

INFORMATION ABOUT GVC ENERGETIKI

In the past year we continued to actively move along the way of transforming GVC Energetiki (known in the Russian power industry as IT Energy) into a steadily and efficiently operating market entity. This direction has been set by decisions of the RAO UES of Russia Management Board, the ideology of reforming RAO UES of Russia and the development patterns in the information technology market in Russia.

The vision for the future formed in the Company made it possible to develop and have approved by the RAO UES of Russia Management Board the "Medium-term Development Strategy" that includes the following main lines of activities for IT Energy:

- information services and business analysis;
- development of information systems and business applications;
- application maintenance and support;
- customer IT infrastructure maintenance and support;
- data center services;
- telecommunications services;
- hardware and software procurements.

The increasing demand of the power industry enterprises for quality IT services and clear understanding of the reform processes allows to retain the power industry priority in the Company operations. Therefore, main consumers of IT Energy services are major Russian power industry enterprises among which the Company has been long enjoying the image of a responsible and dynamic partner capable of providing reliable IT-solutions.

In 2006 the main efforts of the Company were directed to fulfilling the following key tasks:

- attaining the set level of economic performance indicators;
- ensuring the increase in the Company value and investment appeal;
- expanding the client base and enhancing the customer satisfaction;
- bringing the IT services quality up to the requirements of international standards;
- firming up relations with major IT vendors and suppliers;
- attaining fuller maturity of the Company, developing its management system.

Among certain successes of the Company in that period were:

- introduction of internal IT service management system supporting ITIL/ITSM processes. This system is integrated with HP Open View Operations making in possible to monitor the whole IT infrastructure and IT services quality;
- expansion of the service range provided by the Company on introducing and supporting corporate SAP-based information systems;
- spread out of the client base and increase in the share of earnings provided by strategic customers, including IT services delivered to FSK UES, the major federal infrastructure company;
- realization of unique industry scale cooperation programs with major IT vendors, including Microsoft, IBM, HP, Citrix, etc., making it possible to acquire, on the terms advantageous to customers, the software and hardware in compliance with the requirements of the RAO UES of Russia's technical policy.

Those and other actions undertaken in 2006 augmented the dynamic growth of the previous periods and made it possible for the Company to demonstrate high economic performance. Earnings increased by 76% and came to 558 million rubles. Net profits grew by 51% and amounted to 20 million rubles. According to independent rating agencies, the Company's business worth swelled from 168.5 million rubles up to 872 million rubles, an increase of 419%.

With that, the share of RAO UES of Russia in the earning structure fell from 59% in 2005 down to 40%. We see this decrease in the share of our main customer – RAO UES of Russia – (while it grew in absolute figures) as a significant achievement showing the Company's orientation at its market positioning and its business sustainability enhancement in the reform process.

In 2006 the Company has started an investment program worth over 100 million rubles on modernizing its Data Center in Moscow that should ensure that the Data Center would be completely reconstructed and re-equipped and ready for its commercial operations launch by the mid-2007. Even conservative assessments show that the program will pay for itself in two years at the latest.

Realizing that just good financial results are not enough for increasing the Company's capitalization we pay a lot of attention to maintaining the corporate management standards. In 2006 the Company operated according to its Charter, regulations on convening and holding meetings of the Company's Board of Directors and on procedures for the Company's interaction with its affiliates (as approved by the Company's governing bodies).

Pursuant to the approved strategy, the main objective of the Company for the near future is to expand its client base (in particular, beyond the Moscow region) in the power industry economy sector with account for the power industry companies' desire to minimize their risks associated with high demand for IT specialists' competence and for the professional IT service management.

This makes it imperative for the Company in the shortest possible time to:

- expand and optimize the portfolio of services offered to Russian power industry enterprises;
- augment its client base, first of all, with inclusion of strategic clients as determined by the Company's strategy;
- upgrade its hardware assets and utilized technologies in order to provide IT services to a wider range of customers;
- develop the new principles and standards of information exchange among power industry entities in the postreform period;
- ensure the qualitative and quantitative expansion of the contract base involving IT vendors and suppliers.

In addition, in order to enhance efficiency of the operational management we plan to restructure the Company and separate the operations from the material asset management.

Development of the operational business is linked, first of all, with refining the management system and improving the personnel skills. For ensuring the proper high management standard levels there are plans to introduce option programs for top managers of the Company.

Since competent personnel constitutes the main asset of IT companies, we plan to launch motivation programs encouraging employees to improve their effectiveness and skills.

Impressive results of the previous years and the firm commitment to innovations, the ample resource base and skilled personnel, the stable positive image in the market and established contacts with Russian power industry enterprises – all this allows us to look in the future with confidence and to be sure of the successful fulfillment of the tasks facing us.