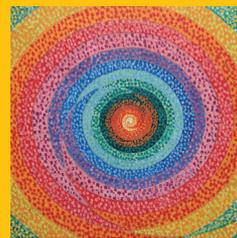
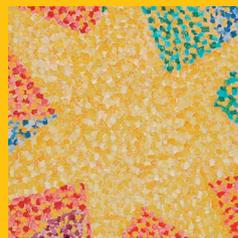
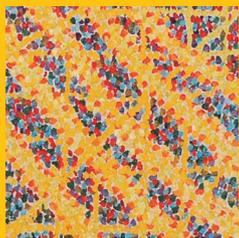


**OGK-4**  
open joint-stock company  
generation  
company  
four of the  
wholesale market of  
power and energy

**ANNUAL REPORT**  
**'06**



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REVENUES\*  
RUR **26,110** MLN

EBITDA\*  
RUR **2,171** MLN

ELECTRICITY OUTPUT  
**51.03** GWh  
+4.2%  
compared to 2005

ELECTRICITY SALES  
**51.30** GWh  
+9.3%  
compared to 2005

**3.90%**  
of Russia's total  
installed generation  
capacity\*\*

**5.15%**  
of Russia's total  
electricity  
production\*\*

**~5,500**  
employees  
in five regions  
of Russia

On 1 July 2006 OGK-4 completed the process of corporate reorganization and comprised five power plants throughout Russia with total installed capacity of 8,630 MW / 2,179 Gcal/h

\* According to audited IFRS financial statements for the year ended 31 December 2006.

\*\* Accounts based on Minpromenergo data.

**Fellow Shareholders,**

We summarize 2006 performance of “Fourth Wholesale Generating Company”. In the past year, the reform of the Russian electricity industry practically came to an end. In general, the formation of competitive and monopoly power sectors’ companies was completed and these companies started full-scale operations as wholesale electricity market participants.

Central to OGK-4 last year’s performance was completion of the planned corporate structure. This task was fulfilled far ahead of schedule – three months earlier than the scheduled deadline. On July 1, 2006, plants managed by OGK-4 ceased operating as separate legal entities and became production branches of the Company. OGK-4 thus became the sole production Company. As a result of the merged entities’ additional issues and conversion of their shares to OGK-4 shares, the Company’s charter capital was increased up to RUR49.1 bln. from RUR8.2 bln. Furthermore, established as a wholly owned subsidiary of RAO UES of Russia, the Company now has minority shareholders including both institutional investors and individuals.

In the past year, the focus was also on improvement of corporate governance. In October 2006, the Code of Corporate Governance was approved. OGK-4 Board of Directors Audit Committee was established with a view to enhancing transparency of the Company activities.

A significant achievement of 2006 was the admission of OGK-4 shares for trading on Russian markets. Trading in the Company’s securities started on the Russian Trading System (RTS) and on the Moscow Interbank Currency Exchange (MICEX). At the end of last year, OGK-4 shares were included in the RTS and MICEX “B” Quotation Lists.

Fruitful works in the field of information technologies should also be noted among OGK-4’s strategically important projects. Last year saw the introduction of the ERP-System based on Microsoft Dynamics AX at the Company’s power plants, with the first modules of the system put in operation by the end of the year.

In the past year, OGK-4 performance demonstrated stable growth. Following 2006 results, the Company’s power plants generated over 51 bln. kWh of electricity. In the last year, nearly all of the Company’s power plants registered record outputs. In the 2006 results, the overall load factor across OGK-4 plants was 67.5% – the best index among Russian wholesale generation companies. In accordance with the audited 2006 statements prepared in accordance with IFRS the Company’s year-end revenues amounted to RUR26,110 bln. and EBITDA reached RUR2,171 mln.

In 2006, the Company’s Investment Program through 2015 was clarified and elaborated. Two investment projects (the construction of generation units at Surgutskaya GRES-2 and Shaturuskaya GRES) were entered into the list of Priority Sites for Generation Facilities Commissioning within the Unified Energy System of Russia – a major event for OGK-4. The Company’s Investment Program is designed to modernize production facilities and overcome the problem of power shortages in the regions where the Company operates. According to the Investment Program, new generating facilities will be commissioned at four of the Company’s plants, and three of them are to locate standard design generating units based on CCGT-400. Specifically, it is projected to construct CCGT-400-based units at Shaturuskaya GRES and Yajvinskaya GRES. Two generation units of this kind are expected to be built at Surgutskaya GRES-2, with an aggregate capacity of 800 MW. Furthermore, the Company has plans to complete the coal-fired steam-power unit with capacity of 800 MW at Berezovskaya GRES. In case of successful implementation of these investment projects within the first Investment Program stage, the Company’s installed capacity would grow by 2,400 MW. New generating facilities construction is to be both equity and debt financed.

In addition to the start of new generating facilities construction under the Investment Program, OGK-4 priorities for 2007 cover improvement of quality and availability of electricity and heat supply to consumers, further strengthening of the Company’s financial and economic position, and development and enhancement of activities on the wholesale electricity market. Among the Company’s key targets are better quality of corporate governance and protection of interests of all groups of OGK-4 shareholders. We believe continued active cooperation between the management and the shareholders with a view to the Company’s growth to be the best way to ensure the successful realization of these plans.

Respectfully Yours,

Chairman of OGK-4 Board of Directors  
**Yuri Makushin**



OGK-4 General Director  
**Andrey Kitashev**





THE COMPANY'S STRATEGY  
IS CLEARLY FOCUSED  
ON LONG-TERM VALUE  
AND ORGANIC GROWTH



## MISSION AND STRATEGY

### MISSION OF THE COMPANY

OGK-4 mission is to ensure reliable electricity and heat supply to consumers, efficient thermal power plant operations in accordance with up-to-date production and management quality standards that take into account interests of all stakeholders to the maximum extent possible.

### STRATEGY

The Company's strategy is focused on creating value both in the short run – by enhancing operating efficiency and maximizing profits from market activities – and in the long run taking into consideration new facilities construction. In view of the continued electricity market deregulation, the Company is oriented at organic growth through construction of new effective facilities. In this regard, the existing assets are considered a source of necessary cash flow generation and an optimum basis for the Company's development.

### STRATEGIC OBJECTIVES

The Company's Investment Program defines key areas of development and envisages, in the first place, implementation of the four top priority investment projects on putting into operation five power units at the existing Company's plants from 2006 to 2010, namely:

#### TOP PRIORITY PROJECTS 2006–2010

- CCGT-400 at Shaturskaya GRES
- 2 CCGT-400 at Surgutskaya GRES-2
- Steam-power-unit-800 at Berezovskaya GRES
- CCGT-400 at Yajvinskaya GRES



## STRATEGIC DEVELOPMENT PRINCIPLES

Improvement and enhancement of the Company's production potential is based on the following principles underlying the Investment Program:

- using the existing platform for development
- commissioning facilities in high electricity consumption growth regions
- utilizing advanced technologies
- ensuring fuel security for new facilities
- initiating synchronized infrastructure development

At the same time, in the context of electricity market deregulation, the Company finds considerable long term potential in:

- enhancing efficiency of and modernizing existing equipment
- optimizing electricity sales
- ensuring fuel security and managing fuel risks
- optimizing costs

## CREATING SHAREHOLDER VALUE

The Company creates shareholder value by combining three critical areas of activity:

- enhancing efficiency of the operating power generation assets
- building new facilities
- improving corporate governance

In this regard, the Company sees opportunities to create added value by optimizing costs, maximizing profits from market activities and effectively managing risks.

### OGK-4 STRATEGIC DEVELOPMENT TARGETS

The Company believes that attaining strategic objectives is possible only through pursuing a number of targets. At the current stage, key targets are:

- ensuring stable power plant operations, reliable and continuous electricity and heat supply deemed as not only a social function, but also an economic efficiency criteria;
- implementing the Investment Program providing for the Company's competitiveness in the new economic environment;
- establishing active presence of OGK-4 both in segments of the existing electricity market and sectors of capacity and system services planned for launch; and
- optimizing the Company's cost structure.

## COMPANY RISKS

Generally, the Company has created an understanding of risks and potential threats it is exposed to in the business and development process. Moreover, the Company understands that clear identification and effective management of the current and potential risks are necessary to successfully perform tasks and attain strategic objectives. Presently, OGK-4 is a subsidiary of RAO UES of Russia. The latter, as a backbone holding of the Russian electricity industry, is undergoing a large-scale reform process. In view of the above, the Company believes industry risks to be its most critical risk. Risks considered by the Company to be major are described below. Meanwhile, there may be other risks that are for the time being unknown to the Company or minor and that may have negative affect on future activities.

The electricity industry reform is associated with a number of risks that may have significant influence on business and performance of electric power companies, including OGK-4. Notably, the Russian wholesale electricity market regulation is continuously changing. As a result, the electricity market structure and relations between market participants are also changing. While most of these risks are systemic and thus beyond the Company's control, OGK-4 is developing an effective risk management system to help identify possible risk situations at very early stages and take adequate measures to reduce such risks.

According to the Company, a major industry risk OGK-4 activities may be exposed to is the risk of delayed electricity market deregulation coupled with the existing tariff policy. Under the current tariff regulation, low tariffs are prescribed for effective facilities of the Company and as a result it cannot

modernize and expand production facilities. At the same time, maximum load in the regulated wholesale market sector substantially limits OGK-4 opportunities to derive profits in competitive market sectors. The Company does not expect serious changes to the state tariff policy and considers early electricity market deregulation to be a solution to the problem. Taking into account that suspended or terminated market deregulation may have significant negative consequences for business and performance, the Company tries to create profits to the maximum extent possible under the present day circumstances. It is committed to enhancing operating efficiency by implementing programs on operating costs reduction and fuel efficiency improvement in order to maintain competitiveness in any market environment.

By the Company's estimate, one more major risk is dependence on gas supplies. Now, when 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 a 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 into, when possible, long-term gas supply agreements with independent suppliers and increasing, as far as possible, their share of the total supplies. Moreover, the Company strives to enhance fuel efficiency and improve fuel consumption indexes at all power plants through equipment modernization; and what's more, the Company's Investment Program provides for commissioning new gas facilities



using advance technologies and having at least 57% efficiency, 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 1980s, with the "oldest" power unit commissioned in 1963. Therefore, like other generation companies in the Russian electricity industry, OGK-4 deals with risks related to significant wear-out. To reduce these risks, the Company plans to modernize the existing generation assets and tool the current fleet with up-to-date generation equipment. The Company has designed and approved the Investment Program envisaging construction of new facilities at the existing electric power plant sites, as well as technical upgrading and reconstruction and repairs programs, which, when implemented, should noticeably increase generation equipment reliability and efficiency.

During the process of Investment Program projects implementation the Company may also encounter risks of a limited network capacity at supplying new capacity into the unified power grid. Such problems result from underdevelopment of the Federal Grid Company (FSK) grid infrastructure. Presently, both OGK-4 and FSK are subsidiaries of RAO UES of Russia, which tries to synchronize construction of new generation facilities and electric power lines. With the proposed restructuring of RAO UES of Russia, the situation becomes very unclear, as there is no new mechanism of interaction between generation and grid companies. Notwithstanding

the fact that risks connected with grid restrictions on new power supply are beyond the Company's control, OGK-4 intends to take part in coordination of grid and generation companies development strategies together with RAO UES of Russia and, by now, have concluded an agreement with FSK ensuring mutual interests to be taken into account at building generation and grid facilities. Meanwhile, the Company understands possible needs to invest in grid facilities construction in order to secure supply of new power to the energy system.

The Company considers one more important group of risks related to seasonal nature of electricity consumption and significant daily fluctuations in demand. With the electricity market liberalization, this group of risks requires special attention of the Company as at certain times there may be risk of inability to sell a sufficient volume of generated electricity in the deregulated sector. However, OGK-4 performance in free market segments after the New Wholesale Electricity and Capacity Market (NOREM) is launched and location of the Company's power plants in the electricity demand growth regions hold out a hope of efficient work in the continued market liberalization environment. The Company tries to anticipate electricity demand fluctuation risks and adheres to the elaborated market tactics providing for efficient response to any changes in the market conditions.

The Company's current and future activities involve other critical risks as well, including risks related to electricity industry regulation, fuel prices, relations between the Company and other market participants; legal risks, inter alia, those connected with joint liability for debts of the

AO-Energos the current Company's power plants spun-off from; national and regional risks; political, financial, market, currency, intra-corporate and other risks that may have adverse affect on OGK-4 performance. The Company strives to identify such risks at very early stages and take adequate measures to reduce and hedge them.





OGK-4 POWER PLANTS  
ENJOY FAVORABLE LOCATION  
IN GROWTH REGIONS OF RUSSIA

## COMPANY OVERVIEW

### GENERAL INFORMATION

“Fourth Wholesale Generating Company” (hereinafter – OGK-4, the Company) was registered on March 4, 2005. The Company was established pursuant to the Decision of its sole founder, the Russian Open Joint-Stock Power and Electricity Company UES of Russia, and in accordance with the Government Decree No.1254-p dated September 9, 2003 defining the structure of wholesale electricity market generation companies.

From September 1, 2005 to June 30, 2006, OGK-4 functioned as the sole executive body (management company) of Surgutskaya GRES-2, Berezovskaya GRES, Shaturinskaya GRES, Smolenskaya GRES

and Yajvinskaya GRES. On July 1, 2006 these companies were reorganized in the form of a merger with and into the Company and, starting from Q3 2006, OGK-4 has been operating as a single production company.

The core business activities of the Company are:

- generation and wholesale of electricity;
- generation, transmission and sale of heat.

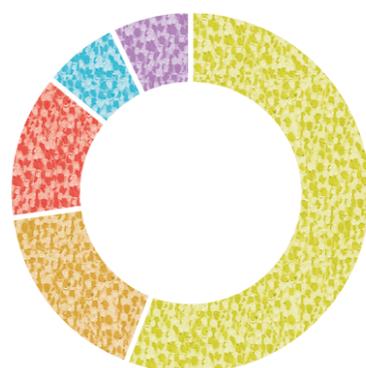
Total installed capacity of OGK-4 power plants is 8,630 MW. The 2006 electricity output amounted to 51,030 mln. kWh.

### OGK-4 Key 2006 Production and Technical Indicators

Power Plant	Commissioning Years	Installed Capacity, MW	Load Factor, %	2006 Electricity Output, mln. kWh
Surgutskaya GRES-2	1985 to 1988	4,800	78.2	32,884.36
Berezovskaya GRES	1987 to 1989	1,500	52.7	6,921.04
Shaturinskaya GRES	1971 to 1982	1,100	49.4	4,762.74
Smolenskaya GRES	1978 to 1985	630	43.3	2,387.79
Yajvinskaya GRES	1963 to 1965	600	77.5	4,074.19
<b>Total</b>		<b>8,630</b>	<b>67.5</b>	<b>51,030.13</b>

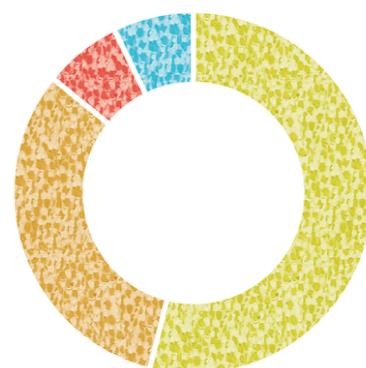


### OGK-4 Capacity Breakdown by Power Plants



- Surgutskaya GRES-2 — 56%
- Berezovskaya GRES — 17%
- Shaturuskaya GRES — 13%
- Smolenskaya GRES — 7%
- Yajvinskaya GRES — 7%

### OGK-4 Capacity Breakdown by Age



- Less than 20 years — 54%
- From 20 to 30 years — 32%
- From 30 to 40 years — 7%
- More than 40 years — 7%

### GEOGRAPHIC LOCATION

Wholesale thermal power generation companies formed in the framework of the Russian power industry reform unite large power plants located in various regions of the country. OGK-4 owns and operates power plants in the Tyumen Region (Surgutskaya GRES-2), the Krasnoyarsk Territory (Berezovskaya GRES), the Moscow Region (Shaturuskaya GRES), the Smolensk Region (Smolenskaya GRES) and the Perm Territory (Yajvinskaya GRES).



Four of the five OGK-4 electric power plants – Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES and Yajvinskaya GRES – are in the leading Russian regions in terms of industrial and economic development, where there is a substantial demand for electricity; in this regard, the Tyumen Region and the Moscow Region have already incurred serious capacity shortages.

OGK-4 electric power plants are within the largest, from the electricity consumption point of view, regions of the Russian Federation having a relatively developed power grid. Over 75% of facilities are in regions with the highest electricity consumption: in particular, in 2006, the Tyumen Region electricity demand growth rates were over 8.5%

and exceeded relevant estimates, the Moscow Region growth rates reached nearly 7%, the Perm Region – 2.9%, the Krasnoyarsk Territory – 5.6%, while the average 2006 electricity consumption growth across Russia amounted to 4.2%. The Company strives to benefit from the favourable power plant geographic locations to the maximum

extent possible by enhancing operating efficiency and strengthening its competitive advantages in the regions where the Company operates. Implementation of OGK-4 Investment Program should facilitate the above as the program envisages construction and commissioning of new generation facilities.

### CALENDAR OF KEY 2006 EVENTS

Date	Event
January 1	All OGK-4 electric power plants became the wholesale electricity market participants and started supplying electricity to the wholesale market
February 28	Extraordinary General Meetings of Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES shareholders. The shareholders approved reorganization in the form of a merger with and into OGK-4
March 17	Execution of a social and economic partnership agreement between OGK-4 and the Krasnoyarsk Territory Administration
March 28	Projects on construction of generating units at Surgutskaya GRES-2 and Shaturuskaya GRES were included in the list of Priority Sites for Generation Facilities Commissioning within the Unified Energy System of Russia
April 21	Annual General Meeting of OGK-4 shareholders
May 17	The Board of Directors of Shaturuskaya GRES later merged with and into OGK-4, adopted the decision to implement the investment project on construction of CCGT-400 at Shaturuskaya GRES
May 22	The Joint General Meeting of OGK-4 and Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES, Yajvinskaya GRES shareholders. In connection with reorganization, the shareholders approved amendments to the constituent documents
June 6	The Board of Directors of Surgutskaya GRES-2, later merged with and into OGK-4, adopted the decision to implement the investment project on construction of CCGT-800 at Surgutskaya GRES-2
July 1	Conversion of the merging entities shares to OGK-4 shares – building of the planned corporate structure was completed
July 1	Consolidated OGK-4 became wholesale electricity market participant
July 12	OGK-4 shares were admitted for trading on the MICEX stock exchange as “shares not included in the list”
July 14	OGK-4 shares were admitted for trading on the RTS stock exchange as “shares not included in the list”



Date	Event
August 31	OGK-4 Board of Directors adopted the decision to implement the investment projects on construction of CCGT-400 at Yajvinskaya GRES and completion of steam-power-unit-800 construction at Berezovskaya GRES
September 1	New wholesale market based on regulated bilateral agreements was launched
October 4	The introduction of OGK-4 ERP system in collaboration with Microsoft and OXS
October 23	The Code of Corporate Governance was approved
November 22	OGK-4 shares were included in the RTS stock exchange "B" Quotation List
November 30	The Board of Directors Audit Committee was established
December 19	OGK-4 shares were included in the MICEX stock exchange "B" Quotation List

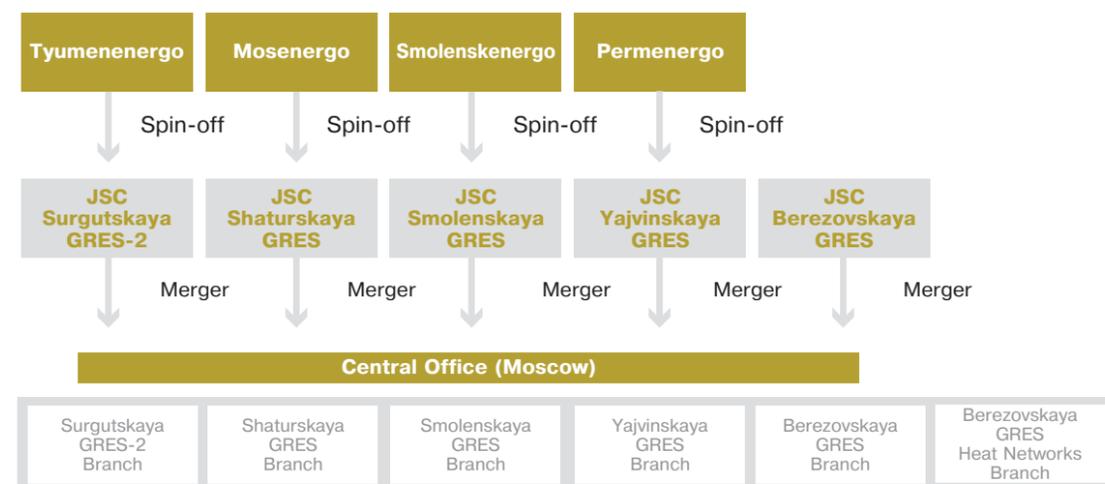
Throughout 2006 the top priority was preparation for implementation of projects covered by OGK-4 Investment Program, which is an integral part of

the corporate development strategy and vital for OGK-4 performance in the coming years.

### REORGANIZATION

The Company was established as a result of the unified strategy of restructuring RAO UES of Russia, the state-owned power corporation. The restructuring is carried out pursuant to enactments on the Russian Federation electricity industry reform,

including Federal Laws, regulations and decrees of the Government, orders of the Ministry of Industry and Energy of the Russian Federation, the Federal Tariff Service (hereinafter – FTS) and resolutions of the Federal Energy Commission (hereinafter – FEC).



Taking into account regulatory framework changes, the restructuring goals and objectives were elaborated in the RAO UES of Russia Strategy Concept for 2005–2008 “5+5”.

Establishment of OGK-4 along with other whole-sale generation companies is an integral part of the Russian electricity industry restructuring. According to the reform strategy, OGKs are key participants of the competitive wholesale electricity market.

OGK-4 structure was defined by the Government Decree No.1254-p, dated September 1, 2003 and comprised the following plants: Surgutskaya GRES-2, Yajvinskaya GRES, Shaturuskaya GRES, Smolenskaya GRES, and Berezovskaya GRES. The decision on the structure of wholesale electricity market generation companies was dictated by the following objectives: “to secure reliable functioning of the electric energy economy, create equal start conditions for electricity generation companies to begin their operations and prevent dominance of certain electricity generation companies on the wholesale electricity market”.

The single production Company was formed on July 1, 2006 as a result of reorganization in the form of a merger with and into OGK-4 of the following legal entities: Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES, and Yajvinskaya GRES.

OGK-4 and merged power plants reorganization process envisaged the need to comply with and fulfill the following corporate procedures:

At the first stage, on August 30, 2005, for the purpose of control over assets of the power plants included in OGK-4 structure, agreements on acting as the sole executive body were made between OGK-4 and every such power plant. Consequently, from September 1, 2005 OGK-4 started exercising its rights and performing its obligations as the sole executive body for Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES, and Yajvinskaya GRES.

The second stage of the single production company formation required that OGK-4 and respective powerplants underwent legal procedures provided for within the reorganization process:

In November 2005, the RAO UES of Russia Board of Directors Valuation Committee considered the issue of market value of OGK-4, Berezovskaya GRES, Surgutskaya GRES-2, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES shares in order to determine share exchange ratio of the power plants' shares to OGK-4 shares.

On December 23, 2005 the RAO UES of Russia Board of Directors adopted the decision on OGK-4 reorganization by merging Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES with and into it, as well as on approval of the Merger Agreement.

The Agreement on the Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES merger with and into OGK-4 was signed on January 12, 2006. The Merger Agreement specified merger terms and conditions, as well as the procedure for conversion of the merging power plants' shares to OGK-4 shares and share conversion ratios for the power plants' shares.

On February 28, 2006 the General Meeting of Shareholders of every legal entity merging with OGK-4 also adopted the decisions on reorganization by merging with and into OGK-4, on approval of the relevant Merger Agreement and Transfer Act.

On March 29, 2006, in accordance with RSFSR Law No.948-1 “On Competition and Restriction of Monopoly Activities on Product Markets” dated March 22, 1991, the Federal Antimonopoly Service granted OGK-4 requests on merging Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES with and into it.



On July 1, 2006, Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Smolenskaya GRES and Yajvinskaya GRES ceased operations as legal entities and were included in OGK-4 structure as the Company's operating branches. At the same time, OGK-4 became the absolute successor of all the merged legal entities' rights and obligations pursuant to the approved Transfer Acts.

Within the reorganization process, the merged power plants' shares were converted to OGK-4 shares. For conversion purposes, shares of

OGK-4 and the merged powerplants were appraised by the "Kosmos" consortium of independent appraisers based on the business valuation method developed by the Deloitte & Touche and approved by the RAO UES of Russia Board of Directors. The share conversion ratios were calculated as the ratio of the market value of each power plant's shares to the market value of OGK-4 shares.

Therefore, share exchange ratios were set as follows (see the Table below):

#### Share Conversion Ratios of the Power Plant's Shares to OGK-4 Shares

Power Plant	Share Type	Nominal Value (RUR)	Market Value (RUR)	Share Exchange Ratio (Number of OGK-4 Shares per 1 Power Plant's Share)	Number of the Power Plant's Shares per 1 OGK-4 Share
Surgutskaya GRES-2	OS	34.68	96.1906	<b>112.0058</b>	0.0089
Berezovskaya GRES	OS	9.97	13.6336	<b>15.8751</b>	0.0630
Shaturskaya GRES	OS	0.07	0.1247	<b>0.145</b>	6.8966
Smolenskaya GRES	OS	3.66	11.2039	<b>13.0460</b>	0.0767
	PS	3.66	10.2605	<b>11.9475</b>	0.0837
Yajvinskaya GRES	OS	12.38	56.0173	<b>65.2274</b>	0.0153
	PS	12.38	51.3006	<b>59.7352</b>	0.0167

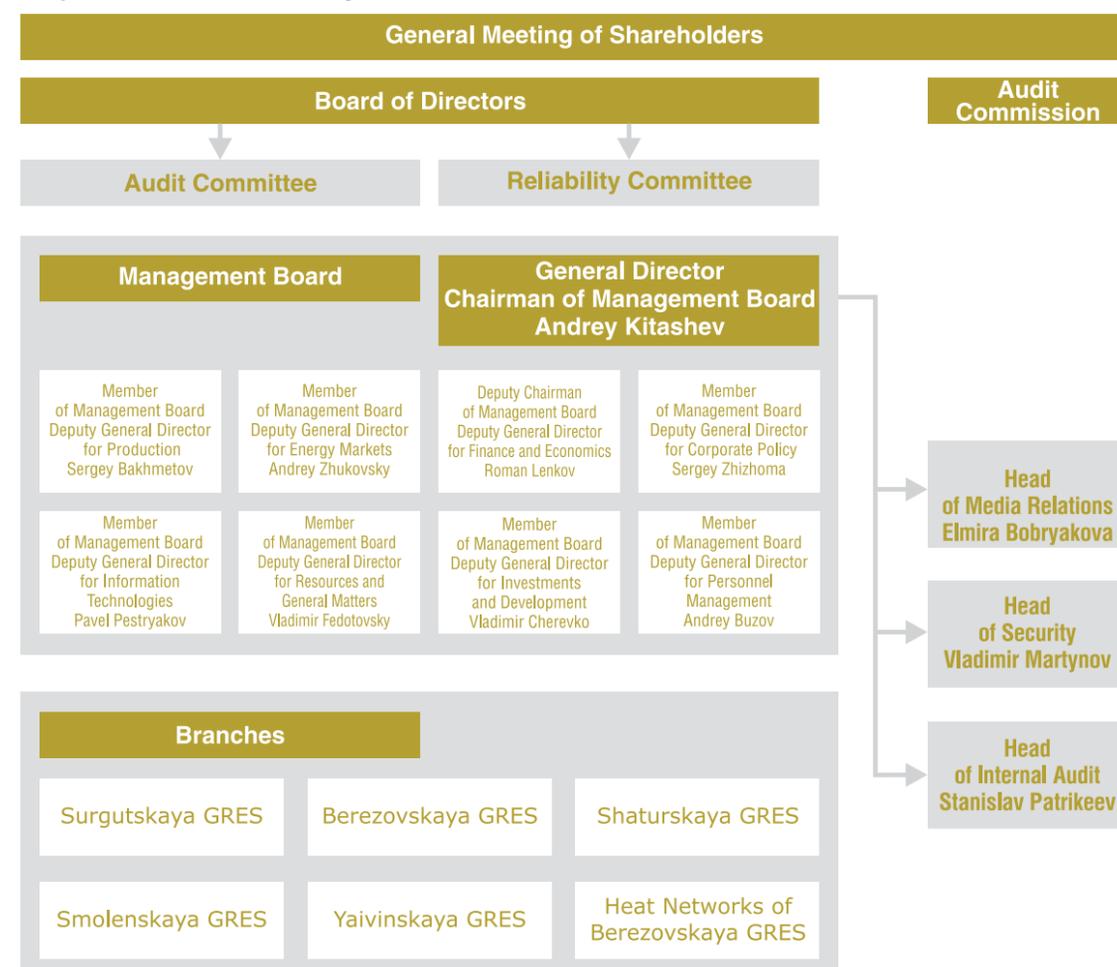
Transfer of the power plants merging with and into OGK-4 to the unified share was carried out as described below:

The power plants' shares were converted to OGK-4 shares pursuant to the Agreement on the Surgutskaya GRES-2, Berezovskaya GRES,

Shaturskaya GRES, Smolenskaya GRES, Yajvinskaya GRES merger with and into OGK-4 approved by OGK-4 General Meeting of Shareholders. The result was that on July 1, 2006 shareholders of the power plants became OGK-4 shareholders and OGK-4 capital structure became as follows:

	Number as of July 1, 2006	Number of Shares	Number of Shares (%)
Individuals	26,283	625,042,418	~1.3
Legal Entities	138	251,349,069	~0.5
Nominee Holders	26	48,253,685,625	~98.2
– attributable to RAO UES of Russia		44,020,468,579	~89.6
Trust Companies	2	548,862	~0.0
<b>Total</b>	<b>26,450</b>	<b>49,130,625,974</b>	<b>100</b>

#### Corporate Structure since July 1, 2006





OGK-4 CONSIDERS CLOSE INTERACTION  
BETWEEN ITS STAKEHOLDERS  
AS AN EFFECTIVE TOOL FOR IMPROVEMENT  
OF CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

### PRINCIPLES AND DOCUMENTS

Presently, efficient corporate governance at any public company becomes key to the company's successful performance, determining its business reputation and investment attractiveness to a large extent.

The main purposes of the Company's corporate governance are:

- to improve the efficiency of shareholder's control over the Company's management activities;
- to enhance potential investors' confidence in the Company's investment attraction mechanisms.

Main internal documents regulating OGK-4 activities are:

- Charter;
- Regulations on the Procedure for Preparing for and Holding the General Meeting of Shareholders;
- Regulations on the Procedure for Calling and Holding the Board of Directors Meetings; and
- Regulations on the Audit Commission.

In 2006, with a view toward enhancing OGK-4 corporate governance, efforts were made to formalize the corporate governance process in order

to ensure quality and timely corporate decisions. In the last year the Board of Directors approved, inter alia, the following documents:

- The Code of Corporate Governance;
- Regulations on the Information Policy; and
- Regulations on the Secretary of the Board of Directors.

The Company's corporate governance is carried out in accordance with the Code of Corporate Conduct approved by the Government in 2001 and recommended for use by the FCSM of Russia (Federal Commission for the Securities Market) 2002 Instructions "On Recommendation for Use of the Code of Corporate Conduct".

To improve the Company's corporate governance, ensure better transparency of the Company's management and confirm the Company's commitment to compliance with standards of the best corporate governance, the Company's Board of Directors approved the Code of Corporate Governance on October 23, 2006.

Corporate governance is based on mechanisms that help prevent conflicts of interests between the Company's shareholders and managers and facilitate efficient coordination between the Company's divisions. OGK-4 strives to enhance these mechanisms.



In 2006, the Board of Directors consisted of ten independent directors, in compliance with Russian law. Three of them represented the Company's minority shareholders. The Company has established the Audit Commission and the Internal Audit Department that are now in operation. To enhance OGK-4 corporate governance, procedures are designed to regulate and control internal processes related to the Company's decision making, clearly distribute authorities and responsibilities, and disclose quality and objective information.

#### MANAGEMENT BODIES OF THE COMPANY

The management bodies of the Company are:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board; and
- General Director.

#### General Meeting of Shareholders

The Company's supreme management body is the General Meeting of Shareholders.

The General Meeting of Shareholders considers issues provided for by the Federal Law "On Joint-Stock Companies" and falling within its competence pursuant to Article 10 of the Company's Charter.

Regulations "On the Procedure for Preparing for and Holding OGK-4 General Meeting of Shareholders" govern the procedure for calling, preparing for and holding the Company's general meetings of shareholders.

The Company's Charter and Regulations on the Procedure for Preparing for and Holding OGK-4 General Meeting of Shareholders are available at [www.ogk-4.ru](http://www.ogk-4.ru).

The Company sets a high value on information transparency. "Regulations on Information Policy" is the basis of OGK-4 activities in this field. The regulations strengthen principles of completeness, availability, regularity and credibility of information disclosed by the Company, while maintaining a reasonable balance between the extent of disclosure and safeguarding commercial interests.

From its establishment in March 2005 through July 1, 2006, OGK-4 was a wholly owned subsidiary of RAO UES of Russia and, thus, the RAO UES of Russia Board of Directors acted as the Company's general meeting. In 2006, the Company's general meetings of shareholders had been held only until OGK-4 reorganization was completed and, consequently, all issues falling within the General Meeting of Shareholders competence had been considered by the RAO UES of Russia Board of Directors. In 2006, the most important decisions adopted by the RAO UES of Russia Board of Directors acting as OGK-4 general meeting of shareholders were as follows:

- to approve the Company's 2005 performance results;
- to distribute the Company's 2005 profits and pay dividends on ordinary shares based on 2005 performance;
- to elect new members into the Company's Board of Directors and Audit Commission; and
- to approve amendments to the Company's Charter in connection with reorganization in the form of the Berezovskaya GRES, Smolenskaya GRES, Surgutskaya GRES-2, Shaturskaya GRES and Yajvinskaya GRES merger with and into OGK-4.

As a result of reorganization in the form of the five power plants merger and conversion of the merged power plants' shares to OGK-4 shares, the Company's charter capital structure changed and, since July 1, 2006, over 26,000 power plants' shareholders became OGK-4 shareholders. Therefore, starting in 2007, the Company plans to hold full-fledged shareholder meetings, enabling every shareholder to legally participate in decision making and vote on all issues included in the relevant meeting of the shareholders' agenda.

#### Board of Directors

Regulations "On the Procedure for Calling and Holding OGK-4 Board of Directors Meetings" govern the procedure for holding OGK-4 Board of Directors meetings.

In accordance with these Regulations and the Company's Charter, the Board of Directors has overall charge of the Company's business, except for issues that fall within the General Meeting of Shareholders exclusive competence under the Federal Law "On Joint-Stock Companies", and control over execution of the General Meetings of

Shareholders decisions by the Company's executive bodies.

The Company's Charter and Regulations "On the Procedure for Calling and Holding OGK-4 Board of Directors Meetings" are available at [www.ogk-4.ru](http://www.ogk-4.ru).

#### The Board of Directors Composition

Paragraph 16.1 of the Company Charter provides that the Board of Directors consists of eleven members.

On April 21, 2006 the RAO UES of Russia Board of Directors acting as the Company's annual general meeting of shareholders voted candidates into the Company's Board of Directors; in 2006, there were no changes in the Company's Board of Directors composition.

All members of OGK-4 Board of Directors, excluding Andrey Kitashev who is the Company's General Director, have the status of independent directors in accordance with the Code of Corporate Conduct recommended for use by the FCSM of Russia.

#### Chairman of the Board of Directors

**Yuri P. Makushin**

47, Deputy Managing Director, Business Unit 2, RAO UES of Russia

From 2001 to 2004, Yuri Makushin held the position of Financial Director of Srednevolzhskaya Interregional Energy Management Company, Samara. Before 2001, Mr. Makushin had been Deputy General Director for Economics and Finance of Samaraenergo, Samara.

Presently, Yuri Makushin is also Chairman of the Board of Directors of Omskenergo, Penzenskaya Energy Sales Company, Krasnoyarskenergo, and TGK-13 and a member of the Board of Directors of Ulyanovskenergo, Volzhskaya TGK, Tyumenenergo, Orenburgenergo, Volzhskaya Interregional Company (IRC), and Samaraenergo.

Yuri Makushin does not hold any shares in the Company; in 2006, there were no deals between the Company and its Chairman of the Board of Directors.

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

#### Members of the Board of Directors

**Alexander M. Branis**

29, Director, Prosperity Capital Management Ltd.

Since 1999, Alexander Branis has served as the Director of Prosperity Capital, one of the largest Russian investment funds. Presently, Mr. Branis is also a member of the Board of Directors of OGK-5, Interregional Distribution Grid Company of Center and Northern Caucasus, Akrikhin, TGK-6, TGK-2, and the Prosperity Quest Power Fund.

Mr. Branis does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

The Company has no information on any claims against Alexander Branis.



**Dmitry A. Burnashev,**

42, Head of the Business Planning Department, Corporate Center, RAO UES of Russia

During the last 5 years, Mr. Burnashev held positions of Deputy Head of the Holding and Subsidiaries Economics Department and Head of the Holding and Subsidiaries Economics Department of RAO UES of Russia. Presently, he is Head of the Business Planning Department of the RAO UES of Russia Corporate Center.

In addition to his OGK-4 duties, Dmitry Burnashev is a member of the Board of Directors of Tyumenenergo, Orelenergo, Rostovenergo, NP Innovations in the Electric Power Industry (INVEL), Interregional Distribution Grid Company of Center and Northern Caucasus, TGK-9, Power Machines, and Kaluzhskaya Retail Company.

D. Burnashev does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

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

**Andrey A. Vagner**

49, General Director, TGK-2

From 2000 to 2006, Mr. Vagner occupied positions of Head of the Electric Power Plant Department of RAO UES of Russia and Deputy Managing Director of Business Unit 2 of RAO UES of Russia. Later, in the fall of 2006, he was appointed General Director of TGK-2.

Presently, Mr. Vagner is Chairman of the Board of Directors of Siberian Energy Scientific and Technical Center (Siberian ENSTC), TGK-10 and Kuzbassenergo, as well as a member of the Board of Directors of Volzhskaya TGK.

A. Vagner does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

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



**Andrey V. Kitashev**  
50, General Director, OGK-4

Since March 4, 2005 Andrey Kitashev has been General Director of OGK-4. Before 2005, Mr. Kitashev held positions of Deputy General Director of Finance and General Director of Permenergo. He joined Permenergo in 2000. Before that he had occupied the position of Deputy General Director of the Volgaenergo Representative Office of RAO UES of Russia. Presently, he is also a member of the Board of Directors of Joint-Stock Commercial Bank Strategy.

A. Kitashev's share in the Company's charter capital is 0.05078433%; in 2006, there were no deals between the Company and this member of the Board of Directors.

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

**Valery V. Nepsha**  
30, Deputy General Director, "Institute of Professional Directors" Fund

From 2000 to 2003, before joining the Institute of Professional Directors Fund, Valery Nepsha worked at the Corporate Policy Department of RAO UES of Russia.

Presently, Mr. Nepsha is also a member of the Board of Directors of Voronezhenergo, Zagorskaya GAES, Moscow Region Electricity Trunk Company, Vladimirskaya Energy Sales Company, TGK-2, TGK-8, TGK-10, Sverdlovenergo, Peredvizhnaya Energetika (Portative Energy), Zhigulevskaya GES, Tverenergo, Novgorodenergo, Ivenergo, Kurskenergo, and OGK-5.

Valery Nepsha does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

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

**Wolfgang Skribot**  
40, Director, Corporate Finance, Gazprombank

Since 2004, Mr. Skribot has been Director of the Corporate Finance Department of Gazprombank. Before that, from 2003 to 2004, he held the position of Deputy General Director of Gazprombank-Invest. He came there from the United Financial Group investment company. In 2000-2001, Mr. Skribot had been Director of Eastern Europe and Russia Gas Markets of Enron's European Division.

Presently, Wolfgang Skribot is a member of the Board of Directors of Mosenergosbyt (Moscow Energy Sales), Mosenergo, Moscow Region Electricity Trunk Company, Grid Company, Special Design and Construction Office for Repair and Reconstruction (SPKB), Mosteplosetenergozemont, Mosenergosetstroy (Moscow Energy Grid Construction), OGK-2, and Zagorskaya GAES.

Mr. Skribot does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

The Company has no information on any claims against W. Skribot.

**Dmitry V. Fedorchuk**  
26, Head of the Corporate Governance Department, Business Unit 2, RAO UES of Russia

Since 2000, Dmitry Fedorchuk has worked at the Corporate Governance Department of Business Unit 2 of RAO UES of Russia.

In addition to his OGK-4 duties, Mr. Fedorchuk is a member of the Board of Directors of Penzenskaya Energy Sales Company, Volzhskaya TGK, Nizhegorodskaya Grid Company, and Saratov Industrial Repair Plant and Chairman of the Board of Directors of Khakasskaya Repair and Service Company.

Dmitry Fedorchuk does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

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

**Pavel O. Shatsky**  
34, Director, Energy Complex Strategy Department / Deputy Director for Energy, Mergers and Acquisitions, SUEK

Since 2005, Mr. Shatsky has occupied the position of Director of the Energy Complex Strategy Department of SUEK; before that he was Head of the Legal Support Department, Head of the Tariff Policy Department, Director of the Energy Department of RUSAL and RUSAL-UC.

Presently, Pavel Shatsky is also a member of the Board of Directors of Far East Generation Company, Southern Yakutskenergo, Amurenergo, Kuzbass Energy Sales Company, West Siberian TETs, Kuzbassenergo - Regional Electricity Grid Company, Yakutskenergo, Altaienergospetskomplekt, Prokopyevskenergo, and Dalenergosetproekt.

Pavel Shatsky does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

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

**Larisa V. Shiryaeva**

Head of the Marketing Department, Reform Management Center, RAO UES of Russia

Before joining RAO UES of Russia, Ms. Shiryaeva worked as Associate at Karana LLC.

Presently, Larisa Shiryaeva is also a member of the Board of Directors of TGK-4 and TGK-8.

Ms. Shiryaeva does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

The Company has no information on any claims against L. Shiryaeva.

**Dmitry V. Shtykov**

30, General Director, "Institute of Professional Directors" Fund

Since 2003, Dmitry Shtykov has occupied the position of General Director of the Institute of Professional Directors Fund. From 1999 to 2003, Mr. Shtykov worked at RAO UES of Russia.

Presently, in addition to his OGK-4 duties, Dmitry Shtykov is also a member of the Board of Directors of Vologdaenergo, Lenenergo, Nizhnovenergo, TGK-9, TGK-2, TGK-4, TGK-8, TGK-10, OGK-1, OGK-5, Volzhskaya GES, Moscow Region Electricity Trunk Company, ELTEZA, Automotive Lighting LLC, Samaraenergo, and Sayano-Shushenskaya GES.

Mr. Shtykov does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Board of Directors.

The Company has no information on any claims against Dmitry Shtykov.

**Overview of the Board of Directors Meetings Held in 2006**

In 2006, the Company's Board of Directors held 30 meetings.

	Number of Meetings			Number of Issues Considered	Average Quorum at the Meetings, %
	Total	Attendee	Absentee		
2005	10	0	10	52	90.9
2006	30	1	29	233	90.9

In 2006, OGK-4 Board of Directors considered and adopted decisions on the following major issues:

- On implementation of the Company's investment projects;
- On approval of the Code of Corporate Governance;
- On approval of the Regulations on the Information Policy;
- On establishment and approval of the composition of OGK-4 Board of Directors Audit Committee and approval of the Regulations on the Audit Committee;
- On approval of the Company's stock option plan;
- On approval of the environmental policy, strategy and action plan for its implementation by OGK-4 in 2006-2008; and
- On approval of the Regulations on Investment Activities.

The decisions of the Company's Board of Directors are available on the Company's web-site at [www.ogk-4.ru](http://www.ogk-4.ru).

**Information on Remuneration and Compensation to the Board of Directors Members**

In accordance with paragraph 4 of the Regulations on Remuneration and Compensation Payments to OGK-4 Board of Directors Members, the Board of Directors members' remunerations are calculated as follows:

For participation in the Board of Directors meeting held as absentee ballot, a member of the Company's Board of Directors is paid remuneration in the amount equal to five minimum monthly base salaries of a first grade worker, provided for by collective wage agreement in the Russia's electricity industry as of the date the Company's Board of Directors meeting is held, taking into account the indexation provided for by the Agreement, within seven calendar days of holding the Company's Board of Directors meeting.

For participation in the Board of Directors meeting held as a joint personal attendance meeting, a member of the Company's Board of Directors is paid remuneration in the amount equal to seven minimum monthly base salaries of a first grade worker, provided for by the collective wage agreement in the Russia's electricity industry as of the date the Company's Board of Directors meeting is held, taking into account the indexation provided for by the Agreement, within seven calendar days of holding the Company's Board of Directors meeting.



The Board members are also paid additional remuneration:

- for the Company's net profit as stated in the annual financial statements approved by the Company's General Meeting of Shareholders;
- in case of an increase in the Company's market capitalization for the period the Board of Directors works.

The total amount of remunerations and compensations paid to the Company's Board of Directors members in 2006 was RUR 4,008,517.07.

Regulations on Remuneration and Compensation Payments to OGK-4 Board of Directors Members are available at [www.ogk-4.ru](http://www.ogk-4.ru).

#### The Board of Directors Committees

##### RELIABILITY COMMITTEE

To ensure efficient decision-making by the Company's Board of Directors in regards to examination of investment programs, generating facilities repair plans, control and assessment of

the Company's technical services performance, on December 20, 2005 OGK-4 Board of Directors established Reliability Committee (hereinafter – the Reliability Committee) consisting of five members. The Reliability Committee activities are regulated by the Regulations on OGK-4 Board of Directors Reliability Committee.

##### Changes to the Reliability Committee Composition

In 2006, OGK-4 Board of Directors expanded the quantitative composition of the Reliability Committee up to 7 members and voted Alexey Nazarenko and Roman Lenkov into the Reliability Committee.

In November 2006, the Board of Directors passed the decision on early termination of powers of Chairman of the Committee V. Lipanin in connection with his retirement and elected Oleg Kulpin as Chairman of the Committee.

In February 2007, as a result of his leaving the Company, the powers of Vasily Belyi were terminated and, therefore, Zainulla Bakhmetov was voted into the Reliability Committee.

#### The Reliability Committee Composition

No.	Name	Position
1	Oleg Yu. Kulpin	Chairman of the Committee; Head of the Production Analysis and Methodological Support Department, RAO UES of Russia
2	Evgeny N. Gorev	Head of OGK-4 Production Department
3	Roman N. Lenkov	Deputy General Director for Finance and Economics, OGK-4
4	Alexey Yu. Nazarenko	Head of Tsentrenergotekhadzor TC
5	Sergey A. Raikhel	Head of the Repair and Technical Retooling Department, OGK-4
6	Anatoly N. Egorov	Deputy General Director – Technical Director of Integrated Energy Systems (IES)
7	Zajnulla A. Bakhmetov	Deputy General Director for Production, OGK-4

The following issues fall within the competence of the Reliability Committee:

- preliminary consideration of issues;
- analysis and elaboration of recommendations (opinions) to the Company's Board of Directors on critical areas of reliability maintenance.

Since its establishment, the Committee has held 2 meetings and adopted the following decisions:

- to approve the Reliability Committee rules of procedure;
- to approve the 2007 Repair Program for OGK-4 power plants' generating units; and
- to approve the program on technical retooling and reconstruction and new construction of OGK-4 power plants.

The Reliability Committee members were not paid any remuneration for 2006.

##### AUDIT COMMITTEE

Pursuant to the Board of Directors decision of November 30, 2006, the Board of Directors Audit Committee was established; the Audit Committee quantitative composition was set to be 3 (three) members.

The activities of the Audit Committee are regulated by the Regulations on OGK-4 Board of Directors Audit Committee approved by OGK-4 Board of Directors decision of December 26, 2006.

The following issues fall within the competence of the Audit Committee:

- Elaboration and submission to the Company's Board of Directors recommendations on the following issues of the Board's agenda:
  - approval of the Company's annual report;
  - consideration of the Company's annual financial statements;
  - consideration of a candidate to be the Company's auditor; and
  - setting remuneration payable to the Company's auditor.
- Elaboration of recommendations to the Company's Board of Directors:
  - on annual independent auditing of the Company's financial statements;
  - on improving the Company's internal control systems.

#### The Audit Committee Composition

No.	Name	Position
1	Yuri P. Makushin	Chairman of the Committee; Deputy Managing Director, Business Unit 2, RAO UES of Russia
2	Dmitry V. Fedorchuk	Head of the Corporate Governance Department, Business Unit 2, RAO UES of Russia
3	Dmitry A. Burnashev	Head of the Business Planning Department, Corporate Center, RAO UES of Russia

- Elaboration of recommendations to the Company's Board of Directors on selecting candidates to be the Company's external auditors, in accordance with requirements of the Russian legislation in force, external auditors' qualification, their performance quality and compliance with independency requirements.
- Analysis of the Company's financial statements and results of the external audit of the Company's financial statements in terms of compliance with the effective Russian legislation, International Accounting Standards, Russian Accounting Standards, other regulatory legal acts and standards, as well as elaboration of recommendations to the Company's Board of Directors on improving ways to draw up the Company's financial statements.
- Analysis of the Company's internal control systems and elaboration of recommendations to the Company's Board of Directors on improving the Company's internal control systems.

The Audit Committee members were not paid any remuneration for 2006.

#### Management Board

The Management Board manages the Company's day-to-day operations and reports to the Board of Directors and the General Meeting of Shareholders. The Company's Regulations on OGK-4 Management Board and Charter govern the procedure for conduct at and procedure during OGK-4 Management Board meetings.

In accordance with the Russian law and the Company's Charter, the Management Board is a collegial executive body empowered to make decisions on, *inter alia*, the following issues:

- elaboration and submission to the Board of Directors of long-term plans on carrying out core activities;
- preparation of business plans and reports on the results of their fulfilment, as well as approval and adjustment of the Company's cash flows; and
- approval of transactions involving assets amounting from 1% to 10% of the Company's balance sheet value.

The Company's Charter and Regulations on OGK-4 Management Board are available at [www.ogk-4.ru](http://www.ogk-4.ru).

#### The Management Board Composition

In accordance with paragraph 21.1. of the Company's Charter, the Company's Management Board members are elected by the Company's Board of Directors, and their number is set by the Company's Board of Directors decision. In accordance with the effective wording of the Charter, the quantitative composition of the Company's Management Board cannot be less than three members. Presently, the Company's Management Board consists of nine members.

Chairman of the Management Board is OGK-4 General Director Andrey V. Kitashev.

#### Chairman of the Management Board

##### Andrey V. Kitashev

50, General Director, OGK-4

Date of election into the Management Board: March 2, 2005



Since March 4, 2005 Andrey Kitashev has been General Director of OGK-4. Before 2005, Mr. Kitashev held positions of Deputy General Director of Finance and General Director of Permenergo. He joined Permenergo in 2000. Before that he had occupied the position of Deputy General Director of the Volgaenergo Representative Office of RAO UES of Russia. Presently, he is also a member of the Board of Directors of Joint-Stock Commercial Bank Strategy.

A. Kitashev's share in the Company's charter capital is 0.05078433%; in 2006, there were no deals between the Company and this member of the Board of Directors.

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

##### Roman N. Lenkov

33, Deputy General Director for Finance and Economics

Date of election into the Management Board: March 2, 2005



#### Deputy Chairman of the Management Board

Roman Lenkov came to OGK-4 from Permenergo where he had worked since 1997 as Deputy Head of the Finance Department, Deputy Head of the Treasury, Head of the Budget and Off-budget Funds Division, Head of the Finance Division, and Deputy General Director for Finance.

Roman Lenkov's share in the Company's charter capital is 0.0001400740%; in 2006, there were no deals between the Company and this member of the Management Board.

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

## Members of the Management Board

**Vasily V. Belyi\***, 55.

Date of election into the Management Board: March 2, 2005

*\* As a result of his leaving the company, Mr. Belyi was excluded from the Company's Management Board on January 23, 2007.*

From 2005 to 2006, V. Belyi was OGK-4 Deputy General Director for Production.

Mr. Belyi does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

The Company has no information on any claims against V. Belyi.



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

Mr. Bakhmetov does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

The Company has no information on any claims against Z. Bakhmetov.



**Andrey V. Buzov**

37, Deputy General Director for Personnel Management

Date of election into the Management Board: June 30, 2005



Andrey Buzov was appointed OGK-4 Deputy General Director for Personnel Management in 2005. From 2001 to 2005, Mr. Buzov held the position of Director for Personnel Management of Management Company Volga Hydroelectric Cascade.

A. Buzov does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

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

**Sergey A. Zhizhoma**

33, Deputy General Director for Corporate Policy

Date of election into the Management Board: June 30, 2005



Sergey Zhizhoma was appointed OGK-4 Deputy General Director for Corporate Policy in 2005. Before joining OGK-4, Mr. Zhizhoma worked at Permenergo holding the positions of Deputy General Director for Legal Matters and Corporate Policy from 2003 to 2005 and Head of the Legal Department from 2002 to 2003.

Sergey Zhizhoma does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

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



**Andrey N. Zhukovsky**

44, Deputy General Director for Energy Markets

Date of election into the Management Board: June 30, 2005



Mr. Zhukovsky has been OGK–4 Deputy General Director for Energy Markets since 2005. From 2003 to 2005, Andrey Zhukovsky was an Assistant to General Director, Head of the Department for the Development of the Energy Market of Permenergo.

Andrey Zhukovsky does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

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

**Vladimir Y. Fedotovskiy**

42, Deputy General Director for Resources and General Matters

Date of election into the Management Board: June 30, 2005



Mr. Fedotovskiy was appointed OGK–4 Deputy General Director for Resources and General Matters in 2005. Before 2005, Vladimir Y. Fedotovskiy occupied the position of Deputy General Director for Resources Supply and Logistical Matters of Permenergo for 4 years.

Mr. Fedotovskiy does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

The Company has no information on any claims against V. Fedotovskiy.

**Vladimir P. Cherevko**

51, Deputy General Director for Investments and Development

Date of election into the Management Board: January 23, 2006



Vladimir Cherevko has been OGK–4 Deputy General Director for Investments and Development since January 2006. From 2005 to 2006, V. Cherevko held the positions of Deputy General Director of Investments and Capital Construction of TGK–9, from 2003 to 2005 – Deputy General Director of Capital Construction, Investments and Development of Permenergo. From 2000 to 2003, Mr. Cherevko was General Director Instroy LLC.

V. Cherevko does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

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

**Pavel V. Pestryakov**

44, Deputy General Director for Information Technologies

Date of election into the Management Board: June 14, 2006



P. Pestryakov was appointed OGK–4 Deputy General Director for Information Technologies in June 2006. Before joining OGK–4, Mr. Pestryakov was Technical Director of Inkom–Nedvizhimost Corporation (2004–2006), Technical Director of INKOM Corporation (2004), Deputy General Director of Information Systems of Scientific and Technical Center Invest–Trade LLC (2004), and Head of the Information Technologies Department of Sugar Trading Company (2001–2004).

Pavel Pestryakov does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Management Board.

The Company has no information on any claims against P. Pestryakov.



### Overview of the Management Board Meetings

Meetings of the Management Board are held two times a month. In 2006, the Management Board held 34 meetings and considered and adopted decisions on the following major issues:

- submission to the Board of Directors of plans and programs on core activities of the Company;
- submission to the Board of Directors of a business plan and a report on results of its fulfillment;
- approval and adjustment of OGK-4 cash flows;
- consideration of reports on the Company's financial and economic activities in the reporting year and every respective quarter; and
- approval of transactions involving assets amounting from 1% to 10% of the Company's balance sheet value.

### Information on Remuneration and Compensation to the Management Board Members

Remunerations and compensations to the Management Board members are paid in accordance with employment contracts made between the Company and every member of the Management Board. The employment contracts are signed in the name of OGK-4 by the Chairman of the Board of Directors or the person empowered by the Company's Board of Directors. Terms of the employment contracts, including terms of powers, are specified by the Board of Directors or the person empowered by the Board of Directors to sign these employment contracts. In 2006, the Management Board members were not paid any remuneration and compensation.

### General Director

In accordance with paragraph 22.1. of the Company's Charter, the General Director manages the Company's day-to-day operations pursuant to the Company's General Meeting of Shareholders and Board of Directors, and Management Board decisions adopted according to their respective competences.

The General Director's competence covers all issues of the Company's current activities management, except for issues falling within respective competences of the General Meeting of Shareholders, the Board of Directors, and the Management Board.

The General Director is empowered to act in the name of the Company without a power of attorney, taking into consideration limitations provided for by the effective legislation, the Charter and the Board of Directors decisions, and represent the Company's interests, enter into transactions, dispose assets, open bank accounts, approve staffing structure, issue internal orders, and approve instructions, local regulations and other internal documents.

On March 4, 2005 Andrey Kitashev was appointed OGK-4 General Director.

The Company has active Regulations on Material Incentives for General Director, which are an integral part of the employment contract with the Company's General Director, regulate material incentive issues, specify the procedure for setting, approving and amending the official rate of the Company's Director General pay, material incentive indicators and types, and terms of the official rate payment and material encouragement.

### CONTROL BODIES

#### Audit Commission

To control the Company's financial and economic activities, the General Meeting of Shareholders elects the Company's Audit Commission to their positions until the next Annual General Meeting of Shareholders.

Regulations on the Audit Commission approved by OGK-4 Extraordinary General Meeting of Shareholders (the RAO UES of Russia Board of Directors meeting's Protocol No.200 dated July 29, 2005), as well as the Company's Charter govern the procedure for acting at and holding the OGK-4 Audit Commission meetings.

In accordance with these Regulations and the Company's Charter, the Audit Commission carries out regular control over financial and economic activities of the Company, its separate divisions, officials of the Company's management bodies and organization departments of the Company's executive structure in terms of compliance with Russian law, the Company's Charter and internal documents.

Regulations on OGK-4 Audit Commission are available at [www.ogk-4.ru](http://www.ogk-4.ru).

### The Audit Commission Composition

In accordance with paragraph 21.1. of the Company's Charter, the quantitative composition of the Audit Commission is five members. On April 21, 2006 OGK-4 Annual General Meeting of Shareholders voted the following persons into OGK-4 Audit Commission:

#### Chairman of the Audit Commission

**Lyudmila R. Matyunina** – Deputy Head of the Internal Audit Department, Corporate Center, RAO UES of Russia

L. Matyunina does not hold any shares in the Company; in 2006, there were no deals between the Company and Chairman of the Audit Commission.

The Company has no information on any claims against L. Matyunina.

#### Members of the Audit Commission

**Dmitry O. Akhrimenko** – Chief Expert, RAO UES of Russia

D. Akhrimenko does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Audit Commission.

The Company has no information on any claims against D. Akhrimenko.

**Ekaterina A. Bazhenova** – Chief Expert, Economic Planning and Financial Control Department, RAO UES of Russia

E. Bazhenova does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Audit Commission.

The Company has no information on any claims against E. Bazhenova.

**Elena E. Smirnova** – Head of the Economic Planning and Financial Control Department, Business Unit 2, RAO UES of Russia

E. Smirnova does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Audit Commission.

The Company has no information on any claims against E. Smirnova.

**Stanislav A. Patrikeev** – Head of the Internal Audit Department, OGK-4

S. Patrikeev does not hold any shares in the Company; in 2006, there were no deals between the Company and this member of the Audit Commission.

The Company has no information on any claims against S. Patrikeev.

### Information on Remuneration and Compensation to the Audit Commission Members

On April 21, 2006 OGK-4 Annual General Meeting of Shareholders approved the revised version of the Regulations on Remuneration and Compensation Payments to the Company's Audit Commission Members.

In accordance with these Regulations, the Audit Commission members are paid remuneration for participation in inspecting (auditing) financial and economic activities in the amount equal to five

minimum monthly base salaries of a first grade worker, provided for by collective wage agreement in the Russia's electricity industry. Moreover, according to the Regulations on Remuneration and Compensation Payments to OGK-4 Audit Commission Members, the latter may be paid additional remuneration. Regulations on Remuneration and Compensation Payments to OGK-4 Audit Commission Members is available at [www.ogk-4.ru](http://www.ogk-4.ru).

In 2006, the Audit Commission members were paid aggregate remuneration in the amount of RUR558,383.00. There were no other payments.

#### Internal Audit

To perform the internal audit function, OGK-4 has established the Internal Audit Department, subordinate to the Company's General Director.

The main purpose of the internal audit system is facilitating achievement of the Company's strategic objectives, effective and efficient use of OGK-4 resources on the basis of systematic and consistent approach to assessing the efficiency of the Company's risk management, control and corporate governance systems, as well as development of recommendations on their improvement.

#### AUDITOR

##### Information about the Auditor

On 23 June, 2006 the Company's General Meeting of Shareholders approved "PricewaterhouseCoopers Audit" ZAO to be the Company's Auditor.

The remuneration paid to the Auditor is set by the Company's Board of Directors. The Auditor's remuneration for auditing OGK-4 2006 financial statements prepared in accordance with RAS is set in the amount of RUR4,250,000.00.

#### ASSOCIATED AND AFFILIATED COMPANIES

Upon the Company's establishment, OGK-4 charter capital was paid through contribution of Berezovskaya GRES shares. The shares were valued, taking into account the independent appraisal's report on the assets market value, in the amount of 8,190,330,759.12 roubles. Berezovskaya GRES became thus OGK-4 subsidiary, with the Company having the 100% minus 1 share interest in this entity's charter capital. At the time Berezovskaya GRES merged with and into OGK-4, this power plant had, in its turn, the KATEKenergoremont, Transavto and SMU subsidiaries with the following core activities, respectively: power equipment repair services, automobile transportation services and construction and installation works.

Therefore, in the process of the Company's and Berezovskaya GRES's reorganization, these companies became direct subsidiaries of OGK-4. In December 2006, under the RAO UES of Russia strategy on sale of non-core assets, the Company fully disposed of its interest in "KATEKenergoremont" and in 2007 plans to sell its "Transavto" and "SMU" shares as these companies' activities are not core for OGK-4 and their financial and economic results have almost no impact on the Company's performance.

#### OGK-4 Shares in Subsidiaries

Subsidiary of OGK-4	Principal activity	Ownership, %	
		2005	2006
Berezovskaya GRES	Electricity and heat generation	100% less one share	-
Transavto	Transportation services	99.9	99.9
SMU	Construction and assembling services	99.9	99.9
KATEKenergoremont	Repairs services	99.9	-

#### INTERESTED PARTY TRANSACTIONS

In accordance with Russian law, before interested party transactions can be carried out, they must be approved by either the Company's Board of Directors (by the majority vote of independent directors disinterested in the transaction) or by the Company's General Meeting of Shareholders decision. If all members of the Board of Directors are deemed interested or are not independent, or the subject of the transaction or several associated transactions is valued, according to the Company's financial statements, to be 2 or more per cent of the Company's balance sheet value of the assets determined under Russian accounting principles, making that transaction is subject to approval of the General Meeting of Shareholders by the majority vote of all shareholders without an interest in the

transaction. OGK-4 complies with requirements provided for by the Russian law as regards approval of interested party transactions.

The Company keeps track of interested party transactions by inspecting contracts in terms of the requirement to follow corporate contracts execution procedures, monitoring concluded contracts, and maintaining a register of all such transactions and a database with information provided by the Board of Directors members and managers on companies they hold management positions at or have share in. The register of interested party transactions is updated as the Board of Directors meetings are held; the Company's concluded contracts are monitored on a monthly basis.



AS OF DECEMBER 31, 2006,  
THE COMPANY'S MARKET CAPITALIZATION  
REACHED \$3,881 MLN  
(\$450 PER KW OF INSTALLED CAPACITY)



## SECURITIES AND EQUITY

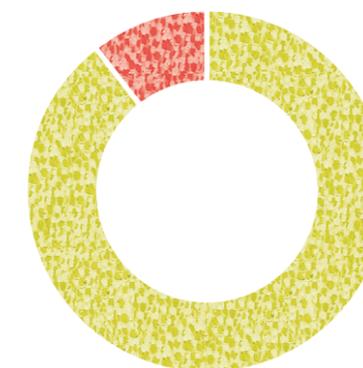
### CHARTER CAPITAL STRUCTURE

From the Company's date of establishment on March 4, 2005, to the end of reorganization on July 1, 2006, OGK-4 charter capital was RUR8,210,830,760.00 and was divided into 8,210,830,760 ordinary shares with a nominal value of 1 rouble each. The sole shareholder of the Company was RAO UES of Russia.

In the process of reorganization in the form of a five power plants merger with and into OGK-4, the Company issued new shares in sufficient quantity in order to swap all outstanding shares in Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Smolenskaya GRES and Yajvinskaya GRES for new shares in the Company in accordance with the exchange ratio. After the conversion, all power plants minority shareholders thus became OGK-4 minority shareholders, except for those who had exercised their legal rights to claim redemption of shares owned by them.

Since July 1, 2006 the Company's charter capital structure has been as follows:

### Shareholder's Equity Structure since July 2006



■ RAO UES of Russia – 89.6%  
■ Minority shareholders – 10.4%



## STOCK MARKET

Upon conversion, OGK-4 securities were admitted to trading on the MICEX and RTS stock exchanges under the "Securities admitted to trading, but not included in quotation lists" classification. Meanwhile, in July 2006, only shares of the principal issue owned by RAO UES of Russia were officially admitted to trading. Actual trading in the Company's securities on MICEX and RTS started in August, after shares of additional OGK-4 issues were also admitted to trading on the markets.

The principal and every additional share issues were admitted to trading in the MICEX trading system separately. In view of the fact that RAO UES of Russia was the official owner of 100% of the principal OGK-4 share issue (1-01-65104-D) and two additional share issues (1-01-65104-D-002D and 1-01-65104-D-003D), five additional OGK-4 share issues were actually traded on MICEX. Notwithstanding the same

category and nominal value, shares of these five additional issues were traded at different prices and had different liquidity.

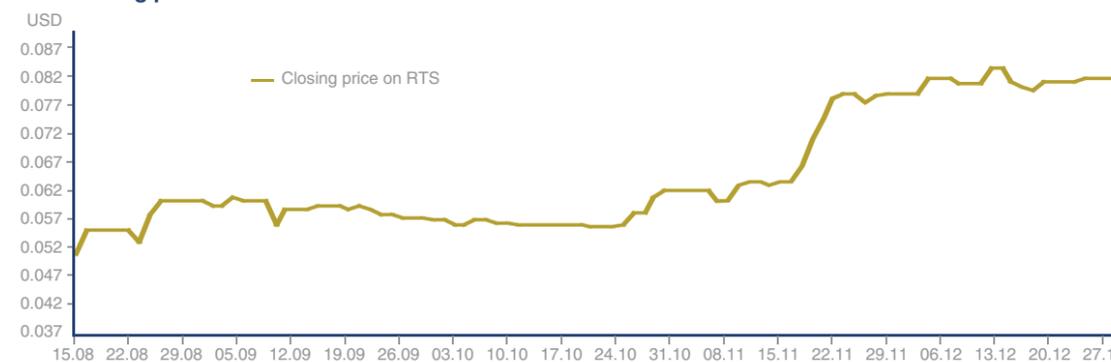
On October 26, 2006, upon expiration of 3 months after the state registration of reports on OGK-4 additional share issues results, the Russian Federal Financial Markets Service cancelled individual numbers assigned to OGK-4 additional share issues. All share issues were then united under a single state number. On November 22, 2006, MICEX united the Company's principal and all additional issues in its trading system under the single ticker OGKD as well. Therefore, the securities liquidity increased significantly and OGK-4 shares started demonstrating their own behaviour. The graph on the right page shows the Company's closing share price fluctuations on MICEX from the time all issues were united to the end of 2006.

On November 29, 2006, OGK-4 shares were listed on the RTS and "B" list trading in these shares began in the Classic market sector. On December 19, 2006 the MICEX adopted the decision to list the Company's securities and transfer them to the "B" Quotation List from the non-listed,

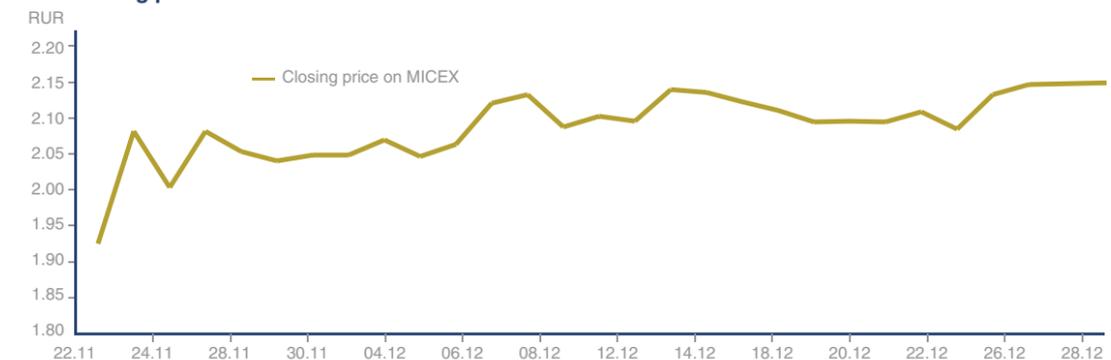
and from January 12, 2007 trading in these shares was started.

From the admission date, OGK-4 shares were traded on the RTS classic market sector under the single ticker OGKD and, until the end of 2006, demonstrated the following dynamics:

Closing price on RTS



Closing price on MICEX



Stock Exchange	RTS (RTS classic market)	RTS (RTS stock market)	MICEX
Security Code	OGKD	OGKDG	OGKD
Quotation List	B	Securities admitted to trading*	B**
Admission Date	Nov 22, 2006	Jul 14, 2006	Dec 29, 2006
Currency	USD	RUR	RUR.
<b>Closing Price as of Dec 29, 2006</b>	<b>0.080</b>	<b>2.150</b>	<b>2.145</b>

\* According to the RTS NP Board of Directors decision dated September 12, 2006, since January 1, 2007 classic market trading has been transferred to RTS (RTS classic market) from RTS NP; opening date of the trading: January 9, 2007.

\*\* Until the end of 2006, OGK-4 shares were traded on the MICEX SE as "securities not included in the list".



### Trading Volume

#### MICEX

During the first three months of trading on the MICEX market, shares of OGK-4 principal and every additional issue were traded separately. This had an effect on the securities liquidity and led to certain difficulties in identifying a behaviour pattern for the share price. However, after the issues were united under the single ticker OGKD, and in the context of more certainty as regards the electricity industry reform, since November 2006 the volume of trading in the Company's shares has grown markedly: in November, the MICEX total volume of trading in OGK-4 shares increased nearly 4-fold as compared to October,

in December – by an additional 50%. The MICEX Stock Exchange OGK-4 shares trading volume dynamics is presented in the diagram below.

#### RTS

Since admission to trading, shares of all OGK-4 issues have been traded on the RTS Stock Exchange under the ticker OGKD. This is the reason why before November 2006 trading volume in the Classic market sector reflected changes of investors' interest in the Company's securities more adequately. The trading volume dynamics of RTS Classic market sector OGK-4 shares is presented in the diagram below.

### Market Capitalization

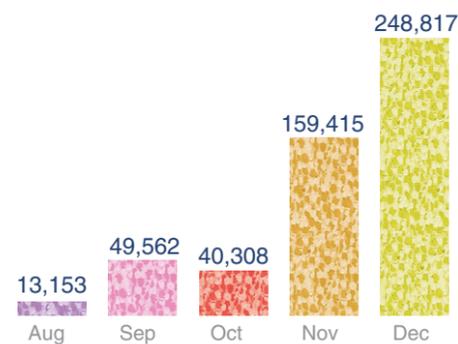
By September 1, two weeks after actual trading on the RTS Classic market began, the Company's securities were traded at USD0.0591 per share corresponding to OGK-4 market value of USD2,903 mln., or USD336 per kW of its installed capacity.

reached USD3,881 mln., corresponding to the Company's business indicative value amounting to USD450 per kW of its installed capacity.

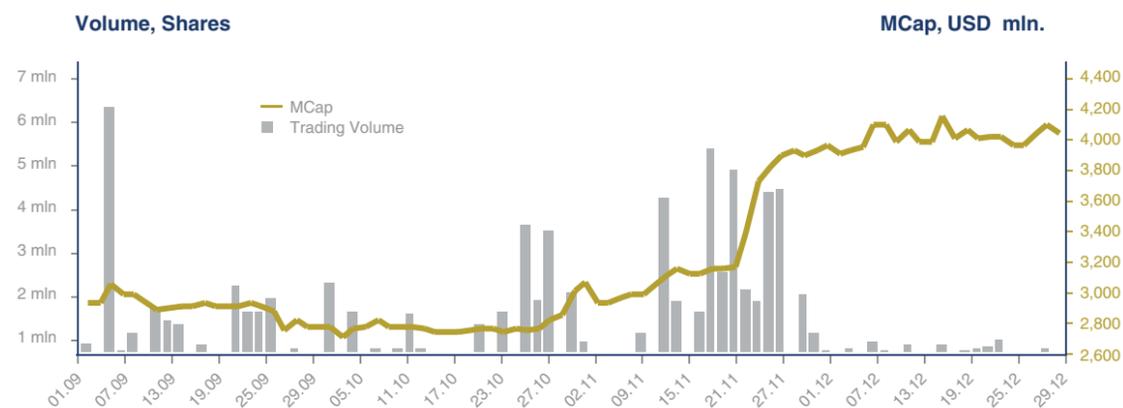
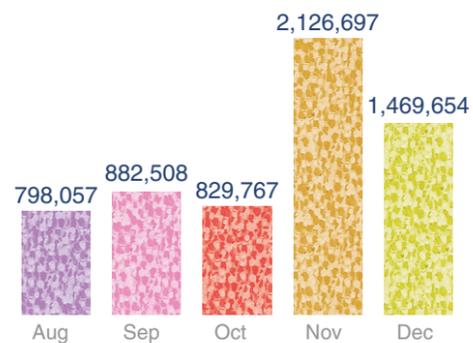
By the end of 2006, the Company's shares showed stable growth and, at the close of the last trading day of the year, OGK-4 market capitalization had

Dynamics of the market capitalization and OGK-4 trading volume in the RTS Classic market sector from September 1 to December 31 is presented in the graph:

OGK-4 Shares Trading Volume on MICEX, thou. RUR



OGK-4 Shares Trading Volume on RTS, USD



## DIVIDEND HISTORY

Since its establishment, OGK-4 and the power plants merged in the reorganization process have been subsidiaries of RAO UES of Russia. Therefore, all dividend payments decisions of OGK-4, as well as the merged Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES, have been made by this con-

trolling shareholder. The present section contains data on dividends accrued by both the power plants, that were separate legal entities before July 1, 2006, and OGK-4 these power plants merged with and into during the reorganization.

### Dividend History, roubles/share

Power Plant	2004	6M 2005	9M 2005	2005	3M 2006
Surgutskaya GRES-2					
OS	-	-	0	0.844162	0
Berezovskaya GRES					
OS*	0.026179	0.112548	0	0	0
PS**	36.63007	268.42663	0	0	0
Shaturuskaya GRES					
OS	-	0.0002953	0.004529	0	0
Smolenskaya GRES					
OS	-	0	0	0	0.08242
PS	-	0	0	0	0.08242
Yajvinskaya GRES					
OS	-	0.65015	0.80051	0	1.45066
PS	-	1.00916	0.44150	0.01	1.45066
OGK-4					
OS	-	0	0	0.01123	0

\* OS — Ordinary Shares

\*\* PS — Preferred Shares

## The Amount Allocated to Pay Dividends

Power Plant	Amount of Shares	2005, RUR	2006, RUR
Surgutskaya GRES-2			
OS	273,738,951	<b>231,080,020.35</b>	<b>196,586,996.36</b>
Berezovskaya GRES			
OS	515,624,044	<b>85,466,232.17</b>	<b>0.00</b>
PS	161,272	<b>15,856,000.17</b>	<b>0.00</b>
Shaturuskaya GRES			
OS	28,249,359,700	<b>136,283,386.00</b>	<b>0.00</b>
Smolenskaya GRES			
OS	199,347,642	<b>0.00</b>	<b>16,429,435.26</b>
PS	43,322,526	<b>0.00</b>	<b>3,570,469.30</b>
Yajvinskaya GRES			
OS	36,210,960	<b>52,529,791.23</b>	<b>52,529,899.87</b>
PS	11,353,500	<b>16,583,603.31</b>	<b>16,470,102.37</b>
OGK-4			
OS	8,210,830,760	<b>92,207,629.43</b>	<b>0.00</b>
<b>TOTAL</b>	<b>X</b>	<b>630,006,662.66</b>	<b>285,586,903.16</b>

## REGISTRAR

The Registrar keeps the Company's register. The Company concludes a shareholders register maintenance and keeping agreement with the Registrar. Approval of the Company's Registrar, terms of the agreement with the Registrar, as well as the agreement cancellation fall within the competence of the Board of Directors.

In accordance with the Board of Directors decision passed at the first meeting held on March 30, 2005, Moscow Central Depository has been keeping OGK-4 shareholders register since June 6, 2005.

OGK-4 POWER PLANTS  
 DEMONSTRATE PERSISTENT GROWTH  
 OF ELECTRICITY PRODUCTION Y-O-Y

## OPERATING ACTIVITIES. KEY PERFORMANCE INDICATORS

### GENERATING FACILITIES

As a result of reorganization, OGK-4 consolidated portfolio of generating assets with a total installed capacity equal to 8,630 MW/2179.3 Gcal.

On January 1, 2006, as a result of modernization of Berezovskaya GRES generation equipment, this plant's installed capacity grew by 60 MW (+4.17%) up to 1,500 MW.

The Company pays special attention to maintaining the power plants' generating equipment in proper working order and aims to improve the efficiency of the existing facilities. Although the Company's oldest

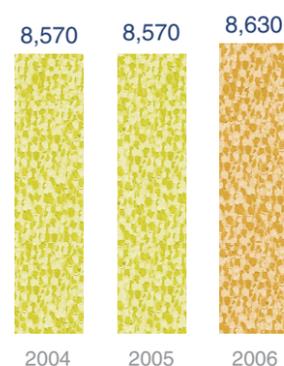
power plant equipment was installed at Yajvinskaya GRES during the 1960s and at Smolenskaya GRES during the 1970s, these facilities demonstrate high reliability and sufficient resources to work under the most severe conditions.

In 2006, the Company did not put out of operation any generation facilities, and does not plan to decommission any in the next few years. The Company expects to extend the operating life of the current power plants generating equipment fleet by placing a priority on modernization, technical retooling and maintenance of existing facilities in proper working order.

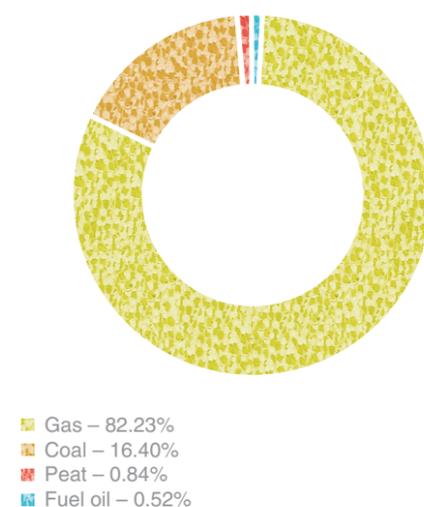
### Generation Facilities

GRES	Capacity		The First Turbine Commissioning Year	2006 Electricity Output, mln. kWh	2006 Heat Output Supplied from Headers, thou. Gcal
	Electric, MW	Heat, Gcal/h			
Surgutskaya GRES-2	4,800	840	1985	32,884.36	1 064
Berezovskaya GRES	1,500	860	1987	6,921.04	727
Shaturskaya GRES	1,100	344.3	1971	4,762.74	501
Smolenskaya GRES	630	66	1978	2,387.79	79
Yajvinskaya GRES	600	69	1963	4,074.19	110
<b>Total for OGK-4</b>	<b>8,630</b>	<b>2,179.3</b>		<b>51,030.13</b>	2 481

### Installed Capacity, MW



### Fuel Mix, 2006 (by volume consumed)



## FUEL SUPPLY

### Fuel Mix Structure

For generating electricity OGK-4 power plants utilize such types of fuel as natural and associated gas, coal, peat and fuel oil. It is gas, however, that accounts for the largest share of the Company's fuel mix: in 2006, gas represented 82% of the total consumed fuel volume. The Company's fuel mix in terms of fuel consumed is presented in the diagram above.

The largest gas consumer is Surgutskaya GRES-2, a single fuel power plant running on mainly associated gas, uses about 8.5 mln. cubic meters of fuel a year.

Berezovskaya GRES also uses only one type of fuel – brown coal supplied directly from the Berezovsky-1 open pit on the 14-kilometer-long land conveyor securing low level transportation

expenses. Fuel oil is used at Berezovskaya GRES as starting fuel only.

As for the Company's three other power plants, they are located, in contrast to Surgutskaya GRES-2 and Berezovskaya GRES, far from oil, gas and coal mining regions, making gas the only type of fuel it is practical to use: in 2006, it accounted for over 83% of the Shaturskaya GRES fuel balance, over 71% of the Smolenskaya GRES balance, and over 98% of the Yajvinskaya GRES balance. Notwithstanding the material share of gas, the installed generating equipment at these three power plants technologically allows for changing the fuel type promptly (within 1 to 2 hours). This surely brings flexibility under the fuel prices volatility conditions.

### Fuel Mix Structure

Facility	Fuel	Year Ended 31 December		
		2004	2005	2006
Share in the Plant's Fuel Balance, %				
Surgutskaya GRES-2	Gas	100.00	100.00	100.00
Berezovskaya GRES	Coal	99.63	99.83	99.79
	Fuel oil	0.37	0.17	0.21
Shaturskaya GRES	Gas	55.00	76.87	83.61
	Coal	10.06	6.44	4.10
	Peat	16.86	11.07	7.84
	Fuel oil	18.08	5.62	4.45
Smolenskaya GRES	Gas	92.86	94.96	71.56
	Coal	7.01	4.81	28.18
	Fuel oil	0.00	0.02	0.26
	Peat	0.13	0.21	0.00
Yajvinskaya GRES	Gas	95.93	98.58	98.16
	Coal	4.07	1.42	1.84
<b>Total for OGK-4:</b>	Gas	<b>81.45</b>	<b>82.53</b>	<b>82.23</b>
	Coal	<b>16.08</b>	<b>15.62</b>	<b>16.40</b>
	Peat	<b>0.85</b>	<b>1.21</b>	<b>0.84</b>
	Fuel oil	<b>1.61</b>	<b>0.64</b>	<b>0.52</b>

As one can see in the table, for the last 3 years OGK-4 total power plants fuel balance has not been altered noticeably, but some of the Company's plants have shown differently directed dynamics in the consumed fuel structures: for example, since 2004 the share of gas in the Shaturskaya GRES fuel balance has grown by over 28% as a result of a decrease in coal (-5.6%), peat (-9.0%) and fuel oil (-14%) consumption. On the contrary, the share of coal in the Smolenskaya GRES fuel balance increased significantly, to over 28% in 2006 from 5% in

2005, and the share of gas shrank accordingly (-23.4%).

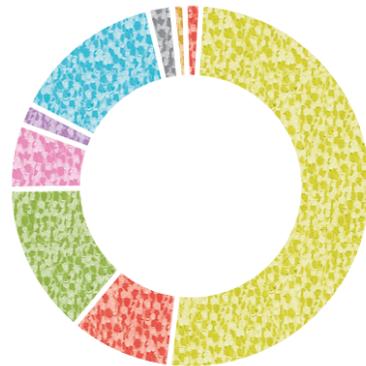
Depending on fuel prices environment in the regions where the power plants are located, the Company would consider an opportunity to enable the current Shaturskaya GRES, Smolenskaya GRES and Yajvinskaya GRES equipment, which is now running mainly on gas, to use other types of fuel. Such decisions will be taken with a view to ensure maximum profits and depend on price relations of various fuel types.

### Fuel Suppliers

The Company strives to manage fuel risks as efficiently as possible by selecting the most optimal supply terms and building long term mutually beneficial relations with fuel suppliers.

As Surgutskaya GRES-2 accounts for over 60% of the total equivalent fuel volume consumed by OGK-4 power plants and this electric power plant's key gas supplier is Surgutneftegaz, the latter remains the largest OGK-4 fuel supplier. The diagram below presents the fuel volume consumed in 2006 by suppliers.

### Main fuel suppliers



- Surgutneftegaz – 52.07%
- NOVATEK – 9.1%
- Gazprom – 13.8%
- Tsentrtrusgaz – 5.81%
- Other gas suppliers – 1.82%
- SUEK – 13.98%
- Other coal suppliers – 2.02%
- Fuel oil suppliers – 0.62%
- Peat suppliers – 0.77%

### Fuel Efficiency

OGK-4 is the owner of two of the most efficient Russian thermal power plants, Surgutskaya

GRES-2 — among gas-fired plants and Berezovskaya GRES – among coal-fired plants. They have two of the best fuel consumption rates — 304.9 goe/kWh and 341.6 goe/kWh, respectively.

In general, during 2006 the Company managed to considerably enhance power plant fuel efficiency by both improving the fuel balance and taking actions aimed at modernization and efficiency upgrading of the generating equipment.

Under the conditions of substantial state regulation of electricity and capacity sales, when electricity tariffs were set by a regulator on the “costs plus” basis and did not stimulate electricity producers to enhance efficiency, OGK-4 and other generation companies' earnings from electricity sales at the tariffs set by the regulator did not leave room for investments in the modernization and development of production facilities. As shown in the diagram, in 2006 the share of fuel costs in the electricity tariffs set by the Federal Tariff Service (FTS) was about 90%.

With emergence of the competitive sector and elaboration of the market deregulation plans, when electricity prices are determined on the basis of demand and supply, the fuel efficiency of generation assets starts gaining the priority of electricity producers.

In view of a large share of fuel costs in the cost structure, as well as the opportunity to sell electricity in the wholesale market's liberalized sector at higher prices than in the regulated segment, the Company intends to further upgrade the power plant generating equipment and reduce heat rates. These trends also underlie the Company's Investment Program, which envisages the construction of new generating units using state-of-the-art technologies that ensure marked fuel consumption reduction, which, in its turn, creates additional value in the competitive market environment. It is planned that the heat rate for new gas-fired facilities should not exceed 219 goe/kWh and for new coal-fired ones — 313 goe/kWh.

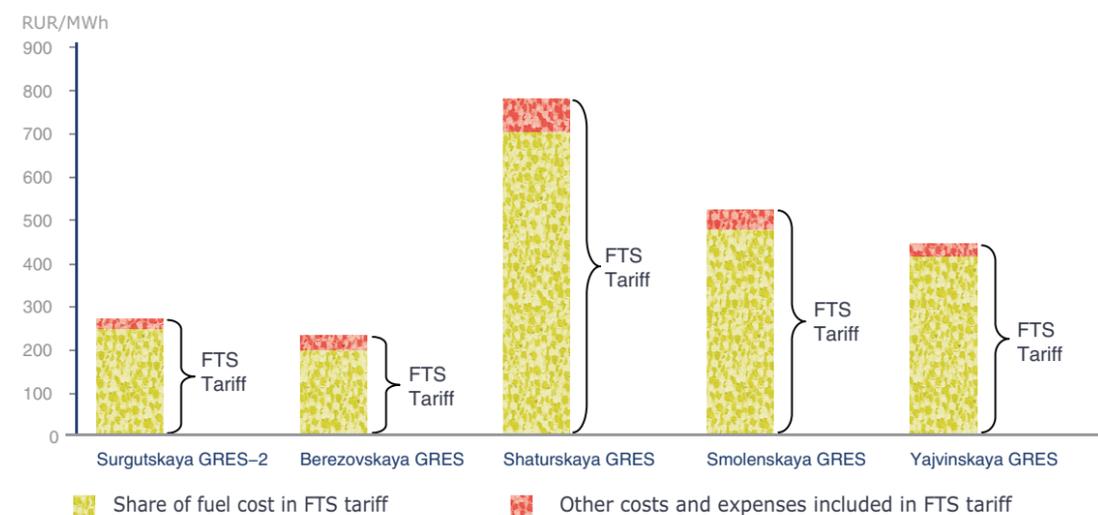
### The Company's Key Fuel Suppliers

GRES	Possible Fuel Types	Key Suppliers
Surgutskaya GRES-2	Gas	Surgutneftegaz NOVATEK
Berezovskaya GRES	Coal	SUEK
Shaturskaya GRES	Gas, coal, fuel oil, peat	Gazprom NOVATEK
Smolenskaya GRES	Gas, coal, fuel oil	Gazprom NOVATEK
Yajvinskaya GRES	Gas, coal	Gazprom NOVATEK

### Heat Rate

	2004	2005	2006
Surgutskaya GRES-2	304.9	306.4 ▲	304.9 ▼
Berezovskaya GRES	344.7	350.0 ▲	341.6 ▼
Shaturskaya GRES	403.3	383.0 ▼	379.5 ▼
Smolenskaya GRES	357.3	357.9 ▲	366.5 ▲
Yajvinskaya GRES	364.2	364.6 ▲	363.4 ▼

### Share of Fuel Costs in Electricity Tariffs Set by FTS for 2006



## Fuel Strategy

Fuel supply diversification and fuel security maintenance are the Company's fuel strategy priorities. In view of the Russian Energy Strategy and the fuel balance being formed, the Company closely monitors fuel price fluctuations and uses the most economically reasonable types of fuel.

Understanding the vital importance of security and optimal terms of fuel supply, the Company is committed to managing fuel risks of all the power plants efficiently. As for hedging fuel risks, OGK-4 best efforts are focused on the following measures:

- to develop long term relations with key fuel suppliers;
- to use the generating equipment flexibility and potential at selecting a fuel type;
- to upgrade the fuel efficiency of its power plant equipment;

## ELECTRICITY PRODUCTION

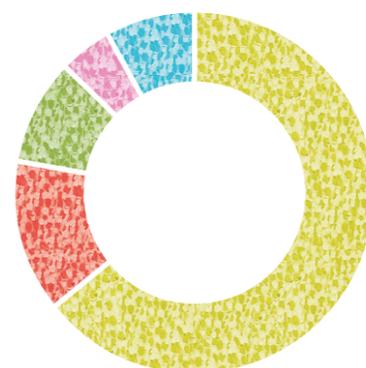
For the last several years, all OGK-4 power plants have demonstrated an electricity output increase primarily determined by the general growth of electricity demand in the regions where these plants operate. In 2006, the Company produced 51,030 mln. kWh of electricity corresponding to 5.15% of the overall Russian electricity output. According to Minpromenergo<sup>1</sup>, in 2006 the overall Russian electricity output was 991.42 bln. kWh representing the 4.2% upward trend as compared to 2005. Thermal power plants accounted for 659.42 bln. kWh of this output (4.9% increase within the year). During this period, the Company speeded up its electricity output by 4.18%.

<sup>1</sup> Minpromenergo means Ministry of Industry and Energy of Russia.

- to construct new generating facilities efficient from the fuel consumption point of view;
- to build up sufficient solid fuel stocks at the power plants; and
- to monitor fuel price changes and actively operate on the free fuel market.

The Company believes that price liberalization in the Russian electricity and gas sectors should help OGK-4 gain additional competitive advantages due to the Surgutskaya GRES-2 and Berezovskaya GRES fuel and economic efficiency and the Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES supplies diversification and fuel flexibility.

## 2006 Electricity Output Breakdown by Power Plants



- Surgutskaya GRES-2 — 64,4%
- Berezovskaya GRES — 13,6%
- Shaturuskaya GRES — 9,3%
- Smolenskaya GRES — 4,7%
- Yajvinskaya GRES — 8%

OGK-4 power plants electricity output dynamics for 2004 through 2006 is presented below:

GRES	2004 Electricity Production, mln. kWh	2005 Electricity Production, mln. kWh	2006 Electricity Production, mln. kWh
Surgutskaya GRES-2	30,867	31,936	32,884
Berezovskaya GRES	6,197	6,675	6,921
Shaturuskaya GRES	3,154	4,581	4,763
Smolenskaya GRES	1,967	2,139	2,388
Yajvinskaya GRES	3,627	3,652	4,074
<b>Total for OGK-4</b>	<b>45,812</b>	<b>48,983</b>	<b>51,030</b>

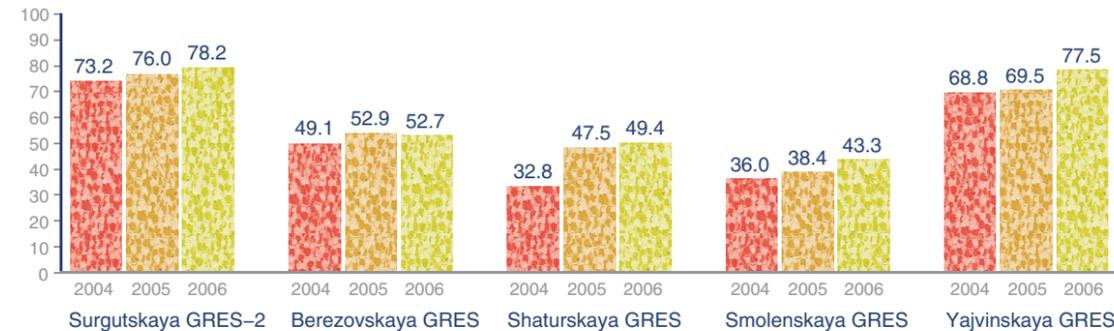
## Electricity Production Growth Rates

GRES	2005 / 2004	2006 / 2005
Surgutskaya GRES-2	+3.47%	+2.96%
Berezovskaya GRES	+7.71%	+3.69%
Shaturuskaya GRES	+45.24%	+3.97%
Smolenskaya GRES	+8.74%	+11.63%
Yajvinskaya GRES	+0.66%	+11.59%
<b>Total for OGK-4</b>	<b>+6.92%</b>	<b>+4.18%</b>

As already stated above, electricity output growth is mostly explained by an increase in electricity demand and load of the Company's power plant equipment capacity by the System Operator interested in supplies going up first of all from the most efficient thermal power plants, such as Surgutskaya GRES-2, Berezovskaya GRES and Yajvinskaya GRES. In 2006, all the Company's power plants successfully performed System Operator instructions and improved their plant ratios.

As a result, in 2006 OGK-4 load factor increased by 2.3%, including a significant growth at Yajvinskaya GRES (+8.0%) and Smolenskaya GRES (+4.9%), while a slight decrease of this indicator at Berezovskaya GRES (-0.2%) was caused by the then current hydrological situation and the higher level of water content in the Siberian region leading to the plant's capacity not loaded by the System Operator during the summer.

### OGK-4 Load Factor, %



One more important indicator of production efficiency is internal consumption. In 2006, OGK-4 power plants internal electricity consumption amounted to 1,959.4 mln. kWh, or 3.8% of the total electricity output. In this connection, Surgutskaya GRES-2, the most efficient OGK-4 power plant generating approximately 65% of the total output, showed internal consumption of only 2.1%.

Upon the Surgutskaya GRES-2, Berezovskaya GRES, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES consolidation within OGK-4, they received additional opportunities for developing and enhancing their technical and economic characteristics by centralizing operations management processes and attracting investments in generating facilities maintenance and modernization.

### The Company's Internal Electricity Consumption

GRES	2005		2006	
	Internal Electricity Consumption, mln. kWh	Internal Electricity Consumption Share, %	Internal Electricity Consumption, mln. kWh	Internal Electricity Consumption Share, %
Surgutskaya GRES-2	841.6	2.6	680.7	2.1
Berezovskaya GRES	499.4	7.5	474.8	6.9
Shaturuskaya GRES	373.4	8.2	370.2	7.8
Smolenskaya GRES	150.5	7.0	190.3	8.0
Yajvinskaya GRES	198.3	5.4	243.5	6.0
<b>Total for OGK-4</b>	<b>2,063.1</b>	<b>4.2</b>	<b>1,959.4</b>	<b>3.8</b>

### HEAT PRODUCTION

In 2006, the Company's power plants produced and sold 2,481.33 thou. Gcal of heat – 5.9% more than the previous year.

Heat supplies are seasonal: in winter months, sales of heat grow markedly, as it is used primarily for heating industrial, public and living premises.

All power plants, except for Berezovskaya GRES, were characterized by an increase in heat supply that was mostly caused by abnormally low outside air temperatures in the European part of Russia in the first quarter of 2006.

### Heat Production, thou. Gcal

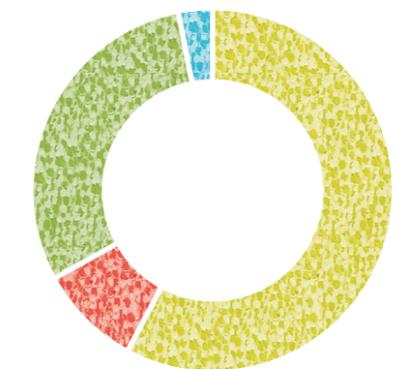
GRES	2004	2005	2006
Surgutskaya GRES-2	994.30	902.05	1,064.27
Berezovskaya GRES	788.15	781.29	727.41
Shaturuskaya GRES	491.38	489.29	500.96
Smolenskaya GRES	85.00	71.00	78.16
Yajvinskaya GRES	106.79	98.94	110.53
<b>Total for OGK-4</b>	<b>2,465.62</b>	<b>2,342.57</b>	<b>2,481.33</b>

### BASIC PRODUCTION ASSETS REPAIR

In the framework of actions intended to maintain generating equipment in proper working order, the Company annually plans and approves repair program. In 2006, the total expenditures on the repair and maintenance to the Company's core and ancillary equipment amounted to RUR2,830.927 mln.

The greatest share of expenses under the 2006 repair program was allocated for power units repair and maintenance and equaled RUR1,642 mln. corresponding to 58% of the total OGK-4 repair expenses.

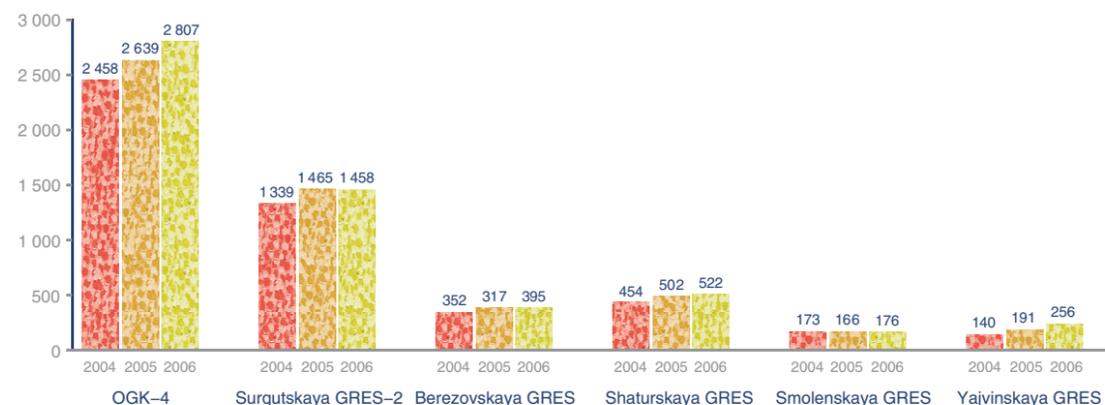
### Repair expenditures breakdown 2006



- Repair to generating units – 58%
- Repair to buildings and facilities – 30%
- Repair to heat networks – 3%
- Repair to other power plants' equipment – 9%

### Repair Expenditures Dynamics (2004 – 2006)

(mln. roubles)



Based on an engineering analysis and in accordance with certain specifications for the existing generating equipment, the Company has

also designed repair plans for the period from 2006 through 2010. In 2006, all scheduled repairs were completed in full.

### INCIDENT AND INJURY RATES. OCCUPATIONAL SAFETY

Due to a set of actions performed and targeted at enhancing the power plants' generating equipment reliability, the Company has substantially reduced its incident rates. Particularly, from 2004 to 2006 there were no

accidents at OGK-4 power plants, while the total number of incidents fell down by 18% to 61. As for OGK-4 as a whole, in 2006 the injury rate decreased by 1 case in comparison with 2005. There were no fatal injury cases in 2006.

Power Plant	2004		2005		2006	
	Total Number of Incidents, cases	Including by Personnel's Fault, cases	Total Number of Incidents, cases	Including by Personnel's Fault, cases	Total Number of Incidents, cases	Including by Personnel's Fault, cases
Surgutskaya GRES-2	15	6	19	7	17	4
Berezovskaya GRES	7	5	7	3	5	3
Shaturskaya GRES	20	2	21	1	9	0
Smolenskaya GRES	18	1	7	2	19	1
Yajvinskaya GRES	18	6	16	3	11	1
<b>Total for OGK-4</b>	<b>75</b>	<b>20</b>	<b>70</b>	<b>16</b>	<b>61</b>	<b>9</b>

### Injury Rates

Power Plant	Injuries		
	2004	2005	2006
Surgutskaya GRES-2	0	0	0
Berezovskaya GRES	1	2	0
Yajvinskaya GRES	0	0	0
Shaturskaya GRES	0	0	0
Smolenskaya GRES	1	0	1
Yajvinskaya GRES	0	0	0
<b>Total for OGK-4</b>	<b>2</b>	<b>2</b>	<b>1</b>

In the last year, expenditures on occupational safety measures were RUR18.9 mln.

### ENVIRONMENTAL SAFETY

The Company is a large electricity and heat producer and, consequently and objectively, the Company's production activities have an impact on the environment, including such types of actions as the release of pollutants into the open air and water, industrial waste disposal, and the adverse influences of noise, heat, vibration, and electromagnetic fields.

RAO UES of Russia and OGK-4 have developed and approved documents specifying principles, objectives, targets and critical areas of the environmental policy, as well as measures to implement it. The Company adopted the Environmental Policy and the Environmental Policy Implementation Strategy that were approved by the Company's Board of Directors on April 14, 2006. The Environmental Policy

Action Plan for 2007 through 2009 was approved by the Company's Board of Directors on February 12, 2007.

The Environmental Policy Action Plan covers measures to reduce the adverse impact on environment and mitigate the environmental risks related to the Company's operations.

In 2007, OGK-4 plans to start introducing an environmental audit and management system in order to comply with requirements of the ISO 14001 international standard.

From 2007 to 2009, the Company intends to perform environmental actions in the amount of RUR537.7 mln., including 2007 environmental expenses amounting to RUR114.3 mln.

### Description of the Current Environmental Protection Situation

In 2006, all the Company's power plants had actual pollutants releases into the open air below the emission limits.

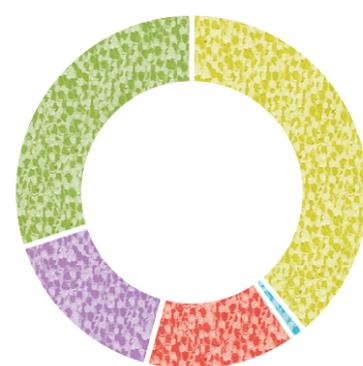
In general, with the 2006 electricity output increase by 4.18% versus 2005, the gross pollutants emissions into the open air grew up to 83.7 thousand tons from

77.9 thousand tons (+7.5%). This fact was explained by the fuel balance changes and quality features. In 2006, the share of high-ash, high-sulfur coal burnt expanded, as did the share of fuel oil, particularly during the period of abnormally low air temperatures in the first quarter of 2006 and the resulting limited gas supply.

### 2006 Gross and Specific Pollutants Air Emission Indicators

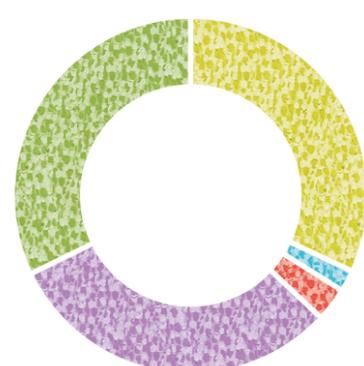
Power Plant	Gross Emission		Specific Emission g/kWh
	thou. tons	share, %	
Surgutskaya GRES-2	37.27	44.5	1.13
Berezovskaya GRES	15.05	17.9	2.17
Shaturskaya GRES	12.29	14.7	2.58
Smolenskaya GRES	14.17	16.9	5.94
Yajvinskaya GRES	4.89	5.8	1.20
<b>Total for OGK-4</b>	<b>83.7</b>	<b>100</b>	<b>1.64</b>

### Environmental Protection Expenditures 2007



- Organizational measures – 40%
- Open air protection – 0.4%
- Water resources protection – 14%
- Land protection. Waste disposal – 16%
- Other technological measures – 30%

### Environmental Protection Expenditures 2007–2009



- Organizational measures – 32%
- Open air protection – 2%
- Water resources protection – 3%
- Land protection. Waste disposal – 31%
- Other technological measures – 32%

### Environmental Protection Expenditures

With a view to minimize the power plants' adverse impact on environment, the Company allocates significant funds for appropriate actions.

In 2006, expenditures on environmental protection measures were approximately RUR30.0 mln.

### Charges for Negative Environmental Impact

GRES	Charge for Pollutants Release into the Water, thou. roubles	Charge for Pollutants Release into the Open Air, thou. roubles	Charge for Waste Disposal, thou. roubles	Total, thou. roubles	Share, %
Surgutskaya GRES-2	3.1	4,776.3	110.2	4,889.6	18,5
Berezovskaya GRES	166.0	695.0	15,460.0	16,321.0	61,7
Shaturskaya GRES	40.7	1,275.1	562.0	1,877.8	7,1
Smolenskaya GRES	1,012.9	1,093.6	648.7	2,755.3	10,4
Yajvinskaya GRES	5.8	459.7	158.1	623.7	2,4
<b>Total for OGK-4</b>	<b>1,228.5</b>	<b>8,299.7</b>	<b>16,939.0</b>	<b>26,467.4</b>	<b>100</b>

In 2006, charges for OGK-4 plants negative environmental impact amounted to RUR38.8 mln., including a 5% charge for pollutants released into the water, a 31% charge for pollutants released into the open air, and a 64% charge for waste disposal.

measures for land protection and industrial waste disposal.

In 2007, the Company plans to spend RUR114.3 mln. on measures for environmental protection. Specifically, in that year the focus will be on mea-

The volume of pollutants released by the Company's power plants into the air and water, as well as of waste disposal, has always been below the limits. Compliance with environmental requirements allows for maintaining environment pollution charges at the minimum level, while there were no charges for exceeding the limits.



THE COMPANY FINDS CONSIDERABLE  
POTENTIAL OF ITS POWER PLANTS  
IN VARIOUS SEGMENTS  
OF THE WHOLESALE ELECTRICITY MARKET



## ELECTRICITY AND HEAT MARKETS

### COMPETITIVE ENVIRONMENT. OVERVIEW OF KEY MARKETS

Established in the period of the electric power industry reform along with five other wholesale thermal power generation companies, OGK-4 is one of the key players in the wholesale electricity market, and the Company's power plants are of prime importance for the power balance in the regions they operate. Particularly, in 2006 Surgutskaya GRES-2 generated roughly 47% of the total electricity consumed in the industrially developed Khanty-Mansiysk Autonomous District of the Tyumen Region, Berezhovskaya GRES and Yajvinskaya GRES provided approximately 16-17% of the electricity consumed in the Krasnoyarsk Territory and the Perm Territory, respectively, and Shaturuskaya GRES produced about 7% of the electricity consumed in the city of Moscow and the Moscow Region in that year.

As already mentioned above, OGK-4 accounts for 3.9% of the overall installed capacity of the Russian generation facilities, 5.75% of Russian thermal generation capacity and around 7% of the thermal generation companies controlled by RAO UES of Russia. In addition, in 2006 the share of the elec-

tricity output of the Company's plants share exceeded its installed capacity share.

Principal OGK-4 competitors in the current Russian electricity market structure are other wholesale generation companies, the OGKs established in the RAO UES of Russia reorganization process and, to a lesser extent, territorial generation companies (TGKs), which are also parts of the RAO UES of Russia. However, it should be noted that presently, competition is limited because of certain characteristics of the wholesale electricity market and the legislation in force. It is expected that the competition will improve as the market deregulation will continue. The Government has approved a gradual increase in the share of electricity sold at non-regulated prices. It is planned that by 2011 all electricity and capacity supply, except for electricity supplied to the public sector, will be sold at free market prices and, thus, the Company's financial position will fully depend on the competitiveness of its power plants. Therefore, it makes sense to consider every power plant separately when describing OGK-4 competitive environment.

	2006 Installed Capacity		2006 Output	
	Total, GW	OGK-4 Share, %	Total, bln. kWh	OGK-4 Share, %
Russia	220.0	3.90	991.14	5.15
Russia's Thermal Generation	149.8	5.75	659.42	7.74
RAO UES Thermal Generation	123.0	~7.00	568.90	8.97

Source: Minpromenergo, Company data.



Surgutskaya GRES-2 is one of the most efficient and economical power plants in Russia. Surgutskaya GRES-2 competitors are Surgutskaya GRES-1, which is a part of OGK-2, and Nizhneartovskaya GRES of OGK-1, as well as the gas-fired power plants of TGK-10.

Berezovskaya GRES sells produced electricity and heat power in the second pricing zone of the Siberian region. Berezovskaya GRES competitors are Krasnoyarskaya GRES-2, which is a part of OGK-6, and the regional generation facilities of TGK-13, as well as hydroelectric power plants located in the region, including Russia's largest Sayano-Shushenskaya GES.

Shaturuskaya GRES key competitors are Kashirskaya GRES, which is also located in the Moscow Region and a part of OGK-1, and the largest electric power plants of the Central region, Ryazanskaya GRES of OGK-6 and Cherepetskaya GRES of OGK-3, as well as the plants of Mosenergo (TGK-3).

Smolenskaya GRES competitors are primarily regional generating facilities of the Smolensk Region.

Yajvinskaya GRES principal competitors are Permskaya GRES and Iriklinskaya GRES, which are parts of OGK-1, as well as Serovskaya GRES of OGK-2 and regional generating facilities of TGK-9.

In 2006, two electricity market models were effective in Russia. In accordance with the regulation that existed before September 1, 2006, electricity producers sold at least 85% of the produced output in the regulated sector at the regulated price (within the second pricing zone at least 95%). Upon the launch of the New Wholesale Electricity and Capacity Market (NOREM) on September 1, 2006, all electricity provided for by

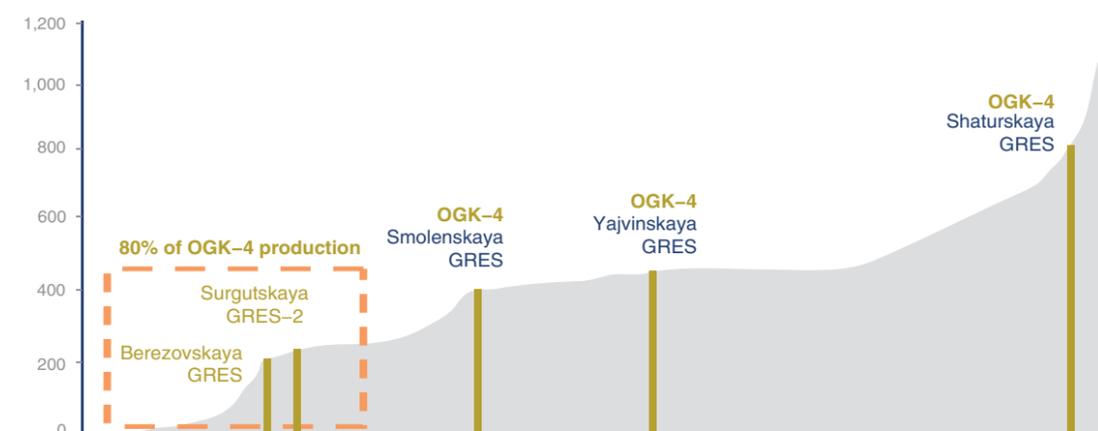
the FTS balance was sold at the regulated price, while electricity generated in excess of the plan was sold in the competitive sector.

In the framework of the 2006 electricity market structure, electricity tariffs in the regulated sector were set on the "cost plus" basis with a view to ensuring earnings from electricity sales at tariffs mainly covering producer operating expenses. To achieve the minimum costs of electricity supplied to buyers, the System Operator loaded the capacity of, first of all, the most efficient plants having the lowest operating expenses and, consequently, electricity tariffs. Therefore, the established electricity tariffs indirectly reflected the efficiency and competitiveness of power plants supplying electricity to the wholesale market, taking into account further electricity sales deregulation.

As seen in the chart on the right page presenting the wholesale market electric power plants by the established electricity tariffs, Surgutskaya GRES-2 and Berezovskaya GRES are two of the most efficient plants, having the greatest potential under the electricity market deregulation conditions.

By decreasing the regulated sector share in 2007 down to 95% initially and down to 90% from the second half of the year, and further reducing it by at least 5% a year starting in 2008, Surgutskaya GRES-2, Yajvinskaya GRES and Berezovskaya GRES will gain additional advantages by increasing electricity sales at competitive prices. At the same time, despite the relatively high cost of Shaturuskaya GRES electricity production, the Moscow Region has already been suffering capacity shortages resulting in the sufficiently high load factor and electricity sales of this power plant. The current electricity production cost and substantial capacity reserves of Smolenskaya GRES make it possible to expect additional earnings of this plant under the balancing and capacity markets operating conditions.

**Russian Wholesale Generation by Electricity Tariffs, RUR/MWh, 2006**



Following OGK-4 development strategy, in the environment of the continued electricity sector reform, the Company finds considerable potential in active

operations in various wholesale market segments and plans to use various tools to make profits at different market deregulation stages.

## ELECTRICITY AND HEAT SALES

### Electricity and Capacity Sales

Before January 1, 2006 Surgutskaya GRES-2, Shaturuskaya GRES, Smolenskaya GRES and Yajvinskaya GRES were not wholesale market participants and sold the produced electricity in the retail market at regulated tariffs; Berezovskaya GRES, as a federal power plant, has been selling electricity in the wholesale market since 1993.

On January 1, 2006 all the Company's plants became wholesale electricity market participants supplying electricity in the Free Trading Sector and in the Balancing Sector.

In 2006, regulation and structure of the wholesale electricity market were changed significantly.

During the first eight months, the wholesale electricity market included the following three sectors:

- Regulated Sector;
- Free Trading Sector; and
- Balancing Sector.

In 2005-2006, OGK-4 power plants sold electricity in the Regulated Sector at the tariffs annually set by the regulatory authorities, separately for each power plant and separately for electricity and capacity.



Power Plant	Electricity Tariff, roubles/MWh		Capacity Tariff, roubles/MW/month	
	2005	2006	2005	2006
Surgutskaya GRES-2	335.70	265.22	–	62,402.40
Berezovskaya GRES	206.64	224.37	93,916.79	100,564.02
Shaturskaya GRES	710.50	775.13	88,739.10	89,316.43
Smolenskaya GRES	574.00	519.30	–	80,687.85
Yajvinskaya GRES	609.64	451.23	–	105,265.29

The performance of the Company's power plants and electricity sales results within the wholesale market demonstrated in 2006 before the NOREM

target model was launched (September 1, 2006) are summarized in the table:

Power Plant	Electricity Sales on the wholesale electricity market, January – September 2006, mln. kWh	including		
		Free Trading Sector, January – September 2006, mln. kWh	Free Trading Sector Share of Total Sales in the Period from January to September 2006, %	Balancing Sector, January – September 2006 + Purchases – Sales, mln. kWh
Surgutskaya GRES-2	20,428	3,017	15%	–104
Berezovskaya GRES	4,112	221	5%	–15
Shaturskaya GRES	2,930	37	1%	245
Smolenskaya GRES	1,455	148	10%	–64
Yajvinskaya GRES	2,489	376	15%	–5
<b>Total across OGK-4</b>	<b>31,414</b>	<b>3,799</b>	<b>12%</b>	<b>57</b>

On September 1, 2006, by virtue of Government Decree No.529 "On Improvement of Operation of the Wholesale Electricity (Capacity) Market Operating Procedures" dated August 31, 2006, the New Wholesale Electricity and Capacity Market was introduced (NOREM). Currently, NOREM consists of the following segments:

- Regulated Agreements;
- "One Day Ahead" Spot Market; and
- Balancing Market.

OGK-4 key counterparties under regulated agreements are regional retail suppliers; upon introduc-

tion of the New Rules, from September to December 2006 the Company's key counterparties under regulated agreements were as follows:

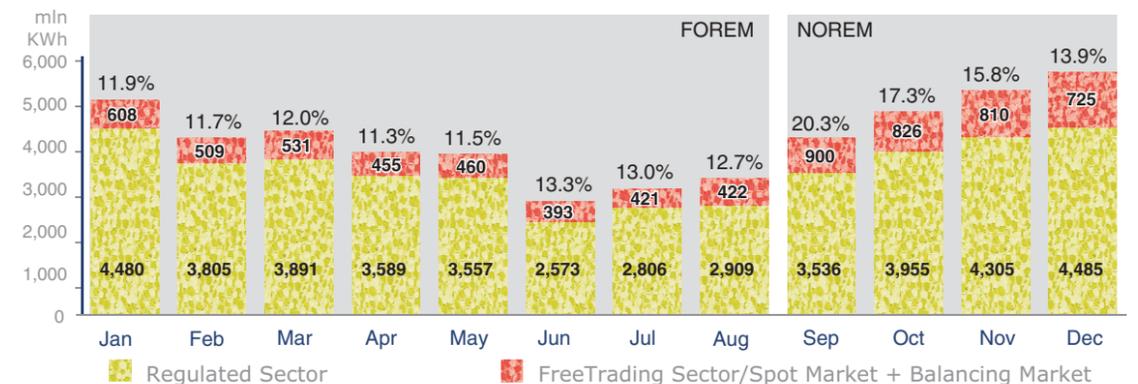
Before the New Rules came into effect, the Company had received payment for only 85% of the installed capacity for power plants located in the first pricing zone (Smolenskaya GRES, Shaturskaya GRES, Yajvinskaya GRES and Surgutskaya GRES) and 95% of the second pricing zone (Berezovskaya GRES) installed capacity; since the NOREM launch, OGK-4 power plants have been paid in full for their installed capacity.

Power Plant	Major Counterparty	Sales under Regulated Agreements, September – December 2006, GWh	Share of Total Sales under Regulated Agreements, %
Surgutskaya GRES-2	Tyumenenergosbyt	10,570	98
Berezovskaya GRES	Kuzbassenergosbyt; Novokuznetsk Aluminum	539	22
Shaturskaya GRES	Mosenergosbyt	439	37
Smolenskaya GRES	Smolenskenergosbyt	635	96
Yajvinskaya GRES	Orenburgenergosbyt	362	30

OGK-4 performance in different sectors of the New Wholesale Electricity Market for the period from September 1 to December 31, 2006 is presented in the table:

Power Plant	Electricity Sales in the Wholesale Electricity Market, total, mln. kWh	Regulated Agreements, %	Sales Structure by the Wholesale Market Sectors	
			"One Day Ahead" Spot Market + Sales – Purchases	Balancing Market + Sales – Purchases
Surgutskaya GRES-2	11,775	92%	6%	2%
Berezovskaya GRES	2,337	106%	–10%	4%
Shaturskaya GRES	1,463	81%	3%	16%
Smolenskaya GRES	742	89%	–3%	14%
Yajvinskaya GRES	1,342	89%	8%	3%
<b>Total across OGK-4</b>	<b>17,659</b>	<b>92%</b>	<b>4%</b>	<b>4%</b>

**OGK-4 Electricity Sales in the Wholesale Electricity Market, 2006**





#### Electricity Sales Volume, mln. kWh

Power Plant	2004	2005	2006
Surgutskaya GRES-2	30,047	31,086	32,972
Bereзовskaya GRES	5,734	6,178	6,983
Shaturskaya GRES	2,880	4,217	4 599
Smolenskaya GRES	1,838	1,988	2,330
Yajvinskaya GRES	3,426	3,454	4,420
<b>Total for OGK-4</b>	<b>43,926</b>	<b>46,922</b>	<b>51,304</b>

Therefore, in 2006 OGK-4 sold a total of 51,304 mln. kWh of electricity in different sectors of the wholesale electricity market, 9.34% increase compared to the aggregated electricity sales of the Company's power plants in 2005.

The Company believes that the overall power plant performance in different wholesale market sectors shows OGK-4's ability to optimize the electricity sales and purchases of every power plant so that the Company's net income grows in view of fuel costs.

The Company also expects to further increase electricity sales across all power plants as a result of electricity consumption growth in the regions where they operate and through implementation of new facility construction projects covered by OGK-4 Investment Program.

Having a quality generating assets portfolio, the Company is flexible enough to successfully operate in all wholesale electricity market sectors under the current market structure and regulation and, due to its elaborated market tactics, strives to maximize profits in competitive sectors of the wholesale electricity market.

#### Heat Sales

Activities of wholesale generation companies, including OGK-4, are focused on electricity production and sales and, thus, heat production and sales are not core businesses for the Company.

Four of the five OGK-4 power plants supply nearly 100% of heat to local markets and fully meet the demand of local consumers, while Surgutskaya GRES-2 provides about 30% of the heat consumed in the city of Surgut. Primary consumers of heat produced by OGK-4 power plants are enterprises and organizations with residential and social properties located in the Ozerny settlement of the Smolensk Region, the town of Shatura, the city of Surgut, the Yajva settlement and the town of Sharypovo (including Dubinino settlement and Kholmogorskoe village). Additionally, Surgutskaya GRES-2, Yajvinskaya GRES and Shaturskaya GRES supply heat to a couple of industrial consumers in their respective regions.

In 2006, OGK-4 power plants sold 2,204 thou. Gcal of heat to consumers, representing 6% growth versus 2005 indicators.

#### Heat Sales to Consumers, 2005 – 2006

Power Plant	2005, thou. Gcal	2006, thou. Gcal
Surgutskaya GRES-2	891	1051
Bereзовskaya GRES	609	566
Shaturskaya GRES	439*	442*
Smolenskaya GRES	41	45
Yajvinskaya GRES	91	100
<b>Total for OGK-4</b>	<b>2,071</b>	<b>2,204</b>

\*As for Shaturskaya GRES, the data is given in view of the plant's economic needs.

Presently, heat prices are fully regulated by the state and set by appropriate regional energy commissions, or RECs. The table below shows

the actual average supply tariffs for heat sold by the Company.

#### Average Heat Supply Tariffs, RUR/Gcal

Power Plant	2005	2006
Surgutskaya GRES-2	116,13	135,00
Bereзовskaya GRES	264,0	304,91
Shaturskaya GRES	427,55**	587,00**
Smolenskaya GRES	330,49	374,10
Yajvinskaya GRES	379,17	414,02

Note: The average supply tariff is calculated as the ratio of the actual cumulative marketable output across all consumer groups, determined according to the tariffs approved by the REC (in money terms, excluding VAT), and the actual heat supply to consumers.

\*\* Shaturskaya GRES average supply tariff is calculated in view of the plant's economic needs.

Taking into account the social nature of heat supply to residential and social properties, the Company concentrates its best efforts on secur-

ing reliability and quality of heat supplies to solvent consumers and achieving breakeven heat supplies.



## FINANCIAL OVERVIEW

### FINANCIAL STATEMENTS

JSC OGK-4  
COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOR THE YEAR ENDED 31 DECEMBER, 2006



ZAO PricewaterhouseCoopers Audit  
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Russia  
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Facsimile +7 (495) 967 6001

#### INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Open Joint-Stock Company "Fourth Power Generating Company on the Wholesale Energy Market" (JSC OGK-4):

- 1 We have audited the accompanying combined and consolidated financial statements of JSC OGK-4 and its subsidiaries (the "Group") which comprise the combined and consolidated balance sheet as at 31 December 2006 and 31 December 2005 and the combined and consolidated income statement, combined and consolidated statement of changes in equity and combined and consolidated statement of cashflows for the two years then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

- 2 Management is responsible for the preparation and fair presentation of these combined and consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

- 3 Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

6 In our opinion, the accompanying combined and consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006 and 31 December 2005, and its financial performance and its cash flows for the two years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

7 Without qualifying our opinion, we draw attention to Note 3 of the accompanying combined and consolidated financial statements. These combined and consolidated financial statements include carved out revenues and expenses related to periods from 1 January 2005 to 1 April 2005, 1 April 2005, 1 February 2005 and 1 July 2005 for electricity and heat generating divisions within JSC Mosenergo, JSC Permenergo, JSC Smolenskenergo and JSC Tyumenenergo, predecessor legal entities that had other business activities. Because of the various determinations used in carving out such revenues and expenses, as described in Note 3 and elsewhere in these combined and consolidated financial statements, those revenues and expenses related to the electricity and heat generation operations within predecessor legal entities may not be indicative of revenues expected to be earned and costs expected to be incurred on a prospective basis for the electricity and heat generation operations within the Group as a separate business and, as such, these combined and consolidated financial statements may not be indicative of future results of operations and trends.

8 Without qualifying our opinion, we draw your attention to Notes 1 and 5 to the accompanying combined and consolidated financial statements. The Government of the Russian Federation has an ultimate controlling interest in the Group and Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation  
15 June, 2007

The firm is an authorized licensee of the tradename and logo of PricewaterhouseCoopers.

(2)

**OGK-4**  
**Combined and Consolidated Balance Sheet as at 31 December 2006**  
**(in thousands of Russian Roubles)**

	Note	31 December 2006	31 December 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	24,186,643	18,403,282
Intangible assets		211,257	77,258
Investments in associates		36	36
Deferred income tax assets	16	118,309	176,430
Other non-current assets		16,887	52,194
Total non-current assets		24,533,132	18,709,200
<b>Current assets</b>			
Cash		778,079	1,613,850
Accounts receivables and prepayments	8	1,262,107	1,621,283
Inventories	7	1,736,032	1,059,337
Current income tax prepayments		<b>265,694</b>	<b>32,703</b>
Short-term financial assets	9	600,000	100,988
Total current assets		4,641,912	4,428,161
TOTAL ASSETS		29,175,044	23,137,361
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shares (nominal value RR 49 130 626 thousand)	10	49,130,626	8,210,831
Merger reserve	10	(31,406,171)	7,626,804
Retained earnings		<b>4,711,197</b>	<b>(39,406)</b>
Equity attributable to shareholders of JSC OGK-4		22,435,652	15,798,228



**OGK-4**  
**Combined and Consolidated Balance Sheet as at 31 December 2006 (cont'd)**  
**(in thousands of Russian Roubles)**

	Note	31 December 2006	31 December 2005
Minority interest		–	1,915,851
Total equity		22,435,652	17,714,080
<b>Non-current liabilities</b>			
Deferred income tax liabilities	16	3,769,722	2,351,859
Non-current debt	11	60	74,044
Pension liabilities	12	326,810	257,722
Other non-current liabilities		1,124	–
Total non-current liabilities		<b>4,097,716</b>	<b>2,683,625</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	13	635,002	235,079
Accounts payable and accruals	14	1,775,935	1,860,325
Current income tax liabilities		–	85,730
Other taxes payable	15	230,739	558,522
Total current liabilities		2,641,676	2,739,656
Total liabilities		6,739,392	5,423,281
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,175,044</b>	<b>23,137,361</b>

General Director

A.V. Kitashev

Chief Accountant

V.S. Chiruhin

15 June, 2007

**OGK-4**  
**Combined and Consolidated Income Statement for the year ended 31 December 2006**  
**(in thousands of Russian Roubles)**

	Note	Year ended 31 December 2006	Year ended 31 December 2005
<b>Revenues</b>	17	26,110,479	21,669,127
Operating expenses (excluding reversal of impairment of property, plant and equipment)	18	(25,445,333)	(21,374,107)
Reversal of impairment of property, plant and equipment	6	7,166,561	–
Impairment of property, plant and equipment	6	(553,204)	–
Operating expenses		(18,831,976)	(21,374,107)
Other operating income		96,551	96,208
Operating profit		7,375,054	391,228
Finance income		59,855	–
Finance expense	19	(164,507)	(59,861)
Profit before income tax		7,270,402	331,367
Total income tax charge	16	(1,939,841)	(168,437)
Profit for the year		5,330,561	162,930
Attributable to:			
Shareholders of JSC OGK-4		5,314,024	(17,737)
Minority interest		<b>16,537</b>	<b>180,667</b>
<b>Earnings / (loss) per ordinary share for profit / (loss) attributable to the shareholders of JSC OGK-4 — basic and diluted (in Russian Roubles)</b>	<b>20</b>	<b>0.185</b>	<b>(0.002)</b>

General Director

A.V. Kitashev

Chief Accountant

V.S. Chiruhin

15 June, 2007

**OGK-4**  
**Combined and Consolidated Cash Flow Statement for the year ended 31 December 2006**  
**(in thousands of Russian Roubles)**

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		7,270,402	331,367
Adjustments for non-cash items:			
Depreciation	6	1,409,167	1,414,060
Reversal of impairment of property, plant and equipment	6	(7,166,561)	-
Impairment of property, plant and equipment	6	553,204	
Provision for impairment of accounts receivable	18	253,625	263,978
Forgiveness of tax penalties		-	(33,521)
Interest income		<b>(59,855)</b>	-
Interest expense and effect of discounting	19	164,507	59,861
Loss on disposal of property, plant and equipment	18	101,888	46,408
Contribution from shareholders	10	-	44,336
Other non-cash items		(36,183)	(127,630)
Operating cash flows before working capital changes and income tax paid		<b>2,490,194</b>	<b>1,998,859</b>
<b>Working capital changes:</b>			
(Increase) / decrease in accounts receivable and prepayments		140,859	(1,231,887)
(Increase) / decrease in inventories		(676,697)	132,034
Increase / (decrease) in accounts payable and accruals		(130,924)	1,176,386
Increase / (decrease) in pension liabilities		<b>17,302</b>	<b>(15,675)</b>
Increase / (decrease) taxes payable other than profits tax		(327,783)	326,470
Income tax paid		(782,577)	(99,665)
Net cash generated from operating activities		730,374	2,286,522
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and other non-current assets		(1,091,573)	(664,203)

**OGK-4**  
**Combined and Consolidated Cash Flow Statement for the year ended 31 December 2006 (cont'd)**  
**(in thousands of Russian Roubles)**

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Proceeds from sale of property, plant and equipment and other non-current assets		48,136	24,104
Change in short-term financial assets	9	(499,012)	(100,887)
Interest received		47,305	-
Net cash used in investing activities		<b>(1,495,144)</b>	<b>(740,986)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowing		2,695,157	813,466
Proceeds from long-term borrowing		147,281	45,083
Repayment of debt		(2,340,148)	(762,590)
Repayment of financial lease		(1,149)	(905)
Interest paid		(35,116)	(20,479)
Dividend paid to shareholders of JSC OGK-4		(424,361)	(35,313)
Dividend paid to minority interest shareholders		(112,665)	(20,417)
Proceeds from share issuance		-	20,500
Net cash generated from/ (used in) financing activities		(71,001)	39,345
Net (decrease)/increase in cash		(835,771)	1,584,881
Cash at the beginning of the year		<b>1,613,850</b>	<b>28,969</b>
<b>Cash at the end of the year</b>		<b>778,079</b>	<b>1,613,850</b>

General Director

A.V. Kitashev

Chief Accountant

V.S. Chiruhin

15 June, 2007

**OGK-4**  
**Combined and Consolidated Statement of Changes in Equity for the year ended 31 December 2006**  
(in thousands of Russian Roubles)

Attributable to the shareholders of JSC OGK-4							
	Ordinary share capital	Unpaid share capital	Merger reserve	Retained Earnings	Total	Minority interest	Total equity
At 1 January 2005	8,210,831	(20,500)	7,626,804	-	15,817,135	1,878,868	17,696,003
Payment of share capital (Note 10)	-	20,500	-	-	20,500	-	20,500
Contribution from / (distribution) to shareholders (Note 10)	-	-	-	85,882	85,882	(41,546)	44,336
Profit / (loss) for the year*	-	-	-	(17,737)	(17,737)	180,667	162,930
Dividends	-	-	-	(107,551)	(107,551)	(102,138)	(209,689)
At 31 December 2005	8,210,831	-	7,626,804	(39,406)	15,798,229	1,915,851	17,714,080
Payment of share capital (Note 10)	40,919,795	-	(39,032,975)	-	1,886,820	(1,886,820)	-
Profit for the year*	-	-	-	5,314,024	5,314,024	16,537	5,330,561
Dividends	-	-	-	(563,421)	(563,421)	(45,568)	(608,989)
At 31 December 2006	49,130,626	-	(31,406,171)	4,711,197	22,435,652	-	22,435,652

\* The amount of total recognised income for the year is equal to profit / (loss) for the year.

General Director



A.V. Kitashev

Chief Accountant

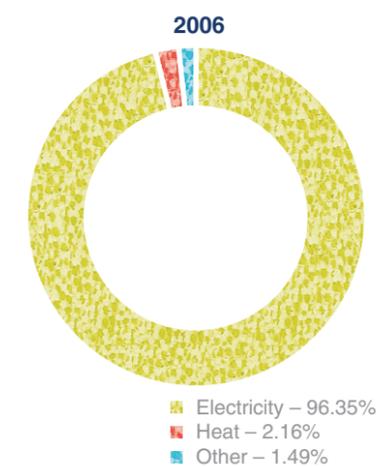
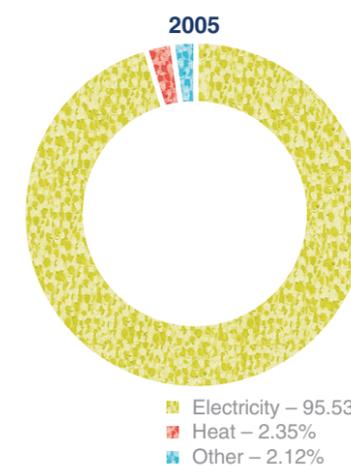
V.S. Chiruhin

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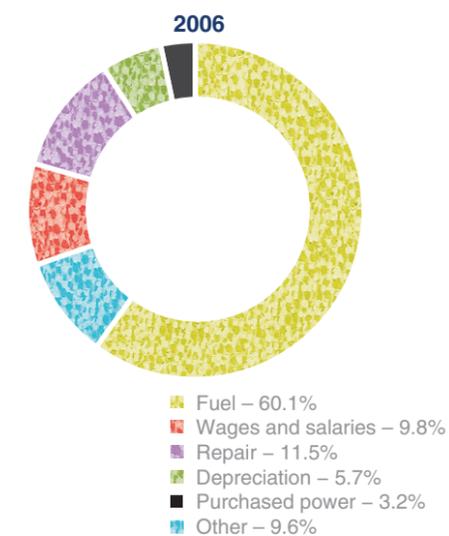
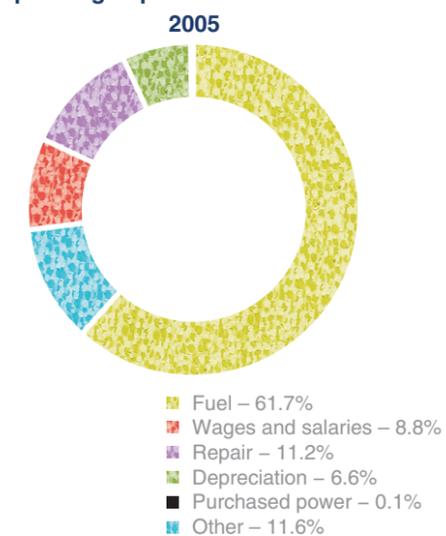
**REVENUES AND EXPENSES BREAKDOWN**

**OGK-4 Revenues Breakdown**

	2005	%	2006	%
Electricity	20,699,734	95.53	25,157,777	96.35
Heat	509,333	2.35	564,601	2.16
Other	460,061	2.12	388,101	1.49
<b>Total</b>	<b>21,669,127</b>	<b>100</b>	<b>26,110,479</b>	<b>100</b>



**Operating Expenses Breakdown**





IMPLEMENTATION OF INVESTMENT PROGRAM  
WOULD INCREASE THE COMPANY'S TOTAL INSTALLED CAPACITY  
BY MORE THAN 30% BY 2011

## INVESTMENT ACTIVITIES

### INVESTMENT STRATEGY

The main purpose of OGK-4 investment activities is to implement investment projects on the basis of their cost efficiency in order to enhance competitiveness of the Company and operational reliability of its equipment.

The Company's investment activities include the following:

- New construction;
- Technical retooling and reconstruction; and
- Information technologies development.

In 2006, in the context of investment activities the Company pursued the following targets:

- developing large investment projects with a view to commissioning new facilities;
- extending the operating life of the Company's power plants fleet of generating equipment;
- replacing superfluous generating equipment with high performance modern equipment;

- enhancing the operational reliability of generating equipment;
- ensuring industrial safety; and
- improving the Company's cost-performance ratios.

In 2006, OGK-4 Board of Directors prioritized the implementation of four large-scale investment projects that would create new facilities securing 2,400 MW, to be put into operation by 2011:

- "Construction of the CCGT-400-based capacity at Shaturskaya GRES";
- "Construction of the 2xCCGT-400-based capacity at Surgutskaya GRES-2";
- "Completion of the steam-power-800-based third generating unit construction at Berezovskaya GRES";
- "Construction of the CCGT-400-based capacity at Yajvinskaya GRES".

### Key Events in the First Stage of Major Investment Projects:

Event	CCGT-400 at Shaturskaya GRES	2xCCGT-400 at Surgutskaya GRES-2	Steam-power-800 at Berezovskaya GRES	CCGT-400 at Yajvinskaya GRES
Approval of the investment projects by RAO UES of Russia Commission for Investments	April 2006	June 2006	August 2006	August 2006
RAO UES of Russia Board of Directors decision on commencement of the projects implementation	April 2006	June 2006	August 2006	August 2006
Selection of chief designers for the projects	November 2006	December 2006	February 2007	July 2007*
Announcement of tenders to select turnkey contractors and suppliers of equipment	October 2006	December 2006	July 2007*	November 2007*

\* planned deadlines

### INVESTMENT PROGRAM

In 2006, the Company's overall investment expenditures, including the capital investments of the power plants, which were separate legal

entities in the 1st half of 2006 and merged with and into OGK-4 on July 1, 2006, amounted to RUR930,437 thou.

### OGK-4 Investment Program

Power Plant	2006 Expenditures, thou. roubles
Surgutskaya GRES-2	150,910
Berezovskaya GRES	166,203
Shaturskaya GRES	459,178
Yajvinskaya GRES	69,657
Smolenskaya GRES	48,860
Heat Networks of Berezovskaya GRES	16,023
Central Office	19,606
<b>Total for OGK-4</b>	<b>930,437</b>

Note: According to Russian Accounting Standards

The 2006 capital investments were allocated for the following activities:

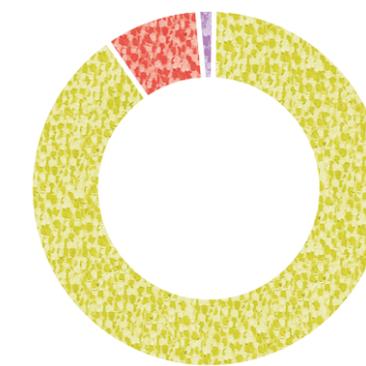
- Technical retooling and reconstruction — RUR840,463 thou.;
- New construction — RUR1,197 thou.; and
- Other investments — RUR88,777 thou.

Other investments include expenditures on intangible assets, non-production development, and purchase of the Shatura town heat networks.

Core areas of activities under the Company's technical retooling and reconstruction programs are:

- to extend the operating life of the working equipment;
- to enhance the performance characteristics of the power generating equipment;
- to reduce the ecological impact on environment; and
- to address issues of industrial safety and generating equipment reliability.

### 2006 Capital Investments



- New construction – RUR1,197 thou. (0.1%)
- Technical retooling and reconstruction – RUR840,463 thou. (90.3%)
- Other investments – RUR88,777 thou. (9.6%)

### Capital Investments by Types of Activities, 2006

Power Plant	Technical Retooling and Reconstruction, thou. roubles	New Construction, thou. roubles	Other Investments, thou. roubles	Total
Surgutskaya GRES-2	150,910	0	0	150,910
Berezovskaya GRES	145,770	1,077	19,356	166,203
Shaturskaya GRES	389,757	0	69,421	459,178
Smolenskaya GRES	48,860	0	0	48,860
Yajvinskaya GRES	69,537	120	0	69,657
Heat Networks of Berezovskaya GRES	16,023	0	0	16,023
Central Office	19,606	0	0	19,606
<b>TOTAL</b>	<b>840,463</b>	<b>1,197</b>	<b>88,777</b>	<b>930,437</b>

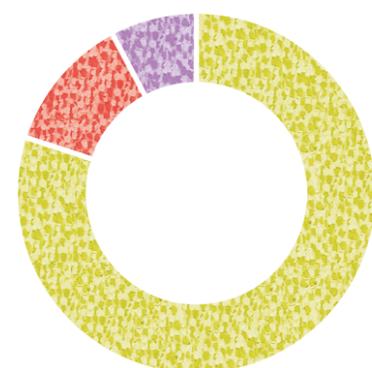
Note: According to Russian Accounting Standards

## INVESTMENT PROGRAM FINANCING SOURCES

The 2006 investment program was financed largely by the Company's internal funds, including:

- Profits — RUR70,499 thou.;
- Amortization — RUR745,100 thou.;
- Debt — RUR114,838 thou.

**Investment Program Financing Sources Breakdown 2006**



■ Profits – RUR70,499 thou. (8%)  
■ Amortization – RUR745,100 thou. (80%)  
■ Debt – RUR114,838 thou. (12%)

## Investment Program Financing Sources in 2006

Power Plant	Own Funds			Total
	Reporting Year Profits	Depreciation Expenses	Debt	
Surgutskaya GRES-2	–	63,701	87,209	150,910
Berezovskaya GRES	–	141,150	25,053	166,203
Shaturskaya GRES	70,499	386,103	2,576	459,178
Yajvinskaya GRES	–	69,657	–	69,657
Smolenskaya GRES	–	48,860	–	48,860
Heat Networks of Berezovskaya GRES	–	16,023	–	16,023
Central Office	–	19,606	–	19,606
<b>Total</b>	<b>70,499</b>	<b>745,100</b>	<b>114,838</b>	<b>930,437</b>

Note: According to Russian Accounting Standards

## DEVELOPMENT PROSPECTS

As stated above, in accordance with OGK-4 Board of Directors decision, the Company's priority investment activities for 2006 through 2010 will be implementation of large-scale investment projects on construction of new facilities at Shaturskaya GRES to secure additional 400 MW, Surgutskaya GRES-2 — 800 MW, Berezovskaya GRES — 800 MW, and Yajvinskaya GRES — 400 MW.

To unify equipment and reduce operating and repair expenses, CCGT-400-based generating unit, having a 57% efficiency factor, was determined to be a promising development unit for power plants using gas as fuel.

Moreover, in 2007 the Company plans to consider an opportunity to build the fourth 800 MW steam-power unit at Berezovskaya GRES. In this connection, provided that the decision on construction is made and all corporate approval procedures are fulfilled, it is expected that the fourth generating unit may be put into operation at Berezovskaya GRES in 2011.

The Company intends to focus on organic growth by constructing new facilities on the basis of the existing generation assets and expects to increase the total installed capacity by over 30% within five years.

Power Unit to be Commissioned	Installed Capacity	Fuel	Commissioning Year
CCGT-400 at Shaturskaya GRES	400	Gas	2009
2xCCGT-400 at Surgutskaya GRES-2	800	Gas	2010
CCGT-400 at Yajvinskaya GRES	400	Gas	2010
Steam-power-800 unit at Berezovskaya GRES	800	Coal	2009



THE COMPANY'S IT-STRATEGY  
IS TARGETED PRIMARILY  
AT ENHANCING OPERATING EFFICIENCY  
AND RELIABILITY



## INFORMATION TECHNOLOGY DEVELOPMENT

Considering information technology in the context of the general strategy, the Company seeks to create a single IT platform as an integrated component of OGK-4 production and business processes. The Company's IT strategy is targeted primarily at enhancing operating efficiency and reliability.

OGK-4 sets the following critical tasks in the field of IT:

- putting into operation ERP-System based on Microsoft Dynamics Ax;
- introducing a standard software to work on design documentation in order to support investment projects implementation processes;
- introducing a unified consumed fuel recordkeeping system with a single database functioning in nearly real time;
- introducing a videoconferencing system for communication between the central office and production branches;
- putting into operation the information analysis system based on SAP BW; and
- switching to IP telephony.

Presently, the Company forms a "noosphere" allowing for efficient communication between OGK-4 operating units and prompt management decision making. Particularly, under the project for creation of the ERP-System based on Microsoft Dynamics Ax, a number of integrated managerial and engineering measures were taken in 2006

and OGK-4 plans to complete introduction and put the ERP-System into active operation at all the Company's power plants in 2007.

In 2006, in the framework of the transition to the New Wholesale Electricity Market, the Company introduced a centralized standard automated commercial electricity recording system at its power plants, in order control electricity sales processes from the Moscow central office in nearly real time. The Company also intends to introduce a unified consumed fuel record keeping system with a single database that will create additional business advantages. Furthermore, under the current investment projects on construction of new generating facilities, in 2007 OGK-4 plans to introduce the Primavera software for efficient management of construction processes.

Taking into account the increasing role of IT under the conditions of continued electricity market deregulation and the need to respond to the changes and challenges of the competitive environment as promptly as possible, OGK-4 has plans to invest in the information technologies development of every subsidiary in particular and the Company in general, as well as efficiently manage production processes, energy markets operations and the construction of new capacities using the most advanced information technology solutions.

THE MAIN PURPOSE OF THE COMPANY'S PERSONNEL POLICY IS TO FULFILL THE STRATEGIC TASKS THROUGH OPTIMAL USE OF HUMAN RESOURCES



## PERSONNEL AND SOCIAL POLICY. SOCIAL PARTNERSHIP

The main purpose of the Company's personnel policy remains the same: to fulfill the strategic tasks set by OGK-4 through optimal use of human resources.

In the field of personnel management, the Company concentrates its efforts on fulfillment of the following key tasks:

- Building the optimal corporate structure appropriate for the strategic objectives;
- Implementing unified principles of staff motivation;
- Preparing and adapting personnel to changes;
- Implementing social programs; and
- Creating a unified automated human resources management system.

As of the end 2006, 5,445 individuals worked at the Company. The personnel structure as of December 31, 2006, was as follows:

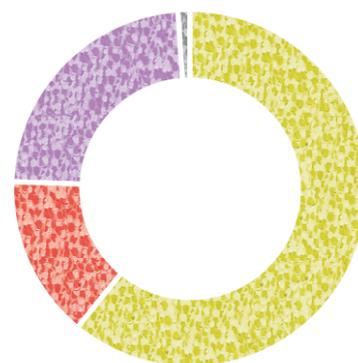
Power Plant	Workers	Engineering Staff	Managers	Total
Surgutskaya GRES-2	655	283	201	1,139
Berezovskaya GRES	756	363	160	1,279
Shaturskaya GRES	1,025	180	210	1,415
Smolenskaya GRES	470	150	98	718
Yajvinskaya GRES	336	113	101	550
Heat Networks Berezovskaya GRES	83	52	16	151
Central Office	0	148	45	193
<b>Total for OGK-4</b>	<b>3,325</b>	<b>1,289</b>	<b>831</b>	<b>5,445</b>



The largest share of the Company's personnel structure is represented by the "Workers" category, which includes mainly production and engineering staff of the Company's power plants.

Building the optimal corporate structure, the Company seeks to outsource several types of personnel, for instance, clearing and security services. As a result of measures taken to optimize the staffing level, as well as separation and disposal of the non-core OGK-4 assets, the Company's average staffing number went down by 234 individuals during the year, while the personnel turnover index adjusting for unsolicited dismissal and dismissal for misconduct decreased to 2.5% in 2006 from 2.8% in 2005.

#### 2006 Personnel Structure by Staff Categories Including Power Plants, which were Stand-alone Entities in the 1st half of 2006



Workers – 61%  
Managers – 14.4%  
Engineering staff – 23.3%  
Employees – 1%

	Staff on the Payroll as of December 31, 2005*	Staff on the Payroll as of December 31, 2006*	2005 Personnel Turnover*	2006 Personnel Turnover*
Surgutskaya GRES-2	1,129 persons	1,139 persons	2.7%	1.7%
Berezovskaya GRES	1,688 persons	1,279 persons	2.6%	2.0%
Shaturskaya GRES	1,637 persons	1,415 persons	3.1%	1.8%
Smolenskaya GRES	635 persons	718 persons	2.5%	4.8%
Yajvinskaya GRES	508 persons	550 persons	2.5%	2.5%
Heat Networks of Berezovskaya GRES	–	151 persons	–	0.03%
Central Office	82 persons	193 persons	6.67%	8%
<b>Total for OGK-4</b>	<b>5,679 persons</b>	<b>5,445 persons</b>	<b>2.8%</b>	<b>2.5%</b>

\*staffing number as of December 31, 2005 refers to power plants, which were separate legal entities as of December 31, 2005 and merged with and into OGK-4 on July 1, 2006 within the reorganization process; accordingly, data as of December 31, 2006 refers to the single Company

There are Collective Agreements between the Company and personnel from the Company's six branches. These Agreements are based on the principles of equal rights and mutual interests, liberty of choice at discussing issues falling within the field of labor, voluntariness, and obligatory nature of undertaken obligations. In accordance with the terms of the Collective Agreement, wages are adjusted quarterly, taking into consideration consumer price index changes. Moreover, under the Collective Agreements, Regulations on Salaries and Emoluments to Personnel are in effect at all the six Company's branches. These Regulations help increase incomes of the staff members.

In view of the fact that from Q3 2006, upon the merger of the five power plants with and into the Company, expenditures on salaries and emoluments totaled RUR2,441 mln., in 2006 the average power plant's personnel wages grew by 28.2% as compared to 2005.

#### Personnel Development System

Most OGK-4 staff members are experienced specialists, who have been working in the electricity industry on average over 10 years. In 2006, the number of employees with higher and secondary professional education was 3,631 persons, including 32 staff members with two higher educations, 1802 members — with higher

education, and 1829 members — with secondary professional education.

The Company encourages the professional development of its personnel and delivers various educational programs. In 2006, 4,563 employees completed professional training. Relevant educational expenses amounted to RUR31.1 mln.

In 2006, OGK-4 designed and approved Regulations "On Maintenance of the Candidates Database and Competitive Selection for Placing on Vacant Positions". The main purpose of the Regulations is to provide the Company with highly qualified staff appropriate for their respective job requirements to the maximum extent possible and capable of fulfilling day-to-day and long-term tasks.

#### Pension Plan

In December 2005, OGK-4 launched a non-state retirement benefit plan. Under this plan, 585 name pension accounts were opened during 2006. In other words, in 2006 the retirement benefit plan covered about 10% of the Company's personnel. The number of employees receiving their non-state pensions reached 239 persons, while the average non-state pension rate is nearly RUR1,000, which is a material contribution to the personal budget of every pensioner.



## INFORMATION FOR INVESTORS AND SHAREHOLDERS

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**Ivan P. Solodovnik**

**Ivan was born in 1954 in Klinttsy,  
Bryansk Region, Russia**

After the Belarus Institute of Railway Engineers his career was closely tied with railway infrastructure. Then Ivan had served as an executive in Gomel Region Administration.

In 2002 his posy "Zdravstvyyi" ("Hello") of classic poetry and prosaic poems "Garden of Metamorphoses" were published. This year he also held personal paintings exposition.

**For this report Ivan kindly used his following paintings:**

- |     |                                     |                             |
|-----|-------------------------------------|-----------------------------|
| 1.  | <b>Sailers</b>                      | <b>Oil on canvas (1993)</b> |
| 2.  | <b>Sunny Bouquet</b>                | <b>Oil on canvas (1995)</b> |
| 3.  | <b>Rainbow Meadows</b>              | <b>Oil on canvas (1995)</b> |
| 4.  | <b>Swallows' Rainbow</b>            | <b>Oil on canvas (1996)</b> |
| 5.  | <b>Oriole Wedding</b>               | <b>Oil on canvas (1996)</b> |
| 6.  | <b>Free Soaring</b>                 | <b>Oil on canvas (1998)</b> |
| 7.  | <b>Sun of Warm Hands</b>            | <b>Oil on canvas (1999)</b> |
| 8.  | <b>Stars of Wishes</b>              | <b>Oil on canvas (2001)</b> |
| 9.  | <b>Sunny Tenderness</b>             | <b>Oil on canvas (2001)</b> |
| 10. | <b>Perpetuum Mobile</b>             | <b>Oil on canvas (2002)</b> |
| 11. | <b>Sunny Wind</b>                   | <b>Oil on canvas (2002)</b> |
| 12. | <b>Cosmos of Soul</b>               | <b>Oil on canvas (2002)</b> |
| 13. | <b>Planet of Open Wide Hearts</b>   | <b>Oil on canvas (2002)</b> |
| 14. | <b>Sunny Star of Stained Window</b> | <b>Oil on canvas (2002)</b> |
| 15. | <b>Three Sunny Ambassadors</b>      | <b>Oil on canvas (2006)</b> |