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**OGK -4**  
open joint-stock company  
generation  
company  
four of the  
wholesale market of  
power and energy

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# **ANNUAL REPORT**

## **2008**

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## COMPANY OVERVIEW

The Open Joint-Stock Company, "Fourth Generating Company of the Wholesale Electricity Market" (OGK-4), is the largest thermal wholesale generating company in Russia in terms of sales. OGK-4 is an integral part of the unified power system of Russia and a player in the wholesale electricity market. The Company is engaged in the production and sale of electricity and heat, and it also engages in heat transmission.

The total installed capacity of OGK-4 is 8,630 MW. Electricity production in 2008 reached 56.7 billion kWh, while heat production totaled 2.3 thousand Gcal. The revenues of the Company for the year amounted to 37.9 billion rubles.

The generating capacities of OGK-4 are provided by five power plants: Surgutskaya GRES-2 (Tyumen Region), Berezovskaya GRES (Krasnoyarsk Territory), Shaturskaya GRES (Moscow Region), Smolenskaya GRES (Smolensk Region), and Yaivinskaya GRES (Perm Territory). The OGK-4 power plants are located in the regions experiencing the highest growth rates of electricity consumption, with a relatively well-developed grid infrastructure. Four out of five generating facilities of the Company are located in areas of the Russian Federation (RF) with the highest levels of economic and industrial development and with a high potential for growth in electricity consumption.

OGK-4 was formed as a result of the reorganization of the Russian power industry via a merger of five power plants to form a single generating company. In the autumn of 2007, E.ON Group (E.ON), Europe's leading power and gas company, was declared the winning bidder for the acquisition of the governmental stake held by RAO UES of Russia and the additional issue of shares of OGK-4, and thereby became the owner of 69.34 per cent of the capital of the Company. As a result of this transaction, 146.5 billion rubles were invested into the Russian economy, 46.5 billion rubles of which are allocated to finance the investment program of the Company.

On July 1, 2008, RAO UES of Russia completed the final stage of its reorganization, in the course of which the energy holding company ceased to exist, and the shares of the spin-off companies founded in the process of the reform (including OGK-4) were transferred to minority shareholders of RAO UES of Russia. As a result, the total number of shareholders in the Company exceeded 300,000.

The shares of OGK-4 are traded in the "B" quotation lists of Russia's major stock exchanges, MICEX (under the ticker OGK4) and RTS (under the ticker OGKD).

## 1. KEY OPERATING INDICATORS

**Revenue 37,892 million rubles +20.4%**

**EBITDA 5,782 million rubles +39.1%**

**EBIT 4,692 million rubles +51.6%**

**Net income 6,046 million rubles +306.1%**

**Electricity production 56.68 GWh +4.5%**

**Electricity sales 58.28 GWh +1.46%**

**Load factor 74.8% +3%**

**5.5% of total electricity production in Russia <sup>1</sup>**

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<sup>1</sup> Calculations based upon data from the Closed Joint-Stock Company Energy Forecasting Agency

## **2. LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR**

**Dear shareholders, investors, colleagues!**

The time has come to summarize the results of OGK-4's performance in 2008. The past year turned out to be a serious stage for the Company. The process of integration into the international group of companies, E.ON (the majority shareholder of the Company since autumn 2007), continued at full pace. A full year of close collaboration proved our ability to work together in a constructive and well-balanced way, our interest in mutual success, and our determination to solve the most complex tasks. Within the process of integration, it was essential to introduce into the Company the processes and standards that are applicable within the other companies of E.ON worldwide. OGK-4 employees work closely with their partners from various units of the Group and exchange their expertise.

OGK-4 demonstrated high operating results in 2008. Electricity production by the power plants of the Company totaled 56.7 billion kWh with a 4.5% increase year-on-year. The OGK-4 load factor at year-end was 74.8%. Therefore, OGK-4 achieved the highest operating results among all of the Russian thermal wholesale generating companies. Thus, the largest power plant in the Company's fleet – Surgutskaya GRES-2 – remained at the prior-year level as regards to output, while the second power plant in terms of installed capacity – Berezovskaya GRES – increased electricity generation by 26.9% and set an absolute record for electricity production since the year of its commissioning.

The net income of the Company under the Russian Accounting Standards for 2008 exceeded 6 billion rubles and grew more than fourfold year-on-year. The total amount of proceeds from sales increased by 20.4% – up to 37.9 billion rubles. This improvement in the corporate financial performance was fostered by an increase in electricity sales and active work in the competitive sector of the wholesale electricity market.

One of the key events of 2008 was the completion of the reform in the Russian electric power industry, during the course of which RAO UES of Russia ceased to exist. As a result of RAO UES of Russia's reorganization, the shares of the companies created from the energy holding company, including OGK-4, were transferred to its shareholders. The number of shareholders of the Company in the past year increased more than tenfold. Today the number of individuals and legal entities in our shareholder register exceeds 300,000. OGK-4 places a high emphasis upon the development of the corporate governance system in the Company, providing guarantees and protections for shareholders rights, information disclosure and business transparency.

The reliability of electricity supply to its customers remains the permanent priority for OGK-4. In 2008, OGK-4 confirmed its status as a reliable electricity supplier, completed a maintenance program at all power plants of the Company, and obtained a certificate of readiness in time for the autumn-winter peak load period.

As early as the second half of 2008, we had to face considerable external challenges. All companies operating in Russia, without exception, were affected by the adverse processes occurring in both the national and global economy. OGK-4 managed to maintain financial stability and high production rates. However, under the current conditions we need to mobilize all resources of the Company and take serious steps to enhance the efficiency of our work. Our primary task is to ensure the efficient use of funds by minimizing costs and taking organizational measures aimed at cost reduction. At the same time, it is important to emphasize that these processes shall not adversely affect our production process, maintenance program or operational safety. All of the work required by the technical regulations in the electric power industry must and will be performed in full.

Despite these economic challenges, OGK-4 continues to implement its investment program of building new capacities. We are building new generating units at four power plants of the Company: Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES and Yaivinskaya GRES, with a total installed capacity of 2,400 MW. In 2008, construction of CCGT-400 at

Shaturskaya GRES power plant proceeded at full pace, clearance was given for the construction of two CCGTs-400 at Surgutskaya GRES-2 power plant and one CCGT-400 at Yaivinskaya GRES power plant. E.ON investments in Russia through the acquisition of OGK-4 totaled 146.5 billion rubles. The Group is a strategic investor in the Russian energy industry, and intends to completely fulfill its commitments and continue to implement its investment program in the scope originally agreed.

OGK-4 seeks to maintain and strengthen its position as the leader in the Russian electric power industry. We have all of the prerequisites, including significant production and market potential, competitive capacities (including those currently existing and those in the process of construction), efficient cooperation between our management and our shareholders, and competent and responsible employees.

Sincerely yours,

Lutz Feldmann  
Chairman of the OGK-4 Board of Directors

Yury Sablukov  
General Director, OGK-4

### **3. CALENDAR OF KEY EVENTS 2008**

#### ***January***

- Member of E.ON AG Management Board Lutz Feldmann is elected Chairman of OGK-4 Board of Directors

#### ***February***

- E.ON Russia Power GmbH increases its stake in OGK-4 capital from 72.7% to 75.7% of the Company's capital by accepting the mandatory offer for OGK-4 share purchase.
- OGK-4 is declared the winner of the Social Energy Award for "Best Practice in Nonfinancial Reporting" and takes second place under the category, "Best Practice in Stakeholder Engagement".

#### ***March***

- OGK-4 is declared the winner of the National EPCM Awards in engineering and project management under a special category, "Efficient Project Management on the Part of the Customer".

#### ***June***

- Annual General Meeting of OGK-4 shareholders. The Charter and Regulations for the boards of the Company are approved.
- OGK-4 enters into service contracts with General Electric International, Inc. for the implementation of its new construction projects at Surgutskaya GRES-2 and Shaturskaya GRES.

#### ***July***

- Reorganization of RAO UES of Russia is completed. The number of OGK-4 shareholders increases to 308,000 persons.
- Construction of two CCGT-400 units at Surgutskaya GRES-2 is launched.
- OGK-4 enters into an EPC-Contract with ENKA Insaat Ve Sanayi A.S. for the construction of a CCGT-400 unit at Yaivinskaya GRES.
- The OGK-4 HR Department is declared the winner of the Third All-Russian Award, "Best HR Department 2007".

#### ***September***

- Yury Sablukov is appointed General Director and a member of the Management Board of OGK-4.

#### ***October***

- The number of OGK-4 Management Board members is reduced from 11 to 7.
- OGK-4 wins an Eleventh Annual Federal Site and Report Award under the Power Industry category organized by Stock Market magazine, the RF Ministry of Economic Development, and the MICEX stock exchange.

#### ***December***

- OGK-4 is declared the winner of a Tenth Annual Report Award organized by the Expert RA rating agency in the category, "Best Annual Sustainable Development and Corporate Social Responsibility Report".

#### **4. STRATEGY**

The strategy of OGK-4 is aimed at stable and systematic development during the course of the liberalization of the Russian power market. The main strategic tasks are to increase the shareholder value of the Company by enhancing operational efficiency and to maximize profits while ensuring high reliability and improving the performance of the primary generating equipment. OGK-4 is committed to implementing its investment program for commissioning 2,400 MW of new construction capacities by 2011 and retooling existing facilities.

The mission of OGK-4 is to ensure reliable electricity and heat supply to its consumers, and the efficient operation of our power plants in accordance with up-to-date production and management quality standards, with maximal consideration of the interests of all parties concerned.

OGK-4 understands the potential risks and challenges to which it is exposed in the course of its business and development. OGK-4, in conjunction with its major shareholder, E.ON Group, is developing a comprehensive risk management system to mitigate and ensure efficient management of these risks.

The Company recognizes its responsibility for supplying reliable and safe power to its consumers, who are located mainly in strategically important regions of Russia: Moscow and the Moscow region, the Urals and Siberia.

##### *Integration into E.ON*

E.ON AG, immediately upon acquisition of the majority stake in OGK-4, developed a large-scale plan for the new business unit's integration into the group. The foundation of the integration process was built upon joint workshops on specific business topics, and adaptation and adoption by OGK-4 of the internal guidelines elaborated by E.ON Group.

The integration project mainly focused upon:

- business processes integration;
- business development;
- change management.

At the same time, goals were established and an implementation mechanism was developed and embedded in accordance with these goals.

At the first stage of integration, the emphasis was laid upon elaboration of the concept and the plan of OGK-4's further development, together with the implementation of E.ON's management standards at OGK-4. Meanwhile, employees started to make contacts; priority business lines, primary risks and potentials were determined.

During the second stage, OGK-4 and E.ON Russia Power (the parent company of MU Russia, E.ON Group) reallocated their responsibilities, while the priority was given to the implementation of the investment projects and an increase in labor efficiency.

Upon completion of OGK-4's integration, the tasks that the Company will be facing will be determined by the strategy of the Group and will be aimed at implementation of the unified mission and vision of all E.ON units.

## 5. RISKS AND RISK MANAGEMENT SYSTEM

The Company understands the potential risks to which it is exposed in the course of its business and development. It is also aware that in order to perform successfully and achieve its strategic objectives, it must identify precisely and manage effectively all existing and potential risks.

The Company regards its key risks as being industrial risks. Reform of the electricity industry brings a number of risks, which may have a significant effect upon the business and results of electricity companies such as OGK-4. Regulation of the Russian wholesale energy market is in a constant state of flux, changing the structure of both the electricity market itself and the system of relations between market participants. Even though most of those risks are systematic and beyond the control of the Company, OGK-4 is in the process of creating an effective risk management system in order to detect possible hazards at the earliest possible moment and take appropriate measures to mitigate them.

By the Company's estimate, one major industrial risk capable of significantly affecting OGK's business is the risk of delay in the liberalization of the market in electricity, coupled with the existing tariff policy. Under the current tariff regulations, low tariffs are set for efficient facilities of the Company, and as a result it cannot modernize and expand production facilities. At the same time, the maximum load in the regulated wholesale market sector substantially limits OGK-4's ability to make additional profits in the competitive sectors of the market. Electricity market liberalization is bound to boost the Company's ability to realize its production and economic potential. Furthermore, the delay in launching the full-fledged capacity market exposes concerns regarding returns on the Greenfield investment. OGK-4 is trying to create the maximum possible profit under current circumstances and is committed to enhancing operational efficiency by implementing programs to cut operating costs and improve fuel efficiency in order to maintain competitiveness in any market environment.

The Company sees another major risk in its dependence on gas supplies. As global gas prices are substantially higher than domestic ones, gas exports are the main energy strategy of the country. In this connection, there are internal gas shortages because of the limited capacity of, and supplier access to, the unified gas transportation system. The Company pays great attention to risks related to gas supplies and fuel security for gas-fired power plants, and takes measures to reduce such risks. This includes entering, whenever possible, into long-term gas supply agreements with independent suppliers and increasing, as far as possible, its share in the total supplies. Moreover, the Company strives to enhance fuel efficiency and improve fuel consumption at all power plants through equipment modernization. Moreover, the Company's investment program provides for commissioning new gas facilities using state-of-the-art technologies with an efficiency of at least 55%, in line with the world's thermal power standards.

Although the overall average age of OGK-4 electric power plants is estimated by the Company to be below the average age of every other OGK, most of the Company's generation equipment was put into operation during the 1970s and 1980s, with the oldest power unit commissioned in 1963. Therefore, like other generation companies in the Russian electricity industry, OGK-4 has to deal with risks related to a significant depreciation in its operating assets. To reduce these risks, the Company plans to modernize existing generation assets and tool the current fleet with up-to-date generation equipment. The Company has produced and approved an investment program that envisages construction of new facilities at existing electric power plant sites, as well as technical upgrading, reconstruction, and repair programs, which, when implemented, should noticeably increase generation equipment reliability and efficiency.

In the process of implementing the investment program, the Company may also encounter risks from grid constraints in supplying new capacities to the unified power system. Such problems may result from the underdevelopment of infrastructure belonging to the Federal Grid Company (FSK). Currently, the risks associated with grid constraints on new capacity are difficult to predict. However, with the reorganization of RAO UES of Russia, the

Company expects to have a say in coordinating a strategy for the development of the grid and generating companies. OGK-4 now has an agreement in place with FSK, ensuring their mutual interests will be taken into account when generating or grid facilities are built. At the same time, the Company is aware that it may be compelled to invest in building grid facilities in order to secure an outlet to the electricity system for its own new capacities.

Another category of risk the Company considers important is related to the volatility of the electricity market, in particular the seasonal nature of electricity demand and its substantial daily fluctuations. Nonetheless, OGK-4's performance in the free sectors of the market after the launch of NOREM (New Wholesale Electricity and Capacity Market) and the location of its power plants in regions with rising demand give grounds to hope that the business can continue to operate effectively during the ongoing liberalization of the market. The Company tries to predict the risks associated with demand fluctuations and formulates and applies market tactics to react effectively to any variations in market conditions.

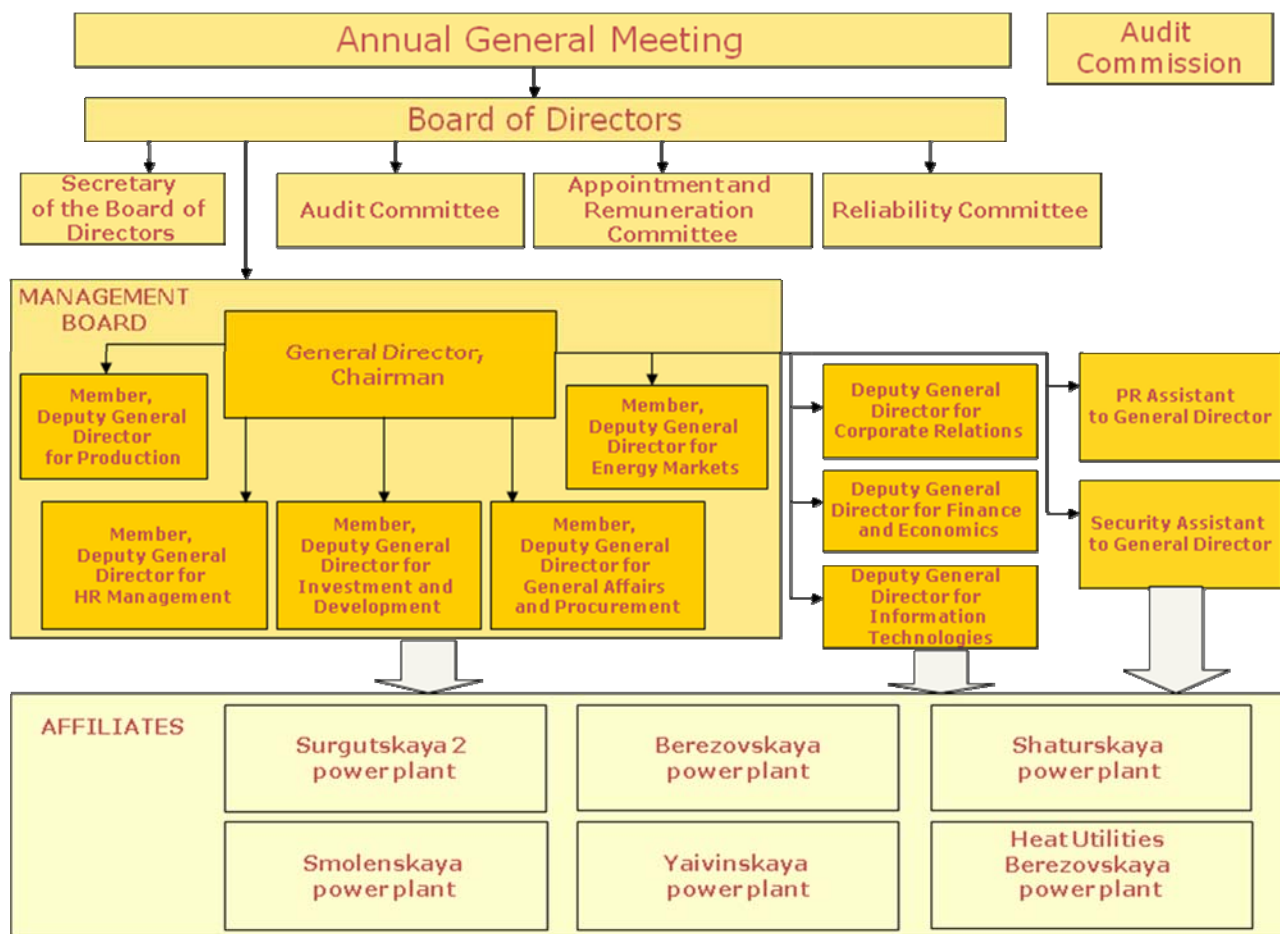
The risks from electricity demand fluctuations have always existed, but they became particularly crucial after the spread of the world financial crisis, its consequent decrease in production, and as a result, decline in electricity demand. The power plants Shaturskaya, Smolenskaya, Yaivinskaya and Berezovskaya are most vulnerable to such risk. The power plant Surgutskaya 2 is less exposed to this risk due to its high efficiency operations; nevertheless it is still facing the risk of possible unloading and a decline in electricity output (and hence, in profit).

In view of the current state of the economy affected by the global financial crisis, OGK-4 is especially exposed to the effect of macroeconomic factors. The Company expects a lower electricity demand that may lead to a decline in income. It is noteworthy that the credit risk becomes one of the most substantial financial risks in the event of a deterioration in the financial position of the Company's counterparts and probable corporate defaults. OGK-4 expects more delayed payments from its counterparts. The risk of price hikes (inflation risk) may affect the regulated sector of the market, as subsequently the costs will grow at a higher pace than the tariffs, or the tariff growth may lag behind, which may adversely affect OGK-4's operating margin. OGK-4 is not exposed on the whole to the risk of the ruble's devaluation as the Company has considerable foreign currency deposits to finance its investment projects; nonetheless the Company may experience large exposures to risk if it has to attract foreign currency loans and repay those loans in rubles.

OGK-4's current and future activities involve other substantial risks, including those associated with the regulation of the electricity sector, the state of the market for fuel, and the Company's relations with other market participants; legal risks, inter alia those arising from joint liability for the debts of the energy companies from which the power plants now belonging to the Company were created; national and regional risks; as well as political, financial, market, currency, in-house, and other risks that may adversely affect the performance of OGK-4. The Company endeavors to identify such risks at the earliest possible stage and take appropriate action to mitigate and provide hedges against them. However, risks may exist of which the Company is at present unaware or which appear insignificant, but could adversely affect the performance of OGK-4 in the future.

## 6. CORPORATE GOVERNANCE

### 6.1. Organizational Chart



### 6.2. Management and Supervisory Bodies

OGK-4 pays much attention to constant improvement of the corporate governance system of the Company based upon the best international practices.

In 2008, we proceeded to introduce advanced standards of corporate governance in OGK-4 that are applicable in other companies of the E.ON Group. The result of this work was reflected in new versions of the Company Charter, Regulations for the Annual Shareholders' Meeting, Regulations for the Board of Directors, Regulations for the Management Board, and the Regulations for the Audit Committee that were approved at the Annual General Meeting of OGK-4's Shareholders dated 06.06.2008, and that are aimed at the development of a more efficient and transparent corporate governance system and the enhancement of the role and value of collegial management bodies in the process of corporate governance.

Today OGK-4's founding corporate documents are as follows:

- ❖ The Charter;
- ❖ The Code of Corporate Governance;
- ❖ Regulations for the Annual Shareholders' Meetings;
- ❖ Regulations for the Board of Directors;
- ❖ Regulations on the Secretary and Secretariat of the Board of Directors;
- ❖ Regulations for the Management Board;
- ❖ Regulations for the Audit Committee;
- ❖ Regulations on Disclosure Policy;
- ❖ Regulations on Insider Information Policy.

OGK-4 combines clear and efficient rules of corporate governance with regular information exchanges with its stakeholders.

Since 2006, the Company has been publishing financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The Company runs a shareholder and investor relations department. The Company discloses all material information on the corporate website, [www.ogk-4.ru](http://www.ogk-4.ru), as well as via newswires. OGK-4 holds regular briefings for the media.

In 2008, pursuant to the resolution of the Board of Directors dated 27.10.2008 (Minutes No. 101), the Company established the Risk and Internal Audit Department. The main tasks of this department include the provision of independent and unbiased guarantees and advisory services for adding value and improving the operating activities of the Company. The Risk and Internal Audit Department will enable the Company to achieve its goals and ensure a systematic approach to the assessment and enhancement of the efficiency of the corporate governance, audit and risk management processes.

## **Management Bodies**

OGK-4's system of management bodies consists of the following levels:

- ❖ Annual Shareholders' Meeting;
- ❖ Board of Directors;
- ❖ Management Board;
- ❖ General Director.

### ***Annual Shareholders' Meeting***

The Annual Shareholders' Meeting is the Company's supreme governing body. The powers of the Annual Shareholders' Meeting are set forth in the law, "On Joint-Stock Companies", and Article 10 of the Company Charter. Convocation, preparation, and organization of the Annual Shareholders' Meeting of the Company are governed by the Regulations for the Annual Shareholders' Meetings of OGK-4<sup>1</sup>.

### ***Board of Directors***

The Board of Directors is responsible for OGK-4's corporate management in the intercessional period between the Annual Shareholders' Meetings. Its competence extends to, inter alia, defining the Company's strategy, control over financial and economic activity, maintaining the efficiency of the system of internal control, observance of shareholders' rights, and supervising the activities of the executive bodies. The activities of the Board of Directors are governed by the Regulations for the Board of Directors of OGK-4<sup>2</sup>.

The Board of Directors acting in 2008 was elected by the Annual General Meeting of Shareholders held on June 6, 2008. It comprised:

**Lutz Feldmann**, Chairman of the Board of Directors; Member of the Management Board E.ON AG

From 2002 to 2005, he was a member of the Board of Management of Deutsche BP AG; from 2003 to 2006, he held the offices of General Manager for Global Retail Business Transformation and Group Vice President for Marketing of BP p.l.c.

Lutz Feldmann has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and the Chairman of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Feldmann.

**Frank Siebert**, Vice-Chairman of the Board of Directors; Chief Financial Officer, E.ON Russia Power.

Frank Siebert has held leading positions in E.ON Russia Power since 2008. Until 2007, he held the office of General Manager for Finance in E.ON Ruhrgas UK North Sea Ltd, and from 2000 to 2006 was Vice-Chairman of the Board of Directors, E.ON Ruhrgas Int'l AG (Latvia).

Frank Siebert has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and the Vice-Chairman of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Siebert.

**Sebastian Eisenberg**, Member of the Board of Directors; Chief Integration Officer, E.ON Russia Power.

Sebastian Eisenberg has been working in Russia since 2008; from 2002 to 2005 he held leading positions in E.ON AG (E.ON@future in E.ON Energy AG Energy Projects).

Sebastian Eisenberg has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Eisenberg.

**Bernd Dubberstein**, Member of the Board of Directors; Chairman of the Management Board E.ON edis AG.

Until September 2008, Mr. Dubberstein held the office of Managing Director of E.ON Russia Power; from 1999 to 2007, he was Member of the Management Board, E.ON edis AG, Germany.

Bernd Dubberstein has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Dubberstein.

**Reiner Hartmann**, Member of the Board of Directors; Chief Executive Officer, E.ON Russia. Mr. Hartmann is Head of E.ON Ruhrgas's Moscow office.

Reiner Hartmann has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Hartmann.

**Dr. Marcus Schenk**, Member of the Board of Directors; Chief Financial Officer, Member of the Management Board E.ON AG

Since 2006 Marcus Schenk has been holding offices of Chief Financial Officer E.ON AG and Member of the Management Board of the Group. From 2001 to 2006 Mr. Schenk was Managing Director, Partner of Goldman, Sachs & Co.

Marcus Schenk has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and the Member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Schenk.

**Artyom Bikov**, Member of the Board of Directors; President of "Vostok" energy sales company.

Until 2008, Artyom Bikov was General Director of the Urals Energy Managing Company. He is Chairman of the Board of Directors of Intertechelectro – New Generation, CB Agropromcredit, E.ON STS – Energy, and Member of the Board of Directors of Lentepslosnab, Rusich. From 2003 to 2004 Mr. Bikov was Advisor to the Chairman of the Management Board of RAO UES of Russia.

Artyom Bikov has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Bikov.

**Alexey Kachay**, Member of the Board of Directors, General Director of TGK-11 Holding.

Additionally, Alexey Kachay is Member of the Board of Directors of IDGS of Centre; from 2005 to 2008, he was Member of the Board of Directors of Kolskaya Generating Company, St. Petersburg Sales Company; and from 2006 to 2008 of Volzhskaya HPP, Omskaya Transmission Network Company.

Since 2002, he has worked in RAO UES of Russia as Chief Expert, Head of Department, Deputy Head of the Strategy Department of the Reform Management Centre, RAO UES of Russia.

Alexey Kachay has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Kachay.

**Lev Ketkin**, Member of the Board of Directors, Deputy Director for Legal Affairs, SO UES. Lev Ketkin holds office as the Deputy Director for Legal Affairs, and from 2004 held the office of Deputy Executive Director, SO CDU UES. From 1996 he was Director of the Urals Law Company. From 2008, Mr. Ketkin has been a Member of the Board of Directors of TGK-5.

Lev Ketkin has no stake or interest in the Company; in 2008 there were no transactions between OGC-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Ketkin.

**Andrey Kitashev**, Member of the Board of Directors

Andrey Kitashev from March 4, 2005 until September 15, 2008 was General Director of OGC-4. Until 2005, Mr. Kitashev held the offices of Deputy General Director for Finance and the General Director of Permenergo, which he took in 2000 after his transfer from the position of General Director of Volgaenergo, the representation office of RAO UES of Russia (Samara).

The stake of Andrey Kitashev in the equity capital of the Company is 0.0000000603%; in 2008 there were no transactions between OGC-4 and this member of the Board of Directors. The Company does not have any information about any proceedings pending against Mr. Kitashev.

**Igor Yurgens**, Member of the Board of Directors; Chairman of the Management Board of the Institute of Contemporary Development.

Currently, he is also Vice-President of the Russian Union of Industrialists and Entrepreneurs. Earlier, Igor Yurgens held the office of First Vice-President – Head of State and Government Relations, Renaissance Capital.

Igor Yurgens has no stake or interest in the Company; in 2008 there were no transactions between OGC-4 and this member of the Board of Directors.

The Company does not have any information about any proceedings pending against Mr. Yurgens.

### ***Summary of Meetings of the Board of Directors in 2008***

From June 6 to December 31, 2008, there were 15 board meetings. In 2008, the Board of Directors of the Company held 23 meetings in total.

The focus of OGC-4's Board of Directors in the second half of 2008 was on the adjustment of the material conditions of investment projects, personnel affairs, and also the enhancement of the operational efficiency of the Company.

The Board of Directors considered and approved the following key issues:

- ❖ adjusted material conditions of priority investment projects;
- ❖ new version of the Regulations for OGC-4's Investment Fund Management;
- ❖ early termination of powers of the General Director of the Company and election of a new General Director of the Company;
- ❖ early termination of powers of Management Board members and termination of employment contracts with several top managers of the Company, election of new Management Board members and approval of employment contracts with new top managers of the Company;
- ❖ establishment of Risk and Internal Audit Department in OGC-4 and its support;
- ❖ new version of OGC-4's Procurement Regulations;
- ❖ new version of OGC-4's Regulations on Insider Information;
- ❖ Regulations for Planning and Controlling;
- ❖ Regulations for OGC-4's Board of Directors Audit Committee;
- ❖ adoption of measures on the implementation of OGC-4's Code of Ethics;
- ❖ financial limits (sums) exceeded subject to approval of the Board of Directors of OGC-4.

The resolutions of the Board of Directors can be found on the website of the Company at [www.ogk-4.ru](http://www.ogk-4.ru) in the section, "Investor Relations – Corporate Governance".

### ***Compensation of the Members of the Board of Directors***

The Compensation of members of the Board of Directors and the payment plan is governed by the Regulations for the Board of Directors of OGK-4<sup>4</sup>. The key factors defining the compensation of the members of the Board of Directors are the quantity and form (in presentia or in absentia) of their participation in Board meetings. Furthermore, Board members are entitled to fixed annual remuneration and variable compensation based upon achieved targets upon the resolution of the Annual Shareholders' Meeting.

The total amount of remuneration and compensation paid to the members of the Board of Directors of the Company in 2008 is 40,859.1 thousand rubles.

### ***Committees of the Board of Directors***

The Board of Directors has formed the Audit Committee, the Appointments and Remuneration Committee and the Reliability Committee. The committees report directly to the Board of Directors.

### ***Management Board***

The Management Board is a collegiate executive body that controls the current business of the Company, within the powers granted to it pursuant to the Charter and the Regulations for the Management Board of OGK-4. It reports to the Board of Directors and the Annual Shareholders' Meeting. Pursuant to the new versions of the Company Charter and the Regulations for the Management Board of the Company adopted at the Annual General Meeting of OGK-4 Shareholders held on June 6, 2008, the powers of the Management Board related to control of the current business of the Company were expanded considerably, thus enabling a more extensive application of the collegial decision-making principle. Among its key tasks are:

- develop and submit to the Board of Directors plans on the main lines of the Company's business;
- preparation of economic and financial statements of the Company, reports on implementation of resolutions of the Annual Shareholders' Meeting and/or resolutions of the Board of Directors of OGK-4;
- determination of social benefits and guarantees of OGK-4 employees;
- approval of material transactions and long-term investments of the Company.

Management Board members are elected by the Board of Directors and must number at least three. The Management Board of OGK-4 today has six members<sup>5</sup>:

#### **Yury Sablukov, 51**

General Director of OGK-4, Chairman of the Management Board

Date of election: September 15, 2008

Until 2008, Mr. Sablukov held office as the General Director of OGK-3; from 2005 to 2007 he was head of Volgaenergo Project Manager (EuroSibEnergo); earlier he held the position of Vice President of Eastern Kazakhstan Regional Energy Company (Ust-Kamenogorsk) after leaving the office of Director of Ust Kamenogorsk Heat Networks in 2004.

Yury Sablukov has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Management Board.

The Company has no information on any claims against Mr. Sablukov.

#### **Sergey Bakhmetov, 51**

Deputy General Director for Production, Member of the Management Board

Date of election: January 23, 2007

Mr. Bakhmetov was appointed Deputy General Director for Production in December 2006. From 2000 to 2006, he was Director of Surgutskaya GRES-2, part of Tyumenenergo until July 1, 2005, then spun off from this company and merged with and into OGK-4 on July 1, 2006.

Sergey Bakhmetov has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Management Board.  
The Company has no information on any claims against Mr. Bakhmetov.

**Andrey Buzov, 39**

Deputy General Director for HR Management, Member of the Management Board

Date of election: June 30, 2005

Andrey Buzov was appointed Deputy General Director for HR Management in 2005. From 2001 to 2005, Mr. Buzov held the office of Director for HR Management of the Management Company Volga Hydroelectric Cascade.

Andrey Buzov has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Management Board.

The Company has no information on any claims against Mr. Buzov.

**Andrey Zhukovsky, 46**

Deputy General Director for Energy Markets, Member of the Management Board

Date of election: June 30, 2005

Mr. Zhukovsky has been Deputy General Director for Energy Markets since 2005. From 2003 to 2005, he was Assistant to the General Director and Head of the Department for Energy Market Development of Permenergo.

The stake of Andrey Zhukovsky in the equity capital of the Company is 0.0013327506%; in 2008 there were no transactions between OGK-4 and this member of the Management Board.

The Company has no information on any claims against Mr. Zhukovsky.

**Yury Kalabin, 45**

Deputy General Director for General Affairs and Procurement

Date of election: September 15, 2008

Before his appointment as Deputy General Director for General Affairs and Procurement in OGK-4, Mr. Kalabin from 2006 to 2008 was General Director of RusnRus Agro Group, Nizhni Novgorod; Deputy General Director of Soyuz Vitan Group, Russia-Ukraine; and Procurement Director of OGK-3. Furthermore, from 2003 to 2004 he was Financial Director of Volgograd Steel Works (Red October), from 2004 to 2005 he was Director of the Central Finance Department of Midland Capital Management, and Member of the Board of Directors of the above mentioned companies.

Yury Kalabin has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Management Board.

The Company has no information on any claims against Mr. Kalabin.

**Vladimir Cherevko, 52**

Deputy General Director for Investments and Development, Member of the Management Board

Date of election: January 23, 2006

Vladimir Cherevko has been Deputy General Director for Investments and Development in OGK-4 since January 2006. From 2005 to 2006, he held the position of Deputy General Director for Investments and Construction of TKG-9; from 2003 to 2005 he was Deputy General Director for Construction, Investments and Development of Permenergo. From 2000 to 2003, Mr. Cherevko was General Director of Instroy.

Mr. Cherevko has no stake or interest in the Company; in 2008 there were no transactions between OGK-4 and this member of the Management Board.

The Company does not have any information about any proceedings pending against Mr. Cherevko.

***Summary of Meetings of the Management Board***

The Management Board met 40 times in 2008 and discussed all aspects of the Company's operations. An important part of the agenda of the Management Board comprised matters related to implementation of the Company's investment program, preparation and execution of the business plan, maintenance and procurement programs, effectiveness of energy market operations, training programs for 2009, etc. Progress reports on all aspects of OGK-4's business were made on a regular basis.

### ***Compensation of the Members of the Management Board***

Compensation to the members of the Management Board is paid in accordance with their employment contracts approved by the Board of Directors of OGK-4.

In 2008 no compensation was paid to the members of the Management Board.

### ***General Director***

The General Director is the sole executive of OGK-4. His competences include all matters relating to the management of the current activities of the Company, unless they fall immediately within the purview of the Annual Shareholders' Meeting, Board of Directors, or Management Board of OGK-4.

The powers of the General Director include the right to represent the interests of the Company, conclude transactions (including those approved by collegial management bodies of the Company), dispose of property, open bank accounts or other accounts at banks or other credit institutions, approve payroll schedules, give orders, and adopt standing instructions, local regulations, and other internal documents. The General Director reports to the Board of Directors of OGK-4. His remuneration is governed by the terms and conditions of his contract of employment approved by the Board of Directors of the Company.

The General Director is elected by the Board of Directors of the Company by a majority vote of the members present. From March 4, 2005 until September 15, 2008, Andrey Kitashev held the office of General Director of OGK-4 and headed the Company since its official registration. On October 1, 2008, Yury Sablukov assumed the office of General Director of the Company pursuant to the resolution of the Board of Directors of OGK-4 dated September 15, 2008.

### ***Compensation of the General Director***

Remuneration of the General Director, including fringe benefits, is governed by the terms and conditions of his employment contract approved by the Board of Directors of the Company.

No compensation in addition to the remuneration stated in the employment contract was paid to the General Director.

## **Internal Supervision and Audit**

### ***Audit Committee***

To provide shareholder supervision of the Company's financial and economic activities, the Annual Shareholders' Meeting elects an Audit Committee. It undertakes regular checks of financial and economic activities of the Company, its standalone units, officials, management bodies, and the structural divisions of the Headquarters. The powers and procedures of the Audit Committee are laid out in the Regulation on the Audit Committee of OGK-4, which is posted in the "About Us — Company Documents" section of the Company website at [www.ogk-4.ru](http://www.ogk-4.ru).

The Annual Shareholders' Meeting elected the following members to the Audit Committee on June 6, 2008:

**Michael Wilhelm**, Senior Vice-President, Accounting, E.ON AG;  
**Andreas Kolpatzik**, Vice-President, Group Audits/Projects, E.ON AG;  
**Mario Mazidowski**, Financial Director, E.ON Russia Power GmbH;  
**Stanislav Patrikeev**, Head of Internal Audit Department, OGK-4;  
**Inna Korinskaya**, Deputy Head of Economic Planning Department, OGK-4.

In 2008 no compensation was paid to the members of the Audit Committee.

### ***Internal Audit Department<sup>6</sup>***

In 2008, the internal audit of the financial, economic and production activities of OGK-4 was conducted by an autonomous structural division, the Internal Audit Department. Its role includes ensuring timely high-quality internal audits and inspections designed to make the most effective use of the Company's resources, and evaluating the effectiveness of systems of risk management, supervision, and corporate governance. The department reports to the General Director of the Company and acts within the framework of the Regulations adopted by the Board of Directors in June 2007.

During 2008, the Internal Audit Department did much work to test the internal audit system and draw up recommendations for enhancing the efficiency of procurement processes, investment activities, and the financial and economic activities of Berezovskaya GRES and Surgutskaya GRES-2, as well as the process of fuel supply at Shaturskaya GRES.

Pursuant to the resolution of the Board of Directors dated 27.10.2008 (Minutes No. 101), the Company established a Risk and Internal Audit Department. Its functions include the assessment of risks and the internal auditing of financial and economic activities of the Company. The Internal Audit Department was liquidated on 31.12.2008.

### **Independent Auditor**

On June 6, 2008, the Annual Shareholders' Meeting appointed ZAO PriceWaterhouseandCoopers Audit as the Company's independent auditor. The level of remuneration of the auditor is set by the Board of Directors of the Company. The level of remuneration paid to the auditor for auditing the financial statements of OGK-4 prepared in accordance with the Russian Accounting Standards was set at 4,400,000 rubles.

### **Interested Party and Material Transactions**

Pursuant to Russian law, interested party transactions shall first be approved by the Company's Board of Directors, by a majority vote of independent directors with no interest in the transaction, or by a resolution of the Annual Shareholders' Meeting. If all members of the Board of Directors are deemed interested or are not independent, or the subject-matter of the transaction or several associated transactions is valued, according to the Company's financial statements, to be two or more percent of the Company's balance sheet value of assets, making that transaction shall be subject to the approval of the General Meeting of Shareholders by a majority vote of all shareholders not interested in the transaction.

The Company keeps track of interested party transactions by inspecting contracts and keeping a register of all such transactions and a database of information, provided by the members of the Board of Directors and managers, concerning the companies in which they hold management positions or have an interest. The register of interested party transactions is updated as and when the Board of Directors holds its meetings; the contracts signed by the Company are monitored weekly. The list of transactions of interest approved by the Board of Directors and at the Annual Shareholders' Meeting of OGK-4 in 2008 is given in Appendix 3 to the Annual Report.

No transactions pursuant to the Federal Law On Joint-Stock Companies shall be considered as material, and no such transactions subject to approval as material transactions were made by OGK-4 in 2008.

## 7. EQUITY CAPITAL

2008 was marked by substantial changes in OGK-4's equity capital.

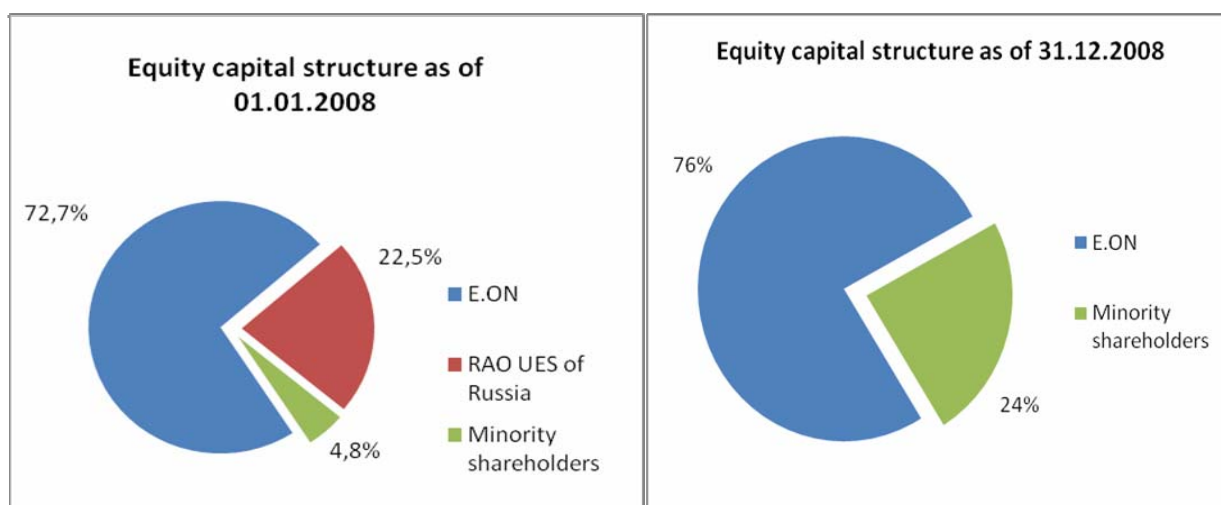
### *Reorganization of RAO UES of Russia*

The main aim of the final stage of reorganization for RAO UES of Russia was to protect the interests of all groups of the Company's shareholders by means of dividing RAO UES assets into two parts: assets that should be transferred to the State and assets that should be transferred to minority shareholders. The amount of assets given to the parties was determined proceeding from the current stake of the State and minority shareholders in RAO UES of Russia.

On July 1, 2008 the second (final) stage of the reorganization of RAO UES of Russia was completed, in the course of which all of the companies of the target structure of the sector – OGKs, T GKs, FSK UES and others – were created from the Company. RAO UES of Russia merged with and into the Federal Grid Company (FSK) and ceased to exist as a legal entity. After the energy holding's reorganization, its shares were redistributed on a pro rata basis between its shareholders according to the approved re-distribution ratios, and taking into account the voting returns of the shareholders of RAO UES of Russia at the Extraordinary General Shareholders' Meeting held on October 26, 2007. As a result of this reorganization, the number of OGK-4 shareholders grew more than tenfold.

### *Equity Capital Structure*

Since July 1, 2008, the structure of the equity capital of the Company has been as follows:



The total number of individuals and legal entities registered in OGK-4's shareholder register at year-end was 308,695, of which<sup>1</sup>:

	<i>% of total number of shares</i>
<b>Ultimate owners</b>	<b>2.51</b>
Legal entities, of which:	0.21
For-profit organizations	0.20
Financial and credit organizations	0.01
Non-profit organizations	0.00
Federal authorities	0.29
Public authorities of RF constituent entities	0.01
Individuals	2.00
<b>Non-ultimate owners</b>	<b>97.49</b>
Nominee holders	97.48
of which, E.ON	76.05
Beneficial owners	0.00

Shares in joint property	0.01
<b>Total</b>	<b>100</b>

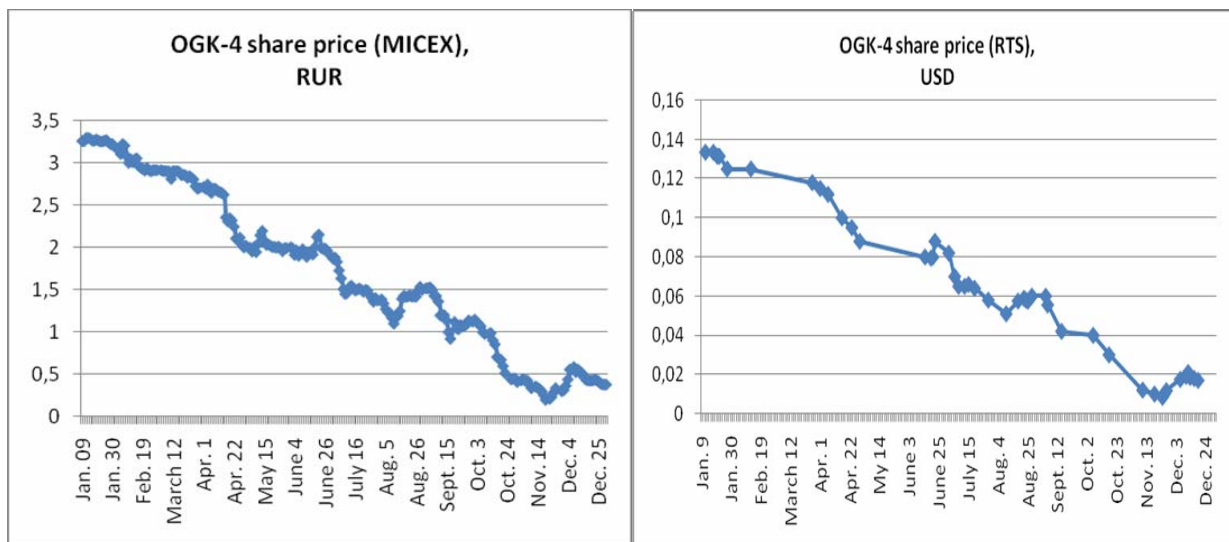
For the purposes of reorganization – including the conversion of shares of OGK-4 Holding spun off from RAO UES of Russia and simultaneously merged with and into OGK-4 – the FSFM of Russia on April, 29 2008 registered two additional share issues with state registration numbers 1-02-65104-D-002D and 1-02-65104-D-003D. Practically speaking, 31,590,306 of OGK-4 shares with a par value of RUR 0.40 were placed. From December 2008, all placed shares were assigned one state number, 1-02-65104-D, dated 19 April 2007.

	<i>Number of shares</i>	<i>Equity capital, RUR</i>
<b>31 December 2007</b>	<b>63,017,115,840</b>	<b>25,206,846,336</b>
Additional share issue (conversion – reorganization of RAO UES of Russia)	31,590,306	12,636,122
<b>31 December 2008</b>	<b>63,048,706,146</b>	<b>25,219,482,458</b>

### Share Performance

Since the end of 2006, OGK-4 shares have been trading in the “B” lists of the MICEX and RTS stock exchanges.

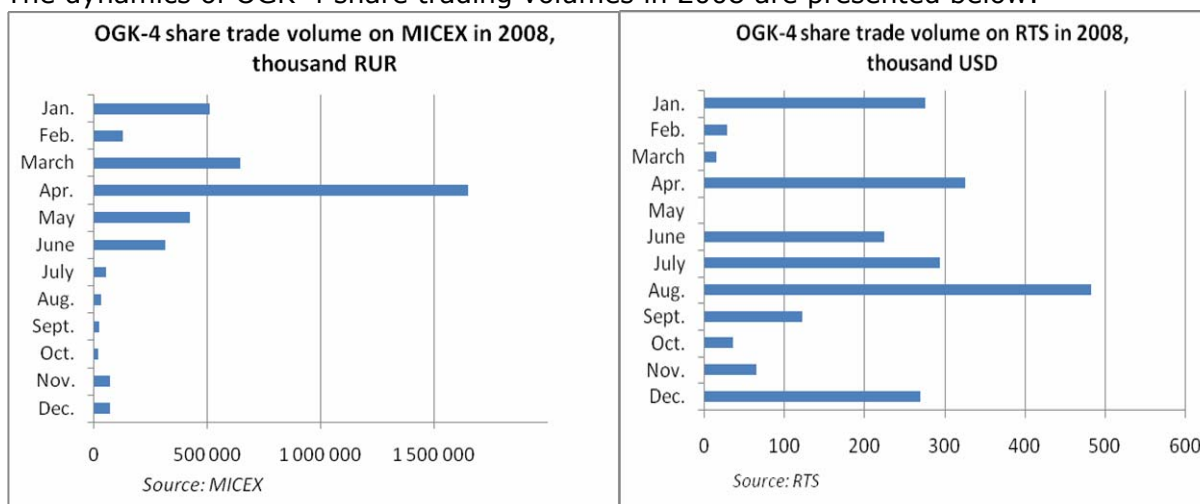
<i>OGK-4 tickers in the trading systems</i>		
Exchange	Ordinary shares	Trading start date
MICEX stock exchange	OGK4	2 August 2006
RTS stock exchange	OGKDG	14 July 2006
RTS Classic Market	OGKD	15 August 2006



In the beginning of 2008, the Company's share listing, supported by E.ON's offer, was at the level of \$0.130 – 0.133 at RTS and RUR 3.20 – 3.30 at MICEX. Market capitalization of OGK-4 on the RTS Classic Market in the beginning of 2008 totaled approximately \$8.4 billion, and approximately RUR 160 billion at MICEX. Nevertheless, OGK-4 shares dropped as the offer expired.

In the middle of the year after RAO UES of Russia ceased to exist, OGK-4 shares, as well as the shares of other companies that were founded in the course of the energy holding's reorganization, were affected by “technical” sales that made them plunge. Moreover the global financial crisis from the middle of the third quarter 2008 adversely affected the stock market and led to liquidity problems in the financial system, thus introducing some uncertainty in the further development of the Russian stock market.

The dynamics of OGK-4 share trading volumes in 2008 are presented below:



### ***Dividends***

The Board of Directors of OGK-4, before the Annual General Meeting, analyzes the Company's performance in the preceding year and makes its recommendations for the payment of dividends. The final resolution is passed by the shareholders of the Company at the General Meeting.

At the AGM of OGK-4 on June 6, 2008 a resolution was adopted not to pay dividends for 2007, pursuant to the resolution on dividend payout for the first quarter of 2007 adopted at the AGM of OGK-4 on May 25, 2007. The resolution was made to allocate net profit to the reserve fund as it is envisaged in the OGK-4 Charter and to the accumulation fund for further development of the Company.

### ***Information About the Registrar***

In 2008 the Registrar, which maintains the register of shareholders in OGK-4, was Moscow Central Depositary (MCD). The Board of Directors approves the Registrar and the conditions of the contract between the Company and the Registrar. MCD has been providing registrar services for the shareholders of OGK-4 since April 29, 2005.

The Registrar's website address is: [www.mcd.ru](http://www.mcd.ru)

A new registrar, Registrar R.O.S.T., was approved by a resolution of the Board of Directors dated January 30, 2009. The register was transferred on April 1, 2009.

The website address of Registrar R.O.S.T. is [www.rrost.com](http://www.rrost.com)

## 8. OPERATING ACTIVITIES

### 8.1. Production Capacities

The production capacities of OGK-4 are based upon five power plants with a total installed capacity of 8,630 MW/ 2,179.3 Gcal/h. The thermal power plants are located in the central part of Russia, the Urals and Siberia.

#### *OGK-4 Asset Portfolio 2008*

<i>Power plant</i>	<i>Year of commissioning</i>	<i>Installed capacity, MW</i>	<i>Load factor, %</i>	<i>Electricity production 2008, million kWh</i>
Surgutskaya GRES-2	1985-1988	4,800	81.6	34,408
Berezhovskaya GRES	1987-1989	1,500	82.1	10,821
Shaturskaya GRES	1971-1982	1,100	51.8	5,002
Smolenskaya GRES	1978-1985	630	40.0	2,212
Yaivinskaya GRES	1963-1965	600	80.3	4,234
<b>Total</b>		<b>8,630</b>	<b>74.8</b>	<b>56,676</b>

OGK-4 devotes much attention to modernizing its generating facilities and keeping them in working order. The Company intends to extend the lifespan of its generating equipment and does not plan to decommission existing capacities in the medium term. Moreover, according to the investment program, OGK-4 intends to build 2,400 MW of new advanced generating facilities by 2011.

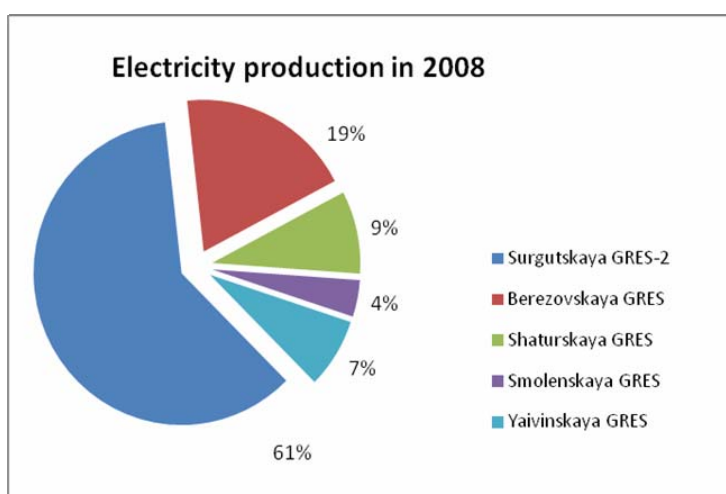
### 8.2. OGK-4 Production Performance 2008

#### *Production of Electricity*

OGK-4's power plants show a continuous growth in electricity production. In 2008, the Company produced 56 billion, 676 million kWh of electricity, a 4.5% increase over the level of 2007. This positive production trend is attributable to a number of factors, including an increase in electricity consumption in the regions where the Company operates, a slump in the production of the hydro power plants in Siberia, and also a reduction of the overhaul and repair periods of the Company's generating equipment.

Electricity production increased at all of OGK-4's power plants except Yaivinskaya GRES, where it fell by 1.4% because of insufficient loading by the System Operator.

From the point of view of electricity generated, 2008 was a record year for Berezhovskaya GRES. The power plant increased production in 2008 by 26.9% to 10 billion, 821 million kWh against 8 billion, 529 million kWh in 2007.



The structure of OGK-4's electricity production did not change substantially. A total of 80% of the Company's production came from its largest and most modern generating facilities — Surgutskaya GRES-2 and Berezhovskaya GRES. These power plants have the most efficient

equipment, and electricity from these stations is in demand in the market. This leads to an increase in the loading of the equipment by the System Operator, and, accordingly, to increased electricity production.

In 2008, the load factor for OGK-4 grew by 3% and reached a record of 74.8%. Berezovskaya GRES showed the greatest increase in its load factor, up 17.2% from 64.9% in 2007 to 82.1%. At Surgutskaya GRES-2 and Yaivinskaya GRES, the load factor was 81.6% and 80.3%, respectively, despite a slight decline as compared to 2007.

### ***Production of Heat***

In 2008, the Company's power plants produced 2 million, 261 thousand Gcal of heat, 1% less than in 2007. The reduction in heat production was due to an average ambient air temperature increase by 0.7°C compared with the similar period of the past year.

By the beginning of the 2008-2009 autumn-winter peak load period, construction of a second 160 Gcal heat-distribution complex at Surgutskaya GRES-2 had been completed. The additional heat volume will be supplied to the needs of the Surgut residential sector, in which residential construction activity grew rapidly.

### ***Fuel Mix***

The fuels used for electricity production at OGK-4's power plants are gas, coal, peat and fuel oil. Gas accounts for most of the fuel balance of the Company, comprising 78.7% of total fuel consumption in 2008.

Monofuel Surgutskaya GRES-2 is the largest consumer of gas. The power plant runs mainly on associated gas supplied from oil fields located in proximity to Surgutskaya GRES-2. Berezovskaya GRES also uses only one type of fuel. The plant burns brown coal, supplied by two conveyor belts from the Berezovskiy-1 open coal pit 14 km away. Consumption of coal by Berezovskaya GRES in 2008 amounted to 6,540 thousand tons and grew by 26.5% year-on-year. The power plant fuel consumption growth is due to the load increase and a concomitant electricity production growth rate of 26.9%.

Shaturskaya GRES, Smolenskaya GRES and Yaivinskaya GRES can run on various fuels. Gas has been the main fuel for Shaturskaya GRES and Yaivinskaya GRES in recent years. In 2008, the share of gas in the fuel mix of Shaturskaya GRES was over 94%, and of Yaivinskaya GRES, over 97%. The share of gas in the fuel mix of Smolenskaya GRES declined year-on-year by 11%, representing a switch to coal.

In total, OGK-4 used approximately 12.3 bcm of gas, 6.9 million tons of coal, 12 thousand tons of fuel oil, and 140 thousand tons of peat in 2008.

### ***Fuel Suppliers***

The Company's key supplier of fuel, as in the previous year, is Surgutneftegaz, which provides approximately 42% of OGK-4's fuel consumption. Surgutneftegaz is the main supplier of gas to Surgutskaya GRES-2. Other major suppliers of gas include the regional enterprises of Gazprom, and the independent gas producer Novatek, the share from which was over 25% of all OGK-4 fuel resources in 2008. The key supplier of coal for the Company is SUEK, which supplies brown coal to Berezovskaya GRES.

OGK-4's fuel purchasing strategy is aimed at strengthening long-term relations with the most important fuel suppliers. OGK-4 also seeks to fix efficient conditions for fuel supplies. Implementation of the investment program confronts the Company with the problem of timely fuel supplies for the new generating capacities. It is expected that all generating units will be fully supplied with fuel by start-up. A vital factor for success in this area may be the partnership relations of E.ON with the key players in the Russian gas market.

## **9. ENERGY MARKETS**

### **9.1. Market Structure and Development Rates**

In 2008, the process of liberalization in the wholesale electricity and capacity market was under way. The new model for the wholesale electricity market launched on 01.09.2006 pursuant to Regulation No. 529, "On Improvement of the Wholesale Electricity and Capacity Market Performance" of the RF Government dated 31.08.2006, provides for stepwise liberalization of the market by reducing electricity (capacity) sales under regulated prices at the wholesale market.

Pursuant to the law, each generating company is obliged to sell assigned volumes of electricity under regulated contracts, and the sales under the regulated contracts shall decline every half a year by 5-20% accordingly.

Under the approved scenario, the liberalization of the wholesale market shall be completed by the end of 2011. As a result, the most efficient power plants will be able to sell maximal volumes of electricity.

OGK-4 produces and supplies electricity to the wholesale market. In the current stage of market liberalization, most of the electricity produced by the Company is sold at regulated prices to supply companies in the regions where OGK-4's power plants are located. With an increase in the competitive sector's share of the wholesale electricity market, the Company's production will depend mainly on the competitiveness of its generating facilities.

Further liberalization of the electricity market allowed OGK-4 to participate in various sectors of the energy market (day-ahead spot market, balancing market subject to current electricity production costs); therefore OGK-4 continues to steadily advance its strategy of participation in the competitive sectors of the market to ensure profit maximization. In 2008, the Company succeeded to a substantial degree in taking advantage of all opportunities in the market sector, and sold a large volume of electricity at settlement prices.

### **9.2. Key Markets**

The present generating capacity of OGK-4 is concentrated in five Russian regions — Tyumen Oblast, Krasnoyarsk Krai, Moscow Oblast, Perm Krai, and Smolensk Oblast. With the exception of the latter, these are some of the most highly developed territories in Russia.

The competitors of Surgutskaya GRES-2 in the local market are Surgutskaya GRES-1, operated by OGK-2, and Nizhnevartovskaya GRES, operated by OGK-1, as well as the gas-fired power plants of TSK-10.

Bereznovskaya GRES produces and sells electricity and heat power in the Siberia region within the second pricing zone. Competitors include Krasnoyarskaya GRES-2 operated by OGK-6, Kuzbassenergo (TSK-12), and TSK-13 (Yeniseyskaya TSK), as well as the regional hydro power plants, including Sayano-Shushenskaya GES, the largest in Russia.

The main competitors for Shaturskaya GRES are Kashirskaya GRES, which is also located in the Moscow Oblast and is operated by OGK-1, and the largest power plants in the Central Region — Ryazanskaya GRES (OGK-6) and Cherepetskaya GRES (OGK-3), as well as the power plants of Mosenergo (TSK-3).

Competition for Smolenskaya GRES comes primarily from regional generating facilities in the Smolensk Oblast. The substantial reserve margin of Smolenskaya GRES makes it possible to expect additional earnings once a balancing market and a capacity market are launched.

The principal competitors of Yarovinskaya GRES are Permskaya GRES and Irikhinskaya GRES, both operated by OGK-1, as well as Serovskaya GRES (OGK-2) and the regional generating facilities of TSK-9.

OGK-4 intends to realize its significant potential in all segments of the wholesale market. The company intends to improve its operating efficiency and to strengthen its competitive advantages in the regions where it operates. This should be facilitated by the implementation of OGK-4's investment program, which provides for the construction and commissioning of new generating capacities, mainly in regions experiencing power shortages.

### **9.3. Sales of Electricity**

In 2008, the electricity output of OGK-4 power plants reached 54.5 billion kWh, 4.3% above the 2007 level. Supplies under the regulated agreements accounted for 70% of sales. The rest of the electricity was supplied to competitive sectors of the market: the day-ahead spot market and the balancing market. A major portion of the margin from electricity sales (80%) was generated due to work in the competitive sectors of the wholesale market. Sales of electricity, including the electricity bought at the market price, by OGK-4 power plants in 2008 rose to 58.3 billion kWh.

In 2009, OGK-4 plans to increase electricity sales in the competitive sector of the wholesale market in the context of further liberalization. Furthermore, the Company will be striving for further optimization of sales and purchases of electricity in all sectors of the market to increase net profits. OGK-4 also intends to exploit the possibilities of the competitive capacity market, which was launched in 2008. At the same time, the Company considers the launch of the long-term capacity market quite essential for achieving an adequate return on investments.

### **9.4. Sales of Heat**

OGK-4 is focused on the production and sale of electricity, so the production and sale of heat is not a key area of the Company's business. In 2008, sales of heat accounted for approximately 2% of total revenues. Nevertheless, OGK-4 pays great attention to the reliability and continuity of heat supplies, since these are essential to local consumers in contiguous populated areas.

The principal consumers of heat are households and social facilities in Ozerny in the Smolensk Oblast, the town of Shatura, the city of Surgut (about 30% of users), Yaiva, and the town of Sharypovo (including Dubinino and Kholmogorskoe). In addition, Surgutskaya GRES-2, Yaivinskaya, and Shaturskaya GRES supply heat to industrial customers in their respective regions.

In 2008, the Company supplied 1 million, 936 thousand Gcal of heat to consumers, 0.6% less than heat supplies in 2007.

In all of the power plants of OGK-4 (with the exception of Surgutskaya GRES-2), in 2008 heat was supplied directly to subscribers under bilateral contracts. Surgutskaya GRES-2 supplied heat to the Urals Heat Supply Network Company.

In order to provide its consumers with heat of the necessary quality, the Company regularly maintains and modernizes heat supply networks. In particular, in 2008 the Company redesigned the heat networks supplying heat to Surgut and the networks of hot water supplies to Shatura town.

Heat tariffs are regulated by the State and set by Regional Energy Commissions (RECs). The cost of heat is a socially significant factor in the regions where the stations are located; therefore the affordability of this product and the ability of consumers to pay are taken into account in the regulation process. The Company concentrates its efforts on arriving at a break-even basis for sales of heat by working with the RECs in setting economically reasonable tariffs and in improving production efficiency.

## 10 FINANCIAL OVERVIEW

### *General Information*

OGK-4's main line of business is electricity production and wholesale sales. The existing rules for the wholesale market also allow generating companies, in order to meet their liabilities to customers and further optimization, to sell electricity which they have not produced in their own facilities but purchased in the free sectors of the wholesale market. Thus, the Company's revenues derive mainly from selling generated and purchased electricity in the Russian wholesale electricity and capacity market.

OGK-4's revenue in 2008 was up 20% to 37,892 million rubles from 31,461 million rubles in 2007.

OGK-4's earnings before interest and taxes (EBIT) increased by 52% from 3,095 million rubles for 2007 to 4,692 million rubles for 2008. The key factor in the growth of revenue and EBIT was a substantial increase (+85%) in revenue from electricity sales in the competitive sector of the wholesale electricity market.

### *Factors Affecting the Company's Operational Results*

The Company's results are subject to the influence of a number of factors, including the regulation of the Russian electricity sector, in particular, tariff regulations, prices of fuel and third-party services, seasonality, macroeconomic development trends in Russia, taxation, and interested-party transactions.

### *Regulation of the Russian Electricity Sector, Tariffs*

In accordance with RF Government Resolution No. 205 of April 7, 2007, since January 1, 2007 the Company, as a producer of electricity and a participant in the wholesale market, in the first half of 2008 was obliged to sell not less than 80% of its electricity production, defined for the producer in the approved forecast balance for 2007, at regulated prices (tariffs); from July 1, 2008 the minimum was 75%.

The regulated tariffs set for the Company's power plants vary considerably for a number of reasons including the plants' efficiency, location, fuel type, and investment plans. Historically, regulated tariffs were higher for Smolenskaya GRES and Shaturskaya GRES than the Company's power plants located in the Urals, Volga, and Siberian Federal Districts where gas and coal prices are lower than in central Russia. The following table gives further details of the trends in tariffs for electricity from the Company's power plants:

<b>Electricity Tariffs, Rubles/MWh</b>			
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Surgutskaya GRES-2	265.22	284.20	361.22
Berezovskaya GRES	224.37	245.04	249.06
Shaturskaya GRES	775.13	760.20	841.60
Smolenskaya GRES	519.30	636.77	769.45
Yaivinskaya GRES	451.23	445.81	552.54

In all, in 2008 the Company had electricity sales at regulated prices amounting to 40,463 million kWh. Revenues from sales in the regulated segment of the market totaled 24,752 million rubles. Note that the amount of these revenues also includes payment for capacity, which in fact in 2008 amounted to 7,751 million rubles.

The capacity tariffs set by the Federal Tariff Service (FTS) for OGK-4's power plants in the period 2006-2008 are indicated in the following table:

### Capacity Tariffs, Rubles/MW

	2006	2007	2008
Surgutskaya GRES-2	62,402.40	67,154.39	72,944.94
Berezovskaya GRES	100,564.00	97,787.40	105,837.30
Shaturskaya GRES	89,316.40	100,952.17	108,814.20
Smolenskaya GRES	80,687.90	73,152.44	79,579.37
Yaivinskaya GRES	105,265.30	108,632.62	117,463.51

Given that in 2008 the Company was obliged to sell 75–80% of all of the electricity it produced, as approved for OGK-4 in the forecast balance for 2007, at prices set by the FTS, tariff regulation exerted a significant effect on OGK-4's 2008 results.

### **Fuel Costs**

The Company requires large quantities of various types of fuel, which it uses as raw material for the production of electricity and heat. OGK-4 purchases substantial volumes of gas and coal and smaller amounts of peat and fuel oil. For 2008, the expenditure on fuel increased by 3.8% by comparison with 2007, and amounted to 65.2% of the Company's overall operating expenses. Total fuel costs in 2008 increased by 4,211 million rubles (+24%) by comparison with 2007, and amounted to 21,631 million rubles. The increase in fuel costs and the share of these costs in the Company's overall expense structure are due to the general growth in commodity prices in Russia in 2008. In particular, the weighted average price of gas for OGK-4 power plants rose in 2008 by 23.1% in comparison with 2007; the weighted average price of coal supplied to Berezovskaya GRES rose 8.3% in comparison with 2007.

The main component of OGK-4's fuel portfolio is gas, which makes up 78.7% of all of the fuel used by the Company and 85.4% of the Company's expenditure on fuel in 2008. Associated gas or natural gas is the main type of fuel at Surgutskaya GRES-2, Yaivinskaya GRES, Smolenskaya GRES, and Shaturskaya GRES. In 2008 the Company purchased approximately 55.8% of its gas (41.6% of all fuel) from Surgutneftegaz, a major independent oil and gas producer. In late 2007, OGK-4 signed a three-year contract, which runs until the end of 2010, with Surgutneftegaz. Its gas deliveries do not pass through the gas transport system controlled by Gazprom and so are not subject to Gazprom's gas transmission limits. However, the volume of gas supplied by Surgutneftegaz is limited by oil production volumes. OGK-4 also purchased approximately 32.7% of its gas (approximately 32.4% of all fuel) in 2008 from other independent suppliers, chiefly Novatek, and on the Interregional Gas Exchange.

Gazprom supplies the Company with gas up to certain limits in advance for OGK-4's power plants at regulated prices (tariffs) set by the FTS. Note that although electricity production, and hence gas consumption, have risen over the past four years, the volume of limit gas supplied has remained almost unchanged. In 2008, approximately 11.5% of all of the Company's gas (under 11.4% of all energy) was obtained from Gazprom. Even so, Gazprom subsidiaries remain key suppliers of natural gas to OGK-4 at Shaturskaya GRES, Smolenskaya GRES, and Yaivinskaya GRES.

Coal is also a significant component of the Company's fuel mix. In 2008, coal comprised 20.9% of the fuel used by the Company and 13.8% of its total fuel expenses in 2008. Coal is used primarily at Berezovskaya GRES, the Company's second-largest power plant in terms of installed capacity. OGK-4's main supplier of coal (chiefly to Berezovskaya GRES) is the largest Russian producer of coal, OJSC SUEK, which owns the Berezovsky-1 open coal pit. Berezovskaya GRES was designed to use only one type of fuel, brown coal mined at Berezovsky-1. Late in 2007 the Company signed a three-year contract with SUEK for fixed volumes of coal at fixed prices for Berezovskaya GRES.

### ***Expenditure on Third-Party Services***

The company incurs costs arising from services provided by third parties in the wholesale electricity market. For instance, the System Operator provides centralized control of the overall energy system, the Trading System Administrator manages the wholesale trading system and the Financial Settlement Center calculates the claims and obligations of participants in the wholesale electricity and capacity market and arranges financial settlements between them. The Company makes standard contracts for the services of all of the above employing standard terms and conditions, which are not open to discussion. In addition, certain services provided by third parties are paid for by the Company at regulated prices (tariffs) set by the FTS.

The Company's spending on third-party services amounted to 611.5 million rubles (1.8%) of all its operating expenses in 2008.

### ***Seasonality***

Seasonality significantly affects the result of the Company's operations. Electricity production by the Company's power plants depends upon the demand for electricity overall and from individual plants.

The overall demand for electricity and heat varies according to the time of year, the time of day, the weather and the outside air temperature, the length of day, light levels, whether it is a working day, the weekend, a holiday, or the day between a working day and a weekend or holiday.

The demand for electricity from a given plant depends upon overall demand, but also upon factors which determine the mode of operation of the energy zone in which the plant is located — the pattern of generation by type of power plant (thermal, cogeneration, nuclear, hydro) and the reliability of the energy system (grid and system limitations). Such factors are also seasonal — for example, high water (leading to increased production from hydroelectric power plants), or repair/maintenance periods, which are carried out extensively between autumn-winter periods.

Output from hydroelectric plants is especially relevant to Berezovskaya GRES. The factor of repair/maintenance of grid and trunk equipment affects the take-up of Shaturskaya GRES and Smolenskaya GRES.

### ***Macroeconomic Development Trends in Russia***

The venue of all of the Company's operations is Russia. Therefore, trends in the macroeconomic development of the country, including the growth of the economy overall and of the markets in which the Company operates, have a significant effect on the Company's results. The table below gives some key macroeconomic indicators of the state of the Russian economy in the period of 2004–2008.

	2004	2005	2006	2007	2008
GDP growth	7.2	6.4	6.7	8.1	5.6
Consumer prices index	11.7	10.9	9.0	11.9	13.3
Unemployment rate	8.2	7.2	6.9	6.1	6.3

Source: Rosstat

In recent years, Russia has successfully overcome the consequences of the 1998 financial crisis. From 2002 onwards, the GDP grew at a relatively high rate by comparison with countries in North America or Europe. The growth of the Russian economy since 2002 is due to exports of oil and oil derivatives, natural gas, and other natural resources and goods, and the high price of oil, gas and goods on international markets. Domestic growth also prompted a federal budget surplus, which was an important factor that facilitated state spending and growing state support for infrastructure development. All of these factors were reflected in a 1.9%<sup>1</sup> rise in domestic energy consumption in 2008 by comparison with 2007, and also in increased expenditures on fuel and wages. According to Rosstat, Russia has experienced sustained growth in energy consumption at an average rate of 2% per year from 1998 to 2008. However, Russia's uneven economic development in 2008 is worth noting. In the first and second quarters, high export revenues and the intensive use of bank

credits facilitated further growth of the Russian economy, but in the second quarter of 2008 the global financial crisis started to adversely affect Russian economic development. The decline in export prices and limited access to foreign loans caused a gradual deceleration in economic growth.

### ***Taxation***

The Company is liable for a number of taxes, which have a significant effect on its results. The table below gives information about the type and amount of taxes imposed in 2008.

<i>Taxes Due to the Federal Budget</i>	<i>Total tax for 2008, million rubles</i>
VAT	1,018.3
Income tax	1,766.1
Mining tax	0.1
Water tax	171.5
Property tax	339.6
Personal income tax	374.8
Transport tax	1.7
Social tax (ESN)	400.4
Land tax	0.4
<b>Total</b>	<b>4,072.9</b>

The Company is classified as a "major taxpayer" in the Russian Federation. Its compliance with tax law is monitored by the Interregional Inspectorate of the Federal Tax Service for Major Taxpayers No 4.

### ***Results***

The table gives the Company's operating results for 2008.

<i>million rubles</i>	<i>2007</i>	<i>2008</i>	<i>+/-, %</i>
Revenues	31,461	37,892	+20.4%
Expenses	28,366	33,201	+17.0%
EBITDA	4,158	5,782	+39.1%
EBIT	3,095	4,692	+51.6%
Net income	1,489	6,046	306%

### ***Revenues***

The Company's revenues for 2008 were derived from sales of electricity, heat and other products and services of an industrial and non-industrial nature. Revenues for 2008 were up 20% from 2007 at 37,892 million rubles. The key factor in the increased revenues was a substantial (+85%) increase in revenues from electricity sales in the competitive sector of the wholesale electricity market.

<i>million rubles</i>	<i>2007</i>	<i>2008</i>	<i>+/-, %</i>
Regulated sector	24,076.8	24,751.6	+2.8%
Competitive sector	6,578.9	12,166.6	+84.9%
Retail market	1.7	2.9	+70.6%
Heat	635.7	777.0	+22.2%
Other industrial	145.0	168.9	+16.5%
Other non-industrial	22.6	25.4	+12.4%
<b>Total</b>	<b>31,460.8</b>	<b>37,892.4</b>	<b>+20.4%</b>

## **Electricity**

Revenues from electricity sales were up 20.4% to 36,921.1 million rubles in 2008 from 30,657.4 million rubles in 2007. The share of revenue from electricity sold in the regulated market fell by 11.5% to 67% of OGK-4's total revenue, or 24,752 million rubles. Revenue from sales in the competitive market increased by 84.9% to 33%, or 12,167 million rubles. The increased revenue from electricity sales is primarily due to a general growth in weighted average prices for the electricity sold by the Company's power plants in 2008. Revenue from retail sales made up a tiny proportion — around 0.01% — of the Company's total revenues in 2008.

## **Heat**

Revenues from heat sales increased by 22.2% from 635.7 million rubles in 2007 to 777.0 million rubles in 2008. The increase is primarily due to a 21.4% increase in average heat tariffs. Overall in 2008, revenue from heat remained at the 2007 level (approximately 2%) of the Company's total revenues.

## **Other Revenues**

The Company's other revenues (revenue from industrial and non-industrial sales) grew by 15.9% from 167.6 million rubles in 2007 to 194.3 million rubles in 2008. The reason for the growth was that in 2008, the prices for other works and services of the Company were adjusted to the growth rate of expenses on their provision. Other revenues comprised approximately 0.5% of OGK-4's total revenues in 2008.

## **Expenses**

The table gives the Company's expenses in 2008.

<i>million rubles</i>	<i>2007</i>	<i>2008</i>	<i>+/-, %</i>
Fuel expenses	17,420.0	21,631.1	+24.2%
Salaries and wages	2,319.4	2,719.5	+17.3%
Electricity for resale	2,222.6	2,390.6	+7.6%
Maintenance (excluding payroll, social tax, etc.)	2,094.0	1,886.4	-9.9%
Depreciation and amortization	1,062.5	1,090.2	+2.6%
Market operators' fees	472.0	611.5	+29.6%
Production services	400.0	428.4	+7.1%
Payroll expenses	395.7	418.1	+5.7%
Other taxes and payments	612.1	556.1	-9.1%
Auxiliary materials (excluding water tax)	263.7	253.7	-3.8%
Insurance costs	147.2	139.6	-5.2%
Other expenses	956.8	1,075.7	+12.4%
<b>Total expenses</b>	<b>28,366.0</b>	<b>33,200.9</b>	<b>+17.0%</b>

OGK-4's operating expenses grew more slowly than its revenues in 2008. Expenses rose 17% during the accounting period to 33,201 million rubles. The overall rise in operating expenses is primarily due to increased fuel costs, the cost of purchasing electricity in the wholesale market for resale, the expenses related to wages and salaries and the market operators' fees.

## **Fuel Costs**

Fuel costs as a proportion of the Company's overall operating expenses rose 3.8% to 65.2%. In absolute terms, expenditures on fuel amounted to 21,631 million rubles. That increase is due to the general rise in prices for key fuels in Russia during 2008. In particular, the weighted average gas price for OGK-4's power plants rose in 2008 by 23.1%

by comparison with 2007; the weighted average price of coal supplied to Berezovskaya GRES rose 8.3% by comparison with 2007.

### ***Salaries and Wages***

Salaries and wages include wages, salaries and other payments to the Company's employees. The Company's expenditure on wages, salaries, and other payments to employees increased by 17.3% from 2,319.4 million rubles in 2007 to 2,719.5 million rubles in 2008. The increase was mainly due to the fulfillment of the social guarantees provided for in the "Tariff Agreement for the Electricity Industry in the Russian Federation in 2007–2008". The Company's expenses related to salaries and benefits to employees represented 8.2% of the total expenses of the Company in 2008.

### ***Electricity Purchases***

As a participant in the wholesale market, the Company purchases electricity in the Day-Ahead market to meet its regulated contracts and in the Balancing market to meet its obligations in respect of planned hourly volumes (trading schedule).

The purchase of electricity in the wholesale market is a result of the Company's trading strategy. Additionally, the Company has to purchase electricity on the wholesale market in case volumes under the regulated agreements exceed the volumes of available capacity during repair/ maintenance periods or during periods in which particular capacities are in cold reserve at the command of the System Operator.

The Company's expenditures on electricity purchases increased by 7.6% to 2,390.6 million rubles in 2008 from 2,222.6 million rubles in 2007. The increase is primarily due to the employment of arbitration between market sectors under New Market Rules, the market position of some of the Company's plants, and increasing opportunities to make additional profits from reselling electricity at regulated tariffs. Overall, electricity purchases made up 7.2% of the Company's total expenses in 2008.

### ***Repairs and Maintenance***

The Company undertakes repairs and scheduled maintenance of its existing facilities. As a rule, spending on maintenance and repair increases during the period between April and September due to repair campaigns.

In 2008, OGK-4 reduced maintenance costs by 9.9% to 1,886.4 million rubles. Maintenance as a proportion of total expenses fell to 5.7%. That reduction was possible thanks to increased efficiency in procedures for the procurement of maintenance work and materials, and by more rational planning of maintenance and a reduction in repair times. Furthermore, maintenance costs were reduced in the context of the incident at Surgutskaya GRES-2 on January 4, 2008, when a part of the maintenance costs, according to accounting rules, was transferred to extraordinary costs.

### ***Depreciation and Amortization***

The depreciation of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use.

OGK-4 increased its allowance for the depreciation and impairment of property, plant, and equipment by 2.6% to 1,090.2 million rubles in 2008 from 1,062.5 million rubles in 2007. Depreciation and impairment of property, plant and equipment as a proportion of total expenses slightly declined to 3.3%, against 3.7% in 2007. The increase is due to the commissioning of new assets in 2008 and their depreciation.

### ***Market Operators' Fees***

Market operators' fees include the Company's payments under contracts with the System Operator, Trading System Administrator, and Financial Settlement Centre (see the subsection "*Expenditure on Third-Party Services*" in the section "Financial Overview"). OGK-4's payments to market operators rose 29.6% from 472.0 million rubles in 2007, amounting

to 611.5 million rubles in 2008. Payments to market operators as a proportion of the Company's total operating expenses accounted for 1.8% in 2008.

### ***Production Services***

Production expenses include transport services, the services for testing and verification of instruments, and other such items. The Company's expenditure on production services increased by 7.1% from 400.0 million rubles in 2007 to 428.4 million rubles in 2008. Production services comprised 1.3% of the Company's total operating expenses in 2008.

### ***Payroll Taxes and Payments***

Payroll tax expenses include payments of the unified social tax and social and pension contributions to Russian governmental funds attributable to salaries and wages. The Company makes these contributions at the statutory unified social tax rates currently in force, which ranged from 2% to 26% in 2008, applied on a regressive basis.

Total expenses for payroll taxes and payments amounted to 418.1 million rubles in 2008, with a 5.7% increase against 2007.

### ***Other Taxes and Payments***

Other taxes include water tax, property tax, transport tax, and ecology payments. The cost to the Company was 612.1 million rubles in 2007 and 556.1 million rubles in 2008, a 9.1% reduction. Other taxes and payments amounted to 1.7% of the Company's total expenses in 2008.

### ***Auxiliary Materials (Excluding Water Tax)***

The Company's expenditure on auxiliary materials decreased 3.8% from 263.7 million rubles in 2007 to 253.7 million rubles in 2008. Auxiliary materials made up 0.8% of total operating expenses in 2008.

### ***Insurance***

OGK-4's program of property insurance covers a variety of risks, primarily loss or damage to the Company's property. It includes insuring all of the generators and turbines at the Company's power plants against fire, lightning, explosion, natural disasters, terrorism, short circuits, defective equipment, and losses due to interruptions of production. In addition, OGK-4 has third-party liability insurance as an operator of hazardous machinery, and accident and voluntary medical insurance for its employees.

The Company's expenditure on insurance fell 5.2% from 147.2 million rubles in 2007 to 139.6 million rubles in 2008. Insurance costs comprised 0.4% of the Company's total operating expenses in 2008.

### ***EBITDA***

OGK-4's profits before interest, taxes, depreciation, and amortization amounted to 5,782 million rubles in 2008, a 39% increase over 2007 (4,158 million rubles). This significant increase in EBITDA is chiefly due to a substantial increase (+84.9%) in revenues from electricity sales in the competitive wholesale electricity market. The EBITDA margin in 2008 amounted to 15.3% (13.2% in 2007).

### ***EBIT***

OGK-4's profits before interest and taxes were up 52% to 4,692 million rubles in 2008 from 3,095 million rubles in 2007, increasing at more than three times the rate of increase in the Company's operating expenses during the same period. A key factor in the growth of EBIT in 2008 is analogous to the key growth factor for EBITDA.

The EBIT margin amounted to 12.4% in 2008 (9.8% in 2007).

### ***Net Income***

The Company's net income for 2008 amounted to 6,046 million rubles. In 2007 the figure was 1,489 million rubles. The large growth in net income in this period is due to the exchange rate difference during the period, the profit arising from free financial funds placed on deposit, increased revenues from electricity sales in all wholesale sectors, and an adjustment of income tax.

The net income margin of OGK-4 amounted to 16% in 2008.

### **Assets. Significant Changes in Asset Structure**

In 2008, OGK-4 increased its assets by 11.9% to 77,689 million rubles. The increase is subject to the following changes.

The Company's non-current assets had increased by 29.9% to 23,706 million rubles at the end of 2008, from 18,257 million rubles as of January 1, 2008. The change in the line "Construction in Progress" (up 306.6% from 1,734 million rubles to 7,050 million rubles) was essentially the result of implementation of the major investment projects at Shaturskaya GRES, Surgutskaya GRES-2 and Berezovskaya GRES.

In OGK-4's current asset structure, the greatest change in 2008 was to accounts receivable, which showed a large increase from 9,166 million rubles at the beginning of 2008 to 20,735 million rubles as of December 31, 2008. This large increase arises because the Company had transferred advances under the contracts for the construction of new units at Surgutskaya GRES-2, Shaturskaya GRES and Yaivinskaya GRES.

The decline in short-term investments of the Company from 35,809 million rubles at the beginning of 2008 to 30,991 million rubles as of December 31, 2008 is attributed to new-construction project funding.

### **Liabilities. Important Changes in Liabilities Structure**

The change in the structure of the Company's liabilities is stemming from a change in two items: capital and reserves and short-term liabilities.

The Company's capital and reserves as of December 31, 2008 grew to 73,406 million rubles, mainly due to the net income generated during the period in the amount of 6,046 million rubles.

The change in short-term liabilities is mainly attributed to an increase in accounts payable from 1,527 million rubles at the beginning of 2008 to 3,782 million rubles as of December 31, 2008. This increase is triggered by the debt accumulated at the end of 2008 to construction contractors at Shaturskaya GRES, and by the growth of tax liabilities due to a substantial increase in the net income of the Company in 2008.

### ***Liquidity and Own Capital***

The Company's prime source of liquidity in 2008 was financial funds from continued operations. The Company believes that capital expenditures will constitute the largest use of financial resources over the next several years. Such spending will relate mainly to the production of electricity and heat, as well as the modernization of existing generating assets and the construction of new capacity within the framework of the investment program. The Company plans to meet a large portion of its financial requirements using proceeds raised from the additional share issuance of October 2007. In addition, OGK-4 plans to make active use of its own financial resources and debt instruments.

## 11. INVESTMENT PROGRAM

The main focus of OGK-4's investment activities is implementation of investment projects that are aimed at increasing the Company's competitiveness and the reliability of its generating facilities on the assumption of the projects' cost efficiency. The investment program of the Company includes new construction projects, technical retooling and reconstruction.

The investment program as regards to the new construction projects of OGK-4 provides for the construction of replacement capacities at Surgutskaya GRES-2, Shaturskaya GRES and Yaivinskaya GRES, and completion of construction of the third power unit at Berezovskaya GRES. The total installed capacity of the projects is approximately 2,400 MW; the investment program cost accounts for approximately EUR 2.2 billion.

Power plant	Project	Expected launch year
Shaturskaya GRES (Moscow Oblast)	Construction of CCGT-400	2010
Surgutskaya GRES-2 (Khanty-Mansiysk Autonomous Okrug)	Construction of 2xCCGTs-400	2010
Yaivinskaya GRES (Perm Krai)	Construction of CCGT-400	2011
Berezovskaya GRES (Krasnoyarsk Krai)	Completion of the third unit construction on the basis of SPU-800	2010

The investment program implemented by OGK-4 is focused on modernizing production capacities and meeting the increased demand for electricity in the regions where the power plants of the Company are located. Two investment projects for the construction of power units at Surgutskaya GRES-2 and Shaturskaya GRES were included into the list of top-priority sites for commissioning generating capacities in the Unified Energy System of Russia. All investment projects are approved by the Board of Directors of OGK-4.

At Shaturskaya GRES, Surgutskaya GRES-2, and Yaivinskaya GRES, it is projected that single-shaft condensing power units based upon CCGT will be installed. The main advantage of the combined cycle power units is their high efficiency and economy. The efficiency factor of such power units is above 55%, while for conventional steam-power units it does not exceed 40%. The equivalent fuel consumption by combined-cycle power capacities in terms of sold electricity is considerably lower. Moreover, the switch to combined-cycle power plants will favorably affect the environmental performance of the power plant and will make it possible to considerably reduce the level of emissions.

According to the investment program, it is also projected that the construction of a 800 MW coal-fired power unit based upon the steam-power cycle will be completed at the Berezovskaya power plant. The power plant is located on the territory of the Kansk-Achinsky coal basin with inexhaustible brown coal reserves. It is one of the most efficient coal-fired power plants in Russia.

E.ON's extensive experience in the construction and operation of CCGT-based units worldwide will contribute to the success of the investment projects. Furthermore, to ensure maximum efficiency in project management, OGK-4 uses Primavera software, which allows centralized, real-time status monitoring of all work.

The construction of the CCGT-400 unit at Shaturskaya power plant was in progress throughout the entire year. On July 17, 2008, Surgutskaya GRES-2 held a ceremony for the laying of the first stone for the construction of two CCGTs-400 units, with a total installed capacity of approximately 800 MW.

#### ***OGK-4 investment program analysis***

The capital expenditure of the Company for the investment program in 2008 totaled 6,412 million rubles.

#### ***OGK-4 investment program***

Affiliate	Target, thousand rubles	Actual, thousand rubles	Used, %
Surgutskaya GRES-2	1,367,618	1,177,332	86.1
Berezovskaya GRES	670,997	603,787	90.0
Shaturskaya GRES	3,890,653	4,294,914	110.4
Smolenskaya GRES	59,379	59,155	99.6
Yaivinskaya GRES	277,138	210,025	75.8
Heat Utilities Berezovskaya GRES	21,563	26,346	122.2
Headquarters	41,339	40,283	97.4
<b>Total</b>	<b>6,328,687</b>	<b>6,411,842</b>	<b>101.3</b>

In 2008 the total capital expenditure by OGK-4 amounted to 6.41 billion rubles. Capital investments were financed mainly from monies raised by issuing additional shares, and also from the Company's own resources.

## **12. SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT**

In our work, we proceed from the premise that the principal objective of every business is to produce a high-quality and cost-efficient product, with due consideration to the stakeholders' interests. Our business – the production of electric power and heat – is crucially important for the regions of the Company's presence and for the economic development of the entire country. Therefore, the key principle of our corporate responsibility is to guarantee regular electricity and heat supplies, strict observance of laws, sustainable investments in human assets and socio-economic development of the regions of our presence. All of our efforts are aimed at assuring the sustainability and prosperity of our business as the backbone and foundation for the economies of those regions where we operate.

We are accountable to our employees, customers, suppliers, habitats and local communities where we live and work. We seek to improve the quality of life in all of the regions of the Company's presence by creating a healthy, safe and sustained environment.

### **Employees**

OGK-4 endeavors to use and develop the full potential of all of its employees, and to respect their work and their desire to feel that they have social protection. The Company regards its staff as its most important resource, without which its strategic objectives are unattainable, and without whom, even if all other components are in place, operating efficiency is impossible.

The Company's human resource system covers the full range of personnel issues across all categories of staff, from workers through clerical staff and specialists, up to the level of senior management and deputies to the General Director. OGK-4's activities in this area are governed by a suite of internal documents, ensuring that personnel decisions are transparent and objective. In all dealings with staff, account must be taken of the personal achievements, experience, and ambitions of the individual employee.

In October 2008, OGK-4 employees for the first time participated in an employee survey undertaken by the E.ON Group. A total of 89 percent of the Company's employees contributed to its effectiveness.

The employee survey is one of the key management tools used by the E.ON Group that guarantees stable support of the Group strategy, naturally complements other tools, and facilitates a dialogue inside the Group.

One of the survey's primary objectives is to smooth OGK-4's integration into the E.ON Group, and to build confidence in the Group's management.

In 2008, OGK-4 became part of One E.ON's program designed to integrate all of the companies of E.ON Group by creating a shared corporate culture. This process is based upon E.ON's long-term strategic goals.

### ***Workforce***

On December 31, 2008 OGK-4 had 5,410 employees, including:

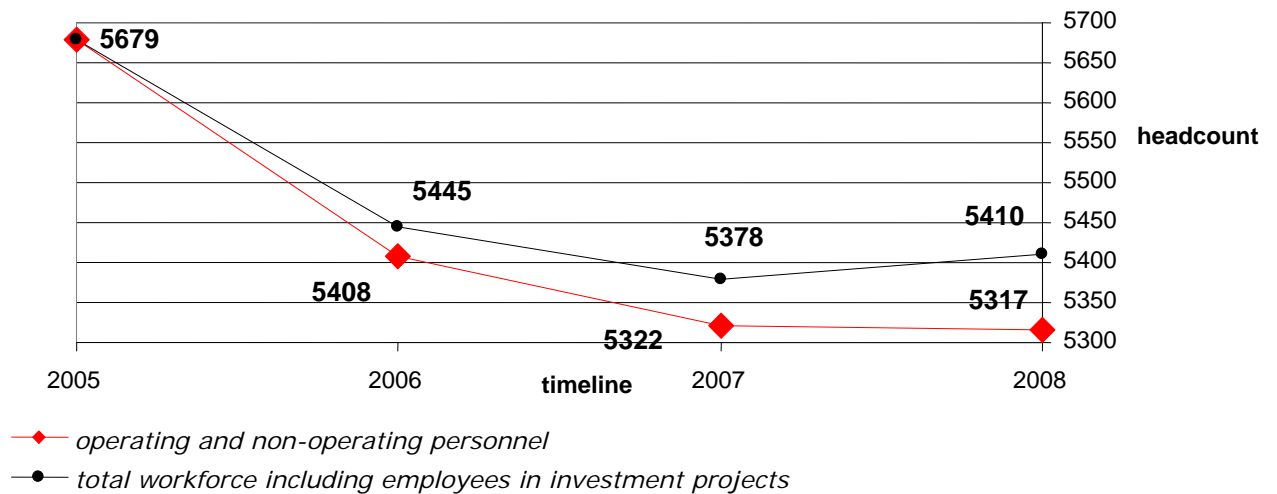
- 5,317 operating and non-operating employees in its core business;
- 93 employees in investment projects.

OGK-4's workforce trends: the total workforce, including employees in investment projects and employees in the core business in the period from 2005 to 2008, are illustrated separately in the chart:

### **OGK-4 Workforce Trends**

*(operating and non-operating personnel; total workforce including employees in investment projects)*

**2005- 2008**



Furthermore, Surgutskaya GRES-2, Shaturskaya GRES, Berezovskaya GRES and Yaivinskaya GRES provided operating personnel to prepare the sites for the construction of CCGTs-400 and SPU-800 from their internal resources (53 employees as of 31.12.2008), which did not result in an OGK-4 workforce increase, as can be seen from the chart.

### **Personnel Training for Investment Projects**

Most of OGK-4's employees are well-qualified, with over ten years of experience in the energy industry. However, the Company's investment projects require professional workers with due training, enabling them to work with highly automated facilities. It will take time and money to train them, and thus the establishment of the units under construction is being brought up to complement gradually, being selected from experienced, well-qualified specialists of the power plant. In 2008, we prepared job descriptions and job requirements for workers at the units under construction, and prepared their training programs and curriculum.

### **Training and qualification**

While it is implementing an investment program for the construction of new power units, OGK-4 is particularly attentive to raising the qualifications of its staff so that they possess new, current skills and are able to react to rapidly changing circumstances. Special attention is paid to training programs for operational personnel. The programs, which are agreed upon with the Russian technical inspectorate Rostekhnadzor, are used to advance the qualifications of workers, managers, and specialists alike. In 2008, 2,046 employees (38% of the Company's workforce) received training. Professional skills were tested in competitions between OGK-4's branches at Surgutskaya GRES-2 in June 2008. The winning team (Surgutskaya GRES-2) participated in the All-Russian competition of power plant operating personnel.

A regulation on the qualification of workers at OGK-4's branches was adopted in April 2007; in 2008, we continued to carry out planned personnel qualification upon the basis of this regulation. Testing is carried out in order to establish an individuals' level of professional training and assign them to appropriate positions. Depending upon the results, workers may be promoted to a higher grade, and the Company thus establishes a pool of qualified staff. In addition, test results form the basis for future training plans for OGK-4 employees, allow strengths and weaknesses to be identified, and permit a targeted approach to training.

OGK-4 is particularly concerned to create a talent pool. To that end, the Company monitors continuously its best qualified and most promising specialists, who could, with further training, move to more senior jobs and make a larger contribution to the success of the Company. The existence of a talent pool is a further incentive for staff. Once enrolled in the talent pool, the Company's employees have priority for training to raise their qualifications at the Company's expense.

### ***Personnel Incentives***

In 2007, the Company signed collective agreements with its branches for 2007–2010. Such agreements are based upon the RF Labor Code and industrial tariff agreements, and draw also on standard principles regulating social and labor relations, as well as the particular regional peculiarities of the power plants. The agreements are legal documents specifying the rights and responsibilities of the parties as social partners. The collective agreements are based upon principles of equality and respect for people and their rights, and the legitimate interests of employers and employees in the context of a social partnership.

Employee remuneration comprises two elements, a fixed portion and a variable portion. The fixed portion depends upon the employee's qualifications and position; bonuses and rewards are paid for specific results. In 2008, the average pay in each of OGK-4's power plants complied with the average pay in the respective enterprises engaged in the production and distribution of electricity, gas and water in the region of presence. In spite of the fact that the average pay in OGK-4 is above the average pay in the region, it is below the average salary paid by other energy companies and competitors in the region (power plants, hydro plants, oil companies).

### ***Non-State Pension Provision***

OGK-4 regards the provision of non-state pensions as an instrument for raising the income of staff when they retire and draw a pension, and for establishing long-term labor relations. The Company launched its non-state pension scheme in December 2005. It includes two principal pension plans, a corporate plan and a parity plan (from 2007 onwards). Under the corporate plan, pension accounts have been opened in the names of 1,144 OGK-4 employees. A total of 515 of them receive non-state pensions from the Non-State Pension Fund of the power industry. The average amount of the non-state pension in 2008 totaled 1,264 rubles, which makes it possible to increase the level of income for the pensioner by 25%.

The parity plan of the Company allows employees to accumulate their retirement savings and thus increase the amount of their future pensions. A total of 347 employees entered into contracts under the parity plan in 2008. At the end of 2008, the number of members of the parity plan under the non-state pension scheme totaled 1,681, 31% of OGK-4's total workforce. In 2009, more employees will be invited to enroll in the parity pension program.

### ***Health and Safety***

In 2008, no injuries or accidents to the Company employees resulting in any lost time were recorded by OGK-4; one injury was reported by a contractor, KATEKenergoremont, at Berezovskaya power plant. In total, there were eight medical treatment cases at Smolenskaya power plant involving the Company's employees and twelve medical treatment cases involving contractor employees that exceeded first aid at all power plants.

Pursuant to E.ON Group Policy KR 24 on Safety and Occupational Health Management – Minimum Standards, the following safety and occupational health corporate reporting parameters were introduced in the Company: Lost Time Injury Frequency (LTIF), Total Reportable Injury Ratio (TRIR) and Total Reportable Incident Frequency (TRIF) involving the company and contractor employees.

For 2008 the parameters are as follows:

1. LTIF per annum:
  - Company employees LTIF=0;
  - Contractor employees LTIF=0.399.
2. TRIR per annum:
  - Company employees TRIR=0.09;

- Contractor employees TRIR=0.479.
- 3. TRIF per annum:
- Company employees TRIF=0.9;
- Contractor employees TRIF=4.79.

Pursuant to the five-year programs on improving working conditions at the branches, we improved working conditions for 306 employees (161 workstations); additionally, 42 workstations of 118 employees at Shaturskaya GRES, Yaivinskaya GRES and Heat Utilities of Berezovskaya GRES were optimized in terms of working conditions.

We inspected workstations at Berezovskaya GRES and obtained positive reports from official state experts. Additionally, we inspected new workstations at Surgutskaya GRES-2 (23 workstations) and Heat Utilities of Berezovskaya GRES (7 workstations).

The branches Berezovskaya GRES, Heat Utilities of Berezovskaya GRES, Smolenskaya GRES, Shaturskaya GRES, Yaivinskaya GRES obtained a Certificate of Compliance in relation to the health and safety requirements.

The professional skills of operating personnel brigades were tested in a competition between Berezovskaya GRES and Surgutskaya GRES-2.

Cooperation with the RF Social Insurance Fund (SIF) was established. Furthermore, after receiving a subsidy from the SIF in the amount of 20% of the branches insurance contributions, OGK-4 carried out additional health and safety measures to the amount of 754,409.27 rubles.

All health and safety actions planned for 2008 were fully implemented. In 2008, OGK-4 spent 97,481 thousand rubles as compared to 95,721 thousand rubles in 2007 on health and safety at work; of which, 24,182 thousand rubles were devoted to accident prevention; 38,059.5 thousand rubles to sanitary measures to prevent occupational diseases; 15,464.5 thousand rubles towards working condition improvement; and 19,775 thousand rubles towards the individual protection of employees.

## **Environmental Protection**

OGK-4 is well aware of its responsibility to society for conserving a healthy environment and for the efficient use of natural resources. The Company's activities are directly associated with the use of environmental assets. Therefore, OGK-4 seeks to evaluate the consequences of its operations and take all possible measures to mitigate any adverse affect on the environment.

Consumers of the Company receive clean energy, while all production-related environmental costs are borne by the power plants. The Company spends a considerable amount of money on mitigating adverse effects on the environment. In 2007, environmental costs amounted to 192.2 million rubles; in 2008, they totaled 143.5 million rubles.

The environmental footprint of the Company depends upon many factors: electricity and heat generation technology, equipment status and fuel mix, embedding state-of-the-art capacities etc.

While OGK-4's electricity production increased in 2008 (56,676 million kWh) as compared to 2007 (54,241 million kWh) by 4.5%, atmospheric pollution grew from 79.8 thousand tons in 2007 to 92.3 thousand tons in 2008, an increase of 12.5 thousand tons or 15.5%. The volume of atmospheric and water pollutants emitted and the volume of solid waste produced by OGK-4's power plants increased from 1.47 g/kWh in 2007 to 1.63 g/kWh in 2008, an increase of 0.16 g/kWh or 10.7%. This increase in pollutant emissions is due to the considerable growth of electricity production by the coal-fired power plant Berezovskaya GRES (having an increase in production of 26.7%).

Approximately 99% of all water used by the Company is taken from surface water sources (e.g., rivers and lakes). The portions of artesian water and water provided by local utilities comprise 0.5% each of the total amount of water used by the power plants. The amount of

wastewater used by the Company in 2008 (573.1 million m<sup>3</sup>) fell by 5.0 million m<sup>3</sup>, or by 0.9% as compared to 2007 (578.0 million m<sup>3</sup>).

The volume of cooling water grew by 175 million m<sup>3</sup> or 2.7% (7,006.7 million m<sup>3</sup> in 2008 as compared to 6,831.7 million m<sup>3</sup> in 2007), which is attributable to the increase in electricity production by 4.5%, and therefore, in the operating time of primary equipment and circulating pumps.

OGK-4 in the course of electricity and heat production generates a certain amount of waste of 1-5 hazard classes (foremost, coal ash of the 4-5 classes of hazard). The coal ash waste accounts for over 90% of the total waste captured and stored at ash ponds belonging to branches of the Company. The ash pond area totals 460 ha. The ash waste is transported to the ash ponds by a circulating hydraulic ash removal system that eliminates any effect of waste on the environment during their transportation.

The amount of waste directly depends upon the power plant's fuel mix. For instance, in 2008, the operating waste totaled 354.6 thousand tons, of which 350.5 thousand tons were ash waste. Due to a sluggish demand for ash derivatives in the regions where the Company operates, the degree of their recycling remains extremely low. For instance, in 2008 only 224 tons of ash waste was recycled, accounting for 0.07% of the total volume. Earlier, when the power plants burnt solid fuel, slightly more than 12.9 million tons of ash waste were accumulated at the ash ponds of the Company's branches.

Payments for the disposal of solid waste are the largest environmental charges borne by OGK-4. In 2008, its branches paid approximately 47.9 million rubles (78.7% of all payments for polluting the environment) for disposal of industrial waste.

All of the branches of the Company have running systems of environmental audits and management developed pursuant to the Russian law. In 2008, the Company began to tailor the existing environmental management system to the requirements of ISO14001. This work will be completed in 2009.

The current environmental performance of the power plants and the ecological projects implemented by the Company favorably effect the environmental situation at OGK-4's power plants. The amount of emission and discharge of hazardous substances and their storage by the power plants of the Company have always been below the limits. Observance of these norms enables the Company to keep pollution charges at a minimum level. The Company is implementing a large-scale new construction investment program upon the basis of state-of-the-art combined cycle technologies (CCGT). Therefore, we will seek to minimize any adverse affect on the environment while implementing our investment projects. The commissioning of new capacities upon the basis of the state-of-the-art CCGT technologies will enable the Company to reduce pollutant emissions and guarantee strict observance of all environmental law requirements.

### **Sponsorship and Charitable Giving**

In 2008, the process of integration of OGK-4 into the international power group of companies in E.ON, the Company's majority shareholder since autumn 2007, was under way. E.ON pays great attention to the social responsibility of the companies of the Group and supports OGK-4's sponsorship and charitable giving policy in its regions of presence. OGK-4's power plants are in many cases the focal points for towns and are the dominant factor in the lives of local people. In aiding local communities, the Company is taking care of the direct consumers of its products, electricity and heat, as well as its employees and their families.

OGK-4 provides both spontaneous, targeted assistance to citizens, power plant employees, veterans, pensioners in particular need, and planned support to social projects and organizations, which it selects according to objective criteria. The Company focuses on concrete results and acts in the belief that ultimately investments must have a good effect upon the socio-economic stability of the regions where it operates and promote loyalty among its employees.

One priority for social spending is to support schools, kindergartens, and hobby clubs — particularly those attended by children of OGC-4 employees. The Company finances refurbishments and decorations, buys furnishings, books, teaching materials, toys, and electronics. In 2008, for instance, in the Sharypovo region of Krasnoyarsk Krai, the Company purchased adjustable school desks that help to keep the students' posture and spine healthy. Funds are made available for medical treatment (principally expensive operations) for employees and their children. In 2008, the targeted aid for OGC-4's staff amounted to 420,000 rubles.

The Company attaches importance to patriotic education and helps with celebrations to mark Victory Day and Defender of the Motherland Day. In this context, special emphasis is placed on the support of veterans of the Great Patriotic War and long-service employees of the power plants. Money is spent on presents, celebrations and individual aid. In 2008, the targeted aid for retired veterans amounted to 997,000 rubles. Some money goes to projecting an image as an excellent employer and encouraging children (particularly in their last years at school) to take an interest in working in the energy industry. The Company is involved in the Day of the Energy Worker in the towns where it has power plants. It helps to organize thematic displays in museums, supports long-service power plant workers and makes annual grants to outstanding students at leading universities who are planning to come to work at OGC-4 facilities. It continues to finance a Young Energy Worker club set up at Yaivinskaya GRES. The Company implements the project, Power Engineering Class, in Surgut that aims at career guidance and the encouragement of children to take an interest in working in the energy industry. In 2008, investments in encouraging such interest in an energy worker career exceeded 600 thousand rubles in total.

The Company is committed to developing the social environment in the regions of its operation, and supports federal projects. Under the program, Illustrated Books for Visually Challenged Children, OGC-4 gave approximately a thousand books to special kindergartens and schools in Krasnoyarsk, Surgut, Perm, Solikamsk, Smolensk, Vyazma, and Shatura.

### **13. INFORMATION FOR SHAREHOLDERS AND INVESTORS**

#### General Information

Full name: Open Joint Stock Company, "Fourth Generation Company of the Wholesale Electricity Market"

Short name: OGK-4

Location: 23/34 Energostroiteley Street, Surgut, Khanty-Mansiysk Autonomous Okrug, Tyumen Oblast, Russian Federation

Postal address: 40/4 Bolshaya Ordynka, Suite 704, 119017 Moscow, Russia

T (495) 411 50 55

F (495) 411 87 60

E-mail: ogk@ogk-4.ru

www.ogk-4.ru

#### Investor Relations

Galina S. Shcheglova

T (495) 411 50 55 Ext. 4886

Tatyana V. Petukhova

T (495) 411 50 55 Ext. 4870

Svetlana I. Markova

T (495) 411 50 55 Ext. 5022

F (495) 411 87 60

E-mail: IR@ogk-4.ru

#### Registrar

Full name: Open Joint Stock Company, "Registrar R.O.S.T."

Short name: Registrar R.O.S.T.

Legal address: 18/13 Stromynka, Moscow, Russia

Postal address: 18/13 Stromynka, Moscow

T (495) 771 73 35, (495) 771 73 36

F (495) 771 73 34

www.rrost.com

#### Auditor

Full name: Closed Joint Stock Company, "PricewaterhouseCoopers Audit"

License No. E 000376, issued May 20, 2002 by the Russian Federation Ministry of Finance

Location: 52/5 Kosmodamianskaya naberezhnaya, 115054 Moscow, Russia

Postal address: 52/5 Kosmodamianskaya naberezhnaya, 115054 Moscow, Russia

T (495) 967 60 00

F (495) 967 60 01

www.pwc.com

## Appendix 1

## AUDIT REPORT ON STATUTORY ACCOUNTING REPORTS 2008

The audit report issued by ZAO PricewaterhouseCoopers Audit on the statutory accounting reports of JSC OGK-4 for the year 2008 can be found below. The below translation of the audit report is provided as a free translation from Russian, which is the official and binding version. Incomplete set of statutory accounting reports in English is included in this Annual Report. The official Russian version of the audit report relates only to the full set of the statutory accounting reports of JSC OGK-4 for the year 2008 in Russian. The full set of the statutory accounting reports of JSC OGK-4 for the year 2008 in Russian is available on the Company's website, [www.ogk-4.ru](http://www.ogk-4.ru), in the section Business and Investments- Economics and Finances – Financial Statements according to RAR.

JSC "OGK-4"

AUDIT REPORT  
ON STATUTORY ACCOUNTING REPORTS  
2008

[Translation from Russian original]

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**AUDIT REPORT**  
**on Statutory accounting reports**

To the shareholders of JSC "OGK-4"

**Auditor**

ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on August 22, 2002.

Audit license № E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002. The license is valid until 20 May 2012.

Member of the Institute of Professional Accountants and Auditors of Russia and of the Audit Chamber of Russia

**Client**

JSC "OGK-4"

Energostroiteley str., 23 Tumen region, Khanty-Mansiyskiy autonomous national area – Yugra, Russian Federation, 628406

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered No. 1058602056985 issued by the Inspection of Federal Service of Taxation in Surgut Khanty-Mansiyskiy autonomous national area – Yugra dated March 04, 2005

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**TRANSLATOR'S EXPLANATORY NOTE:** The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

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**AUDIT REPORT**  
**on Statutory accounting reports of JSC "OGK-4"**

To the shareholders of JSC "OGK-4"

- 1 We have audited the attached Statutory accounting reports of JSC "OGK-4" for the period from 1 January up to 31 December 2008. Statutory accounting reports of JSC "OGK-4" consist of Balance Sheet, Profit and Loss Account, Flow of Equity and Funds Report, Cash Flow Statement, Supplement to the Balance Sheet, Explanatory Notes (hereinafter all the reports together are called "Statutory accounting reports"). The Statutory accounting reports were prepared by the management of JSC "OGK-4" in accordance with the legislation of Russian Federation applicable to Statutory accounting reports. Such Statutory accounting reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.
- 2 Preparation of the Statutory accounting reports is the responsibility of management of JSC "OGK-4". Our responsibility as auditors is to express our opinion on the fair presentation, in all material respects, of these Statutory accounting reports based on our audit.
- 3 We conducted our audit in accordance with The Federal Law "On auditing activity", Federal Auditing Standards, International Standards on Auditing and our internal standards.

Our audit was planned and performed to obtain reasonable assurance about whether the Statutory accounting reports are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statutory accounting reports, assessing compliance with accounting principles, techniques and rules of Statutory accounting reports preparation, evaluating significant estimates made by the management of JSC "OGK-4" and the overall Statutory accounting reports presentation. We believe that our audit provides a reasonable basis for our opinion on these Statutory accounting reports.

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TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

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AUDIT REPORT

- 4 In our opinion, the Statutory accounting reports of JSC "OGK-4" attached to this report have been properly prepared to present fairly, in all material respects, the financial position of JSC "OGK-4" as at 31 December 2008 and financial results of its operations for the period from 1 January up to 31 December 2008 in accordance with the legislation of Russian Federation applicable for Statutory accounting reports.

5 March 2009

Director of ZAO

A.L. Uzornikova

Statutory auditor  
Certificate No K029054  
for general audit  
termless

F.A. Kuzim

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TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

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# BALANCE SHEET

Company ИЗЛ-9 as at 31 December 2008

Taxpayer identification number UNPO  
 Field of activity Production of electric and heat energy

Legal form/property form open joint-stock company  
 Unit of measurement: thousands of RR private

Form N1 on OKUD  
 Date (year, month, day)

INN 8602067092  
 OKVED 40.10.11;40.30.11

OKOPF/OKFS 47 16  
 OKEI 384

Codes
0710001
2008/12/31
76828204
8602067092
40.10.11;40.30.11
47 16
384

Address

Date of approval  
 Date of dispatch (acceptance)

Assets 1	Line code 2	At beginning of reporting year 3	At end of reporting period 4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets .....	110	-	-
Fixed assets .....	120	15 950 466	15 918 163
Construction in progress .....	130	1 733 935	7 049 622
Income-bearing investments in tangible assets .....	135	-	-
Long-term financial investments .....	140	32 144	59 281
Deferred tax asset .....	145	80 986	67 218
Other non-current assets .....	150	459 610	611 995
Total Section I .....	190	18 257 141	23 706 279
<b>II. CURRENT ASSETS</b>			
Inventories .....	210	2 087 481	1 951 339
including:			
Raw, materials and other inventories .....	211	2 013 534	1 800 522
Livestock .....	212	-	-
Work in progress .....	213	-	-
Finished goods and goods for resale .....	214	596	555
Goods dispatched .....	215	-	-
Expenses related to future periods .....	216	73 351	150 262
Other inventories and expenses .....	217	-	-
Value Added Tax on goods purchased .....	220	14 652	197 909
Accounts receivable (payment expected beyond 12 months of the reporting date) .....	230	7 673 818	16 770 201
including buyers and customers .....	231	2 079	2 425
Accounts receivable (payment expected within 12 months of the reporting date) .....	240	1 491 950	3 965 223
including buyers and customers .....	241	452 856	1 021 375
Short-term investments .....	250	35 808 572	30 990 544
Cash .....	260	4 088 840	107 186
Other current assets .....	270	1 250	-
Total Section II .....	290	51 166 563	53 982 402
TOTAL SECTIONS I and II .....	300	69 423 704	77 688 681

Equity and liabilities	Line code	At beginning of reporting year	At end of reporting year
	2	3	4
<b>III. EQUITY AND RESERVES</b>			
Charter capital .....	410	25 206 846	25 219 482
Own shares buy-back .....	411	-	-
Additional capital .....	420	41 471 734	41 471 438
Legal reserve .....	430	101 596	176 036
including:			
Reserves formed in accordance with legislation .....	431	101 596	176 036
Reserves formed in accordance with foundation documents .....	432	-	-
Retained earnings (loss) .....	470	470 475	6 539 212
Total Section III .....	490	67 250 651	73 406 168
<b>IV. NON-CURRENT LIABILITIES</b>			
Borrowings and bank loans .....	510	-	-
Deferred tax liabilities .....	515	383 072	491 413
Other non-current liabilities .....	520	992	860
Total Section IV .....	590	384 064	492 273
<b>V. CURRENT LIABILITIES</b>			
Borrowings and bank loans .....	610	250 230	-
Accounts payable .....	620	1 527 332	3 781 656
including:			
Payable to suppliers and contractors .....	621	1 054 315	2 189 068
Payable to staff .....	622	69 284	83 719
Payable to state non-budget funds .....	623	22 337	18 941
Taxes payable .....	624	272 215	1 308 124
Other creditors .....	625	109 181	181 804
Payable to participants (shareholders) .....	630	11 219	8 410
Income of future periods .....	640	208	174
Reserves for future expenses and payments .....	650	-	-
Other current liabilities .....	660	-	-
Total Section V .....	690	1 788 989	3 790 240
TOTAL SECTIONS III, IV, V .....	700	69 421 704	77 688 681

#### REFERENCE ON ITEMS ACCOUNTED ON OFF-BALANCE SHEET ACCOUNTS

Narrative	Line code	At beginning of reporting year	At end of reporting year
	2	3	4
Rented fixed assets .....	910	20 391	18 458
thereof by leasing .....	911	2 071	-
Working and fixed assets received for storing .....	920	267	4 646
Goods on commission .....	930	-	-
Bad debts of insolvent debtors written off to losses .....	940	368 011	254 828
Securities of liabilities and payments received .....	950	1 027 147	5 124 512
Securities of liabilities and payments issued .....	960	6 637 100	16 201 713
Housing stock depreciation .....	970	-	-
Depreciation of auxiliary engineering facilities and other similar items .....	980	-	-
Intangible assets obtained for usage .....	990	-	1 283
		-	-
		-	-
		-	-

Chief Executive Officer Sablukov Yuriy Stepanovich Chief Accountant Chiruhin Vladimir Sergeevich

" "

# PROFIT AND LOSS ACCOUNT

Company W.S.K. - J for 2008

Form N2 on OKU/D  
Date (year, month, day)

Codes
0710002
2008/12/31
OKPU 76 828 204,0
INN 8602067092
OKVED 40.10.11:40.30.11
OKOPF/OKFS 47 16
OKEI 384

Taxpayer identification number  
Field of activity production of electric and heat energy

Legal form/property form  
open joint-stock company private

Unit of measurement: thousands of RR

Narrative	Line code	For reporting period	For the same period of the previous year
<b>Income from and expenses on ordinary activities</b>			
Sales of goods, products, work, services (less VAT, excise duty and other similar compulsory payments)	010	37 892 399	31 460 784
Cost of goods, products, work, services sold	020	(33 200 906)	(28 366 029)
Total revenue (loss)	029	4 691 493	3 094 755
Sales expenses	030	-	-
General business expenses	040	-	-
Gross profit (loss) from sales	050	4 691 493	3 094 755
<b>Other income and expenses</b>			
Interest receivable	060	2 375 143	622 726
Interest payable	070	(1 167)	(41 555)
Participation in other companies	080	-	-
Other income	090	3 970 876	761 567
Other expenses	100	(2 518 537)	(1 914 050)
	120	-	-
	130	-	-
Income (loss) from operations	140	8 517 808	2 523 443
Deferred tax assets	141	(5 240)	18 379
Deferred tax liabilities	142	(117 426)	(67 766)
Current income tax	150	(2 754 394)	(985 524)
		404 539	(1 929)
Tax sanctions		247	2 207
Net profit (loss) for the reporting year	190	6 045 534	1 488 810
<b>REFERENCE</b>			
Permanent tax liabilities (assets)	200	852 452	439 627
Basic earnings (loss) per share	210	0	0
Diluted earnings (loss) per share	220	-	-

## BREAKDOWN OF SPECIFIC INCOMES AND EXPENSES

Narrative	Line code	For reporting period		For the similar period of the previous year	
		income	expense	income	expense
Fines and penalties recognized by court or those on which there are judgments of a court (or arbitrage court) on their recovery	230	132 251	102 512	102 512	42 309
Profit (loss) of previous years	240	66 044	87 102	24 543	14 924
Compensation for damages caused by default on obligations or by improper fulfillment of obligations	250	-	-	-	-
Exchange rate differences	260	3 083 156	933 323	128 059	42 906
Revaluation reserve	270	X	331 385	X	182 511
Write-off of debtor and creditor indebtedness on which the period of limitation has expired	280	1 312	1 363	32	2 617
		-	-	-	-

Chief Executive Officer Sablukov Yuriy Stepanovich

Chief Accountant Chiruhin Vladimir Sergeevich

# FLOW OF EQUITY AND FUNDS

for 2008

Form N3 on OKUD  
Date (year, month, day)

Company WGC-4

OKPO

Taxpayer identification number

INN

Field of activity Production of Electric and Heat energy

OKVED

Legal form/property form

OKOPF/OKFS

open joint-stock company private

OKEI

Unit of measurement: thousands of RR

Codes
0710003
2008/12/31
76828204
8602967092
40.10.11;40.30.11
47 16
384

## I. Changes in equity

Narrative	Line code	Charter capital 3	Additional capital 4	Reserve capital 5	Accumulated profit/loss 6	Total 7
<b>Balance as of 31 December</b>						
<b>of the year antecedent to the previous year</b>	050	49 130 626	531 489	75 884	(30 060 078)	19 677 921
<u>2007</u>						
<u>previous year</u>						
Changes in accounting policy	051	x	x	x	-	-
Revaluation of fixed assets	052	x	-	x	-	-
Changes in the accounting policy			-	-	(38)	(38)
<b>Balance as of 1 January of the previous year</b>	060	49 130 626	531 489	75 884	(30 060 116)	19 677 883
Exchange rate difference	061	x	-	x	x	-
Net profit (loss)	062	x	x	x	1 488 810	1 488 810
Dividends	063	x	x	x	(350 012)	(350 012)
Allocations to reserves	064	x	x	25 712	(25 712)	-
Increase of capital due to						
additional shares issue	071	5 554 596	40 969 310	x	-	46 523 906
increase of share par value	072	-	x	x	x	-
reorganization of legal entity	073	-	-	-	-	-
other		-	-	-	-	-
Decrease of capital due to						
decrease in value of shares	081	(29 478 376)	x	x	(29 478 376)	-
reduction in number of shares	082	-	x	x	x	-
reorganization of legal entity	083	-	x	x	-	-
		-	29 065	-	29 065	-
<b>Balance as of 31 December of the previous year</b>	090	25 206 846	41 471 734	101 596	560 411	67 340 587
<u>2008</u>						
<u>current year</u>						
Changes in accounting policy	091	x	x	x	(89 936)	(89 936)
Results of property evaluation	092	x	-	x	-	-
Changes in the accounting policy		-	-	-	(89 936)	(89 936)
<b>Balance as of 1 January of the current year</b>	100	25 206 846	41 471 734	101 596	470 475	67 250 651
Exchange rate differences	101	x	-	x	x	-
Net profit	102	x	x	x	6 045 534	6 045 534
Dividends	103	x	x	x	-	-
Contributions to legal reserves	110	x	x	74 440	(74 440)	-
Increase of capital due to						
additional shares issue	121	-	-	x	x	-
increase of share par value	122	-	x	x	x	-
reorganization of legal entity	123	12 636	x	x	98 087	110 723
		-	-	-	-	-
Decrease of capital due to						
decrease in value of shares	131	-	x	x	-	-
reduction in number of shares	132	-	x	x	x	-
reorganization of legal entity	133	-	x	x	(740)	740
		-	296	-	296	-
<b>Balance as of 31 December of the current year</b>	140	25 219 482	41 471 438	176 036	6 539 212	73 406 168

II. Reserves		Line	Balance b/f	Additions	Disposals	Balance
Narrative		code				
		2	3	4	5	6
<b>Legal reserves</b>						
<b>formed in accordance with legislation</b>						
<b>Reserve fund</b>						
reserve						
previous year		151	75 884	75 884	-	101 596
current year		152	101 596	74 440	-	176 036
reserve						
previous year		153	-	-	-	-
current year		154	-	-	-	-
<b>Legal reserves formed in accordance with foundation documents</b>						
reserve						
previous year		161	-	-	-	-
current year		162	-	-	-	-
reserve						
previous year		163	-	-	-	-
current year		164	-	-	-	-
<b>Provisions</b>						
<b>Provision for impairment of financial investments</b>						
previous year		171	-	-	-	-
current year		172	-	-	-	-
<b>Doubtful debt provision</b>						
previous year		173	289 570	182 511	(289 570)	182 511
current year		174	182 511	266 527	(182 511)	266 527
<b>Inventory impairment provision</b>						
previous year		175	-	-	-	-
current year		176	-	64 858	-	64 858
<b>Contingency provision</b>						
previous year		177	-	-	-	-
current year		178	-	-	-	-
reserve						
previous year		179	-	-	-	-
current year		180	-	-	-	-
<b>Reserves for future expenses</b>						
reserve						
previous year		190	-	-	-	-
current year		191	-	-	-	-
reserve						
previous year		192	-	-	-	-
current year		193	-	-	-	-

REFERENCES		Line	At beginning	At the end
Narrative		code	of reporting year	of reporting period
		2	3	4
1) Net assets		200	67 249 609	73 406 342
			From budget	From non-budget funds
		Line	For reporting	For previous year
		code	year	For reporting year
		2	3	4
2) Received for:				
ordinary activity expenses - total		210	-	-
including:				
		211	-	-
		212	-	-
		213	-	-
capital investments		220	-	-
including:				
		221	-	-
		222	-	-
		223	-	-

Chief Executive Officer Sablukov Yuriy Stepanovich Chief Accountant Chiruhin Vladimir Sergeevich

# CASH FLOW STATEMENT

for 2008		Form N4 on OKUD	Codes
Company <i>WGC-4</i>		Date (year, month, day)	0710004
Taxpayer identification number		OKPO	2008/12/31
Field of activity <i>Production of Electric and Heat energy</i>		INN	76828204
Legal form/property form		OKVED	8602067092
<i>open joint-stock company</i> <i>private</i>		OKOPF/OKFS	40.10.11;40.30.11
Unit of measurement: thousands of RR		OKEI	47 16
			384

Narrative	Line code	For the current year	For the same period of the previous
<b>Cash at the beginning of the reporting year</b>	100	4 088 141	778 059
<b>Cash movement - operating activity</b>			
Total cash received from customers and clients	110	44 527 682	37 544 607
	120	-	-
	130	-	-
Other income	140	37 713 162	8 413 449
Total cash used for:			
payments for purchased goods, work, services, materials and other current assets	150	(35 376 175)	(30 438 952)
wages and salaries payments	160	(2 405 083)	(2 041 244)
dividend paid, interest paid	170	(1 167)	(697 873)
settlements of taxes and duties	180	(4 075 823)	(3 009 171)
	181	(34 209 699)	(9 542 023)
	182	-	-
other payments	183	(34 209 699)	(9 542 023)
Net cash from operating activity	190	6 172 897	228 793
<b>Cash movement - investing activity</b>			
Sales of fixed assets and other non-current assets	210	21 865	26 592
Sales of securities and other financial investments	220	250 374 120	142 589 805
Dividend received	230	-	-
Interest received	240	1 997 518	540 448
Redemption of loans provided to other entities	250	740 260	-
	260	-	-
	270	-	-
	280	-	-
Subsidiaries acquisition	290	(17 665 154)	(8 671 051)
Acquisition of fixed assets, income-bearing investments in tangible and intangible assets	300	(245 349 791)	(177 543 959)
Acquisition of securities and other financial investments	310	(23 000)	-
Loans granted to other entities	320	-	-
	330	-	-
Net cash from investing activity	340	(9 904 182)	(43 058 165)
<b>Cash movement - financing activity</b>			
Proceeds from issue of shares and other equity instruments	410	-	46 523 988
Loans and credits received	420	-	6 913 224
	430	-	-
	440	-	-
Repayment of loans and credits (without interest)	450	(250 230)	(7 293 662)
Repayment of financial lease obligations	460	-	(4 096)
	470	-	-
	480	-	-
Net cash from financing activity	490	(250 230)	46 139 454
Net increase (decrease) in cash and cash equivalents	500	(3 981 515)	3 310 082
<b>Cash at the end of the reporting year</b>	510	106 626	4 088 141
Ruble exchange rate difference	520	117 725	-

Chief Executive Officer Sablukov Yuri Stepanovich Chief Accountant Chiruhin Vladimir Ser

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# SUPPLEMENT TO THE BALANCE SHEET

for 2008

Company ИПГК-4  
 Taxpayer identification number  
 Field of activity Production of Electric and Heat energy  
 Legal form/property form  
open joint-stock company private  
 Unit of measurement: thousands of RR

Form N 5 on OKUD  
 Date (year, month, day)

Codes
0710005
2008/12/31
OKPO 76828204
INN 8602067092
OKVED 40.10.11:40.30.11
OKOPF/OKFS 47 16
OKEI 384

## INTANGIBLE ASSETS

Narrative	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting period
Intellectual property (exclusive rights to intellectual property) including the rights:	010	-	-	-	-
of the patent holder on invention	011	-	-	-	-
of software, database owner	012	-	-	-	-
of the integrated circuit layout owner	013	-	-	-	-
of the trademark, servicemark owner, names of origin of goods owner	014	-	-	-	-
of plant patent holder	015	-	-	-	-
Administration expenses	020	-	-	-	-
Goodwill	030	-	-	-	-
Other	040	-	-	-	-

Narrative	Line code	At beginning of reporting year	At end of reporting period
Amortization of intangible assets - total including:	050	-	-
	051	-	-
	052	-	-
	053	-	-

## FIXED ASSETS

Narrative	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting period
Buildings	070	6 246 127	33 052	(10 528)	6 268 651
Constructions and transfer mechanisms	071	5 982 770	87 622	(3 899)	6 066 493
Machinery and equipment	072	4 873 497	916 073	(1 893)	5 787 677
Means of transportation	073	198 100	29 294	(1 081)	226 313
Production and work appliances	074	48 302	4 059	(250)	52 111
Working livestock	075	12	-	(5)	7
Productive livestock	076	2 094	-	-	-
Perennial plants	077	-	-	-	-
Other types of fixed assets	078	2 094	441	-	2 535
Plots of land and natural resources	079	-	6 341	-	6 341
Investments in reclamation	080	-	-	-	-
Total	090	17 450 902	1 076 882	(17 656)	18 510 128

Narrative	Line code	At beginning of reporting year	At end of reporting period
Depreciation of fixed assets - total including:	140	1 500 436	2 591 965
buildings and constructions	141	532 821	913 233
machinery, equipment, means of transportation	142	929 604	1 648 497
other	143	38 011	30 235
Fixed assets leased out - total including:	150	112 502	227 259
buildings	151	93 156	207 088
constructions	152	16 766	15 787
	153	2 580	4 384
Fixed assets transferred to conservation	154	-	-
Fixed assets leased in - total including:	155	6 273	5 786
buildings and constructions	160	20 391	18 458
machinery, equipment, means of transportation	161	3 719	3 857
	162	16 672	14 601
Fixed assets received and being in the process of state registration	163	-	-
	165	-	4 434

## REFERENCE

Narrative	Line code	At beginning of reporting year	At beginning of previous year
Result of fixed assets revaluation:			
historical (recovered) value	171	-	-
depreciation	172	-	-
Narrative	Line code	At beginning of reporting year	At end of reporting period
Changes in fixed assets value as a result of lifting-out, rigging up, reconstruction, partial liquidation	173	304 003	864 226

INCOME-BEARING PROPERTY					
Narrative	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Property for lease-out .....	200	-	-	-	-
Property for hiring .....	210	-	-	-	-
Other .....	220	-	-	-	-
Total .....	230	-	-	-	-
	Line code	At beginning of reporting year	At end of reporting period		
	2	3	4		
Depreciation of income-bearing property .....	290	-	-		

RESEARCH AND DEVELOPMENT COSTS					
Narrative	Line code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Total Research and Development costs including: .....	310	-	-	-	-
	311	-	-	-	-
	312	-	-	-	-
	313	-	-	-	-
	Line code	At beginning of reporting year	At end of reporting period		
	2	3	4		
Costs related to Research and Development in progress .....	320	-	-		
	Line code	For reporting period	For the same period of the previous year		
	2	3	4		
Costs related to Research and Development without positive outcome which were charged to non-operating expenses .....	330	15,000			

NATURAL RESOURCES DEVELOPMENT COSTS					
Narrative	Line code	Balance at beginning of	Additions	Disposals	Balance at end of reporting period
1	2	3	4	5	6
Total natural resources development costs including: .....	410	-	-	-	-
	411	-	-	-	-
	412	-	-	-	-
	413	-	-	-	-
	Line code	At beginning of reporting year	At end of reporting period		
	2	3	4		
Expenses attributable to those areas of subsou where prospecting and evaluation of deposits, exploration and/or hydrological survey and other similar works have not been initiated .....	420	-	-		
	Line code	For reporting period	For the same period of the previous year		
	2	3	4		
Expenses attributable to natural resources development without positive outcome, which were charged to non-operating expenses of the current period .....	430	-	-		

FINANCIAL INVESTMENTS					
Narrative		Long-term		Short-term	
		at beginning of	at end of reporting	at beginning of	at end of reporting
		reporting year	period	reporting year	period
		3	4	5	6
Investments in share capital					
of other entities - total	510	32 144	59 281	-	-
including subsidiaries	511	32 108	32 108	-	-
State and municipal securities	515	-	-	-	-
Securities of other entities	520	-	-	265 292	135 001
including debt securities (debentures, promissory notes)	521	-	-	265 292	135 001
Loans granted	525	-	-	-	23 000
Deposits	530	-	-	35 543 280	30 832 543
Other	535	-	-	-	-
Total	540	32 144	59 281	35 808 572	30 990 544
Financial investments at current market value from total					
Investments in share capital					
of other entities - total	550	-	27 137	-	-
including subsidiaries	551	-	-	-	-
State and municipal securities	555	-	-	-	-
Securities of other entities	560	-	-	-	-
including debt securities (debentures, promissory notes)	561	-	-	-	-
Other	565	-	-	-	-
Total	570	-	27 137	-	-
REFERENCE					
Change in value due to measurement adjustments of financial					
investments at current market value					
Difference between acquisition cost and par value of					
debt securities is charged to financial results					
of the current period					
	580	-	(62 027)	-	-
	590	-	-	-	-

ACCOUNT RECEIVABLE AND ACCOUNTS PAYABLE			
Narrative			
		At beginning of	At end of reporting
		reporting year	year
		3	4
Accounts receivable:			
Short-Term	610	1 491 950	3 965 223
including:			
receivables from customers and clients	611	452 856	1 021 375
advances given	612	775 779	1 784 518
other	613	263 315	1 159 330
Long-Term	620	7 673 818	16 770 201
including:			
receivables from customers and clients	621	2 079	2 425
advances given	622	7 668 647	16 763 862
other	623	3 092	3 914
Total	630	9 165 768	20 735 424
Accounts payable			
Short-Term	650	1 777 562	3 781 656
including:			
payables to suppliers and contractors	651	1 054 315	2 189 068
advances received	652	26 700	45 221
tax and duties payments	653	272 215	1 308 124
credits	654	250 230	-
loans	655	-	-
other	656	174 102	239 243
Long-Term	660	992	860
including:			
credits	661	-	-
loans	662	-	-
		-	-
		-	-
Total	670	1 778 554	3 782 516

**EXPENSES INCURRED IN ORDINARY  
(BY COST NATURE)**

Narrative	Line code	For reporting year	For previous year
		3	4
Materials .....	710	26 881 673	22 742 297
Wages and salaries expenses .....	720	2 719 405	2 319 407
Obligatory social payments .....	730	418 142	395 743
Fixed assets depreciation .....	740	1 090 155	1 062 500
Other expenses .....	750	2 091 431	1 846 082
Total by expense type .....	760	33 200 906	28 366 029
Changes in the balance (increase [+], decrease [-]):			
Work in progress .....	765	-	-
Expenses of future periods .....	766	229 296	10 235
Reserves of future expenses .....	767	-	-

**COLLATERAL**

Narrative	Line code	At beginning of reporting year	At end of reporting year
		3	4
Received .....	810	1 027 147	5 124 512
including:			
promissory notes .....	811	-	-
Property in pledge .....	820	-	-
including:			
fixed assets .....	821	-	-
securities and other financial investments .....	822	-	-
other .....	823	-	-
Issued .....	830	6 637 100	16 201 713
including:			
promissory notes .....	831	-	-
Property given for pledge .....	840	-	-
including:			
fixed assets .....	841	-	-
securities and other financial investments .....	842	-	-
other .....	843	-	-

**GOVERNMENT GRANTS**

Narrative	Line code	For reporting period	For the same period of the previous year
		3	4
Budgeting funds received - total .....	910	-	-
including:			
.....	911	-	-
.....		-	-
.....		-	-
.....		-	-
Credits from budget - total .....	920	-	-
including:			
.....	921	-	-
.....		-	-
.....		-	-
.....		-	-

Chief Executive Officer Sablukov Yury Stepanovich Chief Accountant Chiruhin Vladimir Sergeevich  
" " " "

## OPINION

Moscow

April 24, 2009

The Company revision commission that was elected by the General Shareholders meeting of JSC OGC-4 June 6, 2008 in accordance with Article 85, 87 of the Federal Law on joint-stock companies acting on the basis of the Company Charter and Provisions on the revision commission consisting of:

Michael Winfried Christian Wilhelm

Andreas Kolpatzik

Mario Dietmar Mazidowski

Stanislav A. Patrikeev

carried out an audit of JSC OGC-4 Financial and Business Activities as per the results of 2008.

Persons responsible for Financial and Business Activities in the accounting period:

- A.V. Kitashev, General Director of JSC OGC-4 - (from March 4, 2005 to September 15, 2008).

- Acting Director General of JSC OGC-4 - A.N. Zhukovskiy (September 16, 2008 - September 19, 2008);

- Acting Director General of JSC OGC-4 – Yu.Yu.Kalabin (September 20, 2008 - September 30, 2008);

- Director General of JSC OGC-4 – Yu.S. Sablukov (October 01, 2008, up to the present time);

- V.S. Chirukhin Chief Accountant of JSC OGC-4 - (from 02.10.2006 till now).

The audit was carried out in the period from January 12, 2009 till March 31, 2009 in accordance with the resolution of the revision commission (Minutes No.1 dated August 15, 2008). revision commission members decided to include facts given in reports on audits performed by JSC OGC-4 internal audit department in 2008 into the Audit Certificate.

The audit was carried out by sampling method on consent and with participation of the Officers responsible for Financial and Business activities of JSC OGC-4 involving the specialists of the Company Headquarters.

The audit showed that:

2008 the revenue amounted to RUR37,892 Mio., including electricity sales – RUR36,921 Mio., heat sales - RUR777 Mio., other services', works' sales – RUR194 Mio. Production cost made up RUR33,201 Mio., incl., material costs – RUR26,882 Mio., personnel costs – RUR2,719 Mio., social contributions – RUR418 Mio., depreciation – RUR1090 Mio.

Income from sales amounted to RUR4,691 Mio. interests receivable made up RUR2,375 Mio., net income made up RUR6,045 Mio.

Emergencies – January 4, 2008, Surgutskaya GRES-2 800MW unit 6 was shut down due to partial roof collapse. Damage to the equipment occurred as a result.

Emergency consequences elimination costs made up RUR411.271 Mio. RUR269 Mio. had been indemnified under insurance.

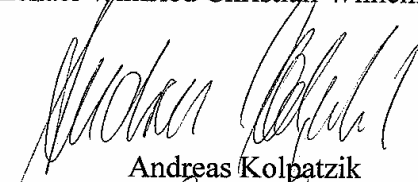
Based on the performed audit and considering Company's auditor opinion (the opinion of ZAO PricewaterhouseCoopers Audit dated March 5, 2009) the revision commission of the Company has the sufficient ground to verify the accuracy of the data in the Company's annual report and annual financial statements of the Company

JSC OGK-4 Revision  
Commission Chairman

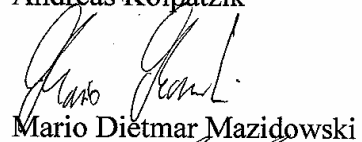


Michael Winfried Christian Wilhelm

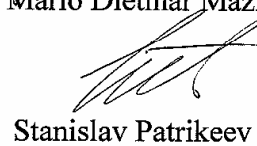
Members of the revision commission:



Andreas Kolpatzik



Mario Dietmar Mazidowski



Stanislav Patrikeev

**Information about adherence to the Corporate Governance Code.**

N	<b>Regulation of the Corporate Governance Code</b>	<b>Observed/ Partially observed/ Not observed/ Not applicable</b>	<b>Note</b>
<b><i>General Meeting of Shareholders</i></b>			
1.	Notice of the General Meeting of Shareholders shall be given not later than 30 days prior to the date of its Meeting regardless of the issues on its Agenda, unless otherwise provided by the applicable law	Observed	As per paragraph 11.3 of the Charter of the Company.
2.	The Shareholders shall be enabled to familiarize themselves with the list of persons authorized to participate in the General Meeting of Shareholders, from the date of the notice related to holding the General Meeting of Shareholders to the date of closing the General Meeting of Shareholders with voting in presence, and to the last date for submitting voting ballots in the event of the General Meeting of Shareholders with absentee voting	Observed	The list of persons authorized to participate in the General Meeting of Shareholders shall be presented by the Company for familiarization upon request of the persons included in this list and owning at least 1 percent of votes.
3.	The Shareholders shall have an opportunity to familiarize themselves with the information (materials) to be submitted when preparing for the General Meeting of Shareholders, by electronic telecommunications, including by Internet	Observed	The materials to the General Meeting of Shareholders are posted on the Website of the Company: <a href="http://www.ogk-4.ru">www.ogk-4.ru</a> , in the section "Investor Relations – Shareholder Information – Materials to the General Meetings of Shareholders".
4.	The Shareholder shall have an opportunity to propose agenda items at the General Meeting of Shareholders, or call for the General Meeting of Shareholders without submitting an extract from the Shareholder Register, if his/her share rights are recorded in accordance with the Shareholder Register's maintenance procedure; in the event that his/her share rights are recorded to the custody account, a statement of the custody account shall be sufficient for the above rights to be exercised	Observed	The Charter and the internal documents of the Company do not contain the requirement pertaining to proposal of agenda items to the General Meeting of Shareholders or calling for the General Meeting of Shareholders.

5.	The Charter or internal documents of the Company shall specify the requirement that the General Director, members of the Management Board, members of the Board of Directors, members of the Auditing Commission and the External Auditor attend the General Meeting of Shareholders on a mandatory basis	Partially observed	The Charter or internal documents of the Company do not contain the requirement that the General Director, members of the Management Board, members of the Board of Directors, members of the Auditing Commission and the External Auditor attend the General Meeting of Shareholders on a mandatory basis. However, the Chairman of the Board of Directors, some members of the Board of Directors, the General Director, members of the Management Board and the Chairman of the Auditing Commission as a rule attend General Meetings of Shareholders.
6.	The candidates shall be required to attend the General Meeting of Shareholders when the agenda includes items on electing members of the Board of Directors, General Director, members of the Management Board, members of the Auditing Commission, and approval of the External Auditor	Partially observed	The Charter and the internal documents of the Company do not contain requirements that they attend the General Meeting of Shareholders on a mandatory basis, however generally some candidates attend the General Meeting of Shareholders.
7.	The internal documents of the Company shall provide for the registration procedure for the participants of the General Meeting of Shareholders	Observed	The registration procedure for the participants of the General Meeting of Shareholders is set forth in paragraph 6.1, Article 6 of the Regulations for Procedure of Holding the General Meeting of Shareholders.
<b>Board of Directors</b>			
8.	The Charter shall specify the powers of the Board of Directors to approve the annual financial and business plan of the Company	Observed	As per subparagraphs 28, 29, paragraph 12.1, Article 12 of the Charter of the Company.
9.	The Board of Directors of the Company shall approve risk management procedures	Not observed	In 2008 the Company did not have any risk management procedures approved by the Board of Directors. However, on April 23, 2009 the Board of Directors of the Company approved the Regulation on Corporate Risk Management System of the Company.
10.	The Charter shall provide the right for the Board of Directors to suspend the powers of the Director General, who is appointed by the General Meeting of Shareholders	N/A	As per subparagraph 15, paragraph 12.1, Article 12 of the Charter, the Board of Directors of the Company is entitled to appoint and suspend the powers of the General Director.
11.	The Charter shall provide the right for the Board of Directors to set requirements for the qualification and amount of remuneration of the General Director, members of the Management Board, heads of the major divisions of the Company	Partially observed	As per subparagraphs 15, 16, paragraph 12.1, Article 12 of the Charter of the Company, the Board of Directors is entitled to appoint the General Director, determine the number of members on the Management Board and appoint members of the Management Board, approve the amount of remuneration, set forth the rights and obligations of the General Director and members of the Management Board in compliance with their employment contracts.

			The General Director of the Company sets the requirements for the qualification and amount of remuneration of the heads of the major divisions of the Company.
12.	The Charter of the Company shall provide the right for the Board of Directors to approve the terms of the agreements with the General Director and the Board of Directors	Observed	As per subparagraphs 15 and 16, paragraph 12.1, Article 12 of the Charter of the Company, the Board of Directors is entitled to approve the provisions of the employment contract with the General Director and the members of the Management Board of the Company.
13.	The Charter or internal documents of the Company shall require when approving the terms of employment contracts with the General Director (managing organization, manager) and the members of the Management Board, the votes of the Board of Directors, who are General Director and members of the Management Board are not counted	Not observed	The Charter or the internal documents of the Company do not set forth such requirement.
14.	The Board of Directors shall include at least three independent directors who act in compliance with the Regulation of the Corporate Code of Conduct	Observed	The Board of Directors includes 9 independent directors.
15.	The Board of Directors of the Company shall not have persons who were found guilty of economic crimes	Observed	The Board of Directors of the Company does not have such persons.
16.	The Board of Directors of the Company shall not include persons who may be members, general director (manager), members of the management board or employees of a corporate entity that may compete with the Company	Not observed	The Board of Directors of the Company includes persons who are members of the management boards of corporate entities that compete with the Company.
17.	The Charter of the Company shall require that the Board of Directors be elected by means of cumulative voting	Observed	As per paragraph 10.8, Article 10 of the Charter of the Company.
18.	The internal documents of the Company shall include responsibilities of the members of the Board of Directors to refrain from any actions that may lead or may implicitly lead to any conflict of their interests with the Company's interests; and in the event of emergence of such conflict, shall be liable to disclose the information on such conflict to the Board of Directors	Observed	As per paragraph 3.3, Article 3 of the Regulation for the Board of Directors of OGK-4. As per paragraph 4.1.6, Article 4 of the Corporate Governance Code.
19.	The internal documents of the Company shall specify the	Partially observed	As per paragraph 4.1, Article 4 of the Regulation for Inside Information, that was

	responsibility for the members of the Board of Directors to notify the Board of Directors in writing of their intention to enter into any transactions with securities of the Company, which Board of Directors' members they are or its affiliates (dependent) companies; as well as to disclose information on any transactions entered into by them with such securities		in force in the Company till 18.12.2008. On 18.12.2008 a new version of the Regulation for Inside Information came into force in the Company, which does not set forth a requirement for the members of the Board of Directors to notify the Board of Directors in writing of their intention to enter into any transactions with securities of the Company, which Board of Directors' members they are or its affiliates (dependent) companies; as well as to disclose information on any transactions entered into by them with such securities.
20.	The internal documents of the Company shall require that the Meeting of the Board of Directors be held at least once in six weeks' time	Not observed	Paragraph 15.2, Article 15 of the Charter provides for the meetings of the Board of Directors to be held as and when necessary but at least once in six weeks' time. In practice, the meetings of the Board of Directors are held more frequently than once in six weeks' time.
21.	The meetings of the Board of Directors of the Company shall be held during the year when the annual report of the Company shall be made with intervals at least once in six weeks' time	Observed	In 2008, 23 meetings of the Board of Directors were held with a frequency more than once in six weeks' time.
22.	The internal documents of the Company shall include the procedure of holding meetings of the Board of Directors	Observed	Articles 7, 8 of the Regulation for the Board of Directors of OGC-4.
23.	The internal documents of the Company shall set forth the provision that the Board of Directors approves the transactions entered into by the Company in the amount equal to and in excess of, 10% of the total value of the Company's assets except for the transactions made in connection with its routine business operations	Partially observed	The internal documents of the Company do not set forth the provision that the Board of Directors approves the transactions entered into by the Company in the amount equal to and in excess of, 10% of the total value of the Company's assets. However, as per subparagraph 34, paragraph 12.1 of the Charter and according to the resolutions of the Board of Directors of the Company dated 18.07.2008 and 18.12.2008, the financial thresholds applied for approval of transactions by the Board of Directors of the Company were set forth at a level considerably lower than 10% of the total value of the Company's assets.
24.	The internal documents of the Company shall entitle the members of the Board of Directors to receive from the executive bodies and heads of the major divisions of the Company any information requisite for the performance of their functions and shall specify their liabilities for failure to present such information	Partially observed	As per paragraph 3.1, Article 3 of the Regulation for the Board of Directors of OGC-4. The internal documents of the Company do not contain the liability for failure to present such information. In practice, the information is presented to the members of the Board of Directors.
25.	The Board of Directors shall establish the Committee for Strategic Planning or assign the	Not observed	The Company does not have a Committee with such functions.

	functions of such committee to another committee (except for the Audit Committee and the Human Resources and Remuneration Committee)		
26.	The Board of Directors shall establish the Audit Committee that recommends the External Auditor to the Board of Directors and cooperates with him/her and the Auditing Commission of the Company	Observed	The Audit Committee under the Board of Directors of the Company that recommends the External Auditor to the Board of Directors and cooperates with him/her and the Auditing Commission of the Company was established pursuant to the resolution of the Board of Directors dated 31.03.2008 (Minutes No.86).
27.	The Audit Committee shall consist of only independent and non-executive directors	Observed	The Audit Committee consists of only independent and non-executive directors.
28.	The management of the Committee for Internal Audit shall be carried out by an independent director	Observed	The Chairman of the Audit Committee is an independent director - A. Bikov.
29.	The internal documents of the Company shall set forth the access for all the members of the Audit Committee to any documents and information of the Company provided their confidentiality is preserved	Observed	As per paragraph 1, Article 6 of the Regulation for the Audit Committee under the Board of Directors of OGK-4.
30.	The Board of Directors shall form the Human Resources and Remuneration Committee, which function is to determine criteria for selection of nominees to the members of the Board of Directors and to determine the Company's remuneration policy	Partially observed	The Human Resources and Remuneration Committee under the Board of Directors of OGK-4 was established pursuant to the resolution of the Board of Directors of the Company dated 14.04.2008. Its functions do not include determination of criteria for selection of nominees to the members of the Board of Directors and determination of the Company's remuneration policy.
31.	An independent director shall manage the Human Resources and Remuneration Committee	Observed	The Chairman of the Human Resources and Remuneration Committee is an independent director – Sebastian Eisenberg.
32.	The Human Resources and Remuneration Committee of the Company shall not include officers of the Company	Observed	The Human Resources and Remuneration Committee of the Company does not include officers of the Company.
33.	The Board of Directors shall form the Risk Management Committee or assign its functions to another committee (except for the Audit Committee and the Human Resources and Remuneration Committee)	Not observed	In 2008 the Company did not have a Risk Management Committee under the Board of Directors. However, the Company projects to establish the Finance and Risk Management Committee in the second quarter of 2009.
34.	The Board of Directors shall form the Corporate Conflicts Resolution Committee or assign its functions to another committee (except for the Audit Committee and the Human Resources and Remuneration Committee)	Not observed	The Company does not have the Corporate Conflicts Resolution Committee under the Board of Directors.

35.	The Corporate Conflicts Resolution Committee shall not include officers of the Company	N/A	The Company does not have the Corporate Conflicts Resolution Committee under the Board of Directors.
36.	An independent director shall manage the Corporate Conflicts Resolution Committee	N/A	The Company does not have the Corporate Conflicts Resolution Committee under the Board of Directors.
37.	The internal documents of the Company approved by the Board of Directors that set forth the procedure of formation and activities of the Committees under the Board of Directors	Observed	The Board of Directors approved The Regulation for the Audit Committee, the Regulation for the Human Resources and Remuneration Committee, the Regulation for the Reliability Committee under the Board of Directors of the Company.
38.	The Charter of the Company shall specify the procedure how to determine a quorum of the Board of Directors that allows providing a mandatory participation of independent directors in the meetings of the Board of Directors	Not observed	The Charter of the Company does not set forth a requirement for a mandatory participation of independent directors to determine a quorum.
<b>Executive Bodies</b>			
39.	A collective executive body of the Company (the Board of Management) shall be established	Observed	Paragraph 17.1, Article 17 of the Charter of the Company.
40.	The Charter or internal documents of the Company shall set forth the provisions that the Management Board of the Company approves transactions involving real estate and loans received by the Company, in the event that such transactions are not material transactions and their settlement is not related to the routine business operations of the Company	Observed	Subparagraph 6, paragraph 18.2, Article 18 of the Charter of the Company.
41.	The internal documents of the Company shall specify the procedure how to coordinate the operations that are beyond the scope of the financial and economic plan of the Company	Observed	As per subparagraph 7, paragraph 18.2, Article 18 of the Charter of the Company and as per subparagraph 35, paragraph 12.1, Article 12 of the Charter of the Company, the operations of the Company that are beyond the scope of the budget (separate items of the budget) require approval of the Board of Directors (if they exceed by more than 10% or EUR 10,000,000) or of the Management Board (if they exceed by more than 5% or EUR 5,000,000).
42.	The Board of Directors of the Company shall not include persons who may be members, general director (manager), members of the management board or employees of a corporate entity that may compete with the Company	Observed	The Executive Bodies of the Company does not include such persons.
43.	The executive bodies of the Company shall not employ persons who were found guilty of economic crimes, crimes against the	Observed	The Board of Directors of the Company does not include such persons.

	government, public bodies or bodies of local self-government or the persons who have a record of administrative offences in the areas of entrepreneurial operations, finance, taxes and duties, and security market. If the functions of the sole executive body are performed by a managing organization, manager, the General Director and the members of the management board of the managing organization or manager shall comply with the requirements set forth for the General Director and members of the management Board of the Company		
44.	The Charter or internal documents of the Company shall contain the veto for a managing organization (manager) to perform similar functions in a competing company, and to have any property relations with the Company other than rendering services to a managing organization (manager)	Not observed	The Charter and the internal documents of the Company do not set such veto.
45.	The internal documents of the Company shall set forth the responsibility for the executive bodies to refrain from any actions that will result or may implicitly lead to a conflict between their interests and the interests of the Company; and should any such conflict arise, they shall accordingly notify the Board of Directors	Observed	Subparagraph 4, paragraph 4.1.6 and subparagraph 2 paragraph 4.2.7 of the Corporate Governance Code of OGK-4.
46.	The Charter or internal documents of the Company shall contain the criteria for selection of a managing organization (manager)	Not observed	The Charter or internal documents of the Company do not contain the criteria for selection of a managing organization (manager).
47.	The executive bodies of the Company shall submit monthly reports on their activities to the Board of Directors	Observed	Subparagraph 28, paragraph 12.1, Article 12 of the Charter of the Company.
48.	The employment contracts between the Company and the General Director (managing organization, manager) and the members of the Management Board shall specify responsibility for violation of provisions related to the use of confidential and inside information	Partially observed	The contracts do not contain such requirement. The norm was set forth in paragraph 5.1 of the Regulation for Inside Information of OGK-4, which was in force in the Company till 18.12.2008. On 18.12.2008 the Company adopted a new version of the Regulation for Inside Information. Paragraph 6.1, Article 6 of the Regulation for Inside Information provides for such responsibility.

**Corporate Secretary**

49.	The Company shall have a special officer (Secretary of the Company), whose objective should be to ensure that corporate bodies and officers of the Company comply with procedural requirements safeguarding the rights and interests of the Company's shareholders	Observed	As per paragraph 2.1, Article 2 of the Regulation for the Secretary and the Secretariat of the Board of Directors of OGK-4.
50.	The procedure for appointment (election) of the Secretary and his/her responsibilities shall be set forth in the Charter or the internal documents of the Company	Observed	Article 4 of the Regulation for the Board of Directors of OGK-4, Article 3 of the Regulation for the Secretary and the Secretariat of OGK-4, Article 5 of the Regulation for the Management Board of OGK-4.
51.	The requirements for the nomination of the Secretary of the Company shall be set forth in the Charter of the Company	Partially observed	The Charter of the Company does not contain such requirements. Paragraph 3.3, Article 3 of the Regulation for the Secretary and the Secretariat of OGK-4 sets forth the norm.
<b>Major Corporate Actions</b>			
52.	The Charter or the internal documents of the Company shall contain requirements that material transactions be approved prior to their consummation	Observed	Subparagraph 31, paragraph 12.1, Article 12 of the Charter of the Company.
53.	An independent assessor shall be employed to determine the current market value of the property, which is the object of a material transaction	Not observed	The Charter and/or the internal documents of the Company do not set forth such norm.
54.	The Charter of the Company shall have the veto to take any actions when purchasing (taking over) large percentage of shares of the Company aimed at protecting the interests of the executive bodies (members of such bodies) and members of the Board of Directors of the Company, and which may result in weakening the position of Shareholders compared to their current position (specifically, the Board of Directors shall have to refrain, pending the expiration of the shares acquisition period from making a decision to issue additional shares, securities convertible to shares or securities that entitle to purchase the Company's shares, even if such decision-making is authorized by the Charter)	Not observed	The Charter of the Company does not contain such requirements. The limits are set forth by Federal Law No. 208-ФЗ On joint stock companies dated 26.12.1995.
55.	The Charter of the Company shall have a requirement to employ the services of an independent assessor to determine the current market value of the Company's shares and how their market value may be affected by the take-over	Not observed	The Charter of the Company does not set forth such requirements. The shares of the Company since July 2006 are traded at the major stock exchanges of the Russian Federation: NP RTS, RTS Stock Exchange, MICEX Stock Exchange, at which their current market value is determined.

56.	The Charter shall not relieve the purchaser of the responsibility to offer the shareholders to sell their ordinary shares of the Company (issue-grade securities convertible into ordinary shares) at take-over	Observed	The Charter of the Company does not set forth such relief.
57.	The Charter or the internal documents of the Company shall contain the requirement to employ an independent assessor to determine the conversion ratio of shares at the reorganization	Not observed	The Charter or the internal documents of the Company do not contain the requirement to employ an independent assessor.
<b>Information Disclosure</b>			
58.	The Board of Directors shall approve the internal document that determines the Company's approach and rules towards disclosing information (Regulations for Information Policy)	Observed	The Regulations for Information Policy was approved by the resolution of the Board of Directors dated 23.10.2006.
59.	The internal documents of the Company shall contain the requirements for disclosure of information with regard to the goals of shares' distribution, the persons purchasing new shares, including those who intend to purchase a large percentage of shares, including the information whether the high ranking officers of the Company may purchase new shares of the Company	Not observed	The internal documents of the Company do not set forth such requirement.
60.	The internal documents of the Company contain the list of information, documents and materials that the shareholders shall be provided with, to resolve the issues submitted to the General Meeting of Shareholders	Partially observed	As per paragraph 4.7, Article 4 of the Regulation for Procedure of Holding the General Meeting of Shareholders, the procedure of familiarization with the information (materials) of the agenda items of the General Meeting of Shareholders and the list of the information (materials) shall be set forth by the resolution of the Board of Directors. Materials to the General Meetings of Shareholders are posted on the Website of the Company ( <a href="http://www.ogk-4.ru">www.ogk-4.ru</a> ).
61.	The Company shall have its own Website on the Internet and shall disclose information on a regular basis about the Company on such Website	Observed	The Website: <a href="http://www.ogk-4.ru">www.ogk-4.ru</a>
62.	The internal documents of the Company shall contain requirements to disclose information about the Company's transactions entered into with the persons belonging to the high ranking officers of the Company as per the Charter, including the information about the Company's transactions entered into with the organizations, where the Company's high ranking officers	Observed	Paragraph 5.2.8.2, paragraph 5.2.8.3, paragraph 5.2.10 of the Regulation for Information Policy of the Company.

	own 20 percent or more of the Authorized Capital of the Company, or the organizations that may be essentially influenced by such persons		
63.	The internal documents of the Company shall contain requirements for disclosure of information on all the transactions that may affect the market value of the Company's shares	Observed	Paragraph 5.1, Article 5 of the Regulation for Information Policy of the Company.
64.	The Board of Directors shall approve an internal document regulating the use of essential information about the activities of the Company, shares and other securities of the Company, transactions entered into with them; the information which may not be made public and which disclosure may exercise essential influence on the market value of shares and other securities of the Company	Observed	In 2008, the Regulation for Inside Information approved by the Board of Directors dated 04.10.2005 was in force in the Company. On 18.12.2008 the Company adopted a new version of the Regulation for Inside Information.
<b><i>Supervision of Financial and Business Operations</i></b>			
65.	The Board of Directors shall provide the system of internal control procedures of financial and business operations of the Company	Observed	The procedure of internal control is conducted subject to the Regulation for Internal Audit Department and Regulation for Internal Control approved by the Board of Directors dated 26.06.2007 (Minutes No.62).
66.	The Company shall create a special body to ensure observance of the internal control procedures (the Audit Commission)	Observed	In 2008, the Internal Audit Department, established in 2005, ensured observance of the internal control procedures. Pursuant to the resolution of the Board of Directors dated 27.10.2008 (Minutes No. 101) the Company established Risk and Internal Control Department, to which the functions of risk assessment and internal control of financial and business activities of the Company were transferred. The Internal Audit Department was liquidated on 01.01.2009.
67.	The internal documents of the Company approved by the Board of Directors shall provide requirements with regard to the structure and composition of the control and audit service of the Company	Not observed	The internal documents of the Company do not set forth such requirement.
68.	The audit and control service shall not have persons who were found guilty of economic crimes, crimes against the government, public bodies or bodies of local self-government or the persons who have a record of administrative offences in the areas of entrepreneurial operations, finance, taxes and duties, and	Observed	The Company does not have any information on any administrative penalties imposed on the employees of the audit and control service and their guilt in economic crimes, crimes against the government, public bodies or bodies of local self-government or any record of their administrative offences in the areas of entrepreneurial operations, finance, taxes and duties, and security market.

	security market		
69.	The persons who participate in the executive bodies of the Company, or the persons who are its members, the General Director (manager), members of the governing bodies or officers of other legal entities competing with the Company shall not be employees of the audit and control service	Observed	There are no such persons.
70.	The internal documents of the Company shall specify the date of presentation of documents and materials for evaluation of the financial and business operations and the responsibility of the officials and employees of the Company for failure to present same within the specified period	Observed	As per paragraphs 6.4 and 6.6, Article 6 of the Regulation for the Audit Committee.
71.	The internal documents of the Company shall specify responsibilities of the control and audit service to provide the Audit Committee with information on revealed violations; and in the event when it is absent, to present such information to the Board of Directors of the Company	Not observed	The internal documents of the Company do not set forth such requirement.
72.	The Charter of the Company shall set forth the requirement for preliminary evaluation by the control and audit service of the expediency to carry out operations falling outside the scope of the financial and business plan of the Company (non-standard operations)	Not observed	The Charter of the Company does not set forth such requirement.
73.	The internal documents of the Company shall set forth the coordination procedure approved by the Board of Directors for carrying-out non-standard operations	Not observed	The internal documents of the Company do not set forth the procedure of coordination of non-standard operations with the Board of Directors; however, submission of some non-standard operations for consideration of the Board of Directors is possible in compliance with a number of specific powers of the Board of Directors of the Company fixed in the Charter.
74.	The Board of Directors shall approve the internal document that specifies the procedure of conducting audits of the financial and business activities of the Company by the Audit Commission	Observed	The Regulation on the Audit Commission of OGK-4 (paragraph 5, Procedure of Conducting Audits).
75.	The Audit Committee shall evaluate the audit report prior to	Observed	per paragraph 1, Article 4 of the Regulation on the Audit Committee.

	its submission to the General Meeting of Shareholders		
<b><i>Dividends</i></b>			
76.	The Board of Directors shall approve the internal document so as to govern its policy in deciding amount of dividends (the Regulation on Dividend Policy)	Not observed	The Company does not have the internal document so as to govern its policy in deciding amount of dividends.
77.	The Regulation on Dividend Policy shall provide procedures for determining the minimal portion of net profit of the Company directed towards the payment of dividends, and circumstances under which dividends are not paid or paid only partially on preference shares, with respect to which the amount of dividends is specified by the Charter of the Company	N/A	The recommendations pertaining to the payment of dividends on preference shares are not applicable to the Company due to the absence of this class of shares in the Company.
78.	The information on the Company's dividend policy and all amendments to it shall be published in a periodical publication, authorized by the Charter of the Company to announce the holding of the General Meeting of Shareholders as well as allocation of such information on the Company's Website on the Internet	Not observed	The Company does not have a Regulation on Dividend Policy.

**List of Transactions with Interested Parties  
Approved by the Board of Directors of OGK-4 in 2008**

**Board of Directors meeting dated 05.03.2008 (Minutes No.85)**

1. Contract No. 2007.111.098 between OGK-4 and the Engineering Centre UES, which is an interested party transaction.
2. The service contract between OGK-4 and Mosenergosbyt, which is an interested party transaction.
3. The service contract (for instrumentation inspection and calibration) between OGK-4 and TGK-9, which is an interested party transaction.
4. The contract (for supply of special food) between OGK-4 and TGK-9, which is an interested party transaction.
5. The contract (for lubricating oil analysis in the laboratory) between OGK-4 and TGK-9, which is an interested party transaction.
6. The supplementary agreement to Contract No. 84-01/65 for hot water supply dated 05.07.2006 between OGK-4 and TGK-10, which is an interested party transaction.
7. The supplementary agreement to Contract No. 125 for electric power sale dated 01.12.2005 between OGK-4 and Tyumen Power Sales Company, which is an interested party transaction.
8. Contract No. 2008.107.011 dated 30.01.2008 between OGK-4 and the Engineering Center UES, which is an interested party transaction.
9. Supply contract No. 358 between OGK-4 and Tyumenenergoremont, which is an interested party transaction.
10. The contract between OGK-4 and the Urals Power Engineering Center, which is an interested party transaction.
11. The contract for delivery of standard specifications between OGK-4 and the Engineering Center UES, which is an interested party transaction.
12. The contract for hot water supply between OGK-4 and Smolenskenergo, which is an interested party transaction.
13. The supplementary agreement to Contract No. 730 for electric power sale dated 01.12.2007 between OGK-4 and Smolenskenergo, which is an interested party transaction.
14. The contract for heat supply between OGK-4 and UTSK, which is an interested party transaction.
15. The supplementary agreement for changing a party to Contract No. 84-01/65 for hot water supply dated 05.07.2006 between OGK-4 and TGK-10, which is an interested party transaction.
16. Contract No. 04/08-Л-201 between OGK-4 and Krzhizhanovsky Power Engineering Institute (ENIN), which is an interested party transaction.
17. The contract for milk purchase between OGK-4 and Mosenergo, which is an interested party transaction.
18. Contract No. 10102012 for power supply dated 01.12.2007 between OGK-4 and Mosenergosbyt, which is an interested party transaction.
19. Contract No. 10102112 for power supply dated 01.12.2007 between OGK-4 and Mosenergosbyt, which is an interested party transaction.
20. The service contract between OGK-4 and Mosenergo, which is an interested party transaction.
21. The contract between OGK-4 and the Urals Power Engineering Center, which is an interested party transaction.
22. The contract for transportation services, provision of special-purpose vehicles and machines between OGK-4 and Permenergotrans, which is an interested party transaction.
23. The service contract between OGK-4 and TGK-9, which is an interested party transaction.
24. Service contract No. 377 between OGK-4 and the company, "Construction Works in the Energy Industry", which is an interested party transaction.
25. Service contract No. 30-08/П envisaging supply of materials by the Contractor between OGK-4 and Tyumenenergoremont, which is an interested party transaction.
26. The contract for performance of works between OGK-4 and the Engineering Centre UES, which is an interested party transaction.
27. Service contract No. 378 envisaging supply of materials by the Contractor between OGK-4 and the company, "Construction Works in the Energy Industry", which is an interested party transaction.
28. Service contract No. 359 between OGK-4 and Tyumenenergoremont, which is an interested party transaction.
29. The contract for transportation services, provision of special-purpose vehicles between OGK-4 and Avtotransenergo, which is an interested party transaction.
30. The supplementary agreement to Contract No. OGK4/07/545 dated 01.11.2007 for transportation services, provision of special-purpose vehicles between OGK-4 and Avtotransenergo, which is an interested party transaction.
31. The contract for health service delivery between OGK-4 and Avtotransenergo, which is an interested party transaction.
32. The commercial property lease contract between OGK-4 and Teplosbyt, which is an interested party transaction.
33. The agreement between the companies "Status", CMD, RAO UES of Russia and OGK-4, which is an interested party transaction.

34. The vehicle rental contract between OGK-4 and E.ON Russia Power, which is an interested party transaction.

**Board of Directors meeting dated 31.03.2008 (Minutes No.86)**

35. Contract No. 2008.112.113 between OGK-4 and the Engineering Center UES, which is an interested party transaction.

36. Contract (for performance of work at OGK-4 power plant Yaivinskaya) between OGK-4 and the Engineering Center UES, which is an interested party transaction.

37. Contract No. 2008.112.157 (for performance of work at OGK-4 power plant Shaturskaya) between OGK-4 and the Engineering Center UES, which is an interested party transaction.

38. Contract (for performance of work at OGK-4 power plant Surgutskaya 2) between OGK-4 and the Engineering Center UES, which is an interested party transaction.

39. Contract (for performance of work at OGK-4 power plant Smolenskaya) between OGK-4 and the Engineering Center UES, which is an interested party transaction.

40. Contract (for performance of work at OGK-4 power plant Berezovskaya) between OGK-4 and the Engineering Center UES, which is an interested party transaction.

41. Service contract No. 15c/08 between OGK-4 and Mosenergo, which is an interested party transaction.

42. The contract for conference call arrangement between OGK-4 and Smolenskenergo, which is an interested party transaction.

43. Contract No. 24R19S for construction supervision between OGK-4 and the Engineering Center UES, which is an interested party transaction.

44. The contract between OGK-4 and the Siberian Energy R&D Centre, which is an interested party transaction.

45. The contract between OGK-4 and the All-Russian Thermal Engineering R&D Institute, awarded with two orders of the Red Labor Banner, which is an interested party transaction.

46. The supplementary agreement to Contract No. 34-1-05 dated 01.09.2005 for potable water supply between OGK-4 and Tyumenenergo, which is an interested party transaction.

47. Supplementary Agreement No.1 to Contract No. CK 02-07/Э12/OGK4/07/97 dated 05.03.2007 for opening communication lines between OGK-4 and Smolenskenergo, which is an interested party transaction.

48. Supplementary Agreement No.2 to Contract No. 2006.112.192/OGK-4/06/467 dated 27.12.2006 between OGK-4 and the Engineering center UES, which is an interested party transaction.

49. The work contract between OGK-4 and the Engineering Centre UES, which is an interested party transaction.

50. The contract between OGK-4 (for performance of work at OGK-4 power plant Surgutskaya 2) and the Urals Power Engineering Center, which is an interested party transaction.

51. The supply contract (for nitrogen) between OGK-4 and Tyumenenergoremont, which is an interested party transaction.

52. The supply contract (for control gas mixture) between OGK-4 and Tyumenenergoremont, which is an interested party transaction.

53. Supplementary Agreement No.1 to Contract No. 24R15A/OGK4/06/275 dated 10.10.2006 between OGK-4 and the Engineering center UES, which is an interested party transaction.

54. The supplementary agreement to Contract No. 13 for water supply and drainage dated 01.09.2005 between OGK-4 and Tyumenenergo, which is an interested party transaction.

55. The agreement for information exchange, settlements and verification of net power flow in the delivery points within the accountability area of the company between FSK UES and OGK-4, which is an interested party transaction.

56. The contract for connection to Tyumenenergo grid between OGK-4 and Tyumenenergo, which is an interested party transaction.

57. Supplementary Agreement No.1 for amendment of Contract No. ИО 08-07/Э6/OGK4/07/59 for provision of information support services dated 16.02.2007 between OGK-4 and Smolenskenergo, which is an interested party transaction.

58. The service contract between OGK-4 and E.ON Risk Consulting GmbH, which is an interested party transaction.

**Board of Directors meeting dated 30.04.2008 (Minutes No.89)**

59. The contract between OGK-4 and VTI, which is an interested party transaction.

60. The contract between OGK-4 and the Power Engineering R&D Center, which is an interested party transaction.

61. The service contract (for comprehensive inspection of autotransformer coupling 1AT of АДЦТНГ-20000/220/110 type) between OGK-4 and the Southern Power Engineering Center, which is an interested party transaction.

62. The service contract (for comprehensive inspection of auxiliary transformer 5t of ТДЦ-250000/220 type) between OGK-4 and the Southern Power Engineering Center, which is an interested party transaction.

63. The contract between OGK-4 and Sibtechenergo, which is an interested party transaction.

64. Supplementary Agreement No.1 to Service Contract No. 2008.107.012/OGK-4/08/67 dated 05.03.2008 between OGK-4 and the Engineering Center UES, which is an interested party transaction.
65. The contract between OGK-4 and the Urals Power Engineering Center, which is an interested party transaction.
66. Contract No. 170-08/П for a compressor plant operation between OGK-4 and Tyumenenergoremont, which is an interested party transaction.
67. Supplementary Agreement No. 2 to Contract No.24R15A/OGK4/06/275 dated 10.10.2006 between OGK-4 and the Engineering Center UES, which is an interested party transaction.
68. The contract between OGK-4 and the Southern Power Engineering Center, which is an interested party transaction.
69. Supplementary Agreement No. 1-08 to Service Contract No.378/82-01/65-08 dated 21.01.2008 between OGK-4 and the company, "Construction Works in the Energy Industry", which is an interested party transaction.
70. The contract for joining the trading system of the wholesale market between OGK-4, NP ATS, ATS, SO UES, FSK UES and CFR, which is an interested party transaction.
71. The contract for grid connection between OGK-4 and Moscow United Power Grid Company, which is an interested party transaction.
72. The agreement for regulating relations between the issuers and registrars that participate in the reorganization of RAO UES of Russia, which is an interested party transaction.

**Board of Directors meeting dated 03.06.2008 (Minutes No.90)**

73. The contract between OGK-4 and the Urals Power Engineering Center, which is an interested party transaction.
74. The service contract between OGK-4 and the All-Russian Thermal Engineering R&D Institute, awarded with two orders of the Red Labor Banner (VTI), which is an interested party transaction.
75. The service contract (for certification testing) between OGK-4 and the All-Russian Thermal Engineering R&D Institute, awarded with two orders of the Red Labor Banner (VTI), which is an interested party transaction.
76. Supplementary Agreement No. 1 to Contract No.OGK4/07/60 dated 15.02.2007 between OGK-4 and Permenergotrans, which is an interested party transaction.
77. The contract for construction supervision between OGK-4 and the Southern Power Engineering Center, which is an interested party transaction.
78. Supplementary Agreement No. 1-08 to Service contract No.159-08/П/80-01/65-08 dated 21.01.2008 between OGK-4 and Tyumenenergoremont, which is an interested party transaction.

**Board of Directors meeting dated 05.09.2008 (Minutes No.97)**

79. Agreement for guarantee deposit between E.ON AG and OGK-4, which is an interested party transaction.

**Board of Directors meeting dated 08.12.2008 (Minutes No.103)**

80. The loan contract between OGK-4 and OGK-4 Finance, which is an interested party transaction.

**Board of Directors meeting dated 18.12.2008 (Minutes No.104)**

81. The vehicle sale contract between OGK-4 and E.ON Russia Power, which is an interested party transaction.
82. The contract for providing a housing loan to General Director of OGK-4, Y.S. Sablukov, which is an interested party transaction.

**Board of Directors meeting dated 26.12.2008 (Minutes No.105)**

83. The frame contract for provision of training services between OGK-4 and E.ON AG Academy, which is an interested party transaction.
84. The brokerage contract between OGK-4 and Shatura Managing Company, which is an interested party transaction.

**List of Transactions with Interested Parties  
Approved at the Annual General Meeting of OGK-4 Shareholders in 2008**

**Annual General Meeting of OGK-4 shareholders dated 06.06.2008 (Minutes No.7)**

1. The contract for grid connection between OGK-4 and FSK UES, which is an interested party transaction.