management Board members was 15,824,264.23 RUR including the bonus for 2009 amounting 2 222 222 RUR. The Company did not pay remunerations to the members of the Board of Directors for their duties.

8.6 Analysis of Factors that Influenced the Company Corporate Events (MD&A)

Kalenova
Svetlana Nikolaevna

The Deputy Director General in corporate and legal issues of OJSC "Bashkirenergo"

Perhaps, the process of the Power grid spin-off was the main corporate event influencing both the Company's activities and its stocks. Let me remind you that in accordance with the applicable legislation starting from 2011 it is prohibited to combine within one price zone the power transmission with power production, and power sales. In order to comply with the Russian legislation requirements OJSC "Bashkirenergo" prepared for the spin-off from OJSC "Bashkirenergo" of the newly created power grid company OJSC "Bashkir power grid" (OJSC "BPG") composed of transmission and distribution grid. In order to maximize the protection of rights of all shareholders of the reorganized OJSC "Bashkirenergo" the spin-off was planned to be made with a mirror-like distribution of shares in the charter capital of the newly created entity.

However at the Extraordinary General Shareholders Meeting held on December 24, 2010 the decision to make the spin-off was not supported by the shareholders, controlling the blocking stake of voting shares. As a result the decision has not been approved and today OJSC "Bashkirenergo" in legal terms continues to function as a vertically-integrated company. But since 2011 according to its operation plan the Company performs in unbundled form. Before the 2011 year-end the matter of the assets' spin-off should be settled, the management prepares their propositions for the Board of Directors and the General Shareholders' Meeting.

IX Human Resources Management

Both job-performance and team-work of all the Company's staff is the basis for the strong growth and a company's stability.

The main goal of the Company's human resources management is recruiting, training, and holding on to high-skilled and high-performance managers and professionals capable to add business value due to the professional and effective management of the company's assets.

Power system manpower

21 359

people

The root principle of the Company's human resources management is to maintain the efficient functioning and the dynamics of development by means of the appropriate staff composition containment and education, united, responsible, high-educated, high-performance team needed for the set tasks solving.

The human resources management concept of the Company includes the following procedures:

• Making the valid structure for the Company's management on the basis of the business process improvement and intelligent allocation of the working functional in the subdivisions and on management levels.

• Well-timed supply of the company by the qualified staff needed for business tasks solving.

• Ensuring the staff's driving for the high set performance to achieve the stated objectives.

• Social and labor relations improvement.

• Setting social safety net and control over its maintenance.

• Providing conditions for the staff to obtain professional skills needed in efficient business tasks solving, provision of the career growth and self-actualization of the employees through the training and advanced training system for the staff.

• Working efficiency growth using a material and moral incentives system, employees' social insurance as well as providing the safe working conditions.

• The company's management pays great attention to solving the tasks of the staff's high responsibility level achievement, as well as creating the corporate culture.

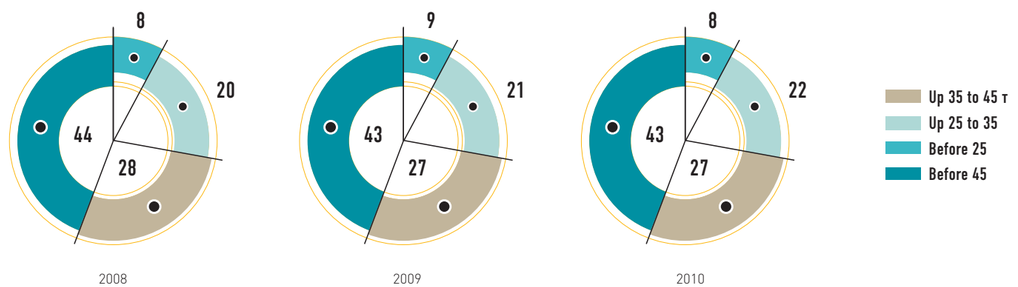
9.1 Staff Composition

As of 31.12.2010 the total number of employees in the electric power system was 21359, including the affiliate companies.

Staff composition in accordance with companies

Abbreviated company name	2008	2009	2010
OJSC "Bashkirenergo"	676	629	669
LCC "BGK"	4 775	4 766	4 558
LCC "BashRTS"	5 134	5 212	5 054
LCC "Bashteplosnab"	89	95	5
LCC "Energosnabcomplekt"	100	97	2
LCC "PGU TES-5" (CCHP-5)	10	13	14
LCC BashRES"	6 904	7 199	7 283
LCC "BSK"	364	365	376
LCC "ESKB"	1 011	1 010	1 008
LCC "Energoremont"	865	1 159	1 106
LCC "Energoteploremont"	141	106	103
LCC "Energoavtomatika"	161	159	149
LCC "Bashenergouchet"	123	105	100
LCC "Bashenergotrans"	580	690	653
LCC LOS "Energetik"	89	95	101
LCC "B/O "Pavlovka"	30	46	50
NNOU UTK "Bashkirenergo"	35	53	50
LCC "LOK 'Rosinka"	16	45	64

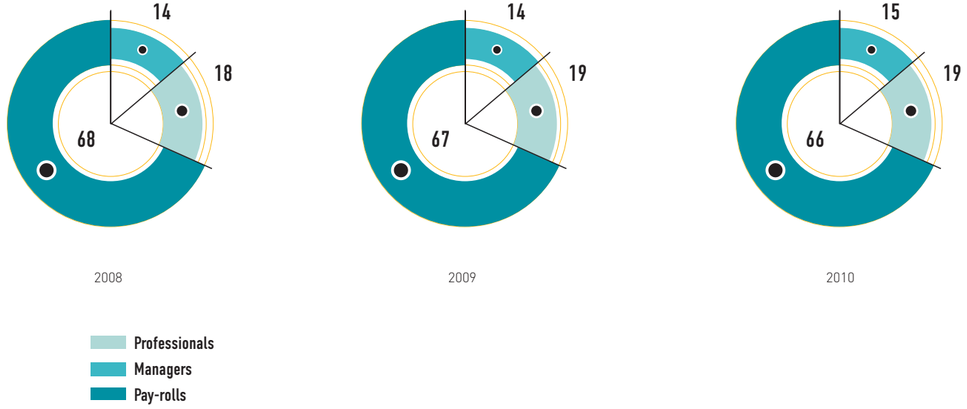
Staff age pattern*, %



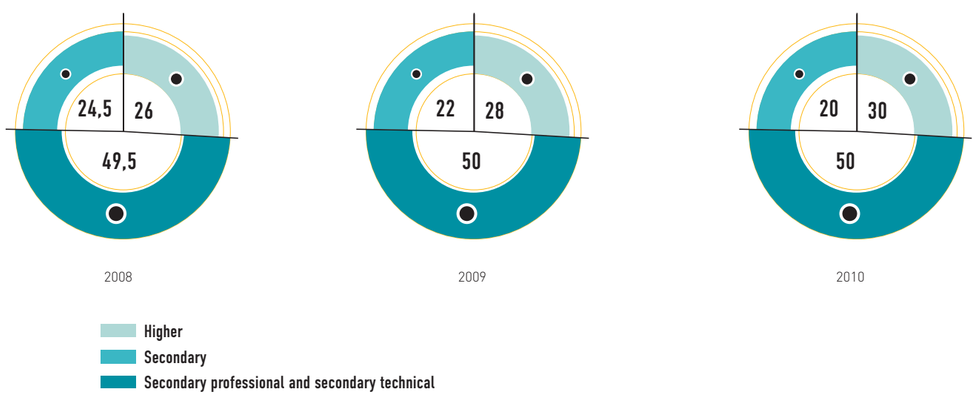
* Note: including all the maintenance and service enterprises.

The tendency of the personnel share growth in the age group of persons younger than 35 is explained by the human resources management policy towards the young specialists and decrease of the senior age group employees' share.
The average age of the employees in the electric energy system is 40.1.

Categorical staff pattern, %



Educational staff pattern, %



9.2
Employee Incentive Program

The Company's human resource management is intended to maintain a competitive salary level in order to recruit and hold on to experienced professionals, vitally needed by the Company.
In 2010 the Company worked out and implemented crucial changes in remuneration of labor and staff incentive spheres as a part of the human resources management policy. The following incentives were worked out and gradually put in operation in OJSC "Bashkirenergo" and core business SSCs, starting April 1, 2010:

• A corporate remuneration of labor system based on a grade system and worked out to reach internal fairness and external competitive ability in assessing the employees' income per year;

• Corporate incentive arrangement for the staff worked out to reach interconnection between performance and remuneration of the employee.

Changes in the corporate system of remuneration of labor and the employees' were conducted in 2010, taking into consideration the following principles:

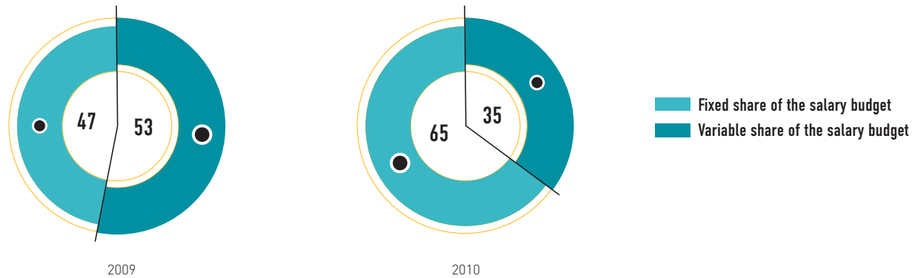
• Changes from the scheme "salary + possibly bonus" to the managing structure of the employee's annual income; the annual income is formed compared to the remuneration market and considering the labor function (grading).

• The annual income structure (the proportion of fixed wage and bonus) is rigid and graded in accordance with the employees' groups depending on responsibility extent for the results; the bonus share of the annual income is paid out grading between employees' groups:

1) For managers and specialists depending on their work results in the 1st, 2nd, 3rd quarters and the year-end,

2) For the operating staff and work force depending on the results of the month.

Changes in the staff salary structure of OJSC "Bashkirenergo", %



• The incentive program for the staff actively supports the achievement of the Company's priority goals in terms of the United Key Performance Indicators system (KPI), the goal-setting and the objective work evaluation.

The new job-wage arrangement's feature was a crucial increase of a fixed salary share for the employees. The average growth of the position salaries and the wage rates was 60%.

In 2010 the establishment of the new job-wage arrangement and staff incentive arrangement was accompanied by the pinpoint increase of remuneration for different categories of employees according to the new grades arrangement. However, a certain decrease in total salaries paid in 2010 is the result of the bonus payments delay during changeover to the grade quarter and annual bonus payment. The value of money devoting for the job-wage of the Company's and its affiliate companies' employees was 6568.7 million RUR and dropped by 4.5% compared to 2009. In 2010 a single employee's average job-wage in the Company and its subsidiaries and subject companies amounted to 25.354 thousand RUR and decreased by 1.256 thousands RUR compared to 2009.

9.3
Learning and Skills Development

With the aim of the qualitative composition enhancement of the stuff the Company continues cooperation with the leading national academic institutions.

During 2010 after targeted selection OJSC "Bashkirenergo" hired 136 young professionals who graduated college and the specialized secondary schools with the specialization in power engineering.

In 2010 64 persons selected by OJSC "Bashkirenergo" won grants to the following universities:

15 persons to Ufa State Air-Technical University;

49 persons to Kazan State Power Engineering University.

Personnel development costs

32 316

thousand rubles

9797 professionals underwent training in the Centres of the education institutions.

7073 persons including 359 operating employees received training in the private nonprofit education institution "Training Centre" of OJSC "Bashkirenergo". 4 314 managers and professionals have been undergoing pre-examination training and the personal appraisal.

In 2010 learning and skills development costs amounted to 32316 thousand RUR.

9.4
Staff Entitlement Program

To reach the goals to provide citizens with the rights on the decent labor, improvement of the employees' and their families' living standards, as well as efficiency, stable employment improvement, safety at work, professional growth opportunities enhancement, the Agreement was concluded between the Electric Power System Employers' Association of the Republic of Bashkortostan and the "Electric Power System Trade Union" ("Electroprofsoyuz") of the Republic of Bashkortostan, where the sides defined specified labor conditions, privileges, and social safety net for the energetic industry personnel. The union of employers is a non-profitable and non-corporate organization combining all the energetic enterprises in the Republic of Bashkortostan. Based on this Agreement, collective agreements are concluded between the first-hand trade unions and the companies' chief executive bodies.

According to the current Agreement the employees receive the vouchers to the healthcare and recreation facilities for children and adults.

The number of employees, who used this opportunity, was 12,080 people in 2010.

Great attention was paid to war and labor veterans in 2010. Financial support amounted to 25,968 thousand RUR was given to the retired former employees of the Company.

9.5
Analysis of Factors that Influenced the Personnel Policy Implementation (MD&A)

Usmanov
Ramil Gafurovich

The Deputy Director General of OJSC "Bashkirenergo" in HR, labor and social issues

«In 2010 the main thrust of the human resources management was placed upon establishing the modern incentive arrangement encouraging the employees to increase their productivity. Certainly, transition to grades arrangement and new remuneration principles based on the United System of the Key Performance Indicators (KPI) would already produce an effect in 2011, which allow to continue human resources reorganization focused on raising the employees effectiveness coupled with staff cost containment in OJSC "Bashkirenergo.»

X Social policy

10.1
Environmental Protection

In 2010 OJSC "Bashkirenergo" conducted environment-related activity according to "The Programme for environmental policy implementation by OJSC "Bashkirenergo", 2008-2010", approved by the Board resolution d. d. July 4, 2008. The goal of the programme was the negative effect decrease of the power industry objects on environment and the ecological costs optimization. The main procedures of the Programme were measures in protection of atmosphere, water resources, soils preservation and hazardous wastes treatment, as well as issues on OJSC's "Bashkirenergo" environmental management system. As a part of OJSC "Bashkirenergo" programme of the environmental policy implementation there was conducted the internal and external ecological audit and procedure certification of the ecological management arrangements in LCC "BashRES" and LCC "BashRTS" in conformance to the requirement of the State Standard (GOST) R ISO 14001-2007 (ISO 14001:2004) in 2010.

In 2010 the work with documents was continued, according to the legislation requirements: normative standards projects on the maximum allowable polluting wastes into atmosphere were worked out; normative standards projects of producing wastes and limits on their emissions and sanitary and hygienic zones projects were formulated.

In 2010 the polluting substance emissions into atmosphere were 37.88 thousand tons that is 29% less than in 2009. The main polluting substances emissions showed the following statistics:

- Sulfur dioxide was 7.33 thousand tons,
- Nitrogen oxide was 22.78 thousand tons,
- Carbonic oxide was 1.98 thousand tons,
- Bottom ash was 5.42 thousand tons,
- Oil ash was 0.03 thousand tons.

Despite of the increasing volume of industrial production a drastic reduction of polluting emissions into atmosphere was registered in 2010. The reduction of the sulfur dioxide emissions occurred due to decrease of the oil burning and a lower percentage of sulfur dioxide in oil compared to the previous year.

Water diversion from the diffuse sources was 190.76 million m3 and it decreased by 9.5% compared to 2009.

In 2010 sewage disposal into surface sources was 133.3 million m3 and it decreased by 2.2%.

In 2010 the total wastes amount reached 74.3 thousand tons, 52.2 thousand tons were ashes and slag waste of Kumertauskaya CCHP.

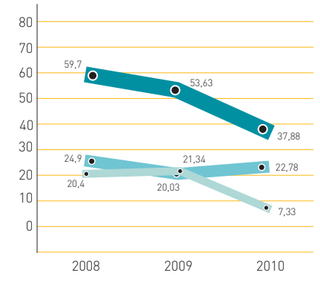
In 2010 current ecological costs were 276.9 million RUR including:

- Protection and sustainable utilization of the water storage was 168.5 million RUR,
- Atmosphere protection was 96.1 million RUR,
- Soils protection from industrial wastes was 12.4 million RUR.

In 2010 the following ecological procedures were implemented in the electric energy system under "The Programme for environmental policy implementation by OJSC "Bashkirenergo", 2008-2010":

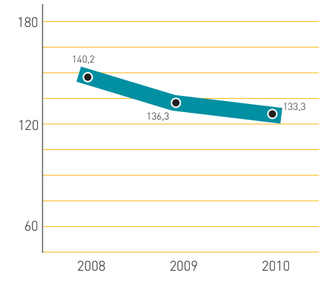
- The backup system on the water reclamation Na-cationite filters was implemented at Ufimskaya CCHP-1.
- There oil-switches were replaced for the vacuum and gas-insulated switches at a number of transformer plants of LLC "BSK" and LLC "BashRES" as well as repairs and mounting of the oil mist eliminators, drip culverts.
- The measures were taken to transfer the vanadium-contented wastes, used filtering materials of the water reclamation from LLC "BGK", makeup demineralizer sludge at Ufimskaya CCHP-2 to the external organizations.

Polluting substance emissions into open air (thousand ton)



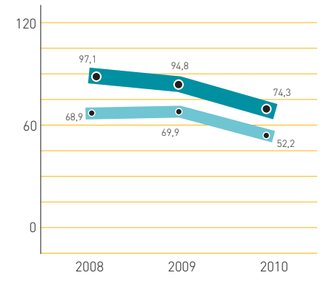
Sulfur dioxide
Nitrogen oxide
Total

Waste water spillover (million m^3)



Effluent and partially clean water spillover

The quality of the formed waste (thousand ton)



Bottom ash
All waste

- Planting of the phytovorous fish was made in the storage reservoir of Karmananovskaya SDPS (GRES).
- 51 professionals were trained in environmental security disciplines including hazardous wastes management.

OJSC "Bashkirenergo" enterprises conduct regular environmental monitoring of stationary emissions sources, the atmosphere pollution control in the sanitary-hygienic zones, and water quality analysis. 291 sample probes were made in industrial sites, sanitary-hygienic zone, and inhabited areas for the purpose of the atmosphere pollution control.

10.2 Labor Protection

Labor protection activities were performed according to requirements of the legislative and other statutory acts in the labor protection sphere adjusted for industrial production specifications and working conditions.

Activities were performed according to the inspection bodies' subscriptions; comments exposed in the process of everyday exploitation were resolved; activities on improving the labor conditions education of the staff were conducted.

In 2010 labor protection costs were 492447.666 thousand RUR.

OJSC "Bashkirenergo" pays great attention to the staff relations in the sphere of labor protection. The human factor is essential in the electric power system trouble-free operation, operation without damages and accidents. In addition the primary goal here is to enhance the activity of the work force and engineering manpower in labor protection legislation. Therefore main efforts were focused on the staff education enhancement.

Occupational safety costs

492 447

thousand rubles

The representatives of the trade unions regularly undergo training in labor protection. The managers and the professionals undergo planned training in labor protection according to the requirements of the Labor Code of the Russian Federation, the Regulations of the Ministry of Labor and the Ministry of Education of the Russian Federation d. d 13.01.2003 No 1/29 "On Approval of the training order in labor protection and the safety education of the corporate staff".

At due time the serial health inspections are performed for the staff working in harmful labor conditions. In the affiliates the pre-shift psychophysiological testing is carried out for the operating staff.

Public and the trade union's representatives are engaged into control over the labor conditions protection. There were established the labor protection committees (commissions) in the affiliates.

The assessment of workplaces is provided for the purpose of implementing the regulations of the Labor Code of the Russian Federation. Based on the results of the assessment, action plans were worked out in the sphere of sanitation and improvement of working conditions at every work place, fringe benefits and amends for harmful labor conditions are paid.

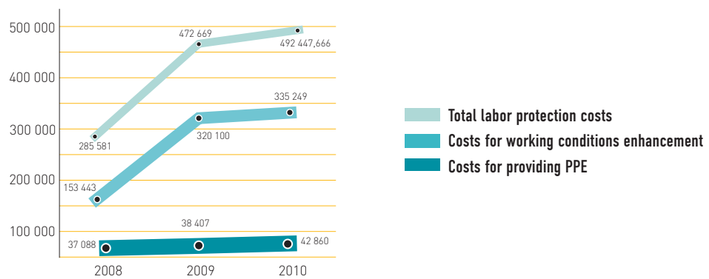
Environmental protection costs

276,9

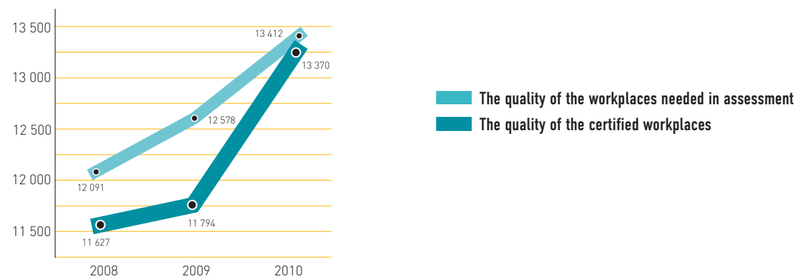
mln. rubles

All employees working in the harmful labor conditions (having chemical agent), get free milk, additional day-offs and vacations. The employees engaged in pollution-related labor are provided with soap and other cleaning agents. The effective modern individual and collective protective means are purchased at the employer's expense.

Labor Protection Costs (thousand RUR)



The Assessment of the workplaces



10.3
Power Saving and Power Efficiency

The fuel and energy resources savings at the expense of the operation modes optimization for the primary and service equipment, frequency-regulated drives mounting to motor sets were 35.973 thousand tons of equivalent fuel tons in 2010. In addition in 2010 512.84 million kWh were produced by objects with unconventional and renewable power sources, the effective fuel saving was 165.8 thousand equivalent fuel ton.

The comprehensive power saving programme was worked out and implemented in the Company.

The action list of the power saving was corrected and added after the enactment of the Federal Law No 261-FZ d. d. 23.11.2009.

12 events were planned in 2010, with the financing amounting to 7.84 million RUR and benefits amounted to 16.59 million RUR. 4 events out of plan were undertaken, amounting to 2.865 million RUR; benefits were 29.071 million RUR.

In 2010 OJSC's "Bashkirenergo" functional strategy was worked out and approved in the sphere of power saving. The major strategic direction is decrease of the operating and distribution costs for the electric and thermal power based on OJSC "Bashkirenergo" power performance.

OJSC "Bashkirenergo" entry to the SRO defined its position as a local power performance operator aimed to enhance power performance of the holding and fulfill the legislative requirements of the Russian Federation.

10.4
The Social Assets Objects Development

OJSC "Bashkirenergo" has a number of social and medicine assets. These assets are governed by the Limited Liability Corporation Health-related Centre "Energetik" (LLC HRC "Energetik") and the Health-related Complex (OJSC's "Bashkirenergo" affiliate).

The social services strategy for 2011 includes the following tasks:

- Forming the effective social objects management arrangements;
- Providing the communities with cost efficiency;
- Working out marketing strategy;
- Preparing for transition of the Company enterprises to work with the risk-based voluntary health insurance.

10.5
Analysis of Factors that Influenced the Social Policy Implementation (MD&A)

Usmanov
Ramil Gafurovich

The Deputy
Director General of
OJSC "Bashkirenergo"
in HR, labor
and social issues

«The managers of such a big company as OJSC "Bashkirenergo" are accountable before not only the shareholders, but also the society. First of all it is expressed in investment into the environment protection programmes, developing and commissioning new power saving technologies, obeying all the regulations of safe working conditions for employees and environment. But it is not the only point. The Company looks to be a socially responsible corporation. We work to provide access for citizens of the Republic of Bashkortostan to the health-related institutions and recreation camps primarily created for the Company's staff. Today we witness the deficit of the high-quality and accessible recreation areas in the Republic and we are ready to provide citizens with our own recreation resources.»

Financial Statements (RAS)

11.1

The Financial Statements according to the Russian Accounting Standards for 2010 (the Audit Report, the Balance Sheet, the Profit and Loss Account, the Cash Flow Statement)

Total reporting on accordance with Russian Accounting Principles and International Financial Reporting Standards is published in JSC "Bashkirenergo"official web-site (www.bashkirenergo.ru)

АУДИТОРСКОЕ ЗАКЛЮЧЕНИЕ

Акционерам ОАО «Башкирэнерго» о бухгалтерской отчетности открытого акционерного общества «Башкирэнерго» по итогам деятельности за 2010 год.

Аудируемое лицо - Башкирское открытое акционерное общество энергетики и электрификации «Башкирэнерго».

Зарегистрировано 2 ноября 1992 года исполкомом Ленинского райсовета народных депутатов, о чем выдано свидетельство о государственной регистрации открытого акционерного общества № 313. Внесено в Единый государственный реестр юридических лиц за основным государственным номером 1020202769146 инспекцией МНС России по Ленинскому району г. Уфы Республики Башкортостан 17 октября 2002 года.

Место нахождения: 450096, Российская Федерация, Республика Башкортостан, г. Уфа, ул. Комсомольская, д. 126.

Аудитор - ЗАО «БДО» зарегистрировано Инспекцией Министерства РФ по налогам и сборам № 26 по Южному административному округу г. Москвы.

Свидетельство серия 77 № 006870804 о внесении записи в Единый государственный реестр юридических лиц от 29.01.2003 за основным государственным регистрационным номером 1037739271701.

Свидетельство серия 77 № 013340465 о внесении записи в Единый государственный реестр юридических лиц от 20.01.2010 за основным государственным регистрационным номером 1037739271701.

Место нахождения: 117587, г. Москва, Варшавское шоссе, дом 125, строение 1, секция 11

Телефон: (495) 797 5665

Тел./факс: (495) 797 5660

E-mail: info@bdo.ru

Web: www.bdo.ru

Генеральный директор – Дубинский Андрей Юрьевич

ЗАО «БДО» – независимая национальная аудиторская компания, входящая в состав международной сети BDO.

ЗАО «БДО» является членом профессионального аудиторского объединения Некоммерческое партнерство «Аудиторская Палата России», основной регистрационный номер записи в государственном реестре аудиторов и аудиторских организаций 10201018307. НП «АПР» внесено в государственный реестр саморегулируемых организаций аудиторов под № 1 в соответствии с приказом Минфина России от 01.10.2009 № 455.

Аудиторское заключение уполномочен подписывать партнер Смирнов Виктор Михайлович, на основании доверенности от 01.01.2011 № 18-01/2011-БДО.

Мы провели аудит прилагаемой бухгалтерской отчетности ОАО «Башкирэнерго», состоящей из бухгалтерского баланса по состоянию на 31 декабря 2010 года, отчета о прибылях и убытках, отчета об изменениях капитала, отчета о движении денежных средств, приложения к бухгалтерскому балансу и пояснительной записки за 2010 год.

Бухгалтерская отчетность за период с 1 января по 31 декабря 2009 года включительно была проверена аудитором ООО Фирма «ДДМ-Аудит», по результатам аудита было выражено модифицированное мнение от 30.03.2010 (оговорка, указывающая на необходимость корректировок,при наличии таковых, если бы аудиторы смогли проверить количество товарно-материальных ценностей).

Ответственность аудируемого лица за бухгалтерскую отчетность

Ответственность за составление и достоверность указанной бухгалтерской отчетности в соответствии с требованиями законодательства Российской Федерации в части подготовки бухгалтерской отчетности и за систему внутреннего контроля, необходимую для составления бухгалтерской отчетности, не содержащей существенных искажений вследствие недобросовестных действий и ошибок, несут руководитель организации и главный бухгалтер.

Ответственность аудитора

Наша ответственность заключается в выражении мнения о достоверности бухгалтерской отчетности на основе проведенного нами аудита. Мы проводили аудит в соответствии с федеральными стандартами аудиторской деятельности. Данные стандарты требуют соблюдения применимых этических норм, а также планирования и проведения аудита таким образом, чтобы получить достаточную уверенность в том, что бухгалтерская отчетность не содержит существенных искажений.

Аудит включал проведение аудиторских процедур, направленных на получение аудиторских доказательств, подтверждающих числовые показатели в бухгалтерской отчетности и раскрытие в ней информации. Выбор аудиторских процедур является предметом нашего суждения, которое основывается на оценке риска существенных искажений, допущенных вследствие недобросовестных действий или ошибок. В процессе оценки данного риска нами рассмотрена система внутреннего контроля, обеспечивающая составление и достоверность бухгалтерской отчетности с целью выбора соответствующих аудиторских процедур, но не с целью выражения мнения об эффективности системы внутреннего контроля.

Аудит также включал оценку надлежащего характера применяемой учетной политики и обоснованности оценочных показателей, полученных руководством аудируемого лица, а также оценку представления бухгалтерской отчетности в целом.

Мы полагаем, что полученные в ходе аудита аудиторские доказательства дают достаточные основания для выражения мнения о достоверности бухгалтерской отчетности.

Мнение

По нашему мнению, бухгалтерская отчетность отражает достоверно во всех существенных отношениях финансовое положение ОАО «Башкирэнерго» по состоянию на 31 декабря 2010 года, результаты его финансово-хозяйственной деятельности и движение денежных средств за 2010 год в соответствии с требованиями законодательства Российской Федерации в части подготовки бухгалтерской отчетности.

Важные обстоятельства

Не изменяя мнения о достоверности бухгалтерской отчетности, мы обращаем внимание на параграф 21 раздела 2 пояснительной записки к годовой бухгалтерской отчетности, в котором раскрыта информация об изменении начальных и сравнительных показателей бухгалтерской отчетности за 2009 год.

ЗАО «БДО»

Партнер В.М. Смирнов

17 марта 2011 года

BDO

Приложение
к Приказу Минфина РФ
от 22.07.2003 № 67н
(с кодами показателей бухгалтерской отчетности, утвержденными Приказом Госкомстата РФ № 475, Минфина РФ № 102н
от 14.11.2003)

БУХГАЛТЕРСКИЙ БАЛАНС

на 31 декабря 2010 г.

		КОДЫ		
	Форма №1 по ОКУД	0710001		
	Дата (год, месяц, число)	2010	12	31
Организация: Башкирское открытое акционерное общество энергетики и электрификации "Башкирэнерго"	по ОКПО	00107838		
Идентификационный номер налогоплательщика	ИНН	0275000990		
Вид деятельности: Оптовая торговля электрической и тепловой энергией (без их передачи и распределения)	по ОКВЭД	51.56.4		
Организационно-правовая форма/форма собственности: Открытые акционерные общества/Иная смешанная российская собственность (введено Изменением N 1/99, утв. Госстандартом РФ)	по ОКОПФ / ОКФС	47	49	
Единица измерения: тыс. руб.	по ОКЕИ	384		
Местонахождение (адрес): 450096, 02, Уфимский р-н, Уфа г, Комсомольская ул, 126,				

Дата утверждения	
Дата отправки (принятия)	

АКТИВ	Код показателя	На начало отчетного года	На конец отчетного периода
1	2	3	4
I. ВНЕОБОРОТНЫЕ АКТИВЫ			
Нематериальные активы	110	3	2416
Основные средства	120	465245	325857
Незавершенное строительство	130	82417	51925
Доходные вложения в материальные ценности	135	1045182	1065123
Долгосрочные финансовые вложения	140	32812782	33608994
Отложенные налоговые активы	145	0	59
Прочие внеоборотные активы	150	-	-
ИТОГО по разделу I	190	34405629	35054374
II. ОБОРОТНЫЕ АКТИВЫ			
Запасы	210	301880	276496
в том числе: сырье, материалы и другие аналогичные ценности	211	273537	269583
животные на выращивании и откорме	212	-	-
затраты в незавершенном производстве	213	-	-
готовая продукция и товары для перепродажи	214	19502	4273
товары отгруженные	215	59	37
расходы будущих периодов	216	8782	2603
прочие запасы и затраты	217	-	-
Налог на добавленную стоимость по приобретенным ценностям	220	6440	140
Дебиторская задолженность (платежи по которой ожидаются более чем через 12 месяцев после отчетной даты)	230	645116	575648
в том числе покупатели и заказчики	231	293044	263726
Дебиторская задолженность (платежи по которой ожидаются в течение 12 месяцев после отчетной даты)	240	6367813	6879695
в том числе покупатели и заказчики	241	4264739	3785478
Краткосрочные финансовые вложения	250	206514	99511
Денежные средства	260	268916	141075
Прочие оборотные активы	270	196505	188697
ИТОГО по разделу II	290	7993184	8161262
БАЛАНС	300	42398813	43215636

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ПАССИВ	Код показателя	На начало отчетного года	На конец отчетного периода
1	2	3	4
III. КАПИТАЛ И РЕЗЕРВЫ			
Уставный капитал	410	1092728	1092728
Собственные акции, выкупленные у акционеров	411	(-)	(-)
Добавочный капитал	420	167546	162279
Резервный капитал	430	185764	185764
в том числе: резервы, образованные в соответствии с законодательством	431	185764	185764
резервы, образованные в соответствии с учредительными документами	432	-	-
Нераспределенная прибыль (непокрытый убыток)	470	37257194	37570966
Целевое финансирование	480	-	-
ИТОГО по разделу III	490	38703232	39011737
IV. ДОЛГОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА			
Займы и кредиты	510	8107	0
Отложенные налоговые обязательства	515	-	-
Прочие долгосрочные обязательства	520	-	-
ИТОГО по разделу IV	590	8107	0
V. КРАТКОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА			
Займы и кредиты	610	800000	258107
Кредиторская задолженность	620	2802268	3908793
в том числе: поставщики и подрядчики	621	1458345	2621925
задолженность перед персоналом организации	622	25192	14081
задолженность перед государственными внебюджетными фондами	623	1298	922
задолженность по налогам и сборам	624	9688	8197
прочие кредиторы	625	1307745	1263668
Задолженность перед участниками (учредителями) по выплате доходов	630	82463	34256
Доходы будущих периодов	640	2743	2743
Резервы предстоящих расходов	650	-	-
Прочие краткосрочные обязательства	660	-	-
ИТОГО по разделу V	690	3687474	4203899
БАЛАНС	700	42398813	43215636
Справка о наличии ценностей, учитываемых на забалансовых счетах			
Арендованные основные средства	910	329281	441646
в том числе по лизингу	911	-	-
Товарно-материальные ценности, принятые на ответственное хранение	920	39255	39255
Товары, принятые на комиссию	930	-	-
Списанная в убыток задолженность неплатежеспособных дебиторов	940	1973513	1238756
Обеспечения обязательств и платежей полученные	950	0	10049
Обеспечения обязательств и платежей выданные	960	-	-
Износ жилищного фонда	970	73	73
Износ объектов внешнего благоустройства и других аналогичных объектов	980	-	-
Нематериальные активы, полученные в пользование	990	3797	3029
Прочие ценности, учитываемые на забалансовых счетах	1000	18870	20891

Руководитель _____ (подпись) Доронин А. Ю. (расшифровка подписи) Главный бухгалтер _____ (подпись) Харченко П. А. (расшифровка подписи)

" 18 " февраля 2011 г.

Приложение
к Приказу Минфина РФ
от 22.07.2003 № 67н
(в ред. Приказа Минфина РФ
от 18.09.2006 № 115н)
(с кодами показателей бухгалтерской
отчетности, утвержденными Приказом
Госкомстата РФ № 475, Минфина РФ №
102н
от 14.11.2003)

ОТЧЕТ О ПРИБЫЛЯХ И УБЫТКАХ

за период с 1 января по 31 декабря 2010 г.

		КОДЫ
	Форма №2 по ОКУД	0710002
	Дата (год, месяц, число)	2010 | 12 | 31
Организация: Башкирское открытое акционерное общество энергетики и электрификации	по ОКПО	00107838
Идентификационный номер налогоплательщика	ИНН	0275000990
Вид деятельности: Оптовая торговля электрической и тепловой энергией (без их передачи и распределения)	по ОКВЭД	51.56.4
Организационно-правовая форма/форма собственности:		
Открытые акционерные общества/Иная смешанная российская собственность (введено Изменением N 1/99, утв. Госстандартом РФ)	по ОКОПФ / ОКФС	47 | 49
Единица измерения: тыс. руб.	по ОКЕИ	384

Показатель		За отчетный период	За аналогичный период предыдущего года
наименование	код		
1	2	3	4
Доходы и расходы по обычным видам деятельности			
Выручка (нетто) от продажи товаров, продукции, работ, услуг (за минусом налога на добавленную стоимость, акцизов и аналогичных обязательных платежей)	010	73526291	59324127
Себестоимость проданных товаров, продукции, работ, услуг	020	(72306077)	(57971844)
Валовая прибыль	029	1220214	1352283
Коммерческие расходы	030	(-)	(-)
Управленческие расходы	040	(-)	(-)
Прибыль (убыток) от продаж	050	1220214	1352283
Прочие доходы и расходы			
Проценты к получению	060	1113	32225
Проценты к уплате	070	(43223)	(155926)
Доходы от участия в других организациях	080	2132716	1321754
Прочие доходы	090	1190784	4310363
Прочие расходы	100	(2709861)	(4779207)
Прибыль (убыток) до налогообложения	140	1791743	2081492
Отложенные налоговые активы	141	59	(4279)
Отложенные налоговые обязательства	142	-	-
Текущий налог на прибыль	150	(234544)	(286156)
Дополнительные показатели	151	(33)	(65)
Чистая прибыль (убыток) отчетного периода	190	1557225	1790992
СПРАВОЧНО			
Постоянные налоговые обязательства (активы)	200	(123863)	(125863)
Базовая прибыль (убыток) на акцию		-	-
Разводненная прибыль (убыток) на акцию		-	-

Форма 0710002 с.2

РАСШИФРОВКА ОТДЕЛЬНЫХ ПРИБЫЛЕЙ И УБЫТКОВ

Показатель		За отчетный период		За аналогичный период предыдущего года	
наименование	код	прибыль	убыток	прибыль	убыток
1	2	3	4	5	6
Штрафы, пени и неустойки, признанные или по которым получены решения суда (арбитражного суда) об их взыскании		4088	28	8269	382
Прибыль (убыток) прошлых лет		37276	56224	11426	67904
Возмещение убытков, причиненных неисполнением или ненадлежащим исполнением обязательств		-	-	-	-
Курсовые разницы по операциям в иностранной валюте		203	-	-	-
Отчисления в оценочные резервы		X	578571	X	630391
Списание дебиторских и кредиторских задолженностей, по которым истек срок исковой давности		59	2595	6555	-

Руководитель _____ Доронин А. Ю. Главный бухгалтер _____ Харченко П. А.
(подпись) (расшифровка подписи) (подпись) (расшифровка подписи)

" 11 " февраля 2011 г.

Attachments

12.1

Data on OJSC “Bashkirenergo” observance of general requirements of FCSM Code of Corporate Conduct is published in JSC “Bashkirenergo” official web-site www.bashkirenergo.ru

12.2

The list of the transactions made by the Company within the business year and recognized as interested party transactions in accordance with the Federal Law «On joint-stock companies» is published in JSC “Bashkirenergo” official web-site www.bashkirenergo.ru

During the business year the Company did not male any transactions which are recognized as major transactions in accordance with the Federal Law «On joint-stock companies», as well as other transactions that are covered by the procedure of major transaction approval defined in the Company's Articles of Association.

12.3 Contact Information

Bashkir open joint-stock company of power industry and electrification "Bashkirenergo"

Address:
450096, Komsomolskaya St. 126,
Ufa, Russian Federation

Phone: +7 (347) 269-43-50
e-mail: secr@iap.bashkirenergo.ru

Reply service for stockholders
450096, Komsomolskaya St. 126, Ufa,
Russian Federation
Phone: +7 (347) 269-00-21
e-mail: sku@iap.bashkirenergo.ru

OJSC "Bashkirenergo" department of corporate communications
Phone: +7 (495) 228-07-74
e-mail: ir@iap.bashkirenergo.ru;
kochetkov@bashkirenergo.ru

OJSC "Bashkirenergo" in Internet
www.bashkirenergo.ru

Registrar

Open joint-stock company "Reestr"

Location:
119021, Zubovskaya sq. 3, bil. 2,
Moscow
Postal address:
129090, Bolshoy Balkansky
pereulok, 20, bld.1, Moscow
License number
№10-000-1-00254
Issue date: 13.09.2002.
Phone: +7 (495) 617-01-01

OJSC "Reestr" branch office
in Ufa city:
Location:
450005, Distoevskogo St. 139, Ufa,
Postal address:
450000, Ufa-Center, post
office box 1286.
Phone: +7 (347) 248-12-33
e-mail: ufa@aoreestr.ru

Auditor

Reporting on accordance with Russian Accounting principles
CJSC "BDO" — an independent national auditing company included into international BDO network.

Reporting in accordance with international financial reporting standards
CJSC "Deloitte&Touche CIS"