



# ANNUAL REPORT **2007**

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## Dear Shareholders,



Viktor Khristenko



Vyacheslav Sinyugin

First of all, on behalf of the company management and all its staff, I would like to thank you for a productive year in 2007. This year saw a strengthening of the company's positions not only on the Russian but also the international market. With your direct participation and constructive support, key decisions were taken on consolidation of the Company, its transformation from a JSC RusHydro Holding company into a unified operating structure. This step laid the foundations for fulfilling the vital strategic tasks we are facing: ensuring a growth in capitalization, creating the conditions for system reliability and a further rise in production on the basis of renewable energy sources. Thanks to our joint efforts, JSC RusHydro may today rightly be called the biggest hydro-generating company in Russia and the second in the world in terms of installed capacity.

The key result of the last year has undoubtedly been provision for the efficient and reliable work of the electric power stations. For the purposes of increasing the installed capacity, regime maneuverability and manageability, over 6 billion rubles were allocated for technical rehabilitation and modernization and 2 billion rubles for repair work. Thanks to successful work on the electric power (capacity) wholesale market and inclusion of a targeted investment component in tariffs, the company's revenues have grown substantially over 2006 to reach 45.3 billion rubles. Correspondingly, the resources for developing business connected with hydro-electric power station construction projects have grown. In 2007, hydro-turbines 5 and 6 of the Bureiskaya HPP were started up, construction launched of the Zagorskaya PSHPP-2 and of the Zaramagskaya HPP-1. JSC RusHydro intends to continue implementing projects to create new energy capacity on the territory of Russia using various financing schemes.

From the point of view of state policy, on the basis of existing HPPs and those under construction, the company is implementing large-scale projects for creating energy-based industrial clusters, these constituting one of the chief instruments for the territorial development of the country. Use of HPPs as development hubs makes it possible to create a stable basis for the energy infrastructure in the regions. JSC RusHydro is one of the leaders in the process of creating energy-based industrial clusters: the South Yakutia hydro-electric complex – an instrument for developing new territories and the basis for the trans-continental railway, the Boguchanskaya HPP – the core of the Boguchansk energy and metal industry association (BEMO) and the basis for the comprehensive development program for the Lower Priangarye. Within the framework of the BEMO project, together with the company Russian Aluminum, JSC RusHydro has launched construction of an aluminum works. Construction is also continuing of the hub of another cluster of vital importance for the Magadan Region – the Ust-Srednekanskaya HPP. We are also considering the possibility of creating Priamur and North Eastern clusters. These projects will help resolve the global problem of the shortage of fresh water by bringing water resources into use, constructing reservoirs and developing water body production facilities in obligatory observance of environment-protection requirements.

The programs for large-scale construction envisage raising investment resources. In 2007, JSC RusHydro received 5 billion rubles in payment for additional share issues in favor of the state. Development of the design and estimate documents for the South Yakutia hydropower complex and the Cascade of HPPs on the river Vitim, as well as the construction of grid facilities for distribution of capacity of the Boguchanskaya HPP, are being financed out of the Investment Fund of the Russian Federation. For the purposes of creating comfortable conditions for business in six regions in which hydro-electric power stations are located, laws have been passed granting tax benefits. One of the achievements of 2007 was provision of an inflow of private investments into Russian hydro-electric power projects, which is of fundamental importance for the company and the industry as a whole. For instance, foreign investor funds were raised by means of credit note placements for financing completion of the Kabardino-Balkaria Kashkatau HPP with a capacity of 65 MW.

A corporate result of 2007 was the transition to the target model for JSC RusHydro. It was supported by the shareholders of the 22 subsidiary and dependent companies and this established the vector for the company's further development from the point of view of achieving its strategic goals and set serious tasks before the management of JSC RusHydro. By the beginning of 2008, the first stage of the consolidation had already been achieved – the transition to a single share was made and its placement on the country's chief trading floors was provided for. By July 2008, the Company will absorb the companies JSC State Holding RusHydro and JSC Minority Holding RusHydro, which were set up in the final stage of the reorganization of RAO UES of Russia. For the summer of 2008, it is planned to implement a program of depository receipts. By 2009, the shares in JSC RusHydro will transfer to quotation list "A" of the MICEX and RTS stock exchanges. Entry of the company's securities onto the market imposes additional liabilities on it, envisaging greater transparency and openness of current operations, impeccable compliance with the requirements on disclosure of information and financial indicators, financial accounting, payment of taxes and so on. And we are prepared for this step. One of our primary tasks is to raise the corporate governance rating. In order to do this, in the near future specialized committees are to be set up under the Board of Directors of JSC RusHydro and introduction of best corporate governance practices will be continued.

In conclusion, please let me draw your attention to one more matter of major importance. In 2007, JSC RusHydro launched an innovation program for encouraging use of new renewable energy sources: tidal and geothermal energy, as well as wind energy. With direct involvement of JSC RusHydro and as a result of the fruitful work of the state and the company's specialists, amendments were introduced into the Federal Law "On the Electric Power

Industry" for the purpose of supporting development of power production based on renewable sources. The "General Scheme for location of electric power industry facilities up to 2020" takes into consideration JSC RusHydro's proposals for increasing the share of renewable energy sources in the installed capacity of the electric power stations.

In 2007, implementation was initiated of the program for development of minor HPPs for 2008-2010 and for the longer term, up to 2020, which is called on to provide for development of the hydro-potential of small rivers in order to create a multitude of minor HPPs with an installed capacity of up to 25 MW. The operator of the program is the New Energy Fund, set up on our initiative, which has entrusted to JSC RusHydro functions and powers in raising outside investment and constructing power stations.

The rate of development of the hydro-potential and the possibilities of renewable energy sources in the world, as well as the increased demand for electric power, are creating favorable conditions for JSC RusHydro to participate in international projects. Last year, within the framework of an inter-governmental agreement signed between Russia and India, the Board of Directors of the Company adopted a resolution to create a Russian-Indian joint venture with Sun Group, which is the developer of HPP construction projects in India. The possibility is also being considered of JSC RusHydro joining the E8 - "Energy Eight" of the world's biggest countries.

Dear Shareholders – please allow me to thank you for our effective joint work in 2007 and to express our gratitude to the work team of JSC RusHydro for their unconditional professionalism and creative approach to their work, making it possible to implement long-term plans for developing business, increasing the capitalization, resources and capacities of the Company and achieving its undoubted leadership on Russian and world markets, in consideration of the strategic interests of the state in the sphere of energy saving and development of renewable energy sources.

Chairman of the Board of Directors  
of JSC RusHydro  
Viktor Khristenko

Chairman of the Board  
of JSC RusHydro  
Vyacheslav Sinyugin



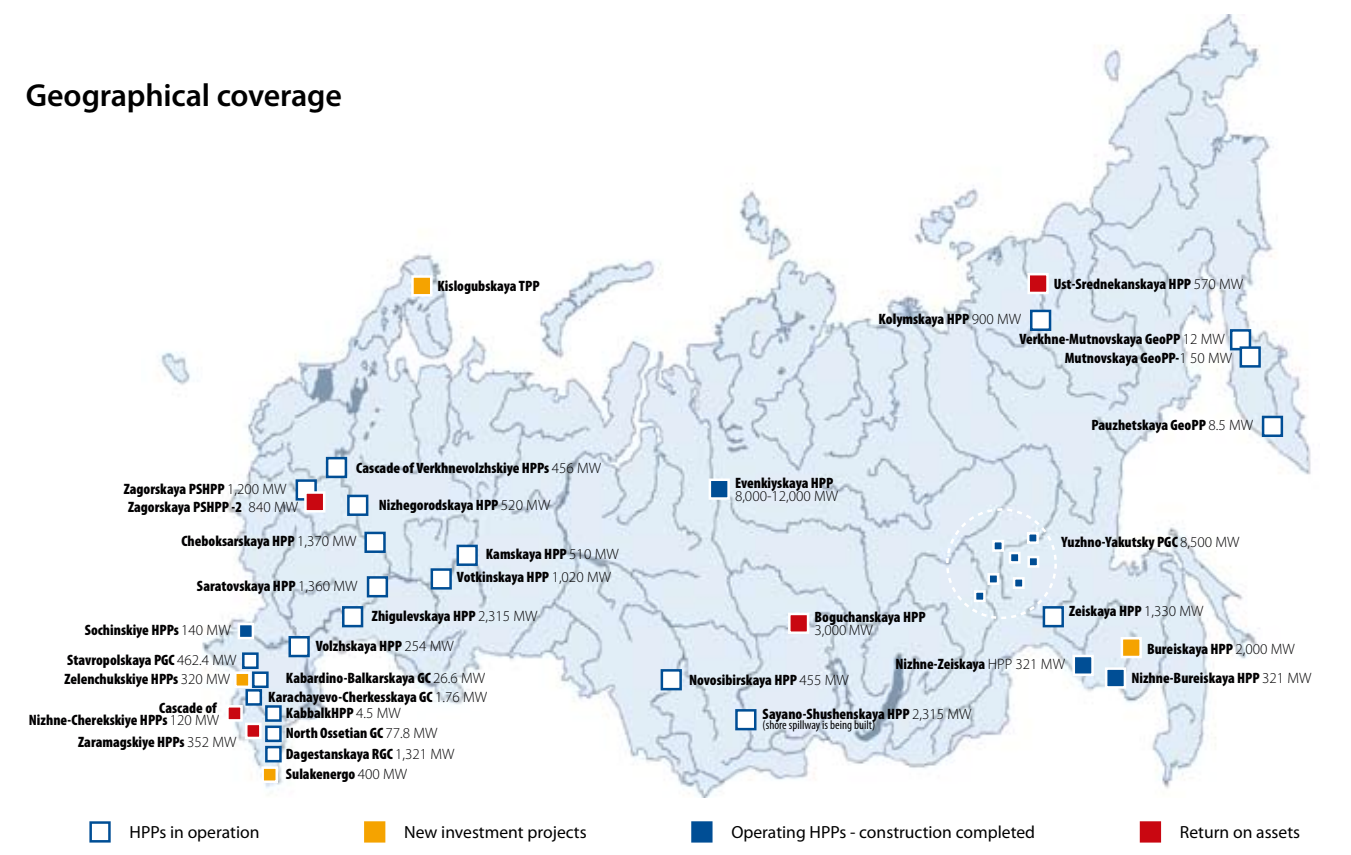


## Part 1 | GENERAL INFORMATION

### ■ JSC RusHydro today

- JSC RusHydro – Russia’s biggest generating company, established in 2004.
- Volume of electric power generated in 2007 – over 82.3 billion kWh, actual revenue – 45.3 billion rubles.
- JSC RusHydro – second largest hydro-generating company in the world in terms of installed capacity.
- Aggregate installed capacity – 24,048 MW. Capacity commission in 2007 – 730.2 MW.
- The Company’s investment program envisages commission of 1.67 GW of new capacities by 2010.
- Dividends paid out in 2007 – 1.12 million rubles, share yield – 0.05492 rubles.
- The Company has been awarded the highest possible ratings on the national scale – “ruAAA” (Standard & Poor’s). International credit rating – “BBB-” (Standard & Poor’s and Fitch Ratings).

### Geographical coverage







Chirkeiskaya HPP

## ■ Key results \*

Production indicators of the JSC RusHydro Holding	2006	2007
Installed capacity of electric power plants, MW	23 308.8	24 110.0
Production of electric power, million kWh	76.6	82.3
Staff on the payroll of the companies of the JSC RusHydro Holding, persons	8 176	6 390
Financial indicators of JSC RusHydro Holding		
Revenues from the sale of goods, output, services, work, thousand rubles	5 494 223	41 797 725
Sales profit, thousand rubles	- 457 558	8 503 886
Pre-tax profit, thousand rubles	1 491 620	10 883 883
Net profit, rubles	1 504 245	8 615 731
Yield per share, rubles	0.01447	0.05492
Net assets per share, rubles	1.005534	1.12680
Short-term liabilities, thousand rubles	1 607 922	1 485 982
Long-term liabilities, thousand rubles	14 300 000	15 800 000
Financial indicators of the JSC RusHydro Holding as a whole		
Revenues from the sale of goods, output, services, work, thousand rubles	24 653 026	47 701 949
Sales profit, thousand rubles	5 971 436	17 275 860
Pre-tax profit, thousand rubles	2 916 718	15 191 591
Net profit, thousand rubles	1 236 847	9 930 439
Short-term liabilities, thousand rubles	8 969 521	11 193 689
Long-term liabilities, thousand rubles	19 639 653	20 425 474

\*The JSC RusHydro Holding is understood to mean JSC RusHydro and its subsidiaries and dependent companies (hereinafter referred to as SDCs). The list of the SDCs of JSC RusHydro as of 31 December, 2007 is presented in Appendix 12.

## ■ 2007: Key events and facts

### MARCH

**22 March:** JSC RusHydro and the company RUSAL raise a bridging loan to the sum of 520 million US dollars for financing the project to create the Boguchansk energy and metal industry association (BEMO). The funds raised were allocated for construction of the Boguchansk aluminium works and completion of the Boguchanskaya HPP.

### APRIL

The first cubic meter of concrete is laid in the foundations of the building of the Kashkhatau HPP with a design capacity of 65 MW.

**16 April:** A Memorandum of Intent is signed to set up JSC Corporation for Development of South Yakutia between JSC RusHydro, JSC Techsnabexport, JSC IG ALROSA, CJSC Yakutskiy Ugli – New Technologies and the Government of the Republic of Sakha-Yakutia.

### MAY

**14 May:** JSC RusHydro and Morgan Stanley bank sign an agreement on extension of a loan to the company in the amount of 1.5 billion rubles.

**16 May:** JSC RusHydro and Unified Company Russian Aluminium launch the construction of the Boguchansk aluminium works within the framework of creating the Boguchansk energy and metal industry association (BEMO).

### JUNE

**09 June:** A Memorandum of co-operation is signed in the sphere of development of the hydro-electric power industry of India between JSC RusHydro and Sun Group (India), in accordance with which the possibilities are to be studied of creating a joint hydro-generating company on the territory of India.

**22 June:** A General Meeting of the Shareholders of JSC RusHydro was held on the results for 2006. The Meeting adopted a resolution to pay dividends on ordinary shares in the Company on the basis of the results for the 1st quarter of 2007 in the amount of 1,146,503,600 rubles (0.00793872 rubles per share).

**25–29 June:** The 75th annual meeting was held of the International Commission of Large Dams (ICOLD). Experts from 85 countries of the world gathered in St. Petersburg to outline the range of pressing problems in the sphere of design, construction and operation of dams.

The project "Comprehensive development of South Yakutia", an integral part of which consists of construction of the Kankunskaya HPP, with an installed capacity of up to 1600 MW on the river

Timpton, won in a bid for funds from the Investment Fund of the Russian Federation.

State support was also granted to the project "Comprehensive development of Zabaikalye" proposed by JSC RusHydro at the VI International Investment Forum "Sochi-2007".

### JULY

The fifth hydro-generating unit of the Bureiskaya HPP is started up.

**11 July:** JSC RusHydro launched construction of Russia's second biggest hydro-storage power station – the Zagorskaya PSHPP-2.

### AUGUST

**7 August:** JSC RusHydro installs a unique information system for forecasting the financial and business condition of the company in the medium and long term, for any given period of time, on the basis of its current financial and business status, the anticipated change in macro-economic factors (tax rates, refinancing rate, inflation rate, salary rise index, etc.), the forecast dynamics of liberalization of the electric power and capacity market, predicted sales, long-term production programs and the company's investment and credit policies.

**15 August:** The Board of Directors of JSC RusHydro adopts the new company strategy for the period up to 2020 and the longer term up to 2030.

**15 August:** Construction is launched of the Zaramagskaya HPP-1 with a capacity of 242 MW, to be built on the river Ardon and become one of the hydro-electric power stations of the Ardon Cascade of HPPs.

### Summer of 2007:

JSC RusHydro, together with regional authorities and environmental movements, holds the federal charitable campaign "oBEREGai" (Protect the Banks).

### SEPTEMBER

As a result of payment of additional shares, JSC RusHydro became a shareholder in JSC Geotherm (71.61%), JSC OP Verkhne-Mutnovskaya GeoPP (48%), JSC Northern Ossetia HGC (43.97%), JSC Krasnoyarskaya HPP (0.117%), and JSC Vilyuiskaya HPP-3 (1.9%).

**19 September:** Within the framework of "Presentation of the South of Russia" at the VI "International Investment Forum "Sochi-2007", an Agreement of intent is signed between JSC RusHydro and NP National Direct Investment Agency on construction of hydro- and hydro-storage power stations in the Southern Federal Area, envisaging development of projects for constructing 10 HPPs and PSHPPs in Dagestan, Kabardino-Balkaria, Karachaevo-

Cherkessia, Northern Ossetia-Alania and the Krasnodar Territory, as well as construction of 8 minor HPPs.

**19 September:** Within the framework of the VI International Investment Forum "Sochi-2007", JSC RusHydro, the Fund for Development of Renewable Energy Sources "New Energy" and JSC PMK Kabbalhidrostroy signed an investment agreement on construction of the Zaragizhskaya Minor HPP in the Republic of Kabardino-Balkaria, with an installed capacity of 15 MW and an average annual production of 65.5 million kWh. Construction is to be completed in 2009.

**25 September:** Top managers of JSC RusHydro (Chairman of the Board Vyacheslav Sinyugin and IT Director Garald Bandurin) are named in the rating of the "1000 most professional managers of Russia", drawn up by the Association of Managers of Russia.

**26 September:** JSC RusHydro and LLC IFK Metropol presented to the VI International Investment Forum "Sochi-2007" the investment project "Comprehensive development of Zabaikalye", which proposes creating, on the basis of the principles of private-public partnership, a strong industrial region including the Mokskaya and the Ivanovskaya HPPs with an aggregate capacity of 1410 MW on the River Vitim and a cluster of industrial production units consuming the electric power produced by the HPPs and a corresponding infrastructure: railways and roads, electric power transmission lines.

**27 September:** The Russian Federation (represented by the Federal Property Management Agency) becomes a shareholder in JSC RusHydro.

**28 September:** Standard & Poor's agency awards JSC RusHydro a corporate governance rating of 5 (CMR-5) on the international scale and CMR-5.2 on the Russian scale.

## OCTOBER

Date – At the Bureiskaya HPP, the sixth and last hydro-generating unit is started up, with a capacity of 335 MW.

**05 October:** JSC RusHydro organizes a seminar entitled "Draft legislative measures for supporting renewable energy sources" to discuss possible amendments to Federal Law No. 35 "On the Electric Power Industry", envisaging a system of measures to support development of the electric power industry on the basis of use of renewable energy sources.

**12 October:** An Extraordinary General Meeting of the Shareholders of JSC RusHydro adopts a resolution to reorganize the Company through merger of 24 joint-stock companies (JSC Bureiskaya HPP, JSC Volzhskaya HPP, JSC Votkinskaya HPP, JSC Dagestan Regional Generating Company, JSC Zhigulevskaya HPP, JSC

Zagorskaya PSHPP, JSC Zeiskaya HPP, JSC Zelenchukskiye HPPs, JSC Kabardino-Balkarskaya HGC, JSC Kabbalk HPP, JSC Kamskaya HPP, JSC Cascade of VV HPPs, JSC Cascade of NChHPPs, JSC Nizhegorodskaya HPP, JSC Saratovskaya HPP, JSC Northern Ossetia HGC, JSC Stavropol Electricity Generating Company, JSC Sulakenergo, JSC Cheboksarskaya HPP, JSC Neporozhniy SShHPP, CJSC EOZ, JSC Irganaiskaya HPP, JSC State Holding RusHydro and JSC Minority Holding RusHydro).

## NOVEMBER

**27 November:** JSC RusHydro organizes the International Conference on Management systems for technological processes in hydro-electric generation, aimed primarily at developing partnership relations and forms of interaction between JSC RusHydro and outside organizations on aspects of modernizing management systems for technological processes in the hydro-electric power industry and organizing an expert community and forming the principles and criteria for assessing projects for modernizing management systems for technological processes.

**12 November:** Chairman of the Board of JSC RusHydro Vyacheslav Sinyugin takes part in a session of the working group of the Global Program for combating climate change (Combat, Climate, Change or 3-C), where the discussion centered round a road map for combating global warming. The 3-C global program was launched on 11 January, 2007 to provide support on the part of business for initiatives to combat climate change and create a regulatory base and mechanisms for the post-Kyoto period.

**28 November:** By resolution of the Organizing Committee of the All-Russia Environmental Conference "New priorities for national environmental policy in the real sector of the economy", JSC RusHydro is awarded the title "Leader of environment protection activities in Russia".

## DECEMBER

**05 December:** JSC RusHydro starts up for experimental industrial operation a wind-power unit with a capacity of 1 MW in Kalmykia, built within the framework of the Kalmytskaya WPP construction project. The forecast annual output of a single wind power unit is 2.65 million kWh.

JSC RusHydro plans to continue construction of wind power units in Kalmykia. By 2010 it is proposed to commission a wind park with a total capacity of 9 MW (the unit already started up is an integral part of the future Kalmytskaya WPP). The proposed investment amounts to about 400 million rubles.

**19 December:** The leading world rating agencies Standard & Poor's and Fitch Ratings award JSC RusHydro international credit ratings of BBB-, which indicate a reliable financial position of JSC RusHydro, the strategic significance of the company in the econ-

omy of the Russian Federation, and the state support rendered to JSC RusHydro. Important factors ensuring the high ratings were the low cost level, geographical diversification of the generating assets, the low debt burden and the company's intention to pursue a conservative financial policy in the sphere of borrowings in the future. At the same time, according to the national scale, Standard & Poor's has awarded JSC RusHydro the highest possible rating – ruAAA.

**20 December:** Vneshekonombank and JSC RusHydro conclude a Memorandum of interaction on implementing investment projects, according to which the parties intend to jointly take part in implementing investment projects for ensuring stable development of electric power production facilities on the basis of renewable energy sources. Within the framework of the co-operation between the parties, the following projects are being considered: projects for establishing territorial and industrial clusters (the Cascade of HPPs on the River Vitim, the South Yakutia Hydro-electric complex, the Bureiskaya HPP and the Nizhnebureiskaya HPP, the Nizhnezeiskaya HPP, the Ust-Srednekanskaya HPP, the Boguchanskaya HPP and the Motyginskaya HPP); projects to develop PSHPPs, including: the Zagorskaya PSHPP-2 and the Leningradskaya PSHPP; system-wide projects: construction of the Evenkiiskaya HPP and the Nizhne-Kureiskaya HPP.

## ■ Industry development trends

The drop in the growth rate of the electric power industry has become a real factor JSC RusHydro Holding back the Russian economy in general and has dictated an objective need for reforming the industry. The main objective of the reform of the electric power industry is to make the industry's enterprises more efficient and create the conditions for its development by encouraging investment, as well as to ensure a reliable and uninterrupted supply of electricity to consumers. The key tasks of the reform have been designated by the Government of the Russian Federation as formation of a competitive electric power market and creation of the best possible conditions for its liberalization. The reform was officially launched on 26 March, 2003, when the President of the Russian Federation signed a set of federal laws, including the law "On the Electric Power Industry", allowing the structural reform of the industry to be set in process.

In the course of the reform, natural monopoly and potentially competitive functions are divided up. As a result, the previous vertically integrated companies combining these functions are

**24 December:** Public hearings are held of representatives of JSC RusHydro, JSC RAO UES of Russia and environmental organizations to discuss the Company's environmental policy. JSC RusHydro is one of the first power companies in Russia to organize a dialogue with environmental organizations.

**25 December:** For the purposes of preventing trading in the shares in absorbed companies in the interim between termination of their activities and introduction of the relevant entries in the Unified State Register of Legal Entities, trading in the shares in the corresponding absorbed companies is halted (suspended) and they are subsequently excluded from the list of securities permitted for trading on the Russian stock exchanges MICEX and RTS.



In April 2007, the Government of the Russian Federation introduced amendments into the Resolutions "On the rules for the wholesale electric power (capacity) market for the transitional period" and "On improvement of the procedure for the functioning of the electric power (capacity) wholesale market, providing for a stage-by-stage increase in the proportion of electric power sold on the wholesale market at prices not regulated by the state.

As the wholesale market for electric power and capacity is gradually liberalized, the proportions of electric power and capacity supplied on the wholesale market at regulated prices (tariffs) will fall. The share of the free electric power market will be reviewed twice a year – on 1 January and 1 July. In addition, precise volumes have been determined of electric power supplied on the wholesale market at regulated prices for the period up to 2011.

The transition to a fully competitive wholesale market will take place from 1 January, 2011. At the same time, electric power will be supplied to the population until this time at regulated prices, irrespective of the extent of liberalization of the wholesale market.

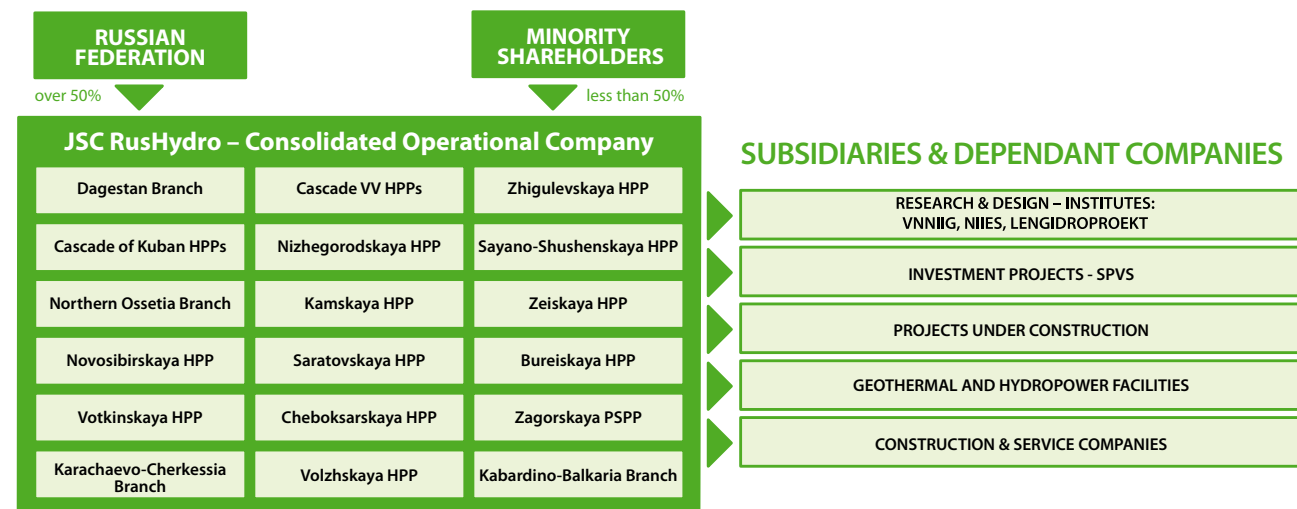
By resolution of the Government of the Russian Federation, on 1 July 2008, JSC RAO UES of Russia will cease to exist. In the course of the reform, 7 wholesale generating companies (OGKs) and 14 territorial ones (TGKs) have been divided off from JSC RAO UES of Russia. They are all (with the exception of JSC RusHydro) in the process of carrying out additional issues to become privately-owned and handed over to a strategic investor.

JSC RusHydro occupies ones of the central places in the system for reforming the electric power industry of the Russian Federation, its main aim being to increase the industry enterprises' efficiency, create the conditions for its development by encouraging investments and ensure reliable and uninterrupted electricity supplies to the population.

### JSC RusHydro target model

In 2005, the Board of Directors of JSC RAO UES of Russia approved the Target model for JSC RusHydro in the form of an Operating company managing its component subsidiaries formed on the basis of the Joint-stock company HPPs in the process of reorganization of the subsidiary and dependent companies (SDCs) through merger into JSC RusHydro.

In April 2007, the Board of Directors of JSC RAO UES of Russia approved a plan for accelerated consolidation of JSC RusHydro into a unified operating company, envisaging merger into JSC RusHydro of the subsidiary joint-stock company HPPs (not including construction projects and infrastructure subsidiary companies), other joint-stock company HPPs, as well as JSC State Holding RusHydro and JSC Minority Holding RusHydro, which were split off from JSC RAO UES of Russia.



According to the results of the merger into JSC RusHydro of the subsidiary joint-stock company HPPs, JSC Minority Holding RusHydro and JSC State Holding RusHydro, the ownership interest of the Russian Federation in the authorized capital of JSC RusHydro must be at least 50%+1 share.

The Operating Company JSC RusHydro will be formed during 2007-2008 through reorganization in the form of merger into JSC RusHydro of the following joint-stock companies (hereinafter referred to as the Merged companies):

JSC Bureiskaya HPP, JSC Volzhskaya HPP, JSC Votkinskaya HPP, JSC Dagestan Regional Generating Company, JSC Zhigulevskaya HPP, JSC Zagorskaya PSPP, JSC Zeiskaya HPP, JSC Zelenchukskiye HPPs, JSC Kabardino-Balkarskaya Hydro-generating Company, JSC Kab-balkHPP, JSC Kamskaya HPP, JSC Cascade of VV HPPs, JSC Cascade of NChHPPs, JSC Nizhegorodskaya HPP, JSC Saratovskaya HPP, JSC Northern Ossetia HGC, JSC Stavropol Electricity Generating Company, JSC Sulakenergo, JSC Cheboksarskaya HPP, JSC Neporozhniy SShHPP, CJSC EOZ, JSC Irganaiskaya HPP, JSC State Holding RusHydro, JSC Minority Holding RusHydro.

In October 2007, the General Meetings of Shareholders of JSC RusHydro and of the Merged companies approved merger on the proposed terms and conditions. For merger purposes, a resolution was adopted to increase the authorized capital of JSC RusHydro by placing additional ordinary shares numbering 230,000,000,000 (two hundred and thirty billion) units, through conversion of the shares in the absorbed companies into additional ordinary shares in JSC RusHydro in the manner envisaged by the Merger Agreement.

In September 2007, by resolution of the Board of Directors of JSC RusHydro, subsidiaries of JSC RusHydro were created on the basis of the Merged companies. Information on the subsidiaries of JSC RusHydro is provided in Appendix 11.

In July 2008, it is planned for JSC RusHydro to take over JSC Irganaiskaya HPP and JSC Cascade of NChHPPs; in July 2008 – JSC State Holding RusHydro and JSC Minority Holding RusHydro, created as a result of a split off from JSC RAO UES of Russia in the final stage of its reorganization.\*

\* The corporate structure of JSC RusHydro Holding dated 31.12.2007 is shown in the Appendix "Information"



Kamskaya HPP





## Part 2 | **DEVELOPMENT STRATEGY**

### ■ The mission of JSC RusHydro

The Company's priority is to make efficient use of hydro resources, create the conditions for ensuring UES reliability and expand use of renewable energy sources to the benefit of both shareholders and society as a whole. JSC RusHydro is working toward long-term, harmonious growth in order to become the leading world power company in the sphere of renewable energy sources.

JSC RusHydro operates for the purposes of implementing state policy in the hydro-power sphere, creating the conditions for efficient functioning of the electric power wholesale market, ensuring efficient operation and centralized technological management of hydro-power facilities, implementing a unified strategy for drawing investments and capital for fulfilling the systemic tasks involved in development of the hydro-electric power industry, developing and implementing scientific and technical policy and introducing progressive new types of equipment and technology, including development of renewable electric energy sources.

### ■ Strategic goals of JSC RusHydro

- A growth in the value of the Company
- Creation of the conditions for ensuring reliability and security of the system as a whole
- Stable development of the production of electric power on the basis of renewable energy sources

### ■ Strategic initiatives of JSC RusHydro

The strategic actions taken by the Company are grouped according to certain key spheres differing in terms of the facilities to be managed, approaches and requisite conditions:

#### ① **Maximum efficiency and reliability of existing assets.**

Existing assets constitute the basis for the functioning and development of the Company. Maximum efficiency and reliability in their operation is one of the key strategic priorities. Efficiency and reliability of the operation of existing assets are ensured by implementing the following measures:

- Comprehensive, long-term programs for technical rehabilitation and modernization, including ensuring an increase in installed capacity, maneuverability and manageability of the equipment operating regimes, automation of technological process and application of new technologies.
- Development of programs for increasing the Company's profitability by optimizing work during the basic and peak times of the loading time schedule.
- Improvement of sales activities, including the entering of export markets.



- Promotion of adoption of rules appropriate to the model markets for electric power, capacity, systems services and derivatives, including providing for further liberalization of the power markets of the Russian Federation.
- Creation of a system for management of productive assets, a transition to the principles of management of the cost of the life cycle and impact depending on status.
- Creation of a system for managing the condition of hydro-electric facilities, including state-owned, non-power hydro-engineering facilities, including provision of relevant services.
- Creation of a system for managing hydro-power regimes and optimizing them.
- Creation of a system for managing crisis situations.
- Creation of a system for managing quality.

#### 🕒 **Implementation of projects for creating new power capacity on the territory of Russia.**

The Company initiates and takes part in implementing commercially efficient projects for creating new power capacity using renewable energy sources. The Company also implements projects that are not potentially commercial but are necessary from the point of view of achieving systemic effects. Such projects are implemented exclusively in observance of the conditions for minimizing adverse implications for the value of the Company. The basic financing variant for the given projects consists of retaining an investment component in the Company's proceeds.

The Company is considering taking part in investment projects for constructing schemes for implementation of projects, designing, organization of construction, operation of the facilities built and sale of the electric power they produce.

#### 🌐 **International activities.**

The key area of operations for JSC RusHydro is Russia, yet the Company believes expansion into overseas markets to be one of its development priorities. The main spheres of foreign activities are the following:

- representation of the interests of the Company and the Russian hydro-electric power industry on the international political, industrial and business stage;
- exports of electric power and capacity;
- implementation of investment projects, included within the framework of setting up joint ventures with foreign participants. A number of foreign projects might, in the long term also become hubs for development of the Eurasian power grid;
- provision of services to manage hydro-power assets, engineering services and services for operation of hydro-electric power stations;

- bilateral co-operation with foreign electric power, design and engineering companies;
- co-operation with international, inter-governmental organizations, branch and business associations;
- organization of co-operation in the exchange of experience, innovations and new technologies relating to the hydro-power industry and renewable energy sources;
- promotion of integration of the Company into the global power sphere;
- development of interaction with foreign information agencies and mass media with respect to implementing the Company's uniform information policy.

#### 🕒 **Development of business portfolio.**

The main spheres of development of JSC RusHydro business portfolio are:

- Acquisition of hydro-power assets provided the sales price is economically justified.
- Development of the Company's own design and engineering business for mitigating the risk of a shortage of services of design organizations and entry on to the markets (including overseas ones) for design services.
- Creation of a sales company and entry into sales services markets, including the retail market.
- Participation in the capital of consumers (further implementation of the project associated with construction of an aluminium works in Siberia (the BEMO project).
- Development of the Company's own construction business (construction organizer) for mitigating the risk of dependence on suppliers of construction services and for entering into the markets for construction organization services.

#### 🕒 **Overall corporate projects.**

For the purposes of raising operating efficiency and the quality of corporate governance, the management of the Company is undertaking the following measures:

- Corporate reorganization: transition to the target structure of a unified operating company and trading in the Company's shares on the securities markets.
- Improvement of the organizational structure of the Company and of the system for regular and operational management, including increasing the level of technology and information in management processes, among them structuring and regulation of business processes.
- Improvement of the internal auditing and risk management system.
- Human resource development programs and projects, including creation of a comprehensive system of staff training, improvement of the incentive system, and establishment of a corporate university distributed through the network.

- Improvement of the environmental management system.
- Development of PR-, IR- and GR-activities, including of the system of communications with the market and compliance with the requirements imposed on public companies.
- Development and introduction of a system for efficient use of hydro-resources, including participation by the Company in the activities of collegial, inter-departmental operating groups for regulating hydro-unit regimes and basin councils for the purpose of ensuring optimum decisions taking into consideration the regimes developed by the Company, elaboration of specialized hardware and software complexes for building models of optimal operating regimes for hydro-units, as well as participation in setting up a system for supervising and forecasting hydro-regimes.

#### 🕒 **Program of state support for development of the hydro-electric power industry and use of renewable energy sources.**

Large-scale development of the hydro-electric power industry and use of renewable energy sources in Russia requires, by virtue of the specifics of the sub-branch, that a program of state support measures be implemented for the purpose of creating favorable conditions for investment, plus other measures of tax, legal and financial support (including provision of state guarantees on loans, raising funds from the Development Bank and others). In fulfillment of directive of the Government of the Russian Federation No. 215-r, dated 22 February, 2008, "On the General Plan for setting up electric power facilities up to 2020", in 2008, the Ministry of Power of the Russian Federation will form a "Plan of measures of the Government of the Russian Federation to encourage investment in the electric power industry", in the development of which the Company will take a direct part.

## ■ **Implementation of strategic initiatives in 2007**

- The plan for the Company's core business revenues was 100% fulfilled.
- The Indexation Methodology was amended in relation to inclusion of TIF for construction of new hydro-electric power industry facilities in the regulated tariffs.
- The General meeting of Shareholders of JSC RusHydro adopted a resolution on consolidation of JSC RusHydro. Merger by JSC RusHydro was supported by the shareholders in 22 SDCs of JSC RusHydro at Extraordinary General Meetings of Shareholders.
- Regulations were approved for working with outside investors.
- The infrastructure was set up of the South Yakutia cluster and work was carried out on implementation of the BEMO project within the framework of establishing the Priangarye structure.
- JSC RusHydro proposals for increasing the proportion of renewable energy sources in the installed capacity of the electric power stations was fully included in the General Plan.
- The Functional Strategy in the sphere of HR management was approved.

## ■ **Priority spheres of the Company's activities in 2008**

In accordance with resolution of the Board of Directors of JSC RusHydro dated 24 January, 2008, the Company's strategic priorities for 2008 are:

- Attainment of the performance indicators set for 2008 (ROE, investment program implementation efficiency in relation to the current year, fulfillment of the reform timetable and others).
- Maximization of JSC RusHydro revenues and market efficiency of investment projects.
- Implementation of the approved JSC RusHydro investment program.
- Increased capitalization of the Company and its transformation into a Blue Chip company.
- Optimization of expenditures on working capital and elaboration of schemes for drawing additional sources of finance for implementation of the investment program.
- Formation of economic development clusters on the basis of HPPs.
- Development of strategically linked businesses.
- Development of international operations.
- Development of the use of new renewable energy sources.
- Improvement of the organizational and business model for the unified company, more efficient activities and development of personnel.





Part 3 |

## CORPORATE GOVERNANCE

JSC RusHydro deems abidance by corporate governance standards to be one of the key factors in raising the efficiency of its operations and one of the main instruments for protecting the rights and observing the interests of the Company shareholders. The Company is constantly improving its standard of corporate governance. The corporate governance of JSC RusHydro is designed to establish a positive practice of interaction between the Company, its management bodies and shareholders, as well as to identify and minimize corporate governance risks.

In confirmation of the high corporate governance standards, in October 2007 the Standard & Poor's rating agency awarded JSC RusHydro a corporate governance rating of 5 (CGR-5) on the international scale and CGR-5.2 on the Russian scale.





Cheboksarskaya HPP

## ■ Principles of corporate governance

The activities of the Company are based on abiding by corporate governance principles founded on the requirements of the legislation in the sphere of corporate law, the recommendations of the Code of Corporate Governance of the Federal Securities Commission of Russia and advanced corporate governance practice standards.

The corporate governance principles of JSC RusHydro, reflected in the Code of corporate governance were approved in December 2007 by the Board of Directors ([http://gidroogk.ru/res/files/hydroogk/code\\_26122007.pdf](http://gidroogk.ru/res/files/hydroogk/code_26122007.pdf)), are:

### Accountability

Corporate governance of the Company envisages accountability of the Board of Directors to all the shareholders in accordance with the effective legislation. In elaborating strategy and exercising management and control over the activities of the Company's executive bodies, the Board of Directors is guided by the Code of corporate governance.

### Fairness

The Company undertakes to protect the rights of shareholders and to ensure equality for all shareholders. The Board of Directors provides all shareholders with an opportunity to receive effective protection in the case of infringement of their rights.

### Transparency

The Company provides for timely disclosure of information about all material facts relating to its activities, including its financial status, social and environmental indicators, the results of its activities, ownership and management structure of the Company, as well as free access to such information.

### Responsibility

The Company recognizes the rights of all interested persons, as envisaged by the effective legislation, and strives to co-operate with such persons for the purposes of its own development and for the sake of financial stability.

In development of the given principles, the Board of Directors of JSC RusHydro has approved the following:

- Regulations on the information policy of JSC RusHydro, which substantially extends the list of information disclosed by the Company voluntarily, as well as the obligations of the members of the Board of Directors and of the Management Board of the Company to disclose information about possession of JSC RusHydro securities, as well as about their sale and (or) purchase.
- Regulations on insider information about JSC RusHydro, regulating use by employees and members of the Board of Directors of JSC RusHydro of information about the activities of the Company that is not in the public domain and disclosure of which may exert a material impact on the market value of the stock.
- Regulations on determining the policy of JSC RusHydro in the sphere of compliance and risk management.

Information about observance of the Code of corporate governance is given in Appendix 6.

## ■ Corporate governance of SDCs

The Company has an approved Procedure for interaction with commercial companies in which JSC RusHydro holds shares (ownership interests), which:

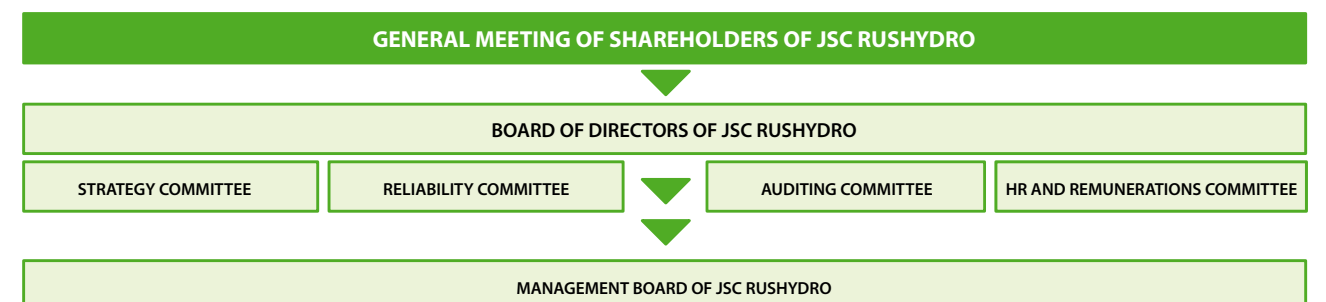
- Regulates aspects of the exercise by JSC RusHydro of the rights of a shareholder (participant) in relation to its own subsidiary and dependent companies, certified by shares (ownership interests), for the purpose of ensuring efficient activities on the part of representatives of JSC RusHydro at General Meetings of Shareholders (Participants), on Boards of Directors and Auditing Committees of SDCs.
- Establishes the general conditions of corporate interaction between JSC RusHydro and SDCs on corporate planning, organization and control of corporate actions during decision-making by management bodies of SDCs on issues on which, in accordance with the Articles of Association of JSC RusHydro, it is required for the position of the Company to be determined.

The main form of interaction between JSC RusHydro and the SDCs consists in determination by the Board of Directors of the Company of its position on the following issues:

- Determination of the agenda for the General Meeting of Shareholders (Participants) of the SDCs.
- Reorganization or liquidation of SDCs.
- An increase in the authorized capital of SDCs, determination of the quantity, nominal value, category (type) of ordinary shares in the SDCs and the rights granted by these shares;
- Approval of major transactions executed by SDCs.
- Participation by SDCs in other organizations.
- Introduction of amendments and supplements into the constituent documents of the SDCs, etc.

The list of subsidiary and dependent companies, as well as of other organizations in which JSC RusHydro participates as of 31 December, 2007 is given in Appendix 12.

## ■ Management structure of JSC RusHydro





## General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of JSC RusHydro, making decisions on the most important aspects of its activities.

In August 2007, as a result of placing an additional issue of shares, JSC RusHydro ceased to be a 100% subsidiary company of JSC RAO UES of Russia. During the period when JSC RAO UES of Russia held 100% of the voting shares in the Company, resolutions on issues falling within the terms of reference of the General Meeting of Shareholders were adopted by the Board of Directors of JSC RAO UES of Russia.

In June 2007, Regulations were approved on the procedure for preparing and JSC RusHydro Holding General Meetings of Shareholders, taking into consideration the rights granted to shareholders by their shares (the right to participate in a General Meeting of Shareholders, to be notified of the JSC RusHydro Holding of a General Meeting of Shareholders and materials relating to the General Meeting of Shareholders, to vote, and so on). Notifications of the JSC RusHydro Holding of General Meetings of Shareholders are published in the national newspaper Vedomosti, with a print run of over 70,000, are placed on the Company's Internet website at least 30 days before the Meeting is to be held. A notification on the JSC RusHydro Holding of an Extraordinary General Meeting of Shareholders, the proposed agenda for which includes the issue of election of members of the Board of Directors shall be made at least 70 days in advance. A General Meeting of Shareholders may be held at the location of the Company or in Moscow.

### In 2007, 3 General Meetings of Shareholders were held:

- 25 May, 2007 - Extraordinary General Meeting of Shareholders (on issues associated with increasing the authorized capital of the Company);
- 22 June, 2007 - Annual General Meeting of Shareholders (on the results of the Company's operations in 2006);
- 12 October, 2007 - Extraordinary General Meeting of Shareholders (on aspects of the reorganization of the Company through merger of JSC Bureiskaya HPP, JSC Volzhskaya HPP, JSC Votkinskaya HPP, JSC Dagestan Regional Generating

Company, JSC Zhigulevskaya HPP, JSC Zagorskaya PSHP, JSC Zeiskaya HPP, JSC Zelenchukskiye HPPs, JSC Kabardino-Balkarskaya HGC, JSC KabbalkHPP, JSC Kamskaya HPP, JSC Cascade of VV HPPs, JSC Cascade of NChHPPs, JSC Nizhegorodskaya HPP, JSC Saratovskaya HPP, JSC Northern Ossetia HGC, JSC Stavropol Electricity Generating Company, JSC Sulakenergo, JSC Cheboksarskaya HPP, JSC Neporozhniy SSHPP, CJSC EOZ, JSC Irganaiskaya HPP, JSC State Holding RusHydro and JSC Minority Holding RusHydro.

## Board of Directors

The Board of Directors is a collegial management body determining the development strategy of the Company and exercising control over the activities of the executive bodies.

The Board of Directors adopts resolutions on issues stipulated by the Federal Law "On Joint-Stock Companies and the Articles of Association of the Company and acts in accordance with the Regulations on the procedure for preparing and JSC RusHydro Holding meetings of the Board of Directors of JSC RusHydro, approved by the General Meeting of Shareholders of the Company (the Board of Directors of JSC RAO UES of Russia) on 22 June 2007.

In 2007, the Board of Directors held 18 meetings, 3 of which were in presentia. In all, during the reporting period, the Board of Directors considered 126 matters, including:

- approval of the investment program of JSC RusHydro for 2008;
- the development strategy of the Company up to 2020 and for the longer term to 2030;
- provision by JSC RusHydro of charitable aid and sponsorship;
- the methodology for calculating dividends of subsidiary and dependent companies of JSC RusHydro;
- creation of committees under the Board of Directors on: strategy, reliability, auditing, personnel and remunerations;
- creation of branches;
- determination of the purchasing policy.

### The Board of Directors approved:

- Regulations on the management of Cash flows and control figures for the Cash flows of the Company.
- Regulations on provision of insurance protection for the Company up to 1 January, 2010 and the Program for insurance protection of the Company for 2007- 2008.
- The Consolidated business plan and the Business plan of the Company for 2007.
- Regulations on credit policy.
- Program of non-state pension provision for the Company's employees.
- Regulations on the Compliance and Risk Management Department.
- Annual and quarterly performance indicators of JSC RusHydro for 2007 and 2008.

## Members of the Board of Directors <sup>1</sup>

(elected by the Annual General Meeting of Shareholders on 22 June, 2007)

<b>Viktor Borisovich Khristenko</b>	Minister for Industry and Power of the Russian Federation, Chairman of the Board of Directors
<b>Anatoly Borisovich Chubais</b>	Chairman of the Board, member of the Board of Directors of JSC RAO UES of Russia
<b>Vyacheslav Yurievich Sinyugin</b>	Chairman of the Board of JSC RusHydro, member of the Board of JSC RAO UES of Russia, Managing Director of the Hydro-generation Business Unit
<b>Yakov Moiseevich Urinson</b>	Deputy Chairman of the Board of JSC RAO UES of Russia, Head of the Corporate Center of JSC RAO UES of Russia
<b>Andrei Natanovich Rappoport</b>	Chairman of the Board of JSC FSK UES, member of the Board of Directors of JSC FSK UES, member of the Board of JSC RAO UES of Russia
<b>Boris Ilich Ayuev</b>	Member of the Board of JSC RAO UES of Russia, Chairman of the Board of JSC CO UES
<b>Yuri Arkadievich Udaltsov</b>	Member of the Board of JSC RAO UES of Russia, Head of the Reform Management Center of JSC RAO UES of Russia
<b>Dmitry Valerievich Ponomarev</b>	Chairman of the Board of NP ATS
<b>David Alexander Herne</b>	Managing Director of Halcyon Advisors
<b>Rustem Zakievich Khamitov</b>	Head of the Federal Water Resource Agency of Russia
<b>Seppo Yuha Remes</b>	Senior Counselor to the National Foundation for Strategic Research and Development under the Government of the Republic of Finland
<b>Denis Arkadievich Askinadze</b>	Director of the Department for State Regulation of Tariffs and Infrastructure Reforms of the Ministry for Economic Development and Trade of the Russian Federation
<b>Yuri Mitrofanovich Medvedev</b>	Deputy Head of the Federal Property Management Agency

<sup>1</sup> Positions of the members of the Board of Directors on the date of their election.

Following the best world corporate governance practices and in accordance with the Code of corporate governance of JSC RusHydro, the Board of Directors of the Company includes independent directors – David Herne, Seppo Yukha Remes and Dmitriy Valerievich Ponomarev, as well as government representatives.

The fact that the Board of Directors of JSC RusHydro includes independent directors and government representatives allows the Board of Directors to form an objective opinion on matters under discussion, thereby strengthening the shareholders' trust in the Company.

Remuneration and compensation are paid to members of the Board of Directors in accordance with the Regulations on payment of remuneration and compensation to members of the Board of Directors of Open Joint-Stock Company RusHydro, approved by the General Meeting of Shareholders (the Board of Directors of JSC RAO UES of Russia) on 8 December, 2006. No remuneration or compensation shall be accrued for or paid to a Chairman or members of the Board of Directors, in relation to whom, by federal law, a restriction or prohibition is envisaged on receipt of any payments from commercial organizations. The total sum of remuneration and compensation paid to members of the Board of Directors of the Company in 2007 (in consideration of its previous composition), amounted to 8,046,694,000 rubles.

## Committees of the Board of Directors

Committees of the Board of Directors are bodies acting with shareholders and for shareholders, set up to work on matters included in the terms of reference of the Board of Directors or studied by the Board of Directors in the manner of exercise of control over the activities of the executive bodies of the Company, and to elaborate the requisite recommendations for the Board of Directors of and the executive bodies of the Company.

## Strategy Committee

The tasks of the Strategy Committee are to prepare and present recommendations (opinions) to the Board of Directors on aspects of the strategic development of the Company that fall within the terms of reference of the Board of Directors or are studied by the Board of Directors in the manner of exercising control over the activities of the executive bodies of the Company.



## Members of the Strategy Committee

(approved by resolution of the Board of Directors of 20 July, 2007)

<b>Per-Christian Endsho</b>	Ex-President of Hydro Energy, Chairman of the Committee
<b>Denis Arkadievich Askinadze</b>	Director of the Department for State Regulation of Tariffs and Infrastructure Reforms of the Ministry for Economic Development and Trade of the Russian Federation
<b>Andrei Vladimirovich Dementiev</b>	Deputy Minister for Industry and Power of the Russian Federation
<b>Valentin Efimovich Mezhevich</b>	Member of the Council of the Federation of the Federal Assembly of the Russian Federation, Senior Vice-Chairman of the Council of the Federation on natural monopolies
<b>Evgeny Anatolievich Khilenko</b>	Deputy Head of the Federal Water Resource Agency (FAVR) of Russia
<b>Vyacheslav Yurievich Sinyugin</b>	Member of the Board of Directors, Chairman of the Board of JSC RusHydro; Member of the Board of JSC RAO UES of Russia
<b>Aivara Abromavicius</b>	Manager of the East Capital Fund
<b>David Alexander Herne</b>	Member of the Board of Directors of JSC RusHydro, Managing Director of Halcyon Advisors
<b>Vasily Alexandrovich Zubakin</b>	Deputy Chairman of the Board of JSC RusHydro
<b>Dmitry Valerievich Ponomarev</b>	Member of the Board of Directors of JSC RusHydro, Chairman of the Board of NP ATS
<b>Oleg Borisovich Okсуzyan</b>	Member of the Board of JSC RusHydro

## Reliability Committee

The tasks of the Reliability Committee are to develop and present recommendations to the Board of Directors on the following spheres of activity of the Board of Directors:

- expert examination of investment programs and plans for repair of power units, analysis of their implementation from the point of view of meeting the requirements of comprehensive reliability;
- assessment of how full and sufficient measures are on the basis of the results of accidents and major technological breakdowns, as well as control over their implementation;
- control over and assessment of the activities of the Company technical services in relation:
  - ensuring comprehensive reliability of equipment and structures;
  - ensuring a normal condition of fixed assets and providing information on potential reliability risks in their functioning;
  - analysis of measures for fulfilling contractual and economic mechanisms for managing reliability.

## Members of the Reliability Committee

(approved by the Board of Directors of 20 July, 2007)

<b>Georgy Ivanovich Tikhonov</b>	Counsel to the General Director of JSC Management Company RusHydro, Chairman of the Committee
<b>Andrei Fedorovich Zadernyuk</b>	Technical Director of JSC Mezhrregionenergo
<b>Alexander Valentinovich Toloshinov</b>	Member of the Board of JSC RusHydro
<b>Rasim Magsumovich Khaziakhmetov</b>	Member of the Board of JSC RusHydro
<b>Yuri Mustafaevich Chokadze</b>	Acting Chief Engineer of the JSC RAO UES of Russia subsidiary – RP Tsentrenergotechnadzor
<b>Mikhail Yurievich Lvov</b>	Head of the Department for technical audit and general inspection of the Corporate Center of JSC RAO UES of Russia

## Auditing Committee

The terms of reference of the Auditing Committee include the following matters:

- Preliminary consideration, analysis and elaboration of recommendations (opinions) on matters falling within the terms of reference of the Board of Directors (approval of the Company's annual report, consideration of the annual financial statements, the candidate for auditor, determination of the payment for the services of the auditor, consideration of the auditor's opinion before it is presented for approval by the General Meeting of Shareholders).
- Elaboration of recommendations to the Board of Directors on the holding of the annual independent audit of the Company's reporting, the selection of candidate external auditors, as well as analysis of the Company's reporting and the results of the external audit of the Company's reporting.
- Analysis of the Company's compliance systems and elaboration of recommendations to the Board of Directors for improving the compliance systems within the Company.

## Members of the Auditing Committee

(approved by the Board of Directors of the Company of 24 January, 2008)

<b>Dmitry Valerievich Ponomarev</b>	Member of the Board of Directors of JSC RusHydro, independent Director, Chairman of the Committee
<b>David Alexander Herne</b>	Member of the Board of Directors of JSC RusHydro, independent Director
<b>Rustem Zakievich Khamitov</b>	Member of the Board of Directors of JSC RusHydro

## HR and Remunerations Committee

The aim of the HR and Remunerations Committee is to engage qualified specialists for management of the Company and create the necessary incentives for their successful work by elaborating the principles and criteria for determining the amount of remuneration and material incentives for members of the Board

of Directors, the Chairman of the Board and members of the Management Board of the Company, as well as to elaborate criteria for assessing the activities of the executive bodies of the Company and to prepare relevant proposals and recommendations for the Board of Directors.

## Members of the Personnel and Remunerations Committee

(approved by resolution of the Board of Directors of the Company of 24 January, 2008)

<b>Seppo Yuha Remes</b>	Member of the Board of Directors of JSC RusHydro, independent Director, Chairman of the Committee
<b>Yakov Moiseevich Urinson</b>	Member of the Board of Directors of JSC RusHydro
<b>Yuri Arkadievich Udaltsov</b>	Member of the Board of Directors of JSC RusHydro

## Executive bodies

Management of the current activities of the Company is carried out by the single executive body – the Chairman of the Board of the Company and by the collegial executive body – the Management Board of the Company.

## Management Board

The Management Board adopts resolutions on matters determined by the Articles of Association of the Company and acts in accordance with the Regulations on the Management Board of Open Joint-Stock Company Federal Hydro-generating Company, approved by the General Meeting of Shareholders (the Management Board of JSC RAO UES of Russia), minutes dated 06 April, 2005.

<b>Vyacheslav Yurievich Sinyugin</b> Chairman of the Board	
<b>Vasily Alexandrovich Zubakin</b> Deputy Chairman of the Board	<ul style="list-style-type: none"> <li>Development projects</li> <li>Investment planning</li> </ul>
<b>Oleg Borisovich Oksuzyan</b> Executive Director for corporate governance	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Reform</li> <li>Management of assets and property</li> <li>Protection of property interests</li> </ul>
<b>Boris Borisovich Bogush</b> Managing Director, Head of the Production Business Unit	<ul style="list-style-type: none"> <li>HPP operations and mode management</li> <li>Planning of maintenance, technical rehabilitation and modernization</li> <li>Management of maintenance, technical rehabilitation and modernization</li> <li>Technical and environmental inspection</li> </ul>
<b>Rasim Magsumovich Khaziakhmetov</b> Head of the Engineering Business Unit	<ul style="list-style-type: none"> <li>Engineering (planning and implementation)</li> <li>Location of capacities of hydro-power facilities</li> <li>Standardization and organization of external interaction</li> </ul>
<b>Sergei Alexandrovich Yushin</b> Executive Director for economics and finances	<ul style="list-style-type: none"> <li>Economic planning</li> <li>Accounting and reporting</li> <li>Financial management</li> <li>Treasury</li> <li>Procurement management</li> </ul>
<b>Alexander Valentinovich Toloshinov</b> Managing Director, Head of Siberian Division	<ul style="list-style-type: none"> <li>Organization of construction of HPPs in the Siberian region</li> </ul>
<b>Konstantin Vladimirovich Belyaev</b> Executive Director for organizational development and control	<ul style="list-style-type: none"> <li>Institutional management</li> <li>Risk management and compliance</li> <li>Information technologies</li> <li>HR policy</li> </ul>
<b>Alexander Yurievich Sergeev</b> Managing Director, Head of the Sales Business Unit	<ul style="list-style-type: none"> <li>Balance and tariff promotion</li> <li>Sales market marketing</li> <li>Sale and recording of electric power</li> <li>Commercial despatch</li> </ul>

In 2007, Sergei Alexeevich Pavlenko left the Management Board of JSC RusHydro and new Board members were elected: Boris Borisovich Bogush and Konstantin Vladimirovich Belyaev.

### Chairman of the Board

The Chairman of the Board manages the current activities of the Company in accordance with resolutions adopted by the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company in accordance with their terms of reference. Since 2004, the Chairman of the Board of JSC RusHydro has been Vyacheslav Yurievich Sinyugin.

V.Yu. Sinyugin was born in 1969, graduated from the Law Faculty of Omsk State University, and later received a Candidate of Sciences (Law) degree at St. Petersburg State University. From 1999 to 2004, he worked for JSC RAO UES of Russia, heading the Equity Management Department and the Corporate Strategy Department.

In connection with the launch of the restructuring of JSC RAO UES of Russia, he was appointed Managing Director of the Hydro-generation Business Unit. Since 2001, he has been a member of the Management Board of JSC RAO UES of Russia.

Remuneration is paid to the Chairman and the members of the Management Board in accordance with their salaries established by their employment contracts. The procedure, terms, conditions, amount of mark-ups, supplements, bonuses and other payments are determined by the Board of Directors. The total remuneration paid to the Chairman and the members of the Management Board in 2007 amounted to 14 210 105 rubles.

## Control over financial and business activities

JSC RusHydro strives to act in the interests of its shareholders, so a system has been precisely set up within the Company for exercising control over the financial and business activities, with the following structure:

- Auditing Committee under the Board of Directors.
- Internal Audit Commission.
- Risk Management and Compliance Department.

### Compliance Commission

For the purpose of exercising control over financial and business activities, the General Meeting of Shareholders elects an Internal Audit Commission for the period up to the next Annual General Meeting of Shareholders.

The procedure by which the Internal Audit Commission of the Company operates is determined by the Articles of Association of the Company and the Regulations on the Internal Audit Commission approved by the General Meeting of Shareholders (Management Board of JSC RAO UES of Russia) on 06 April, 2005.

### Members of the Compliance Commission

(elected by the Annual General Meeting of Shareholders on 22 June, 2007)

<b>Sergei Borisovich Sidorov</b>	Head of the Compliance Department of the Corporate Center of JSC RAO UES of Russia
<b>Dmitriy Alexandrovich Burnashev</b>	Head of the Department for business planning of the Corporate Center of JSC RAO UES of Russia
<b>Denis Vladislavovich Gataulin</b>	Head of section of the Capital Management Department of JSC RusHydro
<b>Artem Vladislavovich Lukashev</b>	Leading expert of the Capital Management Department of JSC RusHydro
<b>Julia Vsevolodovna Smirnova</b>	Head of the Corporate Governance Department of JSC RusHydro

Remuneration is paid to the members of the Internal Audit Commission in accordance with the Regulations on payment of remuneration and compensation to members of the Internal Audit

Commission approved by the General Meeting of Shareholders (Management Board of JSC RAO UES of Russia) on 06 April, 2005.

### Risk Management and Compliance Department

The Department's main tasks and functions are as follows:

- control over compliance by the financial and business operations performed with the interests of the Company;
- checking of the Company's accounting and operating information;
- organization of checks on the property of the Company;
- assessment and analysis of the financial status of the Company, its branches and structural subdivisions;
- control over interested-party and major transactions;

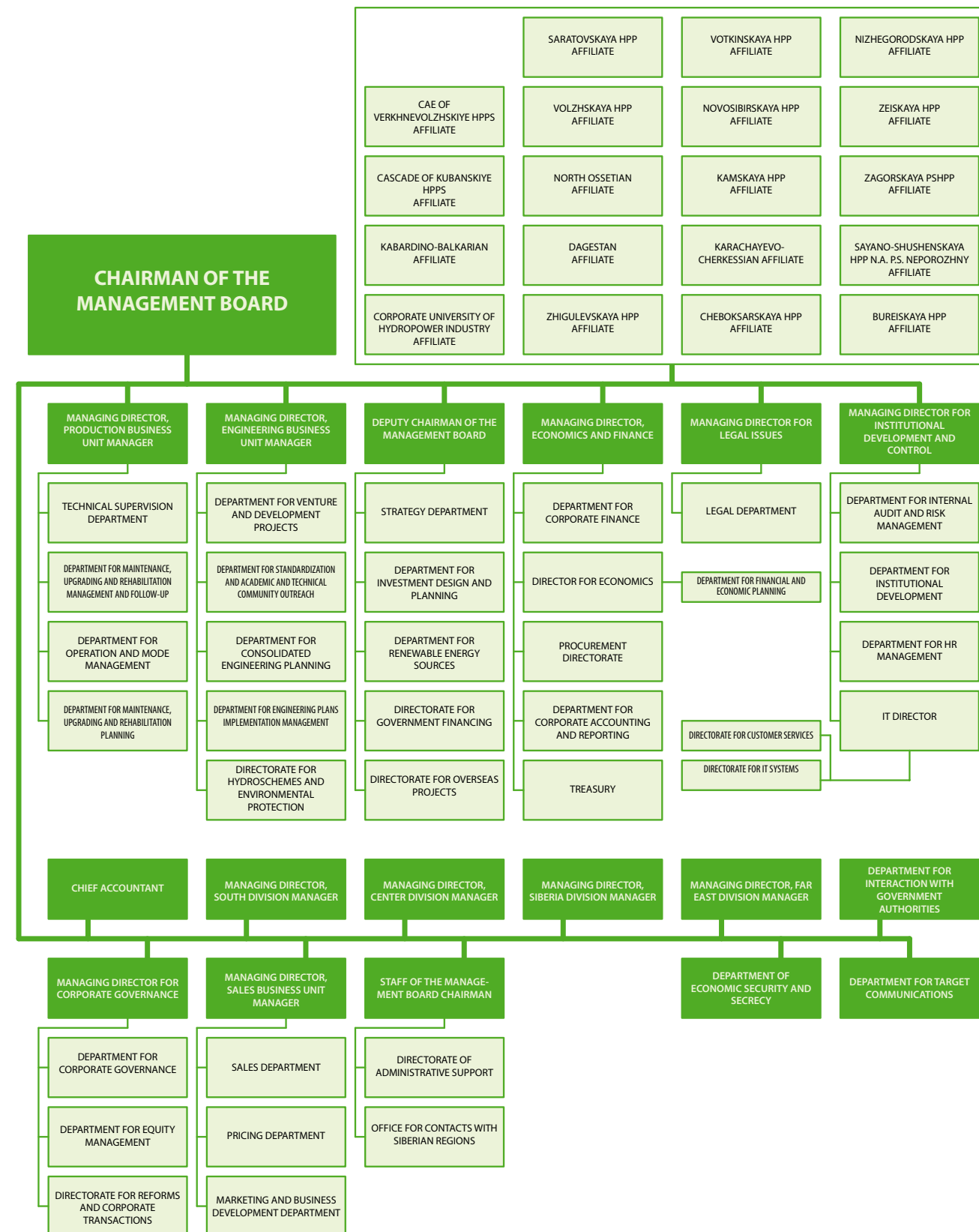
- identification, classification and analysis of risks in the sphere of financial and business activities, elaboration of proposals for mitigating them;
- exercise of internal control within SDCs through the Internal Auditing Commissions of SDCs;
- exercise of control over observance by members of the Board of Directors, executive bodies of the Company, and other employees of the rules of the effective legislation and special requirements envisaged by internal documents of the Company, to prevent a conflict of interests and restrict abuses in use of insider information.

Reports on the work of the Department are presented to the Chairman of the Board and notifications of violations disclosed are sent to the Auditing Committee under the Board of Directors.



## Organizational structure

(as of the date on which the report is approved)



## Equity capital

As of 31 December, 2007, the authorized capital of JSC RusHydro amounted to 156,864,373,776 rubles and was divided into 156,864,373,776 ordinary shares with a nominal value of 1 share each.

### Authorized capital, rubles

26 December, 2004 (institution)	1 January, 2007	31 December, 2007
103,951,322,702	140,954,759,856	156,864,373,776

### Structure of the Authorized capital,%

Name of securities holder	Ownership interest in the Authorized capital as of:	
	1 January, 2007	31 December, 2007
JSC RAO UES of Russia	100%	96.16%
Russian Federation	—	1.84%
Other legal entities	—	2%

## Issue activities

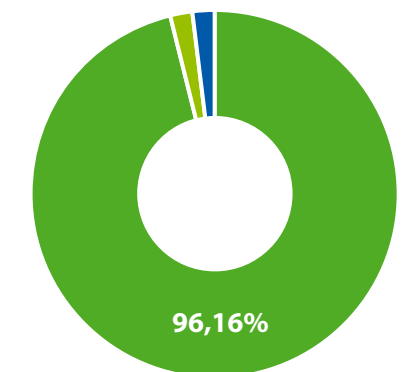
During 2007, resolutions were adopted on two additional issues.

### Additional issue (closed subscription)

Resolution to increase the authorized capital of JSC RusHydro adopted by the General Meeting of Shareholders, the functions of which were fulfilled by the Board of Directors of JSC RAO UES of Russia (Minutes dated 25 May, 2007) for the purposes of financing the Investment Program of the Company for 2007.

Parameters of the additional issue:	
Category (type) of shares	Ordinary registered
Nominal value of each share	1 (one) ruble
Quantity of shares	110,000,000,000 units
Total volume of the issue in terms of nominal value	110,000,000,000 rubles
Placement price per 1 (one) additional ordinary registered share	1.73 (one) rubles 73 kopecks
Closing date of securities placement	18 October, 2007
Date resolution adopted by the General Meeting of Shareholders of JSC RusHydro on placement of additional shares	25 May, 2007
Date the Resolution on the issue was approved by the Board of Directors	5 June, 2007
Date of state registration of the Resolution on the issue by the Federal Service for the Financial Markets of Russia	5 July, 2007
State registration number of the issue	1-01-55038-E-002D
Placement method	Closed subscription (in favor of JSC RAO UES of Russia, the Russian Federation and LLC EZOP)
Quantity of actual placed shares	15,909,613,920 units
Volume of actual placed shares in terms of nominal value	15,909,613,920 rubles

Structure of the Authorized capital on the results of the additional issue of 2007 31 December 2007



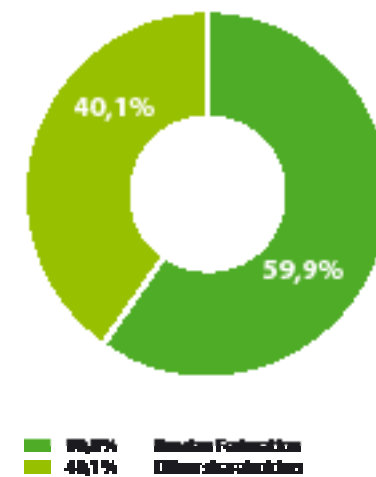
■ 96,16% JSC RAO UES of Russia  
■ 2% Other shareholders  
■ 1,84% Russian Federation

## Additional issue for merger purposes

During the period from the 4th quarter 2007 to the 3d quarter of 2008 inclusive, for the purposes of the reorganization of JSC RusHydro through merger of subsidiary and dependent companies, as well as the holdings that split off from JSC RAO UES of Russia, an additional issue of shares in JSC RusHydro is to be carried out.

Parameters of the additional issue:	
Category (type) of shares	Ordinary registered
Nominal value of each share	1 (one) ruble
Quantity of shares	230,000,000,000 units
Total volume of the issue in terms of nominal value	230,000,000,000 rubles
Placement price per 1 (one) additional ordinary registered share	In accordance with the conversion coefficients for the shares in the Merged companies in shares in JSC RusHydro, which were determined on the basis of an assessment of the market value of the shares in the given companies as of 1 April, 2007
Closing date of securities placement	The share in the Merged companies are converted into JSC RusHydro shares once an entry is made in the Unified State Register of Legal Entities on cessation of the activities of each corresponding Merged company on the basis of data from the Shareholders' register of the Merged company on the given date
Date resolution adopted by the General Meeting of Shareholders of JSC RusHydro on placement of additional shares	12 October, 2007
Date the Resolution on the issue was approved by the Board of Directors	27 December, 2007 (state registration number of the issues from 1-01-55038-E-003D through 1-01-55038-E-028D); 29 April, 2008 (state registration number of the issue from 1-01-55038-E-029D through 1-01-55038-E-034D)
Date of state registration of the Resolution on the issue by the Federal Service for the Financial Markets of Russia	Conversion into JSC RusHydro shares: Stage 1 (January 2008): shares in 20 merged joint-stock companies subject to conversion. Stage 2 (June 2008): shares in JSC Irganaiskaya HPP and JSC Cascade of NChHPPs subject to conversion. Stage 3 (July 2008): shares in JSC State Holding RusHydro and JSC Minority Holding RusHydro subject to conversion.
Quantity of actual placed shares at the end of stage 1 (as of 31 January, 2008)	38,996,122,959 units
Volume of actual placed shares in terms of nominal value at the end of stage 1 (January 2008)	38,996,122,959 rubles

Structure of the Authorized capital of JSC RusHydro on the results of the additional issue for the purposes of merger (forecast)



## Securities market

In 2007, shares in JSC RusHydro did not trade on the organized securities market.

Before being taken over by JSC RusHydro and conversion of their securities into JSC RusHydro shares, subsidiary and dependent companies of JSC RusHydro independently traded their securities on the Russian trading floors (RTS and MICEX).

### Results of SDC stock trading for the period from 1 January, 2007 to 31 December, 2007

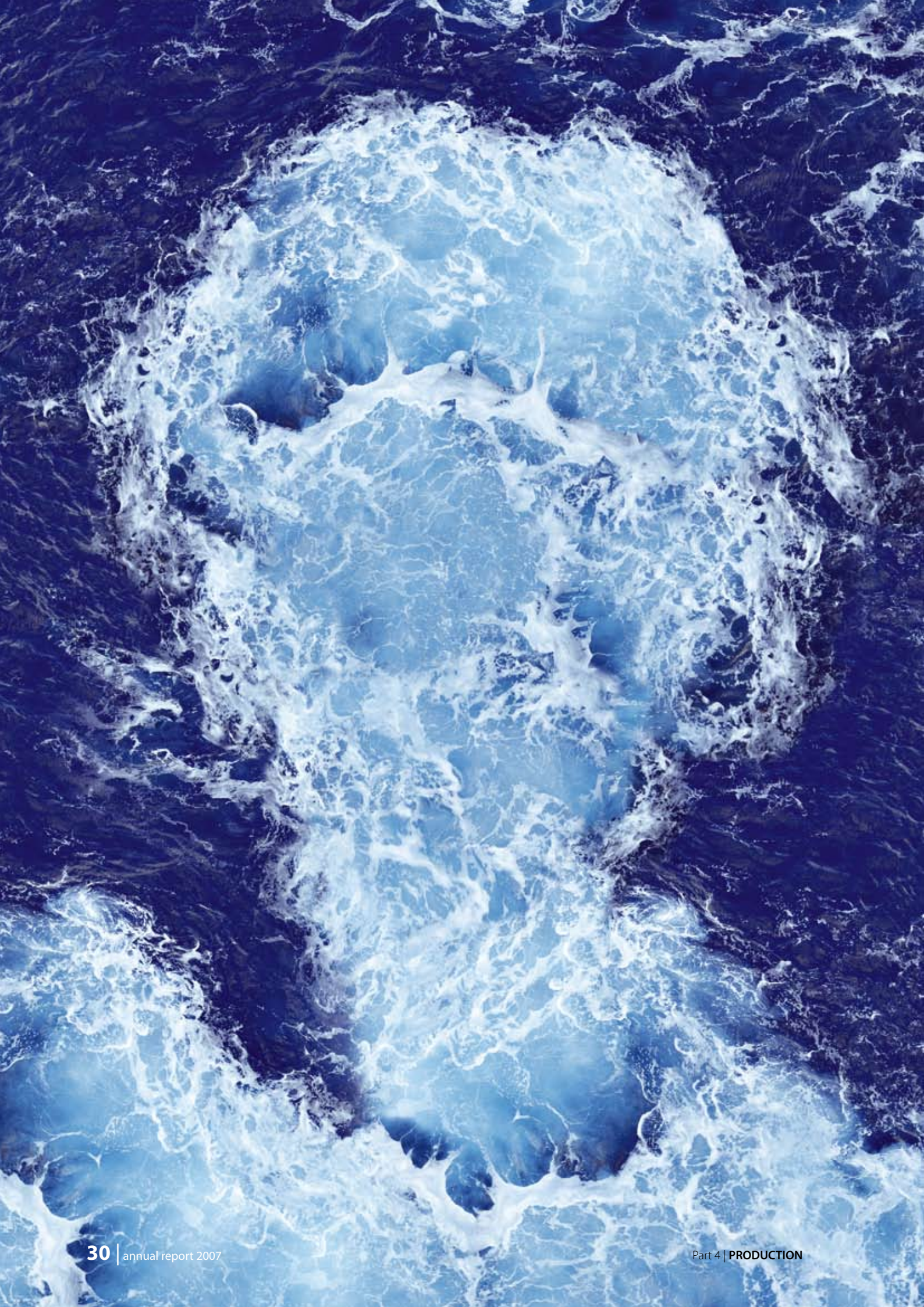
SDC	Price of 1 share		Change in the price of 1 share, %	Capitalization		Ratio of capitalization to installed capacity, thousand rubles/MW/ thousand US dollars/MW
	At beginning of period, rubles	At end of period, rubles		Opening balance, rubles	Closing balance, rubles	
<b>Volzhskaya HPP*</b>						
ordinary	10.15551	23.23367	228.78	28 753 762 616.46	65 782 558 619.82	26,815.62/1,084.31
preference	8.68	22.46868	258.86	910,137,060	2,355,942,207.06	
<b>Votkinskaya HPP**</b>						
ordinary	18.0180	30.4350	168.91	6 520 612 321.34	11 014 865 737.92	13 043.43/527.42
preference	15.1040	26.3860	174.7	1 310 525 263.87	2 289 427 940.45	
<b>Zhigulevskaya HPP*</b>						
ordinary	7.364	12.9	175.18	28 467 014 468.62	49 867 529 419.5	22 182.55/896.96
preference	6.14481	11.75008	191.22	776 637 927.29	1 485 083 798.64	
<b>Zeiskaya HPP*</b>						
ordinary	9.65553	13.97262	144.71	7 819 078 019.93	11 315 070 837.42	10 587.77/428.31
preference	8.43804	12.18659	144.42	1 915 644 799.05	2 766 658 815.51	
<b>Neporozhniy SShHPP*</b>						
ordinary	32.13231	45.27702	140.91	62 128 979 304.92	87 544 749 772.69	13 610.92/550.37
preference	29.5	41.37676	140.26	2 804 963 161.5	3 934 247 035.33	
<b>Stavropolskaya HPP*</b>						
ordinary	3.87609	4.77952	123.31	3 329 850 605.85	4 105 964 404.25	11 211.05/453.00
preference	2.9	4.11302	141.83	760 091 055.6	1 078 024 039.14	
<b>Zagorskaya PSHPP**</b>						
ordinary	0.4610	1.17	253.8	13 022 954 821.7	33 051 750 849.00	27 543.13/1 117.88
<b>Dagestan RGC*</b>						
ordinary	1.61836	4.2992	265.65	8 527 325 715.27	22 652 981 237.22	16 307.67/659.41

\* JSC Stock Exchange Russian Trading System

\*\* CJSC Moscow Interbank Currency Exchange

On 25 December, 2007, trading in the shares in the Merged companies was halted in connection with the reorganization through merger into JSC RusHydro.



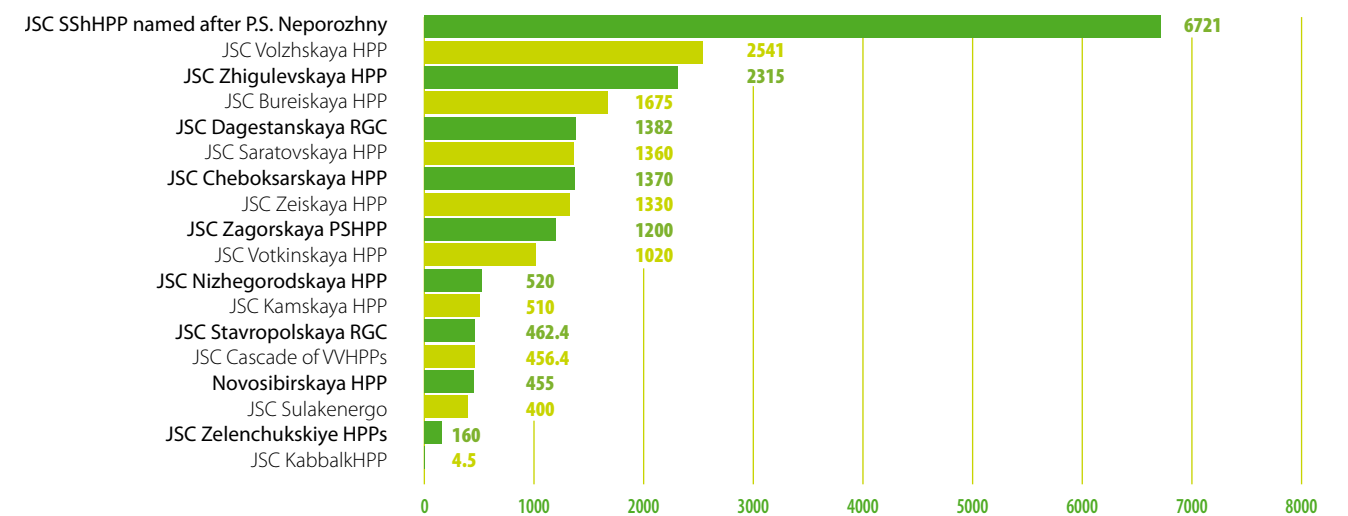


## Part 4 | PRODUCTION

### ■ Generating assets

During 2007, the total installed capacity of the JSC RusHydro Holding increased by 739.2 MW and, on 31 December, 2007, constituted **24,110 MW**.\*

Installed capacity of the Company's generating assets, MW



HPP	Capacity started up	Justification for increase in installed capacity
Kamskaya HPP	9 MW	Work on technical rehabilitation and modernization
Zhigulevskaya HPP	15 MW	Work on technical rehabilitation and modernization
Gelbakhskaya HPP (JSC Dagestan RGC)	44 MW	Start-up of a new hydro-electric power station
Maginskaya HPP (JSC Dagestan RGC)	1,2 MW	Start-up of a new hydro-electric power station
Bureiskaya HPP	670 MW	Start-up of two hydro-power units

\* Including JSC Geotherm





Bureiskaya HPP

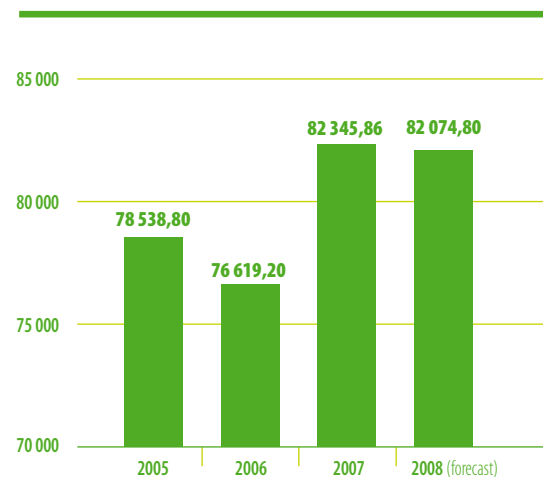
## ■ Results of the production activities of the JSC RusHydro Holding

The actual output (productive supply) of electric power by the HPPs of JSC RusHydro in 2007 exceeded that of the previous year for the following reasons:

- a more favorable inflow into the Volga basin (95% of the norm in 2006 and 108% of the norm in 2007), as well as virtually optimal regime of spring high water release;
- a high inflow into the Zeiskoye reservoir (125% of the norm in 2006 and 153% of the norm in 2007);
- a significant increase in production by the Irganaiskaya HPP as a result of commissioning of a permanent intake chamber and filling of the reservoir of the Irganaiskaya HPP to the 521 meter mark.

2005 output was a little higher than in 2007 (0.2%) owing to a favorable hydrological situation in all regions where HPPs are located. The forecast output for 2008 is 79,640.92 million kWh.

Electric power generation by HPPs of JSC RusHydro's SDCs, million kWh



The impossibility of predicting the volume of electric power generated in the medium and long term creates a risk of failure to fulfill electric power supply obligations on to the new electric power wholesale market. The given risk is minimized within the framework of the unified sales service of JSC RusHydro by means of the following measures:

- elaboration of proposals for changing the current regulatory base in relation to free daily planning by HPPs of their own output and submission of price applications;
- protection of the interests of HPPs in inter-departmental operations groups under FAVR of Russia;
- conclusion of hedging, bilateral agreements on spot markets (including for purchase of electric power to secure obligations).

A fall in production and sales volumes of electric power might result in the future from construction by major consumers of alternative facilities for supplying electric power. To cancel out the given risk, the Company is carrying out active work with consumers to establish mutually beneficial relations. Additional actions carried out by JSC RusHydro to mitigate the risks identified include:

- raising operating efficiency by implementing programs to cut production costs and make savings;
- working to increase the proportion of long-term energy supply contracts in the total volume of contracts concluded;
- pursuing a reasoned financial policy.

The output of the HPPs may also be affected by the actions of third parties in performing work at HPPs. Failure by contractors to fulfill their obligations by the deadlines envisaged in their contracts might result in a delay in commissioning of generating equipment. In the event that violations of obligations under contracts with respect to work performance deadlines occur on a mass scale, this might result in an increase in the time needed for carrying out repairs and lead to wear on fixed assets. This might have an adverse effect on the reliability of the electric power station equipment's operation. Counterparties may, in connection with incompetent organization and performance of work, cause damage to a power station's equipment and this, as a result, might cause equipment breakdowns and reduce the amount of electric power produced.

The Company's actions to manage risks consist in the following:

- insurance of the equipment of the electric power stations against damage caused by third parties;
- access only for qualified personnel to work;
- claim and suit work with counterparties that violate work performance deadlines with respect to payment of penalties for violating contractual obligations;
- monthly monitoring of work performance at power stations.

The Company believes that a possible deterioration in the situation in the industry, negative changes in the process of operation and production, and construction by major consumers of alternative power-supply facilities might exert an influence on the Company's activities, but should not have any material impact on its fulfilling its own obligations.

## ■ Technical rehabilitation and modernization

In 2007, within the framework of ensuring system reliability and safety of energy production, the Company focused particularly on aspects of overcoming tendencies toward moral and physical obsolescence of fixed productive assets, and increasing the level of technological and environmental safety of hydro-engineering facilities and equipment.

The program for technical rehabilitation and modernization was compiled in consideration of the actual condition of the equipment, buildings and structures, as well as the requirements of the effective normative and technical documentation. It establishes the volume of technical retooling of the entire complex of the

main hydro-power, electrical engineering and hydro-mechanical equipment, buildings and structures, and management systems for production equipment of HPPs. The implementation rates are set in the program in consideration of the technical opportunities for performing the work in as short a time as possible, proceeding from existing repair facilities, load-lifting equipment, the resources of contractor organizations, operating and regime conditions and other restrictions.

For the purposes of ensuring efficient functioning of the Company in the long term, a forecast program has been drawn up for technical rehabilitation and modernization up to 2020.





Zhigulevskaya HPP

**The goals of the program are:**

- Greater reliability, safety and economy of equipment by means of complete renewal of the main and auxiliary equipment that has outlived its service life.
- Higher technical and economic characteristics of HPPs for functioning under the conditions of the competitive electric power market.
- Reduction of repair costs as a result of:
  - transfer from a system of repairs according to the planned-preventive principle to repairs to equipment according to their condition and accrued operating time through introduction of diagnostic systems for controlling main and auxiliary equipment;
  - replacement of old with new equipment with a longer repair cycle and a smaller volume of periodical technical servicing, introduction of a servicing system for newly started-up and modernized equipment involving the manufacturers and service organizations.
- Comprehensive automation of all technological processes with an integral HPP management system, based on micro-processors and modern software and implementing optimizing algorithms for management of power equipment.

Hydro-electric power stations play a significant role in ensuring the requisite quality electricity supply by participating in covering the uneven part of the daily loading timetables and acting as a short-term operation and emergency capacity reserve.

The harsh operating regime of the main power station equipment provokes a progressive aging process. Physical wear and tear and obsolescence of the equipment constitute the main reason for the following production risks emerging:

- the threat of the hydro-electric power stations failing to perform fully the systemic regime and regulating functions (frequency and voltage regulation, and so on), which means that opportunities appearing in the process of the transformations in the electric power industry are not used;
- a deterioration in the operating and performance indicators of HPPs;
- unfavorable environmental consequences;
- the threat of accidents with electric power underruns and serious environmental and social consequences.

Management of production risks lies at the basis of the system for technical and economic decision-making during planning of programs for technical impact on equipment (within the framework of future technical rehabilitation and modernization programs, repairs and maintenance).

**Fulfillment of the technical rehabilitation and modernization program**

EXPENDITURES ON TECHNICAL REHABILITATION AND MODERNIZATION (THOUSAND RUBLES LESS VAT)			
Company	2005	2006	2007
1 Branch of JSC RusHydro - Novosibirskaya HPP	-	68 080	189 750
2 JSC Zhigulevskaya HPP	818 052	507 559	701 423
3 JSC Volzhskaya HPP	762 957	798 152	730 175
4 JSC Cascade of VV HPPs	108 217	177 005	236 798
5 JSC Votkinskaya HPP	224 684	241 922	303 019
6 JSC Kamskaya HPP	64 650	284 655	433 054
7 JSC Nizhegorodskaya HPP	154 088	69 800	200 869
8 JSC Saratovskaya HPP	598 710	647 786	909 091
9 JSC Cheboksarskaya HPP	86 165	155 857	261 610
10 JSC Zeiskaya HPP	236 957	181 697	476 109
11 JSC Neporozhniy SShHPP	904 234	448 761	414 085
12 JSC Zagorskaya PSHPP	74 376	139 260	163 256
13 JSC Stavropolskaya PGC	58 735	150 607	227 697
14 JSC Bureiskaya HPP	28 452	35 066	144 639
15 JSC Zelenchukskiye HPPs	-	5 996	48 427
16 JSC Sulakenergo	-	17 759	40 576
17 JSC KabbalkHPP	25	0	11 060
18 JSC Dagestan RGC	203 337	123 022	221 092
19 JSC North Ossetia Generating Company	-	3 575	83 767
20 JSC Geoterm	-	-	-
21 JSC OP Verkhne-Mutnovskaya G HPP	-	-	37 184
<b>Total for RusHydro</b>	<b>4 323 639</b>	<b>4 056 559</b>	<b>5 833 682</b>





## Part 5 | SALES

In September 2006, Resolution of the Government of the Russian Federation No. 529 introduced new rules governing the functioning of the electric power and capacity wholesale market (new electric power wholesale market). In accordance with the Resolution, a system is being introduced on to the electric power (capacity) wholesale market of regulated agreements between sellers and purchaser of electric power (capacity)<sup>2</sup>.

The quantity of electric power generated in excess of the volumes under regulated agreements are sold at free prices on the spot market and any production shortages are purchased on the stock market as security for the regulating agreements. The rules for the electric power (capacity) wholesale market also envisage the possibility of selling electric power under free bilateral agreements. Within the framework of free bilateral agreements, participants on the wholesale market themselves determine their contact partners, the prices and supply volumes.

On a daily basis, the market operator (NP ATS) determines, on the basis of a competitive selection of price applications from suppliers and consumers of electric power, the supply prices and volumes of electric power on the spot market for each hour of the following day. In the event that the actual electric power production/consumption indicators diverge from the planned ones, the participants on the wholesale market either purchase or sell the differences on the balancing market.

Also in accordance with Resolution of the Government of the Russian Federation, a stage-by-stage (twice a year) reduction is envisaged in the volumes of regulated agreements with a corresponding increase in the proportion of electric power sold at free prices on the spot market (from 1 January, 2007 the reduction in the regulated agreement volumes has been 5% of the forecast balance of electric power, and since 1 July, 2007 - 10%). From 2011, a 100% liberalization of the electric power (capacity) wholesale market is planned.

The launch of the new electric power (capacity) wholesale market has necessitated a change in the existing structure of marketing and sales. The annual price-setting of regulated tariffs has been replaced for the majority of the managed facilities by indexation, which has created different requirements on organization of the work of the tariff services. The greater volatility of prices on the spot market, including the appearance of zero prices, has resulted in a need for more extensive analysis of the current market situation for the purpose of rapid decision-making by trading subdivisions. For the purpose of minimizing the given risk, the Company concludes hedging free bilateral agreements, allowing it to supply electric power to the counterparty at an agreed price and not depend on prices on the spot market.

Key indicators of the Company's work on the electric power wholesale market in 2007 are presented in Appendix 9.

<sup>2</sup> The price of electric power and capacity within the scope of regulated agreements is set by the Federal Tariff Service (FTS of Russia).



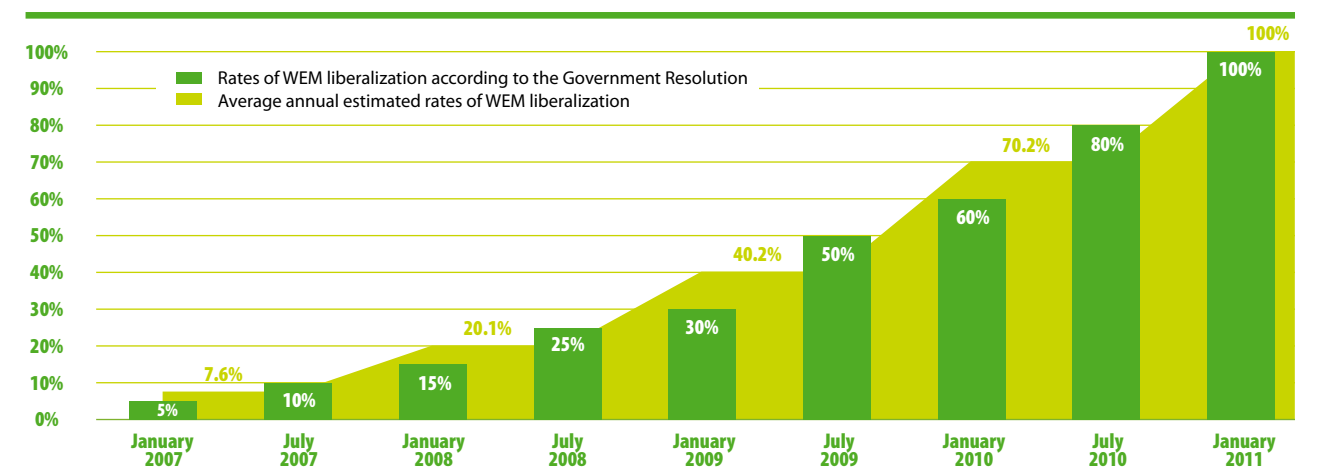


Sayano-Shushenskaya HPP

### Market prospects for JSC RusHydro

The main market prospects for JSC RusHydro are as follows:

- Increase in the volume of electric power sales on the wholesale and retail markets as a result of construction and start-up of new capacities.
- Increase in the volume of electric power sold on the spot market at free prices in accordance with the rates of liberalization of the electric power wholesale market (from 1 January, 2008, the reduction in the volumes sold under regulated agreements was 15% in relation to the forecast balance of electric power, and from 1 July, 2008 the reduction will be 25%).
- Conclusion of long-term, free, bilateral agreements with existing electric power consumers and ones under construction.
- Participation on the capacity market, conclusion of long-term, bilateral agreements for electric power and capacity.
- Participation on the market for system services and the market for financial contracts for electric power (to be launched from about 2009).
- Supply of electric power (capacity) to foreign neighboring countries.

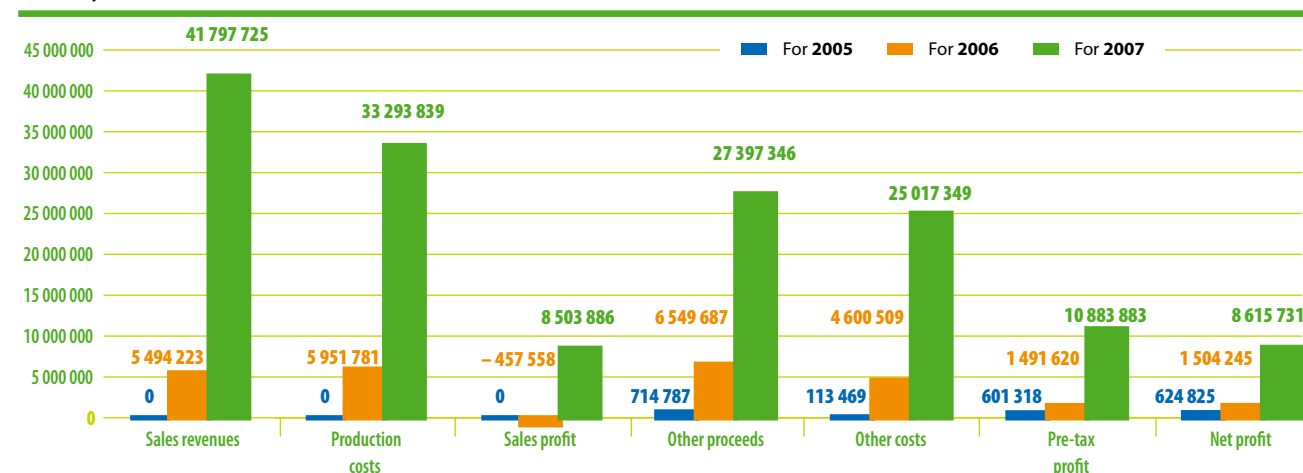




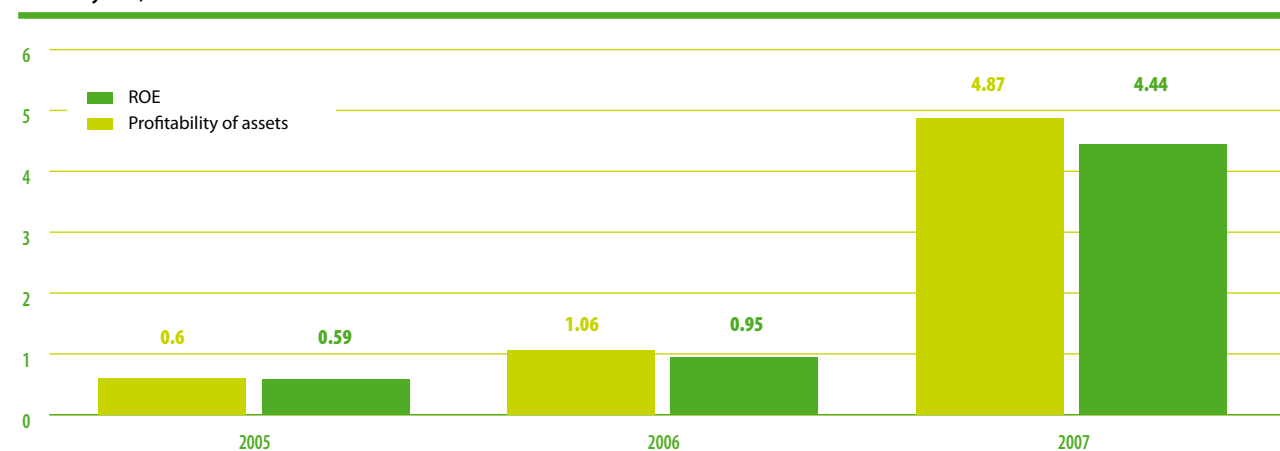
## Part 6 | ECONOMICS AND FINANCES

### JSC RusHydro financial results

The Company's financial results over 3 years, thousand rubles



Dynamics of the Company's yield indicators over 3 years, %



In 2005, JSC RusHydro did not produce any electric power (the revenue, production cost and sales profit indicators are equal to zero).

In 2006, by Order of the Federal Tariff Service of Russia No. 96-e/7, dated 25 April, 2006, JSC RusHydro was awarded the status of participant on the Electric power (capacity) wholesale market, the Company concluded agreements for lease and operation of power equipment with 8 joint-stock company HPPs, securing the Company's right of ownership to the electric and thermal power produced.

The significant increase in the Company's revenues in 2007 compared to 2006 (by 36 303 million rubles or 7.6 times) was a result of the increase in the amount of power equipment leased (15 joint-stock company HPPs) and a rise in the sales tariffs for electric power as a consequence of the decision taken by the Federal Tariff Service of Russia to include an investment component in the amount of 5 864 million rubles (exclusive of profit tax) in JSC RusHydro's tariff for 2007.

The rise in production costs (5.6-fold) over 2006 resulted from an increase in the following costs:

- on purchasing electric power to secure obligations under regulated agreements. The given outlays appeared within the structure of production costs when the new electric power wholesale market was launched on 1 September, 2006;
- on leasing and operating electric power equipment under agreements concluded with joint-stock company HPPs (the revenues received from the sale of electric power by the issuers are translated to the power stations less infrastructure payments, purchased electric power and the investment component in the tariff). The given costs rise in proportion to the growth in the number of agreements concluded with SDC HPPs.

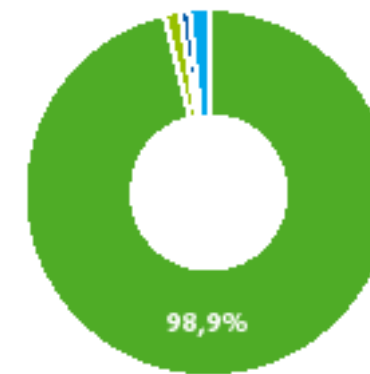
Changes in the items Other incomes and Other costs (a five-fold increase) resulted from the increase in the turnover on sale of securities and financial instruments. The Company acquired bills of exchange of the joint-stock company HPPs to enable the latter to fulfill their investment programs and placed temporarily free funds in short-term financial investments.

Net profits went up (5, 7 times or by 7 111 million rubles) as a result of inclusion of the investment component in the tariff for 2007, in the amount of 5 864 million rubles, allocated for financing construction of the most important hydro-electric power industry facilities in 2007.

### Condensed accounting balance sheet of the Company, thousand rubles

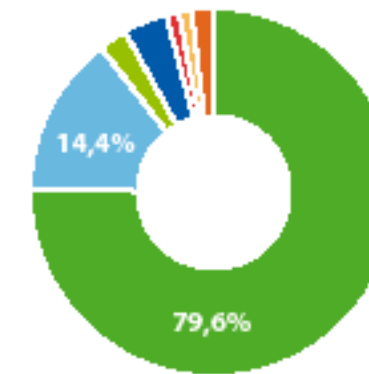
	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
<b>ASSETS</b>	<b>105 327 258</b>	<b>157 642 744</b>	<b>194 041 167</b>
Intangible assets	-	-	-
Fixed assets	7 360	2 680 942	3 062 766
Investments in non-current assets	-	206 754	1 063 915
Long-term financial investments	104 146 595	125 475 214	124 872 069
Other non-current assets (in particular deferred tax assets)	24 358	388 118	427 517
Stocks	-	-	104,651
VAT on acquired values	9,836	20,807	36,788
Long-term accounts receivable	-	-	5,564,265
Short-term accounts receivable	588,503	22,636,097	42,885,503
Short-term financial investments	450,076	6,097,515	14,117,927
Cash	100,355	88,182	1,905,766
Other current assets	-	-	-
<b>Liabilities</b>	<b>105 327 258</b>	<b>157 642 744</b>	<b>194 041 167</b>
Authorized capital	103,951,323	140,954,760	156,864,374
Capital surplus	-	391,080	12,005,098
Reserve capital	-	31,241	106,453
Targeted financing	-	-	-
Undistributed prior year's profit	596,936	-	282,529
Undistributed current year's profit	-	357,741	7,496,731
Long-term loans and credits	-	14,300,000	15,800,000
Other long-term liabilities	-	-	-
Short-term loans and credits	450,716	278,032	465,254
Accounts payable	300,394	520,890	1,020,728
Debt to founders on payment of incomes	27,889	809,000	-
Deferred incomes	-	-	-
Provisions for liabilities and charges	-	-	-

Company assets structure as of 31 December 2005



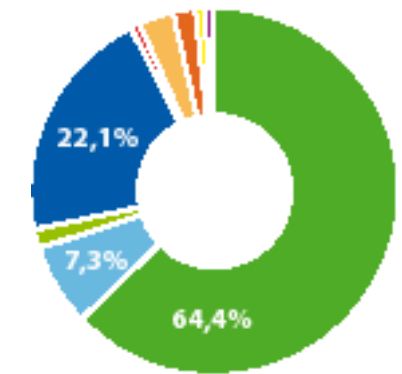
- 98,9% Long-term investments
- 0,4% Short-term investments
- 0,1% Cash
- 0,6% Short-term receivables

Company assets structure as of 31 December 2006



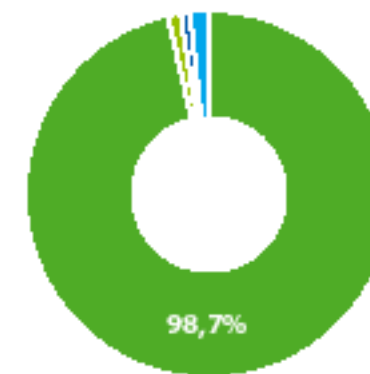
- 79,6% Long-term investments
- 1,7% Fixed assets
- 0,4% Short-term investment
- 14,4% Short-term receivables
- 0,1% Cash
- 0,1% Investment in non-current assets
- 0,2% Other non-current assets (incl. CIA)

Company assets structure as of 31 December 2007



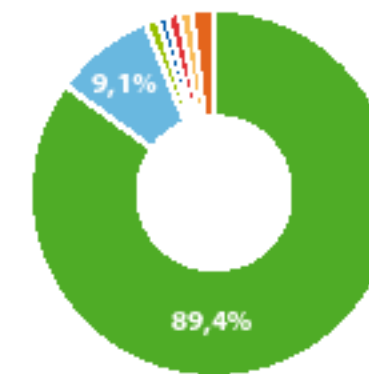
- 64,4% Long-term investments
- 1,8% Fixed assets
- 22,1% Short-term receivables
- 7,3% Short-term investments
- 2,8% Long-term receivables
- 0,8% Investment in non-current assets
- 1,8% Cash
- 0,1% Other non-current assets (incl. CIA)
- 0,3% Inventories

Company liabilities structure as of 31 December 2005



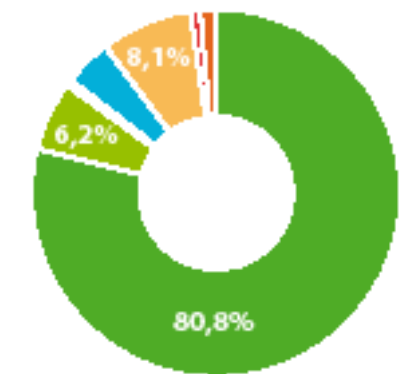
- 98,7% Authorized capital
- 0,4% Short-term borrowings
- 0,3% Payables
- 0,6% Retained profits of prior years

Company liability structure as of 31 December 2006



- 89,4% Authorized capital
- 0,2% Capital surplus
- 0,2% Retained profit of the current fiscal year
- 0,1% Payables
- 0,2% Long-term borrowings
- 0,2% Short-term borrowings
- 0,2% Founders' loan assets

Company liabilities structure as of 31 December 2007



- 80,8% Authorized capital
- 0,2% Capital surplus
- 0,1% Contingency funds
- 4,0% Retained profit of current fiscal year (reporting year)
- 0,1% Long-term borrowings
- 0,2% Short-term borrowings
- 0,8% Payables



During 2007, the following substantial changes occurred in the structure of the assets balance:

#### SECTION I NON-CURRENT ASSETS:

- Fixed assets and construction in progress: the increase in the indicator was, to a considerable extent, linked with the Company acquiring fixed assets and construction in progress under sale and purchase agreements with JSC RAO UES of Russia. The value of the property was assessed by the independent appraisal company JSC AKF Top-Audit.
- Long-term financial investments: the change in contributions to subsidiary, dependent companies and other organizations resulted from receipts from JSC RAO UES of Russia in payment for the additional SDC shares and those in other organizations (JSC Zelenchukskiye HPPs (46.48%), JSC Zaramagskiye HPPs (2.98%), JSC Sulakenergo (12.38%), JSC Vilyuiskaya HPP-3 (1.9%), JSC ESKO UES (49%), JSC Northern Ossetia HGC (43.98%), JSC Krasnoyarskaya HPP (0.117%), JSC Geotherm (71.61%), JSC OP Verkhne-Mutnovskaya GeoPP (48.04%).

#### SECTION II CURRENT ASSETS:

- Long-term accounts receivable as of 31 December, 2007 amounted to 5,564 million rubles (as of 31 December, 2006 they were absent). The main volume of the debt consisted of an interest-free long-term loan of LLC EZOP.
- Short-term accounts receivable amounted to 42,886 million rubles, the biggest proportion (88.6%) consisting of debt on interest-free bills of exchange received from SDCs and RAO UES of Russia.

#### Structure of the Company's long-term financial investments, thousand rubles

Item	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
Contributions to subsidiaries and dependent companies	104 146 595	118 593 378	124 818 876
Loans granted	-	3 922 556	21 932
Debt securities (bills of exchange)	-	2 959 280	31 261
Total long-term financial investments	104 146 595	125 475 214	124 872 069

#### Structure of the Company's short-term accounts receivable, thousand rubles

Item	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
Purchasers and customers	-	498 554	1 791 170
Advances issued	39 966	158 287	436 064
Other debtors	548 537	21 979 363	40 664 425
Including non-interest bearing bills of exchange	-	20 487 845	37 996 791
Other short-term accounts receivable	588 503	22 636 097	42 885 503

#### Structure of the Company's short-term financial investments, thousand rubles

Item	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
Short-term bills of exchange	450 000	3 097 515	11 512 887
Deposit	-	3 000 000	2 300 000
Other short-term financial investments	76	-	305 040
Total short-term financial investments	450 076	6 097 515	14 117 927

The following changes occurred in the structure of liabilities:

#### SECTION III CAPITAL AND RESERVES:

- authorized and surplus capital: a rise of 27,523,632,000 rubles due to the additional issue of Company shares, including a 15,909,614,000 rubles/shares increase in the authorized capital and issue proceeds of 11 614 018 thousand rubles (0.73 rubles per share).

#### SECTION IV LONG-TERM LIABILITIES:

- long-term credits and loans were raised for financing the Holding's investment program. In 2007, new loans were raised of 1 500 million rubles (Morgan Stanley bank), bringing the total loans and credits up by 10% to 15 800 million rubles.

#### SECTION V SHORT-TERM LIABILITIES:

- loans and credits: the sum given is that of the debt on short-term loans and accrued interest on long-term loans and credits raised (broken down in the table below). The bill of exchange debt consists of the Company's own bills issued for the purpose of lead financing of the Holding's Investment Program.

#### Long-term credits and loans of the Company, thousand rubles

Lender/creditor	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
European Bank for Reconstruction and Development (EBRD)	-	6 300 000	6 300 000
JSC Management Company RusHydro (bonded loan)	-	5 000 000	5 000 000
JSC Saratovskaya HPP (Morgan Stanley)	-	3 000 000	3 000 000
Morgan Stanley	-	-	1 500 000
Total long-term credits and loans	-	14 300 000	15 800 000

#### Short-term credits and loans of the Company, thousand rubles

Lender/creditor	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
European Bank for Reconstruction and Development (EBRD)	-	95 944	121 063
JSC Management Company RusHydro (bonded loan)	-	172 020	177 520
JSC Saratovskaya HPP (Morgan Stanley)	-	10 068	10 068
Morgan Stanley	-	-	17 399
Other (own bills of exchange)	-	-	139 204
Total short-term credits and loans	450 716	278 032	465 254

#### Structure of the Company's accounts payable, thousand rubles

Creditor	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
Suppliers and contractors	2 935	407 889	797 572
Debt to the budget and extra-budgetary funds	37	25 896	30 590
Advances received	-	85 031	168 584
Debt to founders	325 311	809 000	0
Other short-term credits and loans	328 283	1 329 890	1 020 728



Overall, the balance-sheet total rose by 23% or 36,398 million rubles.

The net asset value of the Company is calculated in accordance with the Order of the Ministry of Finance of the Russian Federation and the Federal Commission for the Securities market No. 10n, 03-6/pz, dated 29 January, 2003, "On approval of the Procedure for assessing the value of the net assets of joint-stock companies".

#### Calculation of the net asset value, thousand rubles

Indicators	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
<b>ASSETS</b>			
1. Intangible assets	-	-	-
2. Fixed assets	7 360	2 680 942	3 062 766
3. Construction in progress	-	206 754	1 063 915
4. Income-bearing investments in material valuables	-	-	-
5. Short-term and long-term financial investments	104 596 671	131 572 729	138 989 996
6. Other non-current assets	24 358	388 118	427 517
7. Stocks	175	49 115	104 651
8. VAT on values acquired	9 836	20 807	36 788
9. Accounts receivable	588 503	22 636 097	48 449 768
10. Cash	100 355	88 182	1 905 766
11. Other current assets	-	-	-
12. Total assets taken into account (sum of items 1-11)	105 327 258	157 642 744	194 041 167
<b>LIABILITIES</b>			
13. Long-term liabilities on credits and loans	-	14 300 000	15 800 000
14. Other long-term liabilities	-	-	-
15. Short-term liabilities on credits and loans	450 716	278 032	465 254
16. Accounts payable	300 394	520 890	1 020 728
17. Debt to participants (founders) on payment of income	27 889	809 000	-
18. Accruals	-	-	-
19. Other short-term liabilities	-	-	-
20. Total liabilities taken into account (sum of items 13-19)	778 999	15 907 922	17 285 982
21. Value of net assets (items 20 – item 12)	<b>104 548 259</b>	<b>141 734 822</b>	<b>176 755 185</b>

At the end of the reporting period, the net assets of the Company totaled 176,755,185,000 rubles. During 2007, the given indicator rose by 25% (35,020,363,000 rubles) for the following reasons:

- an additional issue of Company shares by 27,523,632,000 rubles;
- according to the results for 2007, net profits received amounted to 7,496,731,000 rubles (net profit is reflected on the balance sheet less accrued dividends).

## Financial results of JSC RusHydro Holding

### Key performance indicators of the Holding, thousand rubles

Indicators	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
Revenues from sale of output, work, services,	13 246 529	24 653 026	47 701 949
Production cost of sold goods, work, services	(7 597 959)	(18 608 663)	(30 425 922)
Profit from sales	5 636 367	5 971 436	17 275 860
Interest receivable	32 595	161 083	710 806
Interest payable	(25 030)	(236 590)	(1 390 813)
Income from interest in other organizations	1 406	2 818	-
Other income	4 717 751	3 283 262	14 503 199
Other costs	(6 530 889)	(6 265 291)	(15 907 461)
Pre-tax profit	3 832 200	2 916 718	15 191 591
Profit on core business	2 800 015	1 307 021	10 531 757
Net profit	2 339 621	1 236 847	9 930 439

Due to the following financial results the following conclusion might be done:

- During the reporting period, the Holding's revenues doubled (increasing by 23049 million rubles) over 2006. At the same time, the production cost of the output sold went up 1.6-fold (or by 11817 million rubles).
- Changes in the items Other incomes and Other costs (a 4.4-fold and 2.5-fold increase, respectively) were due to an increase in the turnover on the sale of securities and financial instruments.
- The Holding's net profits went up 8 times or by 8693,6 million rubles.







Uglichskaya HPP

### Consolidated, condensed accounting balance sheet of the Holding, thousand rubles

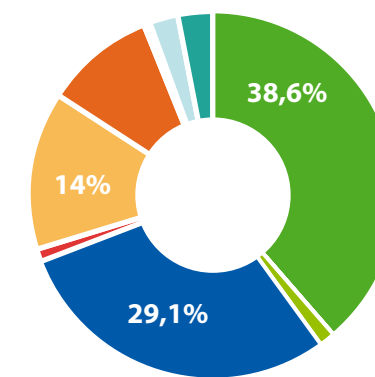
Indicators	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
<b>ASSETS</b>	<b>171,390,039,</b>	<b>237,746,247</b>	<b>283,059,494</b>
Intangible assets	3 584	6 459	4 047
Fixed assets	63 527 386	87 097 626	108 726 025
Investments in non-current assets	23 460 027	31 707 476	27 007 190
Long-term financial investments	2 023 603	3 953 610	3 568 405
Other non-current assets (in particular deferred tax assets)	71 803	780 013	836 019
Goodwill of subsidiaries	73 997 813	80 807 955	84 151 709
Inventories	623 316	1 087 003	1 457 914
VAT on acquired values	2 315 933	2 105 838	687 103
Long-term accounts receivable	618 950	1 348 913	7 137 271
Short-term accounts receivable	3 794 558	22 188 653	38 760 110
Short-term financial investments	428 791	4 867 994	7 895 103
Cash	524 108	1 794 450	3 419 474
Other current assets	166	257	999
<b>Liabilities</b>	<b>171,390,039</b>	<b>237,746,247</b>	<b>28,651,369</b>
Authorized capital	103 951 323	140 954 760	156 864 374
Treasury stock	-158 224	-	- 2 493
Capital surplus	27 892 666	32 746 894	52 270 883
Reserve capital	187 317	312 486	465 090
Targeted financing	-	-	-
Undistributed profit of prior years	2 907 612	1 079 729	1 706 151
Undistributed current year profit	-	1 175 262	9 131 818
Goodwill of subsidiaries	7 748 646	9 109 124	7 412 777
Minority shareholding	17 179 524	23 758 818	24 183 606
Long-term loans and credits	248 712	14 310 068	15 969 323
Other long-term liabilities (in particular deferred tax liabilities)	614 498	5 329 585	4 456 151
Short-term loans and credits	3 122 100	2 478 041	3 625 158
Accounts payable	2 396 833	4 865 849	6 894 327
Debt to founders on payment of incomes	165 079	932 060	-
Deferred income	5 133 953	101 482	82 224
Provisions for liabilities and charges	-	97 031	96 980
Other short-term liabilities	-	495 058	495 000

During 2007, the following substantial changes took place in the structure of the assets balance:

- the amount of fixed assets increased by 24% or 21 214 million rubles;
- long-term accounts receivable rose 5 times or by 5 723 million rubles;
- short-term accounts receivable increased by 77% or 17 046 million rubles.

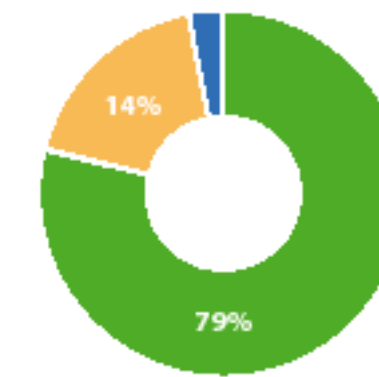
Within the structure of liabilities, stable sources of financing (equity capital and long-term borrowings) account for 97%, testifying to the financial stability of the Holding. At the same time, during the accounting period, equity capital went up by 25% or 44 735 million rubles.

Holding assets structure as of 31 December 2007



- 38,6% Fixed assets
- 1,2% Long-term investments
- 29,1% Goodwill of subsidiaries
- 0,2% VAT on acquired valuables
- 14% Short-term receivables
- 1,2% Cash
- 9,7% Investment in non-current assets
- 0,3% Other non-current assets (incl. CIA)
- 0,3% Inventories
- 2,5% Long-term receivables
- 2,8% Short-term investment

Holding assets structure as of 31 December 2007



- 79% Equity capital
- 6% Short-term liabilities
- 14% Long-term liabilities



## Borrowing policy

In December 2007, rating agencies Standard & Poors International Services and Fitch Ratings assigned the Company BBB- international credit rating (according to the international scale in foreign and national currency).

According to the Russian scale, the Company's rating is ruAAA. Companies with such rating are both sufficiently capable to timely and completely fulfill their debt obligations and to a higher extent sensitive to the impact of unfavorable changes in commercial, financial and economic conditions.

According to the Russian scale, JSC RusHydro rating is AA(rus)+ which is testimony to the Company's high credit-worthiness. The ratings of AA grade mean very low expectation in respect of credit risks and high capability to timely discharge financial liabilities. And exposure of this capability to predictable situation impact is very low.

The assigned ratings are the ratings of investment level reflecting JSC RusHydro's stable financial standing and its strategic importance for the Russian economy.

International ratings are a major reference point for JSC RusHydro potential creditors when they analyze the Company's standing and prospects of further development, assess risks and estimate interest rates of future borrowings.

In April 2007 JSC RusHydro Board of Directors approved the Regulations on borrowing politics, which provided guidelines for regulation of:

- amount and costs of debt service on the basis of fixed credit ratings;
- foreign exchange risk associated with borrowing funds;
- risk associated with entering into transactions in derivative instruments;
- collateral security for obtained loans and credits the Company provides to creditors.

The Regulations also set up criteria of and procedure for assessing the Company's solvency and principles of its borrowing policy implementation.

In 2007 JSC RusHydro continued its vigorous activity in the Russian and international capital markets since borrowed funds account for a significant portion of the Holding's long-term investment program financing.

In the second quarter of 2007, JSC RusHydro and Morgan Stanley Bank entered into an agreement on granting the Company a loan to the amount of 1.5 billion rubles. The loan term is 7 years, the interest rate being tied to MOSPRIME rate. The loan funds will be spent on the Holding's investment program financing.

Due to the significant amount of borrowed funds, the Company may be exposed to risks associated with a change in interest rates. Today and in the foreseeable future the refinancing rate of the Central Bank of the Russian Federation tends and will tend to decrease, and commercial banks' lending rates decrease accordingly. The Company analyzes the dynamics of interest rate fluctuations on a permanent basis. To mitigate the negative impact of interest rates short-term fluctuations on the Company's business, it is planned to obtain loans under general agreements on overdraft crediting and reduce the loans and credits share in the current assets.

Borrower/Debtor	Creditor	Liability type	Date of Agreement	Currency of Agreement	Debt amount in the Agreement currency	Interest rate	Payback term expiry
JSC RusHydro	EBRD	Loan	08.09.2006	RUR	6 300 000 000	Mosprime 3M+margin	The last interest payment in 2020
		A Loan		RUR	2 300 000 000	Mosprime 3M+3.65%	The last interest payment in 2020
		B1 Loan		RUR	850 000 000	Mosprime 3M+2.75%	The last interest payment in 2014
		B2 Loan		RUR	3 150 000 000	Mosprime 3M+3.05%	The last interest payment in 2016
JSC RusHydro (Successor of OJSC Saratovskaya HPP)	Morgan Stanley	Loan	13.12.2006	RUR	3 000 000 000	8.75%	13.12.2013
JSC RusHydro	Morgan Stanley	Loan	27.04.2007	RUR	1 500 000 000	Mosprime 6M+1.5%	27.04.2014
OJSC MC HydroOGK	Market investors	Bonds	01.06.2006	RUR	5 000 000 000	8.10%	29.06.2011
OJSC Nizhne-Cherekskiy HPP Cascade (under JSC RusHydro surety)	CF Structured Products B.V.	Loan	12.02.2007	USD	60 000 000	10.50%	15.02.2013
CJSC Boguchany Aluminium Plant (under JSC RusHydro 50% surety)	ABN Amro, Barclays, Calyon and Savings Bank	bridge loan	15.03.2007	USD	260 000 000	Libor 3M+0,8%	15.03.2010

## Analytic ratios

### Liquidity and financial stability ratios

As compared to previous reporting periods, a general increase of all the liquidity ratios is now under way which is caused by a significantly different growth rate of the current assets (2.2-fold increase amounting to 35,723,184 thousand rubles) and reduction in short-term liabilities (by 121,940 thousand rubles). The said ratios value witnesses the Company's comprehensive solvency.

The extent of the Company's financial independence (autonomy) is subject to the equity capital share in the total capital amount. This ratio exceeds the standard values: the share of proprietary

funds in the total capital amount is larger than that of borrowed funds, therefore, the major portion of the Company's assets are still mostly financed on account of the proprietary funds.

The financial stability ratio is about 99% which witnesses the fact that nearly all the Company's assets are financed on account of reliable sources: equity capital and long-term borrowings.

### Business activity indices (turnover ratio)

Turnover ratio is a general index of the way an enterprise's resources are used, which shows the volume of sold products per one ruble of the funds invested in the enterprise's business.

As of 31.12.2007, the receivables turnover ratio made 1.18 turns per annum, and the average collection period was 310 days (this index grew 2.5-fold as compared to 2006). A leading increase in revenues (by 36,303,502 thousand USD) against that in receivables (by 25,813,671 thousand USD) was also noted.

As of 31.12.2007, the share of debt to the Company under interest-free promissory notes acquired with SDC, JSC RAO UES of Russia and under loans in the short-term and long-term receivables structure was the largest (89.9%).

The accounts due from customers and purchasers comprised the arrears in payment for electric power and capacity amounting to 1,132.2 million rubles that had occurred in connection with operations related to power and capacity sales in the wholesale electric energy market (WEM).



At the same time, there has appeared a decrease in payables and arrears in income due to participants (founders) (by 23%), the turnover ratio grew from 14.49 to 35.56 turns per annum, and the average period of payables discharge decreased to 10 days.

The receivables growth rate in relative and absolute terms is much higher than that of payables. This means that it is impossible to compensate the entire receivables amount on account of the payables, therefore, there arises a necessity in obtaining additional financial and credit resources to cover cash shortages.

Indices	As of 31 December, 2005	As of 31 December, 2006	As of 31 December, 2007
<b>Liquidity and financial stability ratios</b>			
Current ratio (from 1 to 2.5)	1.47	17.7	43.5
Quick assets ratio (from 0.8 to 1.5)	1.46	17.92	39.6
Cash ratio (from 0.2 to 0.8)	0.71	3.85	10.8
Autonomy ratio (>0.5)	0.99	0.90	0.91
Financial stability ratio (>0.8-0.9)	0.99	0.99	0.99
<b>Business activity indices (turnover ratio)</b>			
Asset turnover ratio	0.00	0.04	0.24
Receivables turnover ratio	0.00	0.47	1.18
Average collection period, days	-	761	310
Payables turnover ratio	0.33	14.49	35.56
Average period of payables discharge, days	1101	25	10



## Dividend history

JSC RusHydro dividend policy is based on the balance of the Company's interests and those of its shareholders, respect for and observance of shareholders' rights provided for in the effective legislation of the Russian Federation, the Articles of Association and the Company's internal regulations.

- maintaining the required financial and technical conditions, making provisions for the Company's further development;
- increasing the Company's market capitalization.

Dividend payment frequency is set up according to the income received over the first quarter, half-year, nine months and (or) an entire financial year subject to requirements of the Company's further development.

The underlying principles of the Company's dividend policy are as follows:

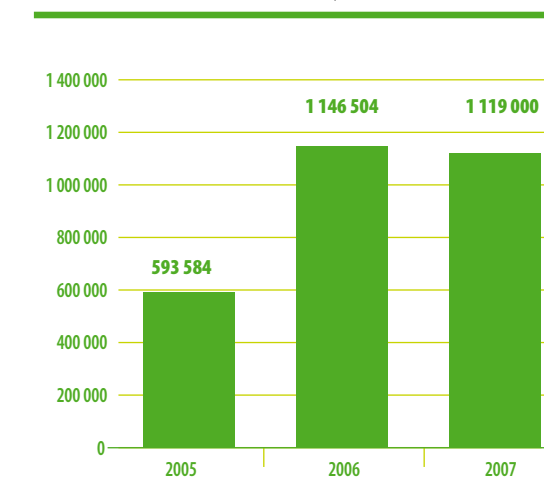
- making provisions for implementation of the plans for dividend distribution and payment to the Company's shareholders approved by the governing bodies;
- making provisions for achieving key parameters of the Company's efficiency and implementation of the Company's business plans approved by the governing bodies;

Reporting period during which dividends on shares were paid	2005		2006			2007 (1st quarter)
	9 months	as of year-end	1st quarter	6 months	9 months	
Declared dividends per share (ruble)	0.000268289	0.005441922	0.002151	0.00106384	0.005739431	0.00793872
Total amount of declared dividends (thousand USD)	593 584		1 146 503,6			1 119 000
Fixed time-period of paying declared dividends	Within 60 days of taking the decision on dividend payment					
Information on dividend payment	Dividends are paid in full					

Decisions on dividend payment are taken by the General Shareholders' Meeting. According to JSC RusHydro Articles of Association, the time-period of dividend payment is set up by the General Shareholders' Meeting.

### Dynamics of the Company's dividends payment

Total amount of declared dividends, thousand rubles







## Part 7 | INVESTMENTS

### ■ Investment policy principles

JSC RusHydro investment policy is based on the following principles:

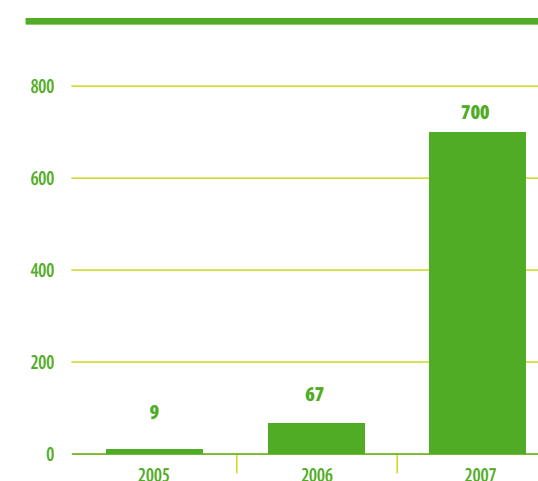
- Compliance of investment-related decisions and investment projects with the legally established provisions, construction standards and regulations and environmental standards.
- Following successive phases and stages<sup>3</sup> of investment project implementation.
- Compliance of investment-related decisions and investment projects with returns on investment and risk requirements established by JSC RusHydro Board of Directors.
- Analysis of alternative investment decisions benefits/costs (continuance, postponement or termination of investment project implementation) upon completion of each phase and stage of an investment project and in case of a change in a project's basic parameters.
- Provision of investment projects and the entire Investment Program with sources of financing.

Major investment-related decisions including those on the establishment of investment criteria, investment projects inclusion in JSC RusHydro Investment Programs, approval and adjustment of JSC RusHydro Investment Programs are taken by the Company's Board of Directors.

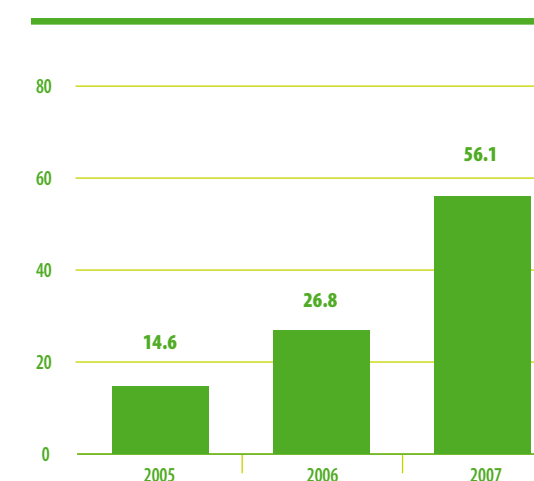
### ■ Results of investment operations

#### Basic parameters of JSC RusHydro investment activities in 2005 - 2007

Input capacity (MW)



Investment (bln rubles)



Over the period from 2005 to 2007, input capacity volumes grew and in 2007 it achieved 700 MW. Over the same period, investment amount doubled annually and in 2007 made 56.1 bln rubles.

<sup>3</sup> The stages of investment projects are:  
 — Design (river scheme, declaration of intention, grounds of investments, R&D (project)).  
 — Construction.



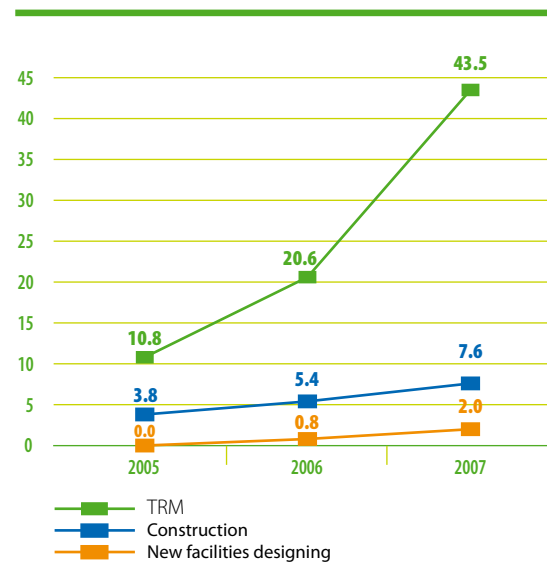
Main investment lines in 2005 - 2007:

- projects for technical rehabilitation and modernization (TRM) of operating power plants;
- completion of facilities under construction: Bureiskaya HPP, Ust-Srednekanskaya HPP, Boguchanskaya HPP, coast spillway of Sayano-Shushenskaya HPP, Irganaiskaya HPP, Zaramag-skie HPP, Kashkhatau HPP, Zelenchukskaya HPP (water inlet structure);
- construction of new facilities, the decision on construction commencement was taken by JSC RusHydro: Gelbakhskaya HPP and small HPPs in the Republic of Dagestan – in 2005, Malaya Mezenskaya TPS – in 2006, Zagorskaya PSHP-2 and Kalmytskaya WPP – in 2007;
- designing of new facilities, no decision on construction commencement was taken by: Yuzho-Yakutsky HPC, Nizhne-Zeiskaya HPP and Nizhne-Bureiskaya HPP in the Far East; Evenkyiskaya HPP with a distribution reservoir, Nizhne-Kureiskaya HPP, Motynginskaya HPP and Mokskaya HPP in Siberia; Sotchinskaya HPP, Verkhn-Krasnogorskaya HPP, Nizhne-Krasnogorskaya HPP and Zelenchukskaya HPP-PSHP in the South; Leningradskaya PSHP in the North-West; renewable resources-based facilities, i.e. tidal and wind power plants (Mezenskaya TPP, Tugurskaya TPP, Severnaya TPP and Kalmytskaya WPP).

Over the period from 2005 to 2007, investment amounts and structure changed significantly:

- the amount of investment in TRM increased from 3.8 billion rubles in 2005 to 7.6 billion rubles in 2007;
- the amount of investment in facilities to be completed increased from 10.8 billion rubles in 2005 to 36.2 billion rubles in 2007;
- in 2006 JSC RusHydro started prospecting, pre-design and design operations for new hydropower facilities and facilities based on other renewable sources of energy; the investment in those facilities amounted to 0.8 billion rubles in 2006 and 2 billion rubles in 2007;
- new facilities construction commenced: that of Gelbakhskaya HPP in 2005, Malaya Mezenskaya TPP and small HPPs in the

Investments, by direction  
(bln rubles)

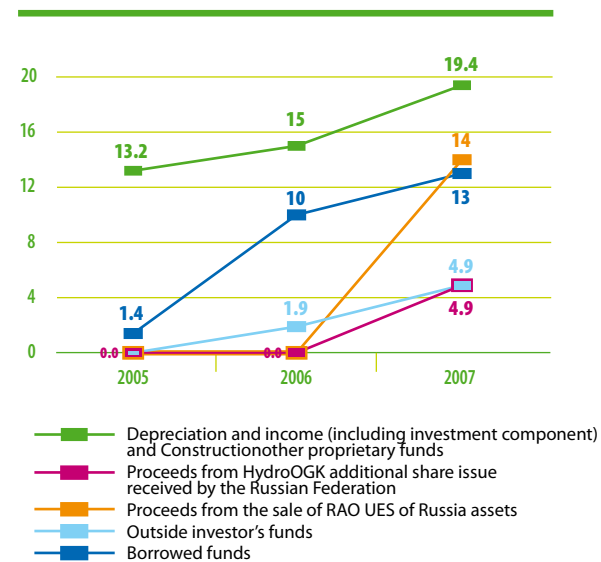


Republic of Dagestan in 2006, Gotsatlinskaya HPP and Zagorskaya PSHP-2 in 2007; the investment in newly constructed facilities amounted to 7.7 billion rubles in 2007.

The structure of investment financing significantly changed as well:

- starting from 2007, target investment funds of JSC RAO UES of Russia intended for hydropower facilities have been transformed into an investment component of JSC RusHydro tariff;
- starting from 2007, JSC RusHydro Investment Program has been financed through employment of proceeds from the sale of JSC RAO UES of Russia assets (shares of heat WMGC и TGC);
- in 2006 the Government of the Russian Federation approved JSC RusHydro Investment Program financing, starting from 2007, through employment of Federal budget funds allocated to pay for additional issue of JSC RusHydro shares (in pursuance of Federal Law of the Russian Federation No.35 On electric-power industry). Due to proceeds from the additional issue of JSC RusHydro shares earned in favor of the Russian Federation, the commencement of Zagorskaya PSHP-2 became possible;
- in 2007 financing of investment in the electric-power industry started to be effected through employment of outside investor's funds: JSC RusHydro jointly with OJSC RUSAL finance BEMO project, i.e., construction of Boguchanskaya HPP and Boguchansky aluminium plant;
- in 2006, long-term loans were for the first time obtained to finance investments: a bonded loan (amounting to 5 billion rubles till 2011), EBRD loan (amounting to 6.3 billion rubles till 2020), Morgan Stanley loan (amounting to 3 billion rubles till 2013); in 2007 JSC RusHydro and Morgan Stanley bank signed an agreement on granting a loan (to the amount of 1.5 billion rubles till 2014);
- in 2007, JSC RusHydro and KIT Finance arranged placement credit notes issued by OJSC Cascade of Nizhne-Cherekskiye HPPs to finance completion of Kashkhatau HPP construction.

Financing structure  
(bln rubles)



## Investment Program 2007

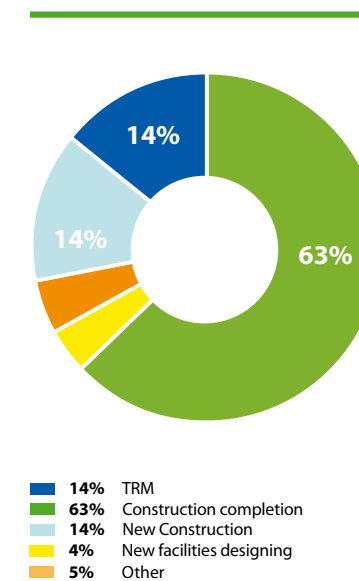
On 20.12.2006 JSC RusHydro Investment Program 2007 was approved by JSC RusHydro Board of Directors, and on 10.04.2007 it was approved as a component of the business plan.

2007 proved to be the year of JSC RusHydro's extensive investment and putting new facilities into operation (700 MW in 2007 against 67 MW in 2006). The actual investment in 2007 amounted to 56,120 mln rubles, thus exceeding that of the previous year nearly two-fold.

Main investment directions in 2007: technical rehabilitation and modernization of operating facilities (7.6 bln rubles), construction (43.5 bln rubles), designing of new facilities no decision on whose construction is yet taken (2 bln rubles).

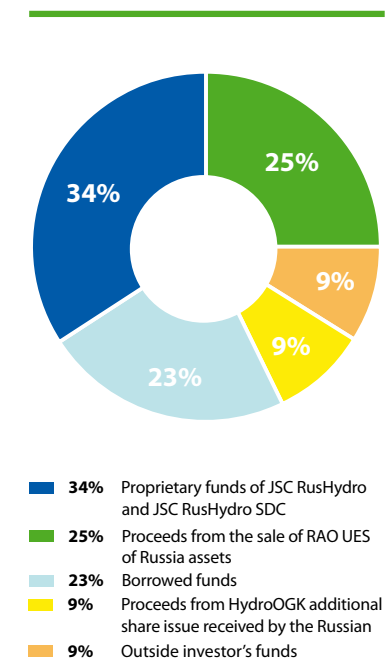
Major sources of investment financing in 2007: proprietary funds of JSC RusHydro and JSC RusHydro SDC (depreciation - 4.5 bln rubles, profit - 3.3 bln rubles, investment component of JSC RusHydro tariff - 5.9 bln rubles, VAT refund - 2.7 bln rubles and other proprietary

Investment structure in 2007



funds - 3 bln rubles) totaling 19.4 bln rubles, proceeds from the sale of JSC RAO UES of Russia assets (shares of heat WMGC и TGC) to the amount of 14 bln rubles, borrowed funds amounting to 13 bln rubles, proceeds from HydroOGK additional share issue received by

Financing structure in 2007



the Russian Federation in the amount of 4.9 bln rubles and outside investors' funds in the amount of 4.9 bln rubles.

## Investment Program 2008

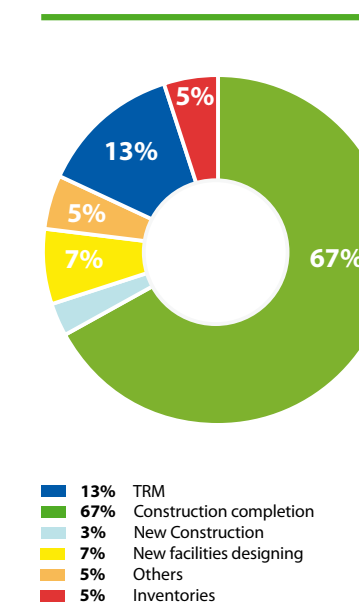
The project for adjustment of JSC RusHydro Investment Program 2008 to the amount 78.15 bln rubles was approved by the RF Ministry for industry and energy, the RF Ministry for economy and development, the Federal Tariff Agency and submitted to JSC RusHydro Board of Directors to be considered on 19.05.2008.

The project for adjustment of JSC RusHydro Investment Program 2008 provides for:

- 1 introduction of 410 MW additional capacity;
- 2 financing of the following sectors: technical rehabilitation and modernization of operating facilities in the amount of 10.4 bln rubles, construction in the amount of 51.6 bln rubles, designing of new facilities no decision on whose construction is yet taken in the amount of 8 bln rubles.

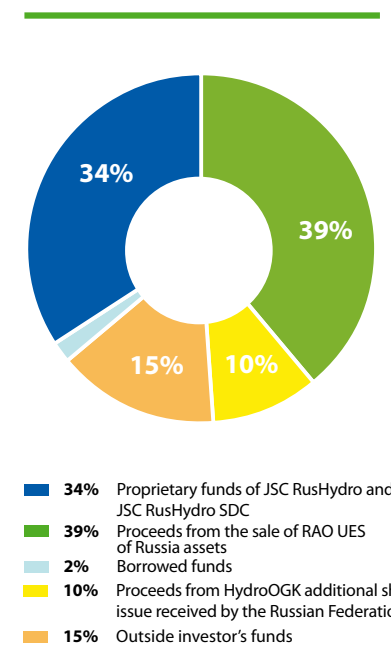
Major sources of investment financing in 2008: JSC RusHydro proprietary funds (depreciation - 6.7 bln rubles, undistributed profit of prior years - 0.38 rubles, invest-

Investment structure in 2008



ment component of JSC RusHydro tariff - 16.8 bln rubles, VAT refund - 3 bln rubles) totaling 26,8 bln rubles, proceeds from sales of JSC RAO UES of Russia assets at

Financing structure in 2008



the amount 30,2 bln rubles, proceeds from outside investor's funds at the amount of 11,7 bln rubles, proceeds from additional share issue in favor of the Russian Federation at the amount of 8 bln rubles.





## Part 8 | **TECHNOLOGIES AND INNOVATIONS**

HydroOGK Holding comprises specialized institutions performing scientific research, development and design operations in electrical power engineering, power and hydro-technical construction fields:

- OJSC Scientific-research Institute for power constructions (OJSC NIIES).
- OJSC B.E. Vedeneyev All-Russian Scientific-research Hydraulic Engineering Institute (OJSC VNIIG).

In June of 2008 the holding will also incorporate OJSC Leningradproject HydroOGK.

The institutions' functions include scientific rationale and development of an entire range of engineering and technical solutions, in particular:

- design work for each stage of preparation for, construction and operation of hydropower plants and water power developments of integrated purposes;
- research and development for reliability and safety control of operating power facilities and those under construction connected with implementation and meeting requirements of the Law On safety of hydrotechnical facilities;
- environment protection arrangements in the course of HPP construction and operation;
- scientific and technical support of new construction, repair and reconstruction of operating power facilities;
- scientific and technical support of design work for especially important and complicated FPC and other industrial facilities.

Promotion of HPP operation safety is a major goal of the Company's research and technology policy. To achieve this goal, the Company is developing an industry-wide system of control over hydrotechnical facilities condition and working out measures for accident prevention and liquidation.

In 2007 great attention was paid to implementation of new large-scale hydropower projects, in particular, those related to Evenkiyskaya HPP and Yuzhno-Yakutsky hydropower complex.

Construction of Bureiskaya HPP (commissioning of the 5th and 6th plant units of total 670 MW), Irganaiskaya HPP and Boguchanskaya HPP were also high-priority tasks in 2007.





Rybinskaya HPP

## Renewable energy sources

### Tidal Energy

In Kislogubskaya TPP, a test site for JSC RusHydro, a new standard floating block-module for large-scale HPP, Malaya Mezenskaya TPP, with a test-model orthogonal hydropower plant unit (with 5 m diameter runner) is installed. Full-scale testing of the hydropower plant unit was carried out for the purpose of developing specific technological properties of orthogonal machines and floating blocks. Implementation of this project will provide for starting the development and implementation of Severnaya and Mezenskaya TPP projects.

A range of operations was conducted as scientific support of Tugurskaya TPP project implementation on the basis of a floating construction technique and orthogonal hydropower plant unit employment.

Materials, structures and structure components of hydro turbine equipment for tidal power plants were tested in Malaya Mezenskaya TPP.

### Wind Energy

The feasibility study for Marine Wind Park in Kaliningrad region, which is an integral part of JSC RAO UES of Russia Program for wind power systems development, is completed.

This project is unique since it is an international Russian-Danish project implemented in full compliance with international requirements of such projects and approved by JSC RAO UES of Russia Coordination Council for wind power engineering. This project implementation results will provide for finding a way to engage foreign investors in implementation of WPP construction projects and projects for construction of small-scale and unconventional power systems and lay the foundation for development and introduction of the new wind power-related technologies in many regions of our country.

## Regulatory and methodological documentation development

In 2007, the Company's Institutes developed the following regulatory and methodological documents:

- Draft national standard Power plant waterworks. Safety requirements.
- Draft JSC RAO UES of Russia standard HPP and PSHP-waterworks. Building terms. Standard specifications and requirements.
- Draft JSC RAO UES of Russia standard HPP and PSHP-waterworks. Building terms. Provisions for operation and maintenance.
- Draft JSC RAO UES of Russia standard Mechanical equipment for HPP waterworks. Provisions for operation and maintenance. Standards and requirements.
- JSC RAO UES of Russia Master standard Underwater technical inspection of waterworks and adjoining unsheeted bed sections condition.
- Instructional guidelines for control of hydro turbine runner metal and runner chamber condition.
- JSC RAO UES of Russia standard Instrumentation systems and appliances for HPP waterworks (STO 108).
- JSC RAO UES of Russia standard Instrumentation systems and appliances for HPP waterworks. Provisions for operation and maintenance. Standards and requirements (STO 109).

## Participation in international scientific societies' and organizations' activities

The Company and its institutions are linked with the following international scientific organizations: International Association for hydraulic engineering and hydraulic research (MAGI); International Commission on Large Dams (ICOLD), International Society of Soil Mechanics and Geotechnical Engineering (ISSMGE), International Society for Rock Mechanics (ISRM) and participate in the activities of some other international societies and associations including International Permafrost Association (IPA), International Association of Engineering Geology (IAEG), International Association for Energy Economics (IAEE) and others.

The 75th annual meeting of the International Commission on Large Dams (ICOLD) comprising 85 member-countries was held in 2007 in Saint Petersburg. Mr. V.E. Christenko, the Minister for the Russian industry and energy, was elected a Chairman of the Commission's Steering committee.

### Objectives and plans of 2008

In 2008, the Company will continue implementing its large-scale new construction projects like Evenkiyskaya HPP, Yuzhno-Yakutsky hydropower complex and Mezenskaya TPP.

Within the framework of the program for tidal power systems development it is planned to develop a feasibility study for an industrial HPP on the Kola Peninsula (Severnaya TPP).

Regarding geothermal energetics, the work related to the design of a power-generating unit in Puzhetskaya GeoPP will be completed.

In the wind energetics field it is planned to draw up design documentation for Vorkutinski wind power complex and Krasnodarsky WPP.

As for innovative technologies for hydropower engineering and renewable energy sources, it is planned to implement R&D and R&AD programs including prospective study of equipment, facilities, construction technologies, water structure and environment protection issues.





Part 9 |

## SOCIAL RESPONSIBILITY

### ■ Objectives of human resources management

In 2007, JSC RusHydro settled the following matters related to improvement of human resources management:

- Development of Standard Regulations on payment for labor and material incentives.
- Arrangement of the Corporate Hydropower Engineering University.
- Expansion of the social program package: non-state staff retirement plans, programs for provision of corporate support for the improvement of staff housing conditions
- Automation of personnel management processes on the basis of Oracle.
- Establishment of branches within the frame of JSC RusHydro reorganization, arrangement and control of the staff transfer from the Company's subsidiaries to the Company's branches, appointment of senior officials for the Company's branches on a competitive basis.

Personnel motivation is a major component of human resources management. In 2007, remuneration of labor in JSC RusHydro was effected in compliance with the Regulations on remuneration of the Company's staff labor. The Regulations were developed in accordance with the Labor Code of the Russian Federation and the Company's Articles of Association. The Regulations apply to the Company's entire personnel except for top managers the payment for whose labor and material incentives are regulated by labor contracts and the Regulations on stimulating remuneration of the Company's top managers approved by the Company's Board of Directors.

Social security of the personnel is provided according to the Regulations on the allowances, compensations and other payments of a social nature effective in JSC RusHydro. The Regulations were developed in accordance with the Labor Code of the Russian Federation, other legislative acts and regulatory documents of the Russian Federation and the JSC RusHydro Holding standards.



## ■ Accumulation and training of personnel reserve. Personnel development and training

As concerns personnel development and training, JSC RusHydro intends to improve personnel qualifications, create conditions for their realization to the maximum extent and implementation in practice of the staff's creative potential.

The Company's personnel development and training is effected in the following ways:

- training in standards and regulations;
- training in technology;
- training in organization and management;
- training in resource management;
- training in project management;
- training of top managers.

The Company's personnel development is effected though contributing funds to personnel training via career development courses, taking part in scientific conferences, practising distance education in higher educational institutions, etc.

In 2007 training programs were implemented, which directly affect the quality of the processes and projects undertaken by the Company. The number of those who improved their skills in 2007 totaled 218 persons.

## ■ Labor protection

The JSC RusHydro Holding's expenditure on labor protection in 2007 amounted to 96,714,09 thousand rubles. In JSC RusHydro SDC expenditure on labor safety per staff member amounted to 16,241 rubles per annum and those on provision with individual protective devices amounted to 3,334 rubles per annum.

In 2007, JSC RusHydro SDC organized a campaign "2007 i- the year of labor protection". Certificates of labor safety were obtained for Zeiskaya HPP and Zhigulevskaya HPP.

The Company implements a program for accelerated job training of young professionals through:

- arranging scientific and practical training at HPP;
- arranging student teams working in HPP construction sites;
- arranging open days, meetings with veterans and experienced tutors;
- arranging lectureship in core university chairs by the JSC RusHydro Holding's experienced and high-skilled professionals.

The key event in tackling the subject of accelerated job training was the establishment in 2007 of Student production and design bureaus in cooperation with the Moscow State Building University and St. Petersburg State Polytechnic Institute. The purpose of the bureaus' establishment is the creation of a production site where the third-, fourth- and fifth-year students will get professional job experience in the context of all corporate and technological requirements of the potential employer, that is, JSC RusHydro.

The Company provides support to the development of Sayano-Shushensky division of the Siberian Federal University. The graduates of such Institute will partially study in the laboratories and divisions of Sayano-Shushenskaya HPP, the largest one in the Russian Federation. The graduates' practical skills are required by the Company's enterprises.

During the year extensive organizational work was done to prepare HPP for the storm, flood and fire hazardous periods and spring- and summer-time repair campaigns.

In the reporting year telephone conferences were held with HPP chief engineers on the issues of safe and reliable operation of GTP, dangerous production facilities, fire safety, labor safety and accident prevention. Also held were two on-site meetings with the heads of the safety and accident prevention services of JSC RusHydro HPPs.

## ■ Social programs and charity work

In 2007, JSC RusHydro developed and approved the documents setting up basic principles and lines of charity work:

- Concept of charitable and sponsored activities.
- Regulations on charitable and sponsored activities.
- Regulations on Commission for charities and sponsorship.

The following are the main objectives of JSC RusHydro charitable and sponsored activities:

- implementation of programs and projects aimed at improvement of the Company's personnel living standards, including those related to education, health, research, culture and sports, provision of support to poor individuals;
- projecting of the Company's image as a socially responsible one and a center for economic and social life;
- securing public support of renewable energy sources development through the expansion of the public awareness.

JSC RusHydro as a socially responsible company implements charity and sponsorship programs adhering to the following principles:

- shifting from single donations to following a policy of integrated social responsibility;
- transparency, targeting and efficiency of use of funds allocated for the above purposes.

JSC RusHydro charitable and sponsored activities are effected in the following ways:

- provision of support to poor individuals, disabled persons and pensioners mostly through charitable foundations, organizations and institutions;
- provision of support to veterans of the power industry, honored workers of the industry;

- provision of support to children's organizations and institutions;
- provision of support to medical establishments and health facilities;
- rendering assistance in restoration of Russian monuments of historical and architectural importance, development of culture, education, science and sport.

Charitable help to individuals is mostly rendered through charitable foundations, organizations and institutions rather than in response to individual applications for help.

JSC RusHydro does not provide help or support to commercial organizations, legislative, judiciary and executive bodies, political parties or movements.

In 2007, JSC RusHydro developed an integrated long-term charity program for 2008. The Program objectives are as follows:

- accumulation of potential human resources for the industry;
- maintenance of JSC RusHydro's reputation as that of a highly socially responsible company significantly contributing to the economic and social development of the regions where the Company operates;
- creation of a bright and positive image of the hydropower industry (new power industry) as one of the most promising economy sectors where young people can realize their professional and life aspirations.

### Major arrangements in 2007

Main lines of charitable activity	Amount, rubles
Provision of support to poor individuals, disabled persons and pensioners mostly through charitable foundations, organizations and institutions	8 720 000
Provision of support to children's organizations and institutions	9 230 000
Provision of support to medical establishments and health facilities	922 142
Rendering assistance in restoration of Russian monuments of historical and architectural importance, development of culture, education, science and sports	18 636 700
Sponsorship	1 780 000
<b>Total</b>	<b>39 288 842</b>





## Part 10 | ENVIRONMENTAL POLICY

In 2007, an environmental policy<sup>4</sup> and the Program for implementation of JSC RusHydro and SDC environmental policy for 2007-2009 were adopted. The concept of JSC RusHydro environmental policy was developed and public hearings of JSC RusHydro environmental policy were held with the participation of environmental non-government organizations (EcoNGO).

In 2007, implementation of the Project Introduction of environmental management system in JSC RusHydro commenced:

- JSC RusHydro and SDC personnel training was arranged on the subject: Environmental management system and environmental audit.
- An environmental management system was introduced in Volzhskaya HPP and Zhigulevskaya HPP.
- Internal audit inspections were carried out in Bureiskaya HPP, Votkinskaya HPP, Boguchanskaya HPP, Saratovskaya HPP, Zelenchukskie HPPs, Novosibirskaya HPP, Irganaiskaya HPP, UV HPP Cascade, Severo-Ossetinskaya HGC, Cheboksarskaya HPP, Sayano-Shushenskaya HPP, Kamskaya HPP, Zagorskaya PSHPP, Nizhegorodskaya HPP, NCh HPP Cascade, Kubansky HPP Cascade.
- Independent auditing companies performed an environmental audit in Bureiskaya HPP, Seiskaya HPP, Saratovskaya HPP, UV HPP Cascade, Severo-Ossetinskaya HGC, Cheboksarskaya HPP, Sayano-Shushenskaya HPP, Zagorskaya PSHPP, Nizhegorodskaya HPP, NCh HPP Cascade.

According to the internal environmental audit and audit performed by independent experts, the adjustment measures were aimed at the improvement of environmental protection in HPP.

- the following corporate environmental protection standards development was arranged:
  - HPP, PSHPP. Small HPP. Environmental safety;
  - HPP, PSHPP. Environmental impact assessment (EIA);
  - RES. Tidal power plants. Environmental safety;
  - RES. Biofuel- based power plants. Environmental safety;
  - standard instructions on handling environmentally hazardous substances (petroleum products, oils, fuel oil, lubricants), dangerous refuse (lamps containing mercury containing, refuse containing oil);
  - databases of power facilities' production and consumption waste technologies, containing lists of enterprises engaged in production and consumption waste processing under those technologies.
- drawing up a program for the development renewable energy industry for the period till 2020 development;
- round-table discussions were held with ecological organizations on the issues of Cheboksarsky reservoir rise and construction of new generating facilities in Karachayevo-Cherkessia;

<sup>4</sup>The website address is: <http://www.gidroogk.ru/company/safety/environmental>





Zeiskaya HPP

- regular dialogues with EcoNGO Coalition commenced:
  - on 31.10.2007 in the Volzhsky settlement a meeting was held of the Company's representatives with representatives of EcoNGO Coalition, Volgograd region Administration, FAVR, Public Chamber of the Volgograd region and other parties concerned on the ways of solving the problem of Volga-Akhtuba flood plain;
  - on 05.12.2007 and 19.12.2007 JSC RusHydro environmental policy was discussed in Moscow;
  - a discussion commenced on the joint project for the preparation of the Report White Paper. Dams and development.

In 2007, the Company took an active part in the Conference Ecology of the Power Industry 2007, International Forum Ecologic power technologies in the post-industrial world, the Second All-Russian Conference On the progress in implementation of JSC RAO UES of Russian environmental policy, the Third All-Russian Conference New priorities of the national environmental policy in the real economy.

It was decided by the Second All-Russian Conference Steering Committee, that JSC RusHydro was the Leader in the field of nature protection 2007. V.Yu. Sinyugin, Chairman of the Board, and R.M. Khaziakhmetov were awarded honorary medals for excellence in environmental protection.

The Company actively participated in preparing the Review of efficient environmental projects implemented in JSC RAO UES of Russian enterprises. Under the decision of an expert commission, the Company was awarded an honorary diploma for implementation of the efficient environmental project for cleaning urban runoff off the Volzhskaya HPP territory.

In August 2007, the Company took an active part in activities of the First Russian-Chinese Liaison Group for co-operation in matters related to water resources in the marginal area of the Argun and Amur rivers.

In 2007, all HydroOGK Holding's HPPs in compliance with provisions of the environment protection laws of the Russian Federation did the following work:

- drew up the documents required to obtain licenses and permits to use water facilities, licenses and permits to handle production refuse and permits to emit pollutants into the air;
- in a timely manner submitted reports prepared according to 2-TP state reporting forms to governmental authorities ( Department for technological and environmental supervision and State statistics departments);
- in a timely manner effected payments for environmental pollution;
- carried out planned nature-protection work;
- complied with requirements of the environment protection laws of the Russian Federation.

#### Environmental risks

Environmental problems prevention and solutions are major prerequisites of the Company's growth and attraction as an investment.

Environmental risks are connected with the possible rise of dam (reservoir) level marks in the headwater or tail bay. The rise in the level of tail water or headwater may entail encroachment on the coastal zones where production facilities, residential buildings or nature complexes are located. Protective dams and installations are intended for submergence prevention. Maintenance of hydrotechnical facilities and timely repair of breaking sections

fall within the duties of the facilities owners. The Company, for its part, based on a meteorological forecast for a flood season notifies water users of possible changes in the river level so that they can take necessary protective measures.

**For the purposes of further improvement of nature protection activities, JSC RusHydro introduces an environmental management system conforming to international standard ISO-14001-2004.**



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Senior officials of the Open Joint Stock Federal Hydrogenerating Company have obtained the data presented below from the complete package of financial (accounting) statements drawn up according to the Russian accounting standards and audited by CJSC PriceWaterhouseCoopers Audit. The Audit Report provided in the Section below relates to the complete package of financial (accounting) statements drawn up according to Rus-

sian standards (which is not included in this document) rather than the brief version of the Balance Sheet and Profit and Loss Account presented below. The brief version of the statements is to be studied together with the complete package of audited statements drawn up according to Russian standards.

## Appendix 1 Brief version of Balance Sheet and Profit and Loss Account (RAS)

The Company's brief Balance Sheet for the reporting period, thousand USD		
	31.12.2006	31.12.2007
<b>Assets</b>	<b>157 642 744</b>	<b>194 041 167</b>
<b>I. NON-CURRENT ASSETS</b>		
Intangible assets	-	-
Fixed assets	2 680 942	3 062 766
Invested in non-current assets	206 754	1 063 915
Long-term financial investment	125 475 214	124 872 069
Other non-current assets (including deferred non-current assets)	388 118	427 517
<b>Section I TOTAL</b>	<b>128 751 028</b>	<b>129 426 267</b>
<b>II. CURRENT ASSETS</b>		
Inventory	49 115	104 651
VAT on acquired values	20 807	36 788
Long-term receivables	-	5 564 265
Short-term receivables	22 636 097	42 885 503
Short-term financial investment	6 097 515	14 117 927
Cash	88 182	1 905 766
<b>Other current assets</b>	<b>-</b>	<b>-</b>
<b>Section II TOTAL</b>	<b>28 891 716</b>	<b>64 614 900</b>
<b>Liabilities</b>	<b>157 642 744</b>	<b>194 041 167</b>
<b>III. EQUITY CAPITAL</b>		
Registered capital	140 954 760	156 864 374
Added capital	391 080	12 005 098
Reserve capital	31 241	106 453
Target financing	-	-
undistributed profit of prior years	-	-
undistributed profit of reporting year	357 741	7 779 260
<b>Other current assets</b>	<b>141 734 822</b>	<b>176 755 185</b>
<b>Section III TOTAL</b>	<b>-</b>	<b>-</b>
Long-term debts and borrowings	14 300 000	15 800 000
Other long-term liabilities	-	-
<b>Section IV TOTAL</b>	<b>14 300 000</b>	<b>15 800 000</b>
<b>V. SHORT-TERM BORROWINGS</b>		
Short-term debts and borrowings	278 032	465 254
Payables	520 890	1 020 728
Arrears of income, by Founders	809 000	-
Deferred income	-	-
Reserves for future expenses and payments	-	-
Other short-term liabilities	-	-
<b>Section V TOTAL</b>	<b>1 607 922</b>	<b>1 485 982</b>



The Company's brief Profit and Loss Account, thousand USD		
	31.12.2006	31.12.2007
Proceeds (net) from sales of goods, products, operations and services	5 494 223	41 797 725
Prime cost of sold goods, products, operations and services	(5 951 781)	(33 293 839)
Gross profit	(457 558)	8 503 886
Selling expenses	—	—
Management expenses	—	—
Sales profit (loss)	(457 558)	8 503 886
<b>Other income and expenditures</b>	<b>(457 558)</b>	<b>8 503 886</b>
Interest receivable	325 262	1 430 145
Interest payable	(312 594)	(1 300 174)
Income earned from participation in other organizations	1 787 065	2 467 857
Other income	4 437 360	23 499 344
Other expenditures	(4 287 915)	(23 717 175)
<b>Profit (loss) before tax</b>	<b>1 491 620</b>	<b>10 883 883</b>
Deferred tax asset	12 720	47
Deferred tax liability	—	—
Current profit tax	—	(2 268 184)
Other similar compulsory payments	(95)	(15)
<b>Profit (loss) from ordinary operations</b>	<b>1 504 245</b>	<b>8 615 731</b>
<b>Net profit (retained profits) (loss) of reporting period</b>	<b>1 504 245</b>	<b>8 615 731</b>

## Appendix 2 Audit Report

PRICEWATERHOUSECOOPERS

Close Joint Stock Company  
PriceWaterhouseCoopers Audit  
(CJSC PWC Audit)  
bld. 5, 52 Kosmodamianskaya Emb.  
115054 Moscow  
phone: +7 (495) 967 6000  
fax: +7 (495) 967 6001

### AUDIT REPORT ON FINANCIAL (ACCOUNTING) STATEMENTS

To the attention of Open Joint Stock Company Federal Hydrogenerating Company Shareholders:

#### Auditor

Close Joint Stock Company PriceWaterhouseCoopers Audit (CJSC PWC Audit)

Certificate of state registration of a joint stock company # 008.890 issued by the Moscow Chamber of Registration on February 28, 1992.

Certificate of making an entry in the Unified State Register of Legal Entities related to the legal entity registered before July 1, 2002, registration number 1027700148431 as of August 22, 2002 issued by Inter-regional Inspectorate # 39 for Moscow of the Tax and Dues Ministry of Russia.

License to perform auditing # E00037G issued by the Ministry of Finance of the Russian Federation on May 20, 2012 is valid till May 20, 2012.

Member of the Russian Institute of professional accountants and auditors and the Audit Chamber of Russia.

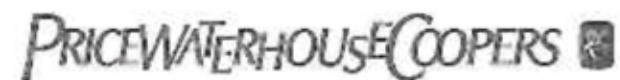
#### .Audited entity

Open Joint Stock Company **Federal Hydrogenerating Company** (the abbreviated name is JSC RusHydro)

51 Respubliki Street, the city of Krasnoyarsk, Krasnoyarsk Territory, the Russian Federation

Certificate of a legal entity state registration and making an entry in the Unified State Register of Legal Entities, main registration number 1042401810494 as of December 26, 2004 issued by Inter-regional Inspectorate of the Tax and Dues Ministry of Russia for Zheleznodorozhny district, the city of Krasnoyarsk, Krasnoyarsk Territory.

The Firm is an authorized user of the PriceWaterhouseCoopers corporate name and trade mark



Close Joint Stock Company  
PriceWaterhouseCoopers Audit  
(CJSC PWC Audit)  
Bld. 5, 52 Kosmodamianskaya Emb.  
115054 Moscow  
phone: +7 (495) 967 6000  
fax: +7 (495) 967 6001

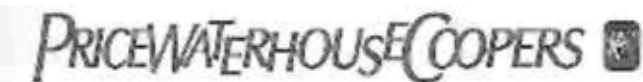
### AUDIT REPORT ON FINANCIAL (ACCOUNTING) STATEMENTS

of Open Joint Stock Company **Federal Hydrogenerating Company**

To the attention of Open Joint Stock Company **Federal Hydrogenerating Company** Shareholders:

- 1 We have audited the attached financial (accounting) statements of the Open Joint Stock Company **Federal Hydrogenerating Company** (hereinafter referred to as the Company) for the period from January 1 to December 31, 2007 inclusive. The Company's financial (accounting) statements include Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Capital Change, Appendix to the Balance Sheet, Schedule (hereinafter collectively referred to as the Financial (Accounting) Statements). The Financial (Accounting) Statements are prepared by the Company's senior officials in pursuance of the legislation of the Russian Federation applicable to preparation of financial (accounting) statements. The Statements prepared in pursuance of the above mentioned legislation significantly vary from those drawn up in compliance with the International Financial Reporting Standards.
- 2 The responsibility for the preparation and presentation of the Financial (Accounting) Statements is born by the Company's executive body. Our duty is to express our opinion on the adequacy of these Financial (Accounting) Statements in every essential aspect and compliance of the bookkeeping procedure with the legislation of the Russian Federation on the basis of the completed audit inspection.
- 3 We have performed the audit in compliance with the Federal Law *On Auditing*, the Federal Auditing Rules (Standards), the International Auditing Standards and our internal standards.
- 4 The audit was planned and performed in such a way as to become reasonably certain that the Financial (Accounting) Statements do not contain any material misstatement. The audit was performed on a sample basis and included the test-based study of the evidence proving the figures contained in the Financial (Accounting) Statements and disclosed information on financial and economic performance, assessment of compliance with the accounting principles and rules applied in preparation of the Financial (Accounting) Statements, review of the basic estimated figures received by the Company's senior officials and assessment of the Financial (Accounting) Statements presentation. We are of the opinion that the performed audit gives sufficient grounds for expression of our opinion on the adequacy of the Financial (Accounting) Statements and compliance of bookkeeping procedure with the legislation of the Russian Federation.

The Firm is an authorized user of the PriceWaterhouseCoopers corporate name and trade mark



### AUDIT REPORT

- 4 We are of the opinion that the Financial (Accounting) Statements attached to this Audit Report in every essential aspect adequately reflect the Company's financial standing as of December 31, 2007 and results of the Company's financial and economic performance over the period from January 1 to December 31, 2007 inclusive in compliance with provisions of legislation of the Russian Federation applicable to preparation of financial (accounting) statements.
- 5 While not changing our opinion of the Financial (Accounting) Statements adequacy, we take notice of the information provided in Clause 3.1.3 of the Company's Schedule to the Financial (Accounting) Statements on the reasons of the Company's failure to reflect in Financial (Accounting) Statements the financial investment in subsidiaries according to its current market value. The said decision of the Company connected with the Company's reorganization resulted in the dissolution of the above mentioned subsidiaries and their incorporation into the Company as the Company's branches as of 09.01.2008.

March 31, 2008

Director of the Joint Stock Company

*Round seal*

D. Grey

Auditor

T.V. Syrotinskaya

Permanent Certificate of competence in  
general auditing # K 009372

The Firm is an authorized user of the PriceWaterhouseCoopers corporate name and trade mark



## Appendix 3 Auditing Committee's Report

### JSC RusHydro Auditing Committee's Report on 2007 performance results

The City of Moscow

April 16, 2008

In pursuance of the decision taken by the Auditing Committee (Minutes #1 of the Auditing Committee meeting as of 29.02.2008), a commission comprising: S.B. Sidorov, the Chairman of the Auditing Committee, D.A. Burpashev, D.V. Gataulin, A.V. Lukashov and Yu.V. Smirnova, Members of the Auditing Committee, performed an audit inspection of JSC RusHydro financial and economic performance according to the results of 2007.

The Auditor from Close Joint Stock Company PriceWaterhouseCoopers Audit elected by General Shareholders' Meeting (Minutes #254 of JSC RAO UES of Russia Board of Directors meeting as of 22.06.2007) audited the Company's financial (accounting) statements for the period from January 1 to December 31, 2007 (Audit Report as of 31.03.2008). In the Auditor's opinion, JSC RusHydro Financial (Accounting) Statements in every essential aspect adequately reflect the Company's financial standing as of December 31, 2007 and results of the Company's financial and economic performance over the period from January 1 to December 31, 2007 inclusive in compliance with provisions of legislation of the Russian Federation applicable to preparation of financial (accounting) statements. The presented basic documents were audited on a sample basis.

In 2007, the Company's proceeds from the sale of goods, work and services amounted to 41,797,725 thousand rubles. Prime cost of the sold goods, work and services amounted to 33,293,839 thousand rubles, and profit on sales for the reporting period amounted to 8,503,886 thousand rubles. Interest receivable amounted to 1,430,145 thousand rubles while interest payable amounted to 1,300,174 thousand rubles.

Other expenditures exceeded other revenues by 217,831 thousand rubles and amounted to 23,717,175 thousand rubles.

Net profit earned by the Company in 2007 amounted to 8,615,731,000 rubles.

Book value of the Company's assets as of December 31, 2007 amounted to 194,041,167,000 rubles. Net assets value as of December 31, 2007 amounted to 176,755,185,000 rubles.

Indices of the Company's solvency and liquidity as of December 31, 2007 are as follows:

- autonomy ratio was 0.91, which exceeded the recommended ratio(0.8);
- cash ratio was 10.8, which exceeded the recommended ratio (0.15);
- quick ratio was 39.6, which exceeded the recommended ratio (0.95);
- current ratio was 43.5, which exceeded the recommended ratio (2.0).

Receivables/ payables ratio as of December 31, 2007 was 42.01.

As concerns financial standing, the Company is an enterprise with stable financial standing (A2 Group, final rating was 14.25 points).

As of December 31, 2007, total short-term receivables increased against those at the beginning of the year by 20,249,406,000 rubles and amounted to 42,885,503,000 rubles including those due from buyers and customers amounting to 1,791,170,000 rubles, advances made to the amount of 436,064 thousand rubles and other accounts receivable to the amount of 40,658,269,000 rubles.

As of December 31, 2007, payables increased against those at the beginning of 2007 by 499,838,000 rubles and amounted to 1,020,728,000 rubles including those due to suppliers and contractors amounting to 797,572,000 rubles, salaries payable to the amount of 17,285,000 rubles, tax and dues arrears to the amount of 25,884,000 rubles, those due to governmental extra-budgetary funds to the amount of 4,706,000 rubles, and other accounts payable amounting to 175,281,000 rubles.

On the basis of the performed inspection and taking into consideration the Auditor's opinion, the Company's Auditing Committee has sufficient grounds to confirm adequacy of the data contained in the Company's Annual Report and annual Financial (Accounting) Statements.

**S.B. Sidorov**

Chairman  
JSC RusHydro Auditing Committee

**Appendix 4.**  
**JSC RusHydro group combined and consolidated financial statements prepared in accordance with international financial reporting standards (ifrs) for the year ended 31 december 2007**



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**INDEPENDENT AUDITOR'S REPORT**

**To the shareholders and the Board of Directors of Open Joint Stock Company "Federal Hydrogenerating Company HydroOGK" (OJSC "RusHydro"):**

We have audited the accompanying consolidated financial statements of **OJSC "RusHydro"** and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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*

Our responsibility is to express an opinion on these 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.

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.

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

*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

26 June 2008  
Moscow, Russian Federation

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




**RusHydro Group**

Combined and Consolidated Balance Sheet as at 31 December 2007  
(In thousands of Russian Rubles)

	Note	31 December 2007	31 December 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	223,958,216	106,226,323
Investments in associates and jointly controlled entities	7	6,985,770	-
Other non-current assets	8	1,923,025	5,383,348
<b>Total non-current assets</b>		<b>232,847,011</b>	<b>111,609,671</b>
<b>Current assets</b>			
Cash and cash equivalents	9	5,779,538	5,571,987
Accounts receivable and prepayments	10	32,518,975	19,741,847
Inventories	11	892,893	728,298
Other current assets	12	5,997,556	1,196,151
<b>Total current assets</b>		<b>44,988,962</b>	<b>27,238,283</b>
<b>TOTAL ASSETS</b>		<b>277,835,973</b>	<b>138,847,954</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	156,864,374	140,954,760
Treasury shares	13	(5,427,507)	-
Share premium	13	12,005,099	391,080
Merger reserve	13	(74,170,811)	(72,274,301)
Retained earnings and other reserves		95,538,351	13,532,302
<b>Equity attributable to shareholders of OJSC RusHydro</b>		<b>184,809,706</b>	<b>82,603,841</b>
Minority interest		30,201,349	21,597,165
<b>TOTAL EQUITY</b>		<b>215,011,055</b>	<b>104,201,006</b>
<b>Non-current liabilities</b>			
Deferred profit tax liabilities	14	32,584,226	6,071,529
Non-current debt	16	17,258,542	15,425,501
Other non-current liabilities	17	937,924	819,141
<b>Total non-current liabilities</b>		<b>50,780,692</b>	<b>22,316,171</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	18	1,018,854	2,882,074
Accounts payable and accruals	18	10,135,625	8,543,680
Current profit tax payable		41,342	61,720
Other taxes payable	18	848,405	1,043,323
<b>Total current liabilities</b>		<b>12,044,226</b>	<b>12,330,777</b>
<b>TOTAL LIABILITIES</b>		<b>62,824,918</b>	<b>34,646,948</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>277,835,973</b>	<b>138,847,954</b>

Acting for Chairman of the Management Committee

 V.A. Zubakin

Chief Accountant



 O.V. Otto

25 June 2008

The accompanying notes are an integral part of these combined and consolidated financial statements


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**RusHydro Group**

Combined and Consolidated Income Statement for the year ended 31 December 2007  
(In thousands of Russian Rubles)

	Note	Year ended 31 December 2007	Year ended 31 December 2006
Revenue	19	47,789,571	24,092,390
Operating expenses	20	(37,229,091)	(23,354,525)
Impairment release	6	-	26,196,588
<b>Operating profit</b>		<b>10,540,480</b>	<b>26,934,453</b>
Finance income	21	1,070,047	594,000
Finance costs	21	(1,864,100)	(886,440)
<b>Finance costs, net</b>		<b>(794,053)</b>	<b>(292,440)</b>
Share of loss of associates and jointly controlled entities	7	(222,803)	-
<b>Profit before profit tax</b>		<b>9,523,624</b>	<b>26,642,013</b>
Total profit tax charge	14	(2,998,576)	(6,524,929)
<b>Profit for the period</b>		<b>6,525,048</b>	<b>20,117,084</b>
Attributable to:			
Shareholders of OJSC RusHydro		6,530,075	16,285,873
Minority interest		(5,027)	3,831,211
Earnings per ordinary share for profit attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	22	0.0452	0.1341
Weighted average shares outstanding – basic and diluted	22	144,382,463	121,414,115

Acting for Chairman of the Management Committee

 V.A. Zubakin

Chief Accountant



 O.V. Otto

25 June 2008

The accompanying notes are an integral part of these combined and consolidated financial statements

4

**RusHydro Group**

**Combined and Consolidated Cash Flow Statement for the year ended 31 December 2007**  
(In thousands of Russian Rubles)

Note	Year ended 31 December 2007	Year ended 31 December 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
	<b>9,523,624</b>	<b>26,642,013</b>
Profit before tax		
Depreciation of property, plant and equipment	20 7,771,975	3,492,713
Loss on disposal of property, plant and equipment	20 52,262	2,531,863
Interest expense	21 794,053	292,440
Impairment release	8 -	(26,196,588)
Gain on disposal of subsidiary	(270,565)	-
Write-off and charge for impairment of accounts receivable	20 448,708	247,603
Share of loss of associate and jointly controlled entities	7 222,803	-
Other	(184,004)	513,734
<b>Operating cash flows before working capital changes and profit tax paid</b>	<b>18,358,854</b>	<b>7,523,578</b>
Working capital changes:		
Increase in accounts receivable and prepayments	(12,995,478)	(15,676,308)
Decrease in other current assets	23,526	44,364
Increase in inventories	(127,102)	(150,840)
Decrease in other non-current assets	48,398	646,637
Increase in accounts payable and accruals	6,782,797	907,409
Decrease in taxes payable	(202,630)	(204,257)
Decrease in other non-current liabilities	(725,073)	(121,742)
Profit tax paid	(4,290,987)	(1,969,740)
<b>Net cash generated by operating activities</b>	<b>6,872,405</b>	<b>(9,000,899)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of property, plants and equipment	213,890	-
Purchase of property, plant and equipment	(22,941,769)	(15,631,594)
Loan issued	8 (311,681)	(1,900,000)
Purchase of promissory notes and other short-term investments, net	(6,777,483)	(423,383)
Proceeds from redemption of loan issued	2,074,923	-
Interest received	726,394	-
<b>Net cash used in investing activities</b>	<b>(27,015,726)</b>	<b>(17,954,977)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt	7,643,588	1,325,885
Proceeds from long-term debt	1,500,000	14,300,000
Repayment of debt	(923,152)	(3,494,043)
Interest paid	(1,334,503)	(581,216)
Dividends paid by the Group to RAO UES	13 (1,928,000)	(931,088)
Dividends paid by the Group to minority interest shareholders	13 (582,475)	(317,865)
Proceeds from share issuance	13 25,377,507	20,000,000
Purchase of treasury shares	13 (5,427,507)	-
Purchase of the Group's subsidiaries additional share issuance by RAO UES	13 -	892,427
Advances received from RAO UES under Investment agreements	18 4,344	1,291,358
Repayment of advances to RAO UES under Investment agreements	18 (3,760,442)	(834,520)
Finance lease payments	(218,468)	(343,693)
<b>Net cash generated by financing activities</b>	<b>20,350,872</b>	<b>31,307,445</b>
<b>Increase in cash and cash equivalents</b>	<b>207,551</b>	<b>4,351,569</b>
Cash and cash equivalents at the beginning of the period	9 5,571,987	1,220,418
Cash and cash equivalents at the end of the period	9 5,779,538	5,571,987

Acting for Chairman of the Management Committee



*(Signature)*

V.A. Zubakin

Chief Accountant

*(Signature)*

O.V. Otto

**RusHydro Group**  
**Combined and Consolidated Statement of Changes in Equity for the year ended 31 December 2007**  
(In thousands of Russian Rubles)

	Ordinary share capital	Treasury shares	Share premium	Merger reserve	Revaluation reserve	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Minority interest	Total equity
<b>As at 1 January 2006</b>	103,951,323	-	-	(54,841,231)	-	(1,017,187)	48,092,905	17,276,807	65,369,712
Share issuance (Note 13)	37,003,437	-	391,080	(17,149,516)	-	-	20,245,001	-	20,245,001
Effect of changes in minority interest (Note 13)	-	-	-	-	-	-	(24,185)	916,612	892,427
Acquisition of subsidiary (Note 13)	-	-	-	(110,327)	-	-	(110,327)	-	(110,327)
Effect of carve-out accounting (Note 13)	-	-	-	(173,227)	-	-	(173,227)	-	(173,227)
Profit for the period	-	-	-	-	-	16,285,873	16,285,873	3,831,211	20,117,084
Dividends (Note 13)	-	-	-	-	-	(1,712,188)	(1,712,188)	(427,465)	(2,139,653)
<b>As at 31 December 2006</b>	<b>140,954,760</b>	-	<b>391,080</b>	<b>(72,274,301)</b>	-	<b>13,532,302</b>	<b>82,603,841</b>	<b>21,597,165</b>	<b>104,201,006</b>
<b>As at 1 January 2007</b>	<b>140,954,760</b>	-	<b>391,080</b>	<b>(72,274,301)</b>	-	<b>13,532,302</b>	<b>82,603,841</b>	<b>21,597,165</b>	<b>104,201,006</b>
Share issuance (Note 13)	15,908,614	-	11,814,019	(750,260)	-	-	26,773,373	-	26,773,373
Purchase of treasury shares (Note 13)	-	(5,427,507)	-	-	-	-	(5,427,507)	-	(5,427,507)
Revaluation of property, plant and equipment (Note 6)	-	-	-	-	74,190,300	268,405	74,190,300	13,878,481	88,168,781
Effect of share option plan (Note 5)	-	-	-	-	-	268,405	268,405	-	268,405
Effect of changes in minority interest (Note 13)	-	-	-	-	-	(244,139)	(244,139)	(2,634,286)	(2,878,425)
Disposal of subsidiary to entity under common control (Note 2 and Note 13)	-	-	-	-	(218,365)	2,568,803	2,380,408	(2,380,408)	-
Loss arising of recognition of associate	-	-	-	(1,146,050)	-	-	(1,146,050)	-	(1,146,050)
Profit for the period	-	-	-	-	-	6,530,075	6,530,075	(5,027)	6,525,048
Dividends (Note 13)	-	-	-	-	-	(1,119,000)	(1,119,000)	(354,576)	(1,473,576)
<b>As at 31 December 2007</b>	<b>156,864,374</b>	<b>(5,427,507)</b>	<b>12,005,099</b>	<b>(74,170,611)</b>	<b>73,971,905</b>	<b>21,566,446</b>	<b>184,809,706</b>	<b>30,201,349</b>	<b>215,011,055</b>

Acting for Chairman of the Management Committee



V.A. Zubakin

Chief Accountant

O.V. Otto

25 June 2008

The accompanying notes are an integral part of these combined and consolidated financial statements



## RusHydro Group

Notes to the Combined and Consolidated Financial Statements for the year ended 31 December 2007  
(in thousand of Russian Rubles)

### Note 1. The Group and its operations

Open Joint Stock Company Federal Hydrogenerating Company (OJSC RusHydro - hereinafter referred to as "the Company") was founded by the sole founding party - the Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as "RAO UES") on 28 December 2004 based on the Decision of the Board of Directors of RAO UES dated 24 December 2004 in accordance with the Resolution of the Russian Government No 528 dated 11 July 2001 "On reforming the Russian Federation electric utilities industry" and Resolutions of the Russian Government No1254-r dated 1 September 2003 and No 1367-r dated 25 October 2004.

RusHydro Group (hereinafter referred to as "the Group") was formed for the purpose of implementation of the Russian Federation government policy in the hydropower industry, creating the conditions for effective functioning of wholesale electricity generation market, implementation of a strategy toward attracting of funds and capital raising for the purpose of development of the hydropower industry, development and realization of scientific and technological policy and implementation of new progressive types of equipment and technology, including exploration of renewable sources of electric energy.

The Group's primary activity is generation and sale of electricity (power).

The Company's registered office is located at 51, Respubliki Street, Krasnoyarsk, Krasnoyarsk region, the Russian Federation.

The Group consists of the Company and its related subsidiaries, associates and jointly controlled entities. The Group's principal subsidiaries are presented in Note 2. The Group's associates and jointly controlled entities are presented in Notes 5 and 7.

*Operating environment of the Group.* Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation and relatively high inflation. Furthermore, the tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

*Relations with the State and current regulation.* As at 31 December 2007, RAO UES owned 96.16 percent of the voting ordinary shares of the Company (as at 31 December 2006 - 100 percent) and the Russian Federation owned 1.84 percent. The Group's customer base includes a number of entities controlled by the State (Note 5).

The Government affects the Group's operations through:

- participation of its representatives in the Board of Directors of RAO UES, which performed the function of Company's shareholders meeting till August 2007, and the Board of Directors of the Company;
- its tariff regulation within wholesale electricity markets;
- its control over and approval of the Company's investment program and
- its antimonopoly regulation.

The Federal Service on Tariffs (hereinafter referred to as "FST") regulates electricity and heat tariffs by setting maximum electricity tariff levels for final consumers and on the wholesale market, and the Regional services on tariffs (hereinafter referred to as "RSTs") set tariffs for electricity and heat tariffs for electricity and heat for final consumers and tariffs for electricity distribution through the low voltage grids on regional retail markets. Although there is now some free trading of limited volumes of electricity, currently for the great majority of sales the tariffs which the Group may charge for sales of electricity are governed both by regulations specific to the electricity industry and by regulations applicable to natural monopolies.

Investment program of the Group is subject to approval by state regulation bodies: Ministry of Industry and Energy and FST.

According to the decision made by the Government of the Russian Federation dated 3 August 2006 the construction of the Group's major hydropower assets in 2007 was financed by including the investment share in the Company's tariff for the supplies on the wholesale market.

The operations of all generating facilities are coordinated by OJSC System Operator - Central Dispatch Unit of Unified Energy System (hereinafter referred to as "SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by RAO UES.

## RusHydro Group

Notes to the Combined and Consolidated Financial Statements for the year ended 31 December 2007  
(in thousand of Russian Rubles)

As described above, the government's economic, social and other policies could have material effects on the operations of the Group.

*Sector restructuring.* The Russian electric utilities industry is presently undergoing a restructuring process designed to introduce competition into the electricity sector and to create an environment in which RAO UES Group and its successor companies (including the Company) can raise the capital required to maintain and expand current capacity.

The targets of reforming of the Russian electric utilities industry are set by the Resolution of the Russian Government No 528 dated 11 July 2001 "On reforming the Russian Federation electric utilities industry".

The regulatory framework governing the process of reforming the Russian Federation electric utilities industry and the functioning of the industry, both during the transition period and subsequent to the completion of reforms, is set forth in the following legislation: Federal Law No.35-FZ dated 26 March 2003 "On Electric Utilities" and Federal Law No.36-FZ dated 26 March 2003 "On the Specifics of the Functioning of Electric Utilities During the Transition Period" and the Introduction of Amendments to Certain Russian Federation Legislative Acts and the Invalidation of Certain Russian Federation Legislative Acts in Connection with the Adoption of the Law "On the Electric Utilities of the Russian Federation" (Federal Law No.36-FZ).

The Group holds the key position in the reform process of the Russian electric utilities industry the main objective of which is to increase the efficiency of the companies operating in the industry and to provide conditions for the industry development by means of investments, maintenance of reliable and uninterrupted energy supply of consumers.

In the process of reforming the structure of electric utilities industry changes, which includes the separation of natural monopoly activities (power transmission, operating control) and potentially competitive activities (electric power production and supply, repair and maintenance). As a result the new companies specializing on the separate functions are created.

The Company will be merged into a holding company and the shares of the Company will be distributed between the Government, shareholders of RAO UES and shareholders of the Group's subsidiaries.

The reorganisation of RAO UES is designed to create conditions for competitive electricity market development. Prices in this market will not be regulated by the Government, but will be formed on a demand and supply basis.

As at 1 September 2006, a new liberalized model of the wholesale and retail electricity (power) markets was launched according to the Government's Resolution No 528 "On Improvement of the Procedure for Functioning of Wholesale Electricity (Power) Market" and No 530 "On Rules for the Functioning of Retail Electricity Markets". Under the new wholesale market model, the existing electricity and power purchase-and-sale relations in the regulated market sector were replaced by a regulated bilateral contract system. From January 2007 the volumes of electricity (power) traded on the wholesale energy market under regulated contracts should be not less than 95 percent of the basic forecasted volume of electricity (power), and from 1 July 2007 - not less than 90 percent. The pace of reduction will be set annually by the Government according to the Rules for the Functioning of Retail Electricity Markets. From 1 January 2011 all electricity will be traded at free prices. The new market model implies two ways of electricity trading at free prices, being free bilateral contracts and a day-ahead market. Under free bilateral contracts market participants have the right to choose contracting parties, prices and supply volumes. The day-ahead market is based on competitive selection of bids submitted by suppliers and buyers a day before the electricity is actually supplied. The competitive selection is performed by the non-commercial partnership Trade System Administrator of the Wholesale Electricity Market.

*Establishment and reorganisation of the Group.*

RAO UES made the following contributions to the share capital of the Company when the Company was established (Note 13):

- shares of subsidiaries: OJSC Vobzhskaya HPP, OJSC Zhigulevskaya HPP, OJSC Verkhinskaya HPP, OJSC Soyano-Shushenskaya HPP named after P.S. Neporozhny, OJSC Zeiskaya HPP, OJSC Boguchanskaya HPP, OJSC Zaramagskie HPPs, OJSC Zelenchulskie HPPs, OJSC Kabalk HPP, OJSC Subalenergo, OJSC Nizhegorodskaya HPP, OJSC Saratovskaya HPP, OJSC Kamskaya HPP, OJSC Kaskad VV HPPs, OJSC RusHydro Management Company;
- shares of OJSC Bureiskaya HPP;
- cash funds.

## RusHydro Group

Notes to the Combined and Consolidated Financial Statements for the year ended 31 December 2007  
(in thousand of Russian Rubles)

On 30 September 2005 the decision of the Board of Directors of RAO UES approved the target model of the Company's operation. When the model is finalized the Company will be the unified operating company that manages its branches - hydroelectric power plants (hereinafter referred to as "HPP" or "HPPs") and subsidiaries created for the purposes of new activities and implementation of investment projects. The ownership share of the Russian Federation in the share capital of the Company will be not less than 50% + 1 share.

In August 2008, in the course of further sector reorganisation, RAO UES made the following contributions to the Company in exchange of additional share issue (Note 13):

- shares of subsidiaries: OJSC Cheboksarskaya HPP, OJSC Dagestanskaya Regional Hydrogenerating Company, OJSC Zagorskaya HAEPP, OJSC Stavropolskaya Electric Hydrogenerating Company, OJSC B. E. Vedenev Russian Research Institute of Hydroelectric Engineering, OJSC Scientific Research Institute of Energy Structures, OJSC Zaramagskie HPPs and OJSC Zelenchulskie HPPs;
- the assets of Novosibirskaya HPP;
- cash funds;
- other assets.

On 27 April 2007 the Board of Directors of RAO UES approved the scheme of the accelerated consolidation of the Company into the unified operating company which provides for the following stages:

### Stage 1. Additional issue of the Company's shares in 2007:

The decision about the increase in the charter capital was made by the Board of Directors of RAO UES on 25 May 2007.

The Report on the results of the additional issue was registered by the Federal Service on Financial Markets of Russia on 1 November 2007. As a result additional 15,809,813,820 shares were placed (Note 13).

In October 2007 RAO UES and the Russian Federation made contributions to the Group in exchange for an additional share issue.

RAO UES contribution was made by:

- shares of subsidiaries: OJSC Vertine-Mulnovskaya GeoES, OJSC Zelenchulskie HPPs, OJSC Zaramagskie HPPs, OJSC Sulakenergo, OJSC ESKO UES, OJSC Severo-Osetinskaya Hydrogenerating company, OJSC Geoterm (Note 13);
- shares of other companies: OJSC Vilyuiskaya HPP-3, OJSC Krasnoyarskaya HPP (Note 8);
- cash funds.

The Russian Federation contributions were made by cash.

### Stage 2. The Company's reorganisation:

Within the framework of the Company's reorganisation it is planned to merge 22 subsidiaries and associates, OJSC State Holding HydroWGC and OJSC Minority Holding of HydroWGC, which are spun-off during the reorganisation of RAO UES.

The following were merged into the Company on 9 January 2008: OJSC Volzhskaya HPP, OJSC Zhigulevskaya HPP, OJSC Volkinskaya HPP, OJSC Sayano-Shushenskaya HPP named after P.S. Naporozhny, OJSC Zeiskaya HPP, OJSC Sulakenergo, OJSC Zelenchulskie HPPs, OJSC Kabalk HPP, OJSC Dagestanskaya Regional Hydrogenerating Company, OAO Stavropolskaya Electric Hydrogenerating Company, OJSC Zagorskaya HAEPP, OJSC Bureiskaya HPP, OJSC Severo-Osetinskaya Hydrogenerating Company, OJSC Cheboksarskaya HPP, OJSC Nizhegorodskaya HPP, OJSC Saratovskaya HPP, OJSC Kamskaya HPP, OJSC Kaskad VV HPPs, OJSC EOZ.

The following entities are planned to be merged into the Company by 1 July 2008: OJSC Kaskad NCh HPPs, OJSC Irpanskaya HPP.

The target model of the Company's operation is planned to be completed in July 2008.

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**Seasonality of business.** The Group's own production of electricity is subject to weather conditions and water content in the rivers. Demand for electricity is influenced by both the season of the year and the relative severity of the weather. Concentration of electricity sales occurs within the October to March period. The seasonality of electricity production has a corresponding impact on the Group's purchase of power.

**Recent volatility in global financial markets.** Since the second half of 2007 there has been a sharp rise in foreclosures in the USA subprime mortgage market. The effects have spread beyond the USA housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity and derivative markets. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. Debtors of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Management is unable to reliably estimate the effects on the Group's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

### Note 2. Principal subsidiaries

The following are the principal subsidiaries which have been consolidated into these combined and consolidated financial statements (hereinafter referred to as "Financial Statements"). All subsidiaries are incorporated and operate in the Russian Federation.

	31 December 2006		31 December 2007	
	% of ownership	% of voting	% of ownership	% of voting
1 OJSC Zhigulevskaya HPP	84.11%	86.86%	84.11%	86.86%
2 OJSC Sayano-Shushenskaya HPP named after P.S. Naporozhny	78.90%	82.78%	78.90%	82.78%
3 OJSC Saratovskaya HPP	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
4 OJSC Sulakenergo	53.62%	53.62%	71.74%	71.74%
5 OJSC Volzhskaya HPP	63.31%	86.39%	63.31%	86.39%
6 OJSC Cheboksarskaya HPP	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
7 OJSC Dagestanskaya Regional Hydrogenerating Company	51.00%	51.00%	51.00%	51.00%
8 OJSC Nizhegorodskaya HPP	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
9 OJSC Kamskaya HPP	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
10 OJSC Zagorskaya HAEPP	50.90%	50.90%	50.90%	50.90%
11 OJSC Zelenchulskie HPPs	53.49%	53.49%	99.97%	99.97%
12 OJSC Volzhskaya HPP	59.84%	74.20%	59.84%	74.20%
13 OJSC Zaramagskie HPPs	89.87%	89.87%	95.45%	95.45%
14 OJSC Zeiskaya HPP	56.38%	72.20%	56.38%	72.20%
15 OJSC Kaskad VV HPPs	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
16 OJSC Stavropolskaya Electric Hydrogenerating Company	56.12%	71.93%	56.12%	71.93%
17 OJSC Severo-Osetinskaya Hydrogenerating Company	50.33%	50.33%	97.43%	97.43%
18 OJSC Kabalk HPP	50.34%	50.34%	50.34%	50.34%
19 OJSC Karachaevo-Cherkeskaya Hydrogenerating Company	53.49%	53.12%	99.97%	99.97%
20 OJSC Nizhne-Zeliskaya HPP	99.99%	99.99%	99.99%	99.99%
21 OJSC Nizhne-Bureiskaya HPP	99.99%	99.99%	99.99%	99.99%
22 OJSC Boguchanskaya HPP	64.22%	64.22%	-	-
23 HydroOJSC Power Company Ltd	100.00%	100.00%	100.00%	100.00%
24 HydroOJSC Alantitum Company Ltd	100.00%	100.00%	100.00%	100.00%
25 OJSC Malaya Mezenskaya Tsel'nyy	100.00%	100.00%	100.00%	100.00%
26 OJSC Promeley	51.00%	51.00%	51.00%	51.00%
27 OJSC Boguchanskaya HPP	100.00%	100.00%	100.00%	100.00%
28 OJSC Scientific Research Institute of Energy Structures	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
29 OJSC B.E. Vedenev Russian Research Institute of Hydroelectric Engineering	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
30 OJSC Turbomont VOK	63.31%	86.39%	63.31%	86.39%
31 OJSC REMIK	56.38%	72.20%	56.38%	72.20%
32 OJSC Sayano-Shushenskiy gidrostantsiy	78.90%	82.78%	78.90%	82.78%



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	31 December 2006		31 December 2007	
	% of ownership	% of voting	% of ownership	% of voting
33 OJSC Sayano-Shushensky avtotransportnyy otdel	78.90%	82.78%	78.90%	82.78%
34 OJSC Elektrosnabzheniye VOK	84.11%	86.86%	84.11%	86.86%
35 OJSC Yuzhno-Yakutskiy GSEK	99.99%	99.99%	99.99%	99.99%
36 OJSC ESKO UES	51.00%	51.00%	100.00%	100.00%
37 OJSC Gidroenergetik VOK	84.11%	86.86%	84.11%	86.86%
38 OJSC Zagorskaya HAEPP -2	99.99%	99.99%	99.99%	99.99%
39 OJSC RusHydro Management Company	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
40 OJSC EOZ	-	-	99.98%	99.98%
41 OJSC Verkhne-Mulnovskaya GeCES	-	-	56.03%	56.03%
42 OJSC Geolenn	-	-	71.61%	71.61%
43 OJSC Lengitdroproekt	-	-	100.00%	100.00%
44 OJSC Novy binarny energetiki	-	-	100% - 1 share	100% - 1 share
45 OJSC Sibirskiy gidrotseksiy	-	-	71.74%	71.74%
46 OJSC Boguchanskaya HPP Construction Department	-	-	51.00%	51.00%
47 OJSC Boguchansky Aluminium Plant Construction Customer	-	-	51.00%	51.00%

Differences between the ownership interest and voting interest held in subsidiaries normally represent the effect of preference shares.

### Acquisitions and disposals

#### 2006

In August 2006, in the course of sector restructuring, RAO UES made contributions to the Company in exchange for additional shares issued (Note 1).

During 2006 the interest in OJSC Zelenchukskie HPPs decreased from 97.3 percent to 53.5 percent due to an additional share issue which was fully paid by RAO UES (Note 13).

In September 2006 the Group established the wholly-owned subsidiaries: HydroOGK Power Company Ltd and HydroOGK Aluminium Company Ltd registered in the Republic of Cyprus within the Boguchansk Energy-Metallurgical Association (hereinafter referred to as "BEMA") framework agreement.

In 2006 the Group acquired 58.0 percent of the share capital of OJSC Severo-Osetinskaya Hydrogenerating Company from OJSC Sevstavizenergo, a fellow subsidiary of RAO UES.

#### 2007

In October 2007, in the course of further sector restructuring, RAO UES made further contributions to the Group in exchange for additional shares issued (Note 1).

The increase of ownership percent in OJSC Sulakenergo and OJSC Zaramagskie HPPs partially explained by additional shares issues acquired by the Group for cash (Note 13).

In May 2007 the Group acquired a 89.88 percent interest in OJSC EOZ from a third party (Note 13).

The change in ownership in other subsidiaries was due to the establishment of these new entities in the reporting period ended 31 December 2007.

### Disposal to jointly controlled Groups

In May 2006 the Company, RAO UES and RUSAL signed an agreement on mutual financing, construction and exploitation of Boguchanskaya HPP and Boguchansky Aluminium Plant.

The BEMA project includes the completion of construction of Boguchanskaya HPP with installed capacity of 3,000 MWT on the Angara River and construction of Boguchansky Aluminium Plant with a capacity in the order of 600,000 tons a year, which will become one of the major consumers of the power generated by HPP.

Pursuant to the terms of the agreement and for financing and controlling of construction and exploitation of Boguchanskaya power plant and Boguchansky Aluminium Plant, the Company and RUSAL have established two limited liability companies in Cyprus with an authorized share capital of ten thousand Cyprus Pounds each, which are jointly controlled by the Company and RUSAL, namely BoGES Ltd and BALP Ltd.

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In June 2007 the Company transferred its 64.22 percent interest in OJSC Boguchanskaya HPP, which currently undertakes construction of the Boguchanskaya power plant, and RUSAL transferred its 29.47 percent interest in OJSC Boguchanskaya HPP, USD 80 million of cash and a RUSAL BoAZ Ltd promissory note with a nominal value of USD 30 million to BoGES Ltd. According to the Subscription agreement in respect of BoGES Ltd, the Company's and RUSAL's contributions shall be equal to USD 203.88 million each.

In June 2007 the Company transferred its 50 percent interest in OJSC Boguchansky Aluminium Plant and a RUSAL BoAZ Ltd promissory note with a nominal value of USD 30 million and RUSAL transferred its 50 percent interest in OJSC Boguchansky Aluminium Plant and a RUSAL Energy Ltd promissory note with a nominal value of USD 30 million to BALP Ltd. According to the Subscription agreement in respect of BALP Ltd, the Company's and RUSAL's contributions shall be equal to USD 30 million each.

In December 2007 the promissory notes received by BALP Ltd for total amount of USD 60 million exchanged for a license for aluminium production technology, which in turn will be transferred to OJSC Boguchansky Aluminium Plant.

As a result of the above transactions the Company and RUSAL have created: BoGES Group, consisting of BoGES Ltd and OJSC Boguchanskaya HPP, and BALP Group, consisting of BALP Ltd and OJSC Boguchansky Aluminium Plant.

Management assessed the level of control that the Group has over the BoGES Group and the BALP Group and determined that BoGES Group and the BALP Group are jointly controlled and the Group applies the equity accounting method to recognise these investments.

The carrying value of assets and liabilities de-recognised as a result of the formation of the jointly controlled Groups was as follows:

	Carrying value
Property, plant and equipment	16,845,703
Investments in jointly controlled entity	8,169
Other non-current assets	1,084,800
Accounts receivable and prepayments	883,435
Cash and cash equivalents	845,555
Deferred profit tax assets	1,032
Non-current and current debt	(12,819,128)
Accounts payable and accrued charges	(435,365)
Carrying value of net assets	6,619,861

A gain of RR 270,585 thousand was recognized on the transfer of the Company's interest in OJSC Boguchanskaya HPP from a subsidiary to the jointly controlled BoGES Group.

### Note 3. Basis of preparation

#### Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") and related interpretations adopted by the International Accounting Standards Board (hereinafter referred to as "IASB").

Each company of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation (hereinafter referred to as "RAR"). The accompanying financial statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

#### Reclassifications

Certain reclassifications have been made to prior year data to conform with the current year presentation.

Before 31 December 2006 property, plant and equipment were divided into groups, according to their function, such as electricity and heat generation. Dividing of property, plant and equipment according to their functional area no longer provides useful information. Management considers that classifying property, plant and equipment by their nature rather than by their function provides more useful information. Comparative

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information for 2006 and 2005 has been reclassified in line with the new classification.

PPE groups for IFRS purposes (in accordance with previously adopted classification)	31 December 2006	31 December 2005
Electricity and heat generation	81,815,836	35,403,127
Electricity transmission	4,249,226	3,350,328
Heating networks	22,911	76,225
Construction in progress	35,378,457	27,589,255
Other	4,750,783	4,094,875
<b>Total</b>	<b>106,226,323</b>	<b>70,513,808</b>

PPE groups for IFRS purposes (in accordance with newly adopted classification)	31 December 2006	31 December 2005
Production buildings	13,188,568	8,491,787
Hydrotechnical buildings	31,019,155	19,890,084
Substation's equipment	22,296,082	11,220,000
Electricity grids	605,228	486,218
Construction in progress	35,378,457	27,589,255
Other	3,046,823	2,895,500
<b>Total</b>	<b>106,226,323</b>	<b>70,513,808</b>

### Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (hereinafter referred to as "RUR"), which is the Group functional currency and the currency in which these Financial Statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

### Accounting for the effects of hyperinflation

The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" (hereinafter referred to as "IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Hyperinflation in the Russian Federation ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts of these financial statements.

### Predecessor accounting

In these combined and consolidated financial statements, the Group accounted for the acquisition of businesses under the control of RAO UES and its subsidiaries as business combinations amongst entities under common control under an accounting policy using the predecessor values method (Note 4). Accordingly, assets and liabilities of the contributed entity were accounted for at the carrying value as determined by RAO UES in its IFRS consolidated financial statements. Information in respect of the comparative period and opening balances as at 1 January 2008 has been restated as if the business combination took place at the beginning of the earliest period presented.

The prior year income statement is not the same as what was presented last year because of and that it cannot be reconciled due to the transfer of businesses under common control that have been accounted for using the predecessor values method.

All businesses acquired in 2008 were accounted for using predecessor values. In 2007 OJSC Vertine-Mutnovskaya GeoS and OJSC Geoterm were accounted for using the predecessor values method.

Acquisitions of associates and assets that are not business from entities under common control are not accounted for using the predecessor values method but rather are accounted for under appropriate accounting standards.

The establishment of the Group is described in the Note 1.

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### New accounting developments

These combined and consolidated financial statements have been prepared by applying the accounting policies consistent with those of the annual financial statements for the year ended 31 December 2006, except for those policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2007.

These new or amended standards and interpretations that are in force for the year beginning on 1 January 2007 and their impact on the current period or any prior period are described below:

- IFRIC 7, "Applying the Restatement Approach under IAS 29", effective for annual periods beginning on or after 1 March 2006. This amendment did not have a material effect on the Group's financial statements;
- IFRIC 8, "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006. This amendment did not have a material effect on the Group's financial statements;
- IFRIC 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006. This amendment did not have a material effect on the Group's financial statements;
- IFRIC 10, "Interim financial reporting and impairment", effective for annual periods beginning on or after 1 November 2006. This amendment did not have a material effect on the Group's financial statements;
- IFRIC 11, "IFRS 2 - Group and Treasury share transactions", effective for annual periods beginning on or after 1 March 2007. This amendment did not have a material effect on the Group's financial statements;
- IFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1 January 2007. IAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1 January 2007. The Group has adopted IFRS 7 and the amendment to IAS 1 starting from 1 January 2007.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- IFRS 8, "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information;
- Amendment to IAS 23, "Borrowing Cost" (effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group will apply the new amendment from January 2008 and is currently assessing what impact the new IFRS will have on the Group's accounts;
- Amendment to IAS 1, "Presentation of Financial Statements" (revised September 2007, effective for annual periods beginning on or after 1 January 2008). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances;
- Amendment to IAS 32 and IAS 1, "Puttable financial instruments and obligations arising on liquidation" (effective for annual periods beginning on or after 1 January 2009). The objective of the amendment is to improve the financial reporting of particular types of financial instruments that represent a residual interest in the entity but are, at present, classified as financial liabilities. The amendments classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions - puttable financial instruments, instruments, or components of instruments, that



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impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation;

- Amendments to IFRS 2, "Share-based Payment Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 1 January 2008). The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment;
- IAS 27 (Revised), "Consolidated and Separate Financial Statements", effective for annual periods beginning on or after 1 July 2009;
- IFRS 3 (Revised), "Business Combinations", effective for annual periods beginning on or after 1 July 2009;
- IFRIC 12, "Service concession agreements", effective for annual periods beginning on or after 1 January 2008;
- IFRIC 13, "Customer Loyalty Programs", which is effective for annual periods beginning on or after 1 January 2008;
- IFRIC 14 IAS 19, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", which is effective for annual periods beginning on or after 1 January 2008.

Unless otherwise described above, the analysis in respect of these new standards and interpretations has been carried out by the Group, and they are not expected to significantly affect the Group's financial statements.

*Critical accounting estimates and assumptions*

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

*Revaluation of property, plant and equipment*

Fair value of property, plant and equipment (except for construction in progress) and the remaining useful life of property, plant and equipment of the Group companies have been determined by independent appraisers as at 1 January 2007. The carrying value and depreciation of property, plant and equipment are effected by the estimates of replacement cost, depreciated replacement cost and remaining useful life. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment (Note 8).

*Impairment provision of accounts receivable*

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibility of specific customer accounts deteriorated compared to prior estimates. If there is a deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates (Note 10).

*Impairment of other assets and accounting for provisions*

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the period in which the reduction is identified. If conditions change and management determines that the assets' value has increased, the impairment provision will be fully or partially reversed.

Accounting for impairment includes provisions against property, plant and equipment, investments, other non-current assets and inventory obsolescence. The provisions for liabilities and charges primarily include provisions for pension liabilities and legal proceedings. The Group records impairment or accrues these provisions when its assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered and an amount can be reasonably estimated. The Group's estimates for provisions for

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liabilities and charges are based on currently available facts and the Group's estimates of the ultimate outcome or resolution of the liability in the future.

Provisions for pension obligations are periodically adjusted based on updated actuarial assumptions (Note 15).

Actual results may differ from the estimates and the Group's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure.

*Tax contingencies*

Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in the IFRS financial information (Note 26).

*Useful life of property, plant and equipment*

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

**Note 4. Summary of significant accounting policies**

*Principles of consolidation.* The Financial Statements comprise the financial statements of the Company and the financial statements of those entities whose operations are controlled by the Company. Control is presumed to exist when the Company controls, directly or indirectly through subsidiaries, more than 50 percent of voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The minority interest has been disclosed as part of equity.

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

*Investments in associates and jointly controlled entities.* Investments in associated enterprises and jointly controlled entities are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associated enterprises are entities over which the Company exercises significant influence but which it does not control.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Jointly controlled entities are joint ventures that involve the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entities operate in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entities.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, associates and jointly controlled entities.

Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

*Investments.* Investments intended to be held for an indefinite period of time are classified as available-for-sale. These are included in other non-current assets unless management has expressed intention of holding the investment for less than 12 months from the balance sheet date, they will need to be sold to raise operating capital or they mature within 12 months, in which case they are included in other current assets and classified as trading investments. Available-for-sale investments are measured at fair value with gains and losses recorded directly in equity. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost

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less impairment losses. Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition of available-for-sale investments.

**Transfers between parties under common control.** Transfers of subsidiaries between parties under common control are accounted for using the predecessor basis of accounting method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's IFRS carrying amounts. Any difference between the carrying amount of net assets and the nominal value of share capital contributed is accounted for in these consolidated financial statements as an adjustment to equity (a merger reserve).

**Carve-out methodologies.** The assets of Novosibirskaya HPP transferred by RAO UES as a contribution to the Company's charter capital on 1 November 2006 were rented out by the Company to OJSC Novosibirskenergo until 31 December 2008. The contribution of the property, plant and equipment and related rental contracts was accounted for as a business combination amongst entities under common control and accounted for under the predecessor values method.

**Foreign currency.** Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the balance sheet date, are translated into RRR at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

As at 31 December 2007, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between RRR and US Dollar (hereinafter referred to as "USD") was RRR 24.55: USD 1.00 (31 December 2006: RRR 26.33: USD 1.00), between RRR and EURO RRR 35.83: EURO 1.00 (31 December 2006: RRR 34.70: EURO 1.00).

**Property, plant and equipment.** In years 2005 and 2008 property, plant and equipment were recognised at the carrying value determined in accordance with IFRS at the date of their transfer to the Group from the predecessor entities.

Starting from 1 January 2007 the Group changed its accounting policy for property, plant and equipment (except for construction in progress) which are now stated at revalued cost. Prior to 1 January 2007 property, plant and equipment were stated at depreciated cost less impairment. Deemed cost for the purposes of presenting IFRS financial statements for the first time by the predecessor was initially determined by a third party valuation as at 31 December 1997 and restated for the impact of inflation until 31 December 2002. Adjustments are made for additions, disposals and depreciation charges. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the income statement. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

Property, plant and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserves in equity, unless there is a decrease of the reserve previously recognised in the statement of operations. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity, all other decreases are charged to the income statement. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset, and the net amount is restated to the revalued amount of the asset.

The Group charges deferred tax liabilities directly to equity in respect of revaluation of property, plant and equipment that are recorded directly in equity.

Renovations and improvements are capitalised and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. For the property, plant and equipment which were subject to the third party valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful life as at the valuation date. The remaining useful life are reviewed annually.

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Prior to 31 December 2006 for the property, plant and equipment which were subject to the third party valuation as at 31 December 1997, the depreciation rate applied was based on the estimated remaining useful life as at the valuation date. The useful life, in years, of assets by type of facility were as follows:

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997	Revised starting from 1 January 2006
Electricity generation	22-28	20-50	3-40
Electricity distribution	26-30	25	26
Heating network	15	20	18
Other	8	10	8

The useful life, in years, of assets by type of facility after reclassification were as follows (Note 3):

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Production buildings	5-40	50
Hydrotechnical buildings	4-65	50
Substations' equipment	5-40	20-30
Electricity grids	5-35	25
Other	3-43	7-20

Beginning from 1 January 2007 the depreciation rate applied is based on the estimated remaining useful life as at valuation date.

Useful life of property, plant and equipment are subject to annual assessment by management and if expectations differ from previous estimates, the changes of useful life are accounted for as a change in an accounting estimate prospectively.

The revised useful life, in years, of revalued assets by type of facility after reclassification were as follows (Note 3):

Type of facility	Revised starting from 1 January 2007
Production buildings	20-70
Hydrotechnical buildings	35-75
Substations' equipment	5-40
Electricity grids	6-30
Other	4-35

Borrowing costs incurred for the financing of construction of property, plant and equipment are not capitalised within the cost of property, plant and equipment.

Social assets are not capitalised as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

**Impairment of property, plant and equipment.** Impairments of property, plant and equipment are calculated as the difference between the carrying values of the net assets of cash-generating units, including where appropriate, investments, and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken. Net realisable value represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the cash-generating unit.

Impairment reviews are carried out when there is an indication that an impairment may have occurred, or where it is otherwise required to ensure that property, plant and equipment are not carried above their estimated recoverable amounts. Impairments are recognised in the profit and loss account, and, where material, are disclosed as exceptional. Impairment reversals are recognised when there is a change in the estimates that gave rise to an impairment and when, in management's opinion, the reversal is permanent.

**Cash and cash equivalents.** Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term highly liquid investments that are readily convertible into cash and have a maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

**Accounts receivable and prepayments.** Accounts receivable are recorded inclusive of value added taxes. Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade



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receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue - total receivable amount is provided, from 45 to 90 days overdue - half of receivable amount is provided) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of receivables.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

**Profit tax.** The profit tax expense represents the sum of the tax currently payable and deferred profit tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**Deferred profit taxes.** Deferred profit tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax movements are recorded in the income statement except when they are related to the items directly charged to the shareholders' equity. In this case deferred taxes are recorded as part of the shareholders' equity.

Deferred tax is not provided for the undistributed earnings of subsidiaries and jointly controlled entities, as it is probable that the temporary difference will not be reversed in the foreseeable future (Note 14).

**Debt.** Debt is recognised initially at its fair value. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortized cost using the effective yield method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement as an interest expense over the period of the debt obligation.

**Borrowing costs.** The Group applies the benchmark treatment of IAS 23 "Borrowing costs" and recognises all borrowing costs as an expense in the period in which they are incurred.

**Pension and post-employment benefits.** In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in the statements of operations.

The Group also operates a defined benefit plan that covers the majority of its employees. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

The Group recognises past service cost as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognises past service cost immediately.

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Past service cost arises when the Group introduces a defined benefit plan or changes the benefits payable under an existing defined benefit plan. Such changes are in return for employee service over the period until the benefits concerned are vested. Therefore, past service cost is recognised over that period, regardless of the fact that the cost refers to employee service in previous periods. Past service cost is measured as the change in the liability resulting from the amendment.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10 percent of the value of plan assets or 10 percent of the defined benefit obligations are charged or credited to the income statement over the employees' expected average remaining working lives.

**Value added tax on purchases and sales.** Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice.

The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related deferred VAT liability is maintained until the debtor is written off for tax purposes.

**Share-based payment transactions.** The share option programme allows the Group employees to acquire shares of the Company. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured based on the Black-Scholes formula.

**Finance lease liabilities.** Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

**Operating leases.** Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

**Environmental liabilities.** Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates exist.

**Revenue recognition.** Revenue is recognised on the delivery of electricity (power) and on the dispatch of non-utility goods and services during the period. Revenue amounts are presented exclusive of value added tax.

**Segment reporting.** The Group operates in a single geographical area and industry, generation of electricity in the Russian Federation.

**Earnings per share.** The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the parent company of the Group by the weighted average number of ordinary shares outstanding during the reporting period, excluding the average number of treasury shares held by the Group.

**Treasury shares.** Treasury shares are stated at weighted average cost. Any gains or losses arising on the disposal of treasury shares are recorded directly in shareholders' equity.

**Minority interest.** Minority interest represents the minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the minority's ownership percentage of these subsidiaries. The Group uses the 'economic entity' approach, whereby minorities are treated as equity participants. As a consequence, all the gains and losses resulting from the purchases and sales of minority interests are recognised in the statement of changes in equity.

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**Dividends.** Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared (approved by shareholders) before or on the balance sheet date. Dividends are disclosed when they are declared after the balance sheet date, but before the financial statements are authorized for issue.

**Social expenditure.** To the extent that the Group's contributions to social programmes benefit the community at large without creating constructive obligations to provide such benefits in the future and are not restricted to the Group's employees, they are recognized in the income statement as incurred.

**Note 5. Related party transactions**

The Group's principal related parties are RAO UES and its subsidiaries, enterprises controlled by the state and directors of the Group.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions in 2007 and in 2006 or had significant balances outstanding at 31 December 2007 or at 31 December 2006 are detailed below.

**RAO UES**

Balances with RAO UES were as follows:

	31 December 2007	31 December 2006
<b>Short-term</b>		
Trade and other accounts receivable (Note 10)	24,860	26,193
Promissory notes receivable: effective interest rate: 11.6 percent p.a. (included in accounts receivable and prepayments) (Note 10)	2,023,409	6,219,850
Dividends payable (Note 13)	-	809,000
Advances received (Note 18)	1,239,838	4,995,936
Accounts payable (Note 18)	4,875,323	-

During 2007 significant purchases of movable assets and real estate assets were made by the Group under the contracts with RAO UES. Total amount of property, plant and equipment purchased under the contract amounted to RRR 1,073,473 thousand.

**RAO UES's subsidiaries and associates**

Balances with subsidiaries and associates of RAO UES were as follows:

	31 December 2007	31 December 2006
<b>Long-term</b>		
Accounts receivable (Note 8)	-	67,053
Accounts payable (Note 17)	19,572	86,257
<b>Short-term</b>		
Trade and other accounts receivable (Note 10)	2,014,345	1,172,804
Promissory notes receivable: effective interest rate: 11.6 percent p.a. (included in accounts receivable and prepayments) (Note 10)	4,389,290	7,568,075
Promissory notes receivable: yield to maturity 9.8-13.2 percent p.a. (included in other current assets)	-	725,094
Advances received (Note 18)	152,713	-
Trade and other accounts payable (Note 18)	631,842	1,018,677

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Transactions with subsidiaries and associates of RAO UES were as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Electricity (power) revenue (Note 19)	28,043,226	15,933,669
Other revenue (Note 19)	254,975	2,342,309
Purchased power expenses (Note 20)	977,684	1,266,994
Services of SO-CDU (Note 20)	1,226,714	1,076,840
Other expenses (Note 20)	380,574	308,589

**The Group associates and jointly controlled entities**

During the reporting period the Group had the following significant transactions with associates and jointly controlled entities:

**Associates**

	31 December 2007	31 December 2006
<b>Long-term</b>		
Loan receivable from OJSC Bureiskaya HPP (effective interest rate: MORSPRIME plus 5.2 percent, due to 2020) (Note B)	-	1,800,000

**Short-term**

	31 December 2007	31 December 2006
Trade and other accounts receivable (Note 10)	345,034	-
Promissory notes receivable (Note 10)	12,160,783	-
Trade and other accounts payable (Note 18)	339,704	-

During the year ended 31 December 2007 the Group rented production equipment from OJSC Bureiskaya HPP, amount of transactions was RRR 1,819,911 thousand. Also the Group rendered to OJSC Bureiskaya HPP services related to repair of production equipment in the amount of RRR 212,230 thousand.

**Jointly controlled entities**

	31 December 2007	31 December 2006
<b>Long-term</b>		
Long-term loan receivable from Fund New energy (net of discount of RRR 54,309 thousand, effective interest rate: 11.8%, due 2011 as at 31 December 2007) (Note B)	83,891	-

**Short-term**

	31 December 2007	31 December 2006
Trade and other accounts receivable (Note 10)	400,300	-
Promissory notes receivable (Note 10)	2,967,899	-
Trade and other accounts payable (Note 18)	286,004	-

For outstanding balances with other associates and jointly controlled entities also see Note 7.

**The Group directors' compensation**

Compensation is paid to members of the Management Board of the Group for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, performance bonus depending on results for the period according to Russian statutory financial statements, and share-based payments under employee share based programme. The compensation is approved by the Board of Directors. Discretionary bonuses are also payable to members of the Management Board, which



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are approved by the Chairman of the Management Board according to his perception of the value of their contribution.

Fees, compensation or allowances to the members of the Board of Directors for their services in that capacity and for attending Board meetings are paid depending on results for the year.

Total remuneration in the form of salaries paid to the members of the Board of Directors and Management Board for the year ended 31 December 2007 was RR 84,545 thousand (2006: RR 87,431 thousand).

**Employee share option programme.** In May 2007 the Board of Directors approved the Share Option Programme of the Company (hereinafter referred to as "the Programme").

The Programme provides for the granting of share options at predetermined fixed price to the members of the Company's Management Board and other key employees of the Group (hereinafter referred to as "the Programme participants") starting from the date of signing of the first share option contract, i.e. from 3 September 2007.

The Programme participants will be rewarded for their work in the Group over the period of 3 years, starting from 3 September 2007.

Participation of the members of the Company's Management Board, the General Director and Deputies of the General Director of the Company in the Share Option Programme and the number of shares in their share option agreements are determined by decision of the Company's Board of Directors. The Chairman of the Company's Management Board determines the list of employees who will participate in the Programme, the number of such persons and personal volumes of participation.

A total of up to 3,137,287,475 ordinary shares are allocated under the Programme (or approximately two percent of the issued ordinary shares of the Company). 917,858,581 ordinary shares are allocated for granting share options to the members of the Company's Management Board, the rest - to other key employees of the Group. The ordinary shares ultimately allocated under the Programme were allocated from treasury shares purchased by the Group for this purpose for LLC EZOP - operator of the share option programme. The treasury shares held for the purpose of the Programme were not allowed to vote.

The number of shares, which the Programme participants may purchase as part of implementation of the Programme, will be calculated proportionally based on the number of days worked prior to terminating the employment. In case of breaching certain defined provisions of the labor agreement and termination of employment at the initiative of the Group, the Programme participants will lose their right to purchase the shares.

The exercise price of the share option is RR 1.73 per share which equals to actual price of the Company's ordinary shares issued in 2007.

One of the vesting terms of the share option is prepayment by the members of the Company's Management Board, General Director and Deputies of the Company (in the amount of 10 percent of the share option agreement) and by the other key employees (in the amount of 0.2 percent of the share option agreement).

In 2007 the Company issued to the members of the Company's Management Board, the General Director and Deputies of the General Director of the Company interest free loans for the prepayments for the share options agreements. The loans were issued with the maturity till 31 March 2011. As at 31 December 2007 the amount of loans issued to employees was RR 121,027 thousand (Net of discount of RR 52,853 thousand, effective interest rate: 11.8%).

The Programme participant can exercise the share option at any time over the period of 2 September 2010 through 18 April 2011. The requirement for the exercise of the stock option agreements is to have the Company's shares traded on a public security market as at 3 August 2010.

As at 31 December 2007 the Company signed the option agreements for 1,885,127,082 shares, including 817,858,581 shares to the Company's Management Board.

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The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on Black-Scholes model.

Share price (in RR)	1.73
Exercise price (in RR)	1.73
Expected volatility	27%
Option life	1,098 days
Risk-free interest rate	0.13%
<b>Fair value of the option at measurement date (in RR)</b>	<b>0.45</b>

The measure of volatility used in the option pricing model is the annualised standard deviation of the continuously compounded rates of return on the publicly traded shares over a period of time. To determine volatility the Group used the historical volatility of the share price of similar entities following a comparable period in their lives.

In year 2007 the Group recognised an expense of RR 288,405 thousand within employee costs related to the fair value of the options.

**State-controlled entities**

In the normal course of business the Group enters into transactions with entities under the Government control. Prices for electricity and heat are based on tariffs set by FST and RST. Bank loans are granted at market rates. Taxes are charged and paid under the Russian tax legislation.

During the year ended 31 December 2007 the Group sold electricity to a number of state-controlled entities to the amount of RR 1,338,434 thousand. The major customers were LLC Transneftservice-S, OJSC Nijnovodnenergosbit and OJSC Nevinnomysskiy Azot.

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**Note 6. Property, plant and equipment**

Coal	Production buildings	Hydrotechnical buildings	Electricity grids	Substation's equipment	Assets under construction	Other	Total
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 31 December 2006	21,981,515	42,883,686	1,320,615	47,683,457	53,993,580	9,297,150	176,279,983
Elimination of accumulated depreciation	(7,709,768)	(10,681,416)	(533,000)	(23,649,708)	-	(4,173,961)	(46,747,853)
Revaluation reserve	31,693,192	50,425,236	438,527	31,119,708	-	2,334,891	116,011,554
Additions	1,034,383	1,844,324	42,776	83,653	23,295,716	619,625	26,120,377
Transfers	4,637,231	2,119,516	70,796	2,381,346	(10,887,741)	1,470,252	-
Disposals	(53,066)	-	(4,734)	(383,235)	(176,896)	(84,890)	(622,821)
Disposal of subsidiary to entity under common control (Note 2)	(752,501)	-	(34,478)	(87,730)	(28,859,944)	(684,993)	(30,419,646)
Transfer from joint venture (Note 2)	162,120	-	101,588	387,810	110,697	308,464	1,070,679
<b>Closing balance as at 31 December 2007</b>	<b>58,913,026</b>	<b>84,591,346</b>	<b>1,402,698</b>	<b>57,615,881</b>	<b>37,675,332</b>	<b>3,894,518</b>	<b>241,832,253</b>
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 31 December 2006	(6,712,917)	(11,064,531)	(625,387)	(25,385,395)	(18,615,103)	(5,650,327)	(70,053,650)
Elimination of accumulated depreciation	7,709,768	10,681,416	533,000	23,649,708	-	4,173,961	46,747,853
Charge for the year	(1,293,118)	(1,694,362)	(89,231)	(3,740,196)	-	(965,068)	(7,771,975)
Disposals	22,467	-	201	285,167	-	23,335	251,170
Disposal of subsidiary to entity under common control (Note 2)	43,334	-	867	6,022	13,388,506	33,412	13,471,953
Transfer from joint venture (Note 2)	(88,131)	-	(32,927)	(161,521)	-	(97,809)	(341,388)
<b>Closing balance as at 31 December 2007</b>	<b>(2,313,587)</b>	<b>(2,077,477)</b>	<b>(213,457)</b>	<b>(5,425,415)</b>	<b>(5,225,595)</b>	<b>(2,472,495)</b>	<b>(17,734,037)</b>
<b>Net book value as at 31 December 2007</b>	<b>48,599,439</b>	<b>82,513,869</b>	<b>1,189,241</b>	<b>52,190,466</b>	<b>32,449,737</b>	<b>6,322,023</b>	<b>223,998,216</b>
<b>Net book value as at 31 December 2006</b>	<b>13,188,598</b>	<b>31,819,155</b>	<b>695,228</b>	<b>22,298,062</b>	<b>35,378,457</b>	<b>3,646,823</b>	<b>106,226,323</b>
<b>Cost</b>							
Opening balance as at 31 December 2006	21,433,438	33,888,715	1,206,889	47,063,332	48,188,256	7,878,643	165,571,312
Additions	174,629	1,105,277	2,084	271,140	14,538,619	345,638	16,437,387
Transfers	295,441	1,129,921	111,755	711,708	(3,417,846)	1,169,020	-
Disposals	(2,053)	(48,227)	(93)	(362,724)	(5,235,468)	(88,151)	(5,726,716)
<b>Closing balance as at 31 December 2007</b>	<b>21,591,515</b>	<b>42,883,686</b>	<b>1,320,615</b>	<b>47,683,457</b>	<b>53,993,580</b>	<b>9,297,150</b>	<b>176,279,983</b>
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 31 December 2006	(12,341,711)	(28,897,731)	(748,652)	(35,843,266)	(28,571,888)	(4,385,143)	(95,057,500)
Charge for the year	(327,686)	(1,036,494)	(57,949)	(1,265,176)	-	(783,488)	(3,432,713)
Impairment reversal	4,989,956	10,543,022	204,339	12,787,868	-	317,549	28,761,535
Impairment charge	(434,531)	(551,811)	(31,189)	(1,266,022)	-	(281,794)	(2,565,347)
Disposals	1,055	30,463	65	282,800	1,963,897	82,489	2,291,969
<b>Closing balance as at 31 December 2007</b>	<b>(6,712,917)</b>	<b>(11,064,531)</b>	<b>(625,387)</b>	<b>(25,385,395)</b>	<b>(18,615,103)</b>	<b>(5,650,327)</b>	<b>(70,053,650)</b>
<b>Net book value as at 31 December 2006</b>	<b>13,188,598</b>	<b>31,819,155</b>	<b>695,228</b>	<b>22,298,062</b>	<b>35,378,457</b>	<b>3,646,823</b>	<b>106,226,323</b>
<b>Net book value as at 31 December 2005</b>	<b>8,491,787</b>	<b>13,858,388</b>	<b>465,286</b>	<b>11,220,956</b>	<b>27,583,256</b>	<b>2,885,580</b>	<b>70,513,889</b>

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Construction in progress represents the carrying amount of property, plant and equipment that has not yet been put into operation, including generating stations under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 31 December 2007 such advances amounted to RR 4,385,324 thousand (as at 31 December 2006 – RR 1,325,831 thousand).

In 2008 the Company signed an Investing agreement with the Federal Agency of Railway Transport and OJSC Russian Railway. The purpose of the agreement is the joint construction and renovation of a railway line Izvesilkovaya-Chegodomin, which is close to the zone of water reservoirs of Bureiskaya HPP. The Company incurred costs in 2007 in the amount of RR 958,800 thousand. The project is to be completed and the railway line is to be put into operation in 2008. After the railroad construction is finished, the Company will get a share of the constructed asset proportional to the share of its investment. The amount of the Company's investment in this project was included in Construction in progress as at 31 December 2007.

In March 2007 the Joint Venture under partnership agreement signed in 1998 between OJSC Geoterm, RAO UES, OJSC Kamchatskenergo and Kamchatka Region State Property Management Committee (hereinafter referred to as "KUGI"), which financed construction of Mutnovskaya GeoES, ceased and the assets were transferred to OJSC Geoterm. As a result, OJSC Geoterm's interest in Mutnovskaya GeoES increased from 74.78 percent to 100 percent, and shown as "Transfer from joint venture".

Depreciation is charged once an asset is available for service.

Other property, plant and equipment include motor vehicles, computer equipment, office fixtures and other equipment.

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated. The relationships of use and alienability of the land are regulated by Land Code of the Russian Federation. According to the Land Code the plots of land located under hydraulic engineering structures are limited in their alienability and shall not be conveyed to become private property, except for the cases established by federal laws.

Property, plant and equipment movement for the year 2006 includes a deferred tax expense of RR 6,802,884 thousand in relation to the reversal of a previously recognised impairment loss of RR 28,781,835 thousand before tax.

**Revaluation.** Starting from 1 January 2007 the Group has adopted the revaluation model for property, plant and equipment (except for construction in progress) (Note 4). Fair values were determined by independent appraisers primarily based on the depreciated replacement cost method. The replacement cost of buildings, constructions, machinery and equipment and transfer devices were estimated based on technical characteristics, unit construction cost and construction estimates. The replacement cost of equipment was estimated based on data of aggregative replacement cost, current purchase contracts and price-list of producers and trading companies. The economic obsolescence was estimated based on profitability test results for each cash-generating unit. The discount rate used in the profitability tests varied from 10.5 to 18.1 percent. The forecast period is 18 - 20 years for all Group companies. The long-term rate of growth in sales volumes is approximately 3 percent for all Group companies.

As a result of the revaluation, the Group's equity increased by RR 88,188,781 thousand, comprising an increase in the carrying value of property, plant and equipment of RR 116,011,554 thousand, net of a related deferred tax liability of RR 27,842,773 thousand.

For each revalued class of property, plant and equipment stated at revalued amount in these financial statements, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

	Production buildings	Hydrotechnical buildings	Electricity grids	Substation's equipment	Assets under construction	Other	Total
<b>Net book value as at 31 December 2007</b>	<b>18,068,148</b>	<b>33,882,672</b>	<b>797,810</b>	<b>23,633,823</b>	<b>32,449,797</b>	<b>4,614,436</b>	<b>112,646,886</b>

**Leased property, plant and equipment.** The Group leases property, plant and equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. As at 31 December 2007 the net book value of leased property plant and equipment was RR 2,147,253 thousand (as at 31 December 2006 – RR 1,485,143 thousand). The leased equipment is pledged as a security for the lease obligation.



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**Operating lease.** The Group leases a number of land areas owned by local governments under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2007	31 December 2006
Less than one year	320,910	259,049
Between one year and five years	1,201,575	946,837
After five years	11,178,365	9,237,288
<b>Total</b>	<b>12,700,850</b>	<b>10,443,174</b>

The land areas leased by the Group are the territories on which the Group's electric power stations and other assets are located. The leases typically run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

**Note 7. Investments in associates and jointly controlled entities**

As at 31 December 2007 the Group's interests in associates and jointly controlled entities and their summarised financial information were as follows:

	Carrying value as at 31 December 2006	Additions	Share of profit (loss) of associates and jointly controlled entities	Carrying value as at 31 December 2007
<b>Associates</b>				
OJSC Bureiskaya HPP	-	983,279	(103,404)	850,785
OJSC Corporation of South Yakutiya development	-	37,850	(4,629)	33,221
OJSC Boguchanskaya HPP Construction Customer (Note 2)	-	5	1	6
OJSC Boguchansky Aluminium Plant Construction Organizer (Note 2)	-	5	247	252
<b>Total Associates</b>	<b>-</b>	<b>1,000,939</b>	<b>(107,875)</b>	<b>893,064</b>
<b>Jointly controlled entities</b>				
BoGES Group	-	5,282,443	(201,240)	5,081,203
BALP Group	-	788,004	98,967	886,971
New energy Fund LLC Corporation of Zabaikalie Development	-	10	(10)	-
OJSC Corporation of Krasnoyarsk region development	-	30,000	(13,151)	16,849
RusSUNHydro Limited	-	30,000	506	30,506
<b>Total Jointly controlled entities</b>	<b>-</b>	<b>6,187,634</b>	<b>(114,928)</b>	<b>6,072,706</b>
<b>Total Investments in associates and jointly controlled entities</b>	<b>-</b>	<b>7,188,573</b>	<b>(222,803)</b>	<b>6,955,770</b>

The following is summarised financial information, in aggregate, in respect of the associates and the jointly controlled entities:

31 December 2007	Ownership, %	Voting, %	Assets	Liabilities	Revenues	Expenses	Profit / (Loss)
<b>Associates</b>							
OJSC Bureiskaya HPP	18.12	18.12	41,823,871	20,373,933	1,063,008	(1,725,825)	(662,818)
OJSC Corporation of South Yakutiya development	25.10	25.10	134,042	(2,485)	5,000	(24,403)	(18,443)

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31 December 2007	Ownership, %	Voting, %	Assets	Liabilities	Revenues	Expenses	Profit / (Loss)
<b>OJSC Boguchanskaya HPP Construction Customer</b>							
OJSC Boguchansky Aluminium Plant Construction Organizer	49.00	49.00	2,290	(2,277)	29,368	(29,355)	3
<b>Jointly controlled entities</b>							
BoGES Group	50.00	50.00	24,110,291	(14,191,405)	147,722	(550,201)	(402,479)
BALP Group	50.00	50.00	14,439,512	(12,701,222)	343,883	(145,870)	197,833
New energy Fund LLC Corporation of Zabaikalie Development	50.00	50.00	497,407	(545,548)	78,435	(104,303)	(85,868)
OJSC Corporation of Krasnoyarsk region development	25.00	25.00	121,908	(955)	8,229	(6,204)	2,025
RusSUNHydro Limited	50.00	50.00	79,087	-	-	-	-

As at 31 December 2006 investment in OJSC Bureiskaya HPP was accounted for as available-for-sale (carried at cost) (Note 8). During 2007 the Company's management re-assessed the level of influence that the Company had over OJSC Bureiskaya HPP and determined that the Company started to exercise significant influence over OJSC Bureiskaya HPP as the number of the Company's representatives in the Board of Directors of OJSC Bureiskaya HPP was increased.

During 2007 the Group entered into the following arrangements:

- together with OJSC Technosport, OJSC IG ALROSA, OJSC Yakutskie ugli - Novie tehnologii and Government of SAHA region the Group participated in LLC Corporation of South Yakutiya Development. One of the main purpose of this project is the construction of Kankanskaya HPP on the river Timpton with the capacity of 1,800 MWt;
- together with LLC IFC Metropol the Group participated in the foundation of LLC Corporation of Zabaikalie Development. The purpose of this company is the construction of a large industrial complex, including Moksokaya HPP and Hanovskaya HPP on the river Vilim with total capacity of 1,410 MWt and other industrial facilities to consume the electricity produced by these HPPs;
- together with LLC Company Baznyy element, OJSC Krasnoyarskiy zavod chelnykh metallor named after V.N. Gulidov, Vnesheconombank the Group participated in OJSC Corporation of Krasnoyarsk region Development for the purpose of development the Krasnoyarskiy region and joint investment into construction of OJSC Boguchanskaya HPP and OJSC Boguchansky Aluminium Plant together with OJSC RUSAL;
- in June 2007 the Group and the SUN Group of India signed a memorandum about cooperation in the development of the hydropower industry in India. As a result, the jointly controlled entity RusSunHydro was created for the purpose of managing the construction of new HPPs on the territory of India;
- Fund New Energy was created in January, 2007 by the following participants: Company (50%), Non-state pension fund of electrical energy industry (25%), Non-commercial investing ecological organization Energy carbonic fund (25%). The purpose of the fund is development of renewable energy sources;
- in June 2007, together with RUSAL, the Group established BoGES Group and BALP Group, OJSC Boguchanskaya HPP Construction Customer, OJSC Boguchansky Aluminium Plant Construction Organizer (Note 2).

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**Note 8. Other non-current assets**

	31 December 2007	31 December 2006
Available-for-sale investments (carried at cost)	123,004	1,982,500
VAT recoverable	508,506	731,242
Long-term loans receivable (Net of discount of RRR 101,357 thousand, effective interest rate: 11.8%, due 2011 as at 31 December 2007)	210,324	1,900,000
Other long-term assets (Net of provision for impairment debits of RRR 172,137 thousand, effective interest rate: 11%, due 2010 as at 31 December 2007 and RRR 181,375 thousand as at 31 December 2006, effective interest rate: 15.5%, due 2009 – 2013)	1,082,112	780,510
<b>Total other non-current assets</b>	<b>1,923,925</b>	<b>5,383,348</b>

**Available-for-sale investments.** As at 31 December 2006 included within investments available-for-sale investments (carried at cost) is a 16.12 percent interest in OJSC Bureiskaya HPP totalling RRR 1,978,000 thousand. As at December 2007 the investment in OJSC Bureiskaya HPP was accounted within investments in associates and jointly controlled entities (Note 7).

In year 2007 the Company received contribution to share capital made by RAO UES by the following shares: 1.0 percent interest in OJSC Vilyuiskaya HPP-3 and 0.12 percent interest in OJSC Krasnoyarskaya HPP (Note 2).

**Long-term loans receivable.** As at 31 December 2006 included in other non-current assets was a loan to OJSC Bureiskaya HPP in the amount of RRR 1,900,000 thousand. This loan was repaid early in 2007 (Note 5).

**Note 9. Cash and cash equivalents**

	31 December 2007	31 December 2006
Cash at bank and in hand	3,419,538	1,793,017
Cash equivalents (contractual interest rate: 2.5 - 8.75 percent)	2,300,000	3,778,070
<b>Total cash and cash equivalents</b>	<b>5,719,538</b>	<b>5,571,087</b>

Cash equivalents held as at 31 December 2007 and 31 December 2006 comprised short-term RRR bank deposits of less than 3 months duration.

Cash balances denominated in USD currency amounts as at 31 December 2007 were RRR 2,530 thousand (31 December 2006: RRR 726 thousand). Cash balances denominated in EURO were RRR 24 thousand as at 31 December 2007 (31 December 2006: RRR 1,805 thousand).

	Rating	Rating agency	31 December 2007	31 December 2006
<b>Bank deposits</b>				
OJSC Akensar Bank	-	-	500,000	-
OJSC Asiatko-Timontseuskiy Bank	-	-	-	30,000
OJSC Vozlochnyi	-	-	-	120,000
OJSC Sberbank	Baa2	Moody's	60,000	-
OJSC Bank of Moscow	Baa2	Moody's	-	70
OJSC KIT Finance	A3	Moody's	1,800,000	3,000,000
OJSC Gazprombank	BBB-	Standard & Poor's	-	50,000
OJSC VTB Bank	Baa2	Moody's	-	503,000
<b>Total bank deposits</b>			<b>2,360,000</b>	<b>3,778,070</b>
<b>Cash at banks</b>				
OJSC Gazprombank	BBB-	Standard & Poor's	1,015,705	60,050
OJSC VTB Bank	Baa2	Moody's	697,378	463,886
OJSC Evrofinance Muznabank	Ba3	Moody's	424,804	292,103
OJSC Sberbank	Baa2	Moody's	334,024	54,412

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	Rating	Rating agency	31 December 2007	31 December 2006
OJSC Bank of Khakasia	-	-	110,063	5,001
OJSC RosEvoBank	-	-	85,734	-
OJSC Bank of Moscow	Baa2	Moody's	42,015	104,631
RTS Settlement Chamber	-	-	30,025	54,620
OJSC TransinvestBank	-	-	-	308,081
OJSC Sberbank	Baa2	Moody's	-	168,987
OJSC DagenergoBank	-	-	-	44,550
OJSC Rosbank	BB+	Standard & Poor's	22,853	8,513
OJSC MezhtopenergoBank	-	-	20,216	1,125
OJSC CB ChirkeyEnergoBank	-	-	15,044	870
OJSC Volgoprombank	-	-	4,180	2,527
Other	-	-	10,887	34,735
<b>Total cash at banks</b>			<b>3,419,538</b>	<b>1,793,917</b>

**Note 10. Accounts receivable and prepayments**

	31 December 2007	31 December 2006
Trade receivables (Net of provision for impairment debits of RRR 153,474 thousand as at 31 December 2007 and RRR 142,083 thousand as at 31 December 2006)	2,510,821	943,805
Promissory notes: (Net of discount of RRR 193,290 thousand as at 31 December 2007; effective interest rate: 11.6 percent p.a. (Note 5) and RRR 0 thousand as at 31 December 2006)	21,837,443	13,787,825
<b>Total financial assets</b>	<b>24,348,264</b>	<b>14,731,630</b>
Advances to suppliers and prepayments (Net of provision for impairment debits of RRR 49,951 thousand as at 31 December 2007 and RRR 2,207 thousand as at 31 December 2006)	1,240,387	741,008
Income tax receivables	636,080	838,315
Value added tax recoverable	4,481,753	2,577,383
Other prepaid taxes	15,543	5,318
Other receivables (Net of provision for impairment debits of RRR 74,162 thousand as at 31 December 2007 and RRR 0 thousand as at 31 December 2006)	1,070,210	840,423
<b>Total accounts receivable and prepayments</b>	<b>32,518,975</b>	<b>19,741,847</b>

Management believes that the majority of customers, balances of which are included into trade receivables, comprise a single class, as they bear the same characteristics. Those customers belong to the same wholesale market of electric power (hereinafter referred to as "NOREM"), which is regulated by Non-commercial Partnership Administrator of Trade System (hereinafter referred to as "NPA ATS").

Management has determined the provision for impairment of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analyses of expected future cash flows. The management of the Group believes that the Group entities will be able to realise the net receivable amount through direct collections and other non-cash settlements, and that therefore the recorded value approximates their fair value.

As at 31 December 2007, receivables of RRR 340,310 thousand (31 December 2006: RRR 239,804 thousand) were past due but not impaired. These relate to a number of independent customers without recent history of default. The ageing analysis of these trade receivables is as follows:

31 December 2007	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Beyond 12 months	Total
Accounts Receivable past due, not impaired	104,430	65,810	76,080	3,057	340,310
% to total	57%	10%	23%	1%	100%

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31 December 2006	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Beyond 12 months	Total
Accounts Receivable past due, not impaired	182,210	21,796	261,580	-	238,804
% to total	78%	9%	15%	0%	100%

Trade and other receivables individually determined to be impaired (gross):

	Year ended 31 December 2007	Year ended 31 December 2006
As at 1 January	144,280	155,081
Change for the year	179,589	77,589
Reversal of impairment	(8,732)	(88,380)
Trade receivables written-off as uncollectible during 2007	(6,580)	-
As at 31 December	387,587	144,280

Management assesses that counterparties, balances of which fall into trade receivables and other receivables, and which are neither past due nor impaired, have approximately the same credit quality.

The Group does not hold any collateral as security.

### Note 11. Inventories

	31 December 2007	31 December 2006
Materials and supplies	388,062	570,062
Other inventories	294,811	158,216
Total inventories	682,873	728,278

The above inventory balances are shown net of an obsolescence provision for RR 28,082 thousand and RR 82,863 thousand as at 31 December 2007 and 31 December 2006 respectively.

As at 31 December 2007 and 31 December 2006, the inventory balances did not include any inventories pledged as collateral under loan agreements.

### Note 12. Other current assets

	31 December 2007	31 December 2006
Promissory notes: yield to maturity 9.8 – 13.2 percent p.a. (Note 5)	5,960,234	1,135,307
Other short-term investments	37,322	80,844
Total other current assets	5,997,556	1,196,151

Bank and other promissory notes	Rating	Rating agency Standard & Poor's	31 December 2007	31 December 2006
LLC FK Otkrytie	CCC	Poor's	3,008,130	-
OJSC Bureiskaya HPP	-	-	1,281,830	-
OJSC Sukalesky Gidrotkhoz	-	-	880,838	-
OJSC Ust-Srednelamskaya HPP	-	-	812,800	-
OJSC Kastad NCh HPP	-	-	257,324	725,084
OJSC Dagenergo	-	-	-	81,782
OJSC Khabalenergo	-	-	138,212	327,025
Other	-	-	-	1,406
Total bank and other promissory notes			5,960,234	1,135,307

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### Note 13. Equity

**Basis of presentation of movements in equity.** The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting (Note 3), the principal component of the net equity recognised for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. Similarly, for the purpose of comparability, the equity of the Group has been presented for comparative period and as at 1 January 2006 as if the current Group structure had existed from 1 January 2006 (Note 3). As the Group was formed as a result of share issues completed after 1 January 2006, the equity statement reflects additions to share capital in the amount equal to the statutory nominal value of the shares issued which is based on the fair value of the net assets of the businesses contributed. In accordance with the predecessor basis of accounting, the effect of such additions to equity is offset by a corresponding adjustment in the merger reserve and recognition of minority interest.

	Ordinary shares 31 December 2007	Ordinary shares 31 December 2006
Number of issued ordinary shares	156,864,373,776	140,954,759,856
Par value (in RR)	1.00	1.00

On 28 December 2004, the date when the Company was established, the number of issued ordinary shares amounted to 103,951,322,702 with a par value of RR 1.00 each.

The contributions to the Company's share capital were effected as follows:

- RR 103,848,528 thousand received by way of contribution of RAO UES' controlling interest in the Group's subsidiaries and investments in other companies (Note 2);
- cash contributions amounted to RR 101,785 thousand.

In August 2006, in the course of further sector restructuring, 37,003,437,154 additional ordinary shares of the Company with a par value of RR 1.00 each were issued. RAO UES made the following contributions to the Company in exchange for additional shares issued:

- RR 14,346,885 thousand received by way of contribution of RAO UES' controlling interest in the Group's subsidiaries and investments in other companies (Note 2);
- RR 81,058 thousand received by way of contribution of RAO UES' 12.4 percent interest in OJSC Zaramagskie HPPs and 1.6 percent interest in OJSC Zelenchukskie HPPs;
- RR 2,711,573 thousand received by way of contribution of Novosibirskaya HPP assets (business);
- cash contributions amounted to RR 20,000,000 thousand;
- RR 245,001 thousand received by way of contribution of other various assets.

Total contribution was RR 37,394,517 thousand. Share premium received in excess of the par value was RR 381,080 thousand.

In October 2007, in the course of further sector restructuring 15,808,813,820 additional ordinary shares of the Company with a par value of RR 1 each were issued. RAO UES made the following contributions to the Company in exchange for additional share issue:

- RR 2,146,125 thousand received by way of contribution of RAO UES' interest in the Group's subsidiaries and investments in other companies (Note 2);
- cash contributions amounted to RR 14,950,000 thousand.

Russian Federation cash contributions amounted to RR 5,000,000 thousand.

The total contribution was RR 27,523,832 thousand, including treasury shares purchased by the Company. Share premium received in excess of the par value was RR 11,814,018 thousand.

**Treasury shares.** In 2007 the Group purchased ordinary treasury shares. Treasury shares as at 31 December 2007 represent 3,137,287,475 ordinary shares in the amount of RR 5,427,507 thousand.

**Merger reserve.** Based on the application of predecessor accounting (Note 3) the difference of RR 74,170,811 thousand (2006 – RR 72,274,301 thousand) between the statutory value of share capital

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issued and the IFRS carrying value of the contributed assets and minority interest has been recorded as a merger reserve within equity.

**Effect of changes in minority interest.** In 2006 OJSC Zelenchukskie HPPs issued 89,242,740 additional ordinary shares with a par value of RRR 10.0 each fully paid by RAO UES. The cash contribution amounted to RRR 892,427 thousand and the effect of the partial disposal of OJSC Zelenchukskie HPPs have been recorded within equity at the date of the additional share issue.

In 2007 OJSC Sulakenergo issued 145,280,300 additional ordinary shares with a par value of RRR 10 each fully paid by the Group. The cash contribution amounted to RRR 1,452,803 thousand and the decrease of minority interest was reflected in the statement of changes in equity at the date of the additional share issue.

In 2007 OJSC Zaramugskie HPPs issued 1,004,740 additional ordinary shares with a par value of RRR 1,000 each fully paid by the Group. The cash contribution amounted to RRR 1,004,740 thousand and the decrease of minority interest was reflected in the statement of changes in equity at the date of the additional share issue.

In 2007 shares of OJSC Zelenchukskie HPPs, OJSC Severo-Osetinskaya Hydrogenerating Company, OJSC ESKO UES were received as a contribution to the Company's share capital made by RAO UES as described above.

In year 2007 minority interest in OJSC Karachaevo-Cherkesskaya Hydrogenerating Company was increased as a result of increase in the Group's share in OJSC Zelenchukskie HPPs.

**Acquisition and disposal of subsidiaries.** In 2006 the Group acquired 58.0 percent of the share capital of OJSC Severo-Osetinskaya Hydrogenerating Company from OJSC Sevkiavtoenergo, a subsidiary of RAO UES, for a cash consideration of RRR 110,327 thousand.

The acquisition of OJSC Severo-Osetinskaya Hydrogenerating Company was accounted for using the predecessor basis of accounting method from 1 January 2005. The assets and liabilities of the subsidiary transferred under common control are recognized at the predecessor entity's carrying amounts. The difference between the carrying amount of net assets and the purchase consideration is accounted for in these consolidated financial statements as an adjustment to merger reserve in the statement of changes in equity.

In 2007 all the contributions and purchases of shares were of entities that were already subsidiaries of the Group except for OJSC Geoterm and OJSC Verhne-Mutnovskaya GeoS.

In 2007 the Group acquired 99.88 percent of the share capital of OJSC EOZ from a third party for a cash consideration of RRR 989,203 thousand. OJSC EOZ only owned a building and therefore this transaction is not a business combination and no goodwill arose on the acquisition.

In 2007 OJSC Boguchanskaya HPP was disposed from a subsidiary to jointly-controlled entity (Note 2).

**Effect of carve-out accounting.** In 2008 the Group recorded the effect resulting from the carve-out accounting of Novosibirskaya HPP and related rental agreement for the period and from the predecessor legal entity. Included within the merger reserve in 2008 there is RRR 173,227 thousand of carved out rental revenues and expenses related to periods from 1 January 2005 to 1 November 2008 for Novosibirskaya HPP property, plant and equipment within RAO UES, predecessor legal entity (Note 3).

**Dividends.** In accordance with Russian legislation, the Group distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

The dividends declared by the Company were recognised as a liability and deducted from equity for the year ended 31 December 2007 in the amount RRR 1,119,000 thousand (for the year ended 31 December 2006 – RRR 1,712,189 thousand).

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**Note 14. Profit tax**

Profit tax charge is as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Current profit tax expense	4,477,258	1,647,835
Deferred profit tax expense	(1,478,082)	4,577,084
<b>Total profit tax charge</b>	<b>2,999,176</b>	<b>6,224,919</b>

During 2007 and 2006 most entities of the Group were subject to tax rates of 24 percent on taxable profit.

In accordance with Russian tax legislation, tax losses in different Group companies may not be offset against taxable profits of other Group companies. Accordingly, tax may be accrued even where there is a net consolidated tax loss.

A reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2007	Year ended 31 December 2006
Profit before profit tax	9,523,624	26,642,013
Theoretical profit tax charge at an average statutory tax rate of 24 percent	(2,285,670)	(6,394,083)
Tax effect of items which are not deductible or assessable for taxation purposes	(712,800)	(130,846)
<b>Total profit tax charge</b>	<b>(2,998,470)</b>	<b>(6,524,929)</b>

**Deferred profit tax.** Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred profit tax assets and liabilities are measured at 24 percent, the rate expected to be applicable when the assets or liabilities will reverse.

	31 December 2007	Charged (credited) to the income statement	Charged directly to equity	Disposal of subsidiary	31 December 2006
<b>Deferred profit tax liabilities</b>					
Property, plant and equipment	35,969,050	(366,941)	27,985,347	(109,738)	8,458,382
Loans and borrowings	477,783	(83,872)	-	(48)	581,483
Other	201,853	(107)	142,574	(2,358)	81,545
<b>Deferred profit tax assets</b>					
Property, plant and equipment	(2,114,082)	(540,087)	-	105,073	(1,579,055)
Accounts receivables	(808,414)	(15,207)	-	8,104	(801,311)
Other	(882,328)	(558,437)	-	2,583	(108,484)
<b>Deferred profit tax liabilities, net</b>	<b>32,584,226</b>	<b>(1,478,082)</b>	<b>27,985,347</b>	<b>6,832</b>	<b>6,871,529</b>



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	31 December 2006	Charged (credited) to the income statement	31 December 2005
<b>Deferred profit tax liabilities</b>	<b>8,469,382</b>	<b>3,588,782</b>	<b>4,951,600</b>
Property, plant and equipment	7,837,354	3,978,000	3,881,284
Loans and borrowings	581,483	(40,724)	802,207
Other	61,545	(428,594)	488,129
<b>Deferred profit tax assets</b>	<b>(2,388,853)</b>	<b>1,368,312</b>	<b>(2,757,165)</b>
Property, plant and equipment	(1,879,058)	1,404,488	(3,083,524)
Accounts receivables	(801,311)	(135,828)	(485,885)
Other	(108,484)	99,472	(207,958)
<b>Deferred profit tax liabilities, net</b>	<b>6,071,529</b>	<b>4,877,054</b>	<b>1,194,435</b>

**Investments in subsidiaries and jointly controlled entities.** Prior to 31 December 2007 the Group did not record a deferred profit tax liability in respect of taxable temporary differences associated with investments in subsidiaries and jointly controlled entity as it was not probable that the Company would receive dividends in the foreseeable future. The estimated unrecorded deferred tax liabilities for such differences as at 31 December 2006 were RR 15,150,212 thousand. With effect from 1 January 2008 no tax is payable on dividends paid to a parent by subsidiaries (if certain requirements are met). Also, on 9 January 2008 20 subsidiaries were cease to exist as separate legal entities and become branches of the Company. Consequently, as at 31 December 2007, no significant unrecorded deferred tax liabilities existed in the Group in respect of investments.

**Note 15. Pension benefits**

The tables below provide information about the benefit obligations and actuarial assumptions used for the year ended 31 December 2007 and 2006. Amounts recognized in the Group's consolidated balance sheet:

	31 December 2007	31 December 2006
Present value of defined benefit obligations	1,525,409	1,181,850
Present value of unfunded obligations	1,525,409	1,181,850
Unrecognised actuarial (loss)/gains	(22,826)	6,320
Unrecognised past service cost	(858,728)	(498,499)
<b>Net liability</b>	<b>843,855</b>	<b>689,471</b>

Amounts recognized in the Group's consolidated income statement:

	Year ended 31 December 2007	Year ended 31 December 2006
Current service cost	80,289	2,074
Interest cost	79,781	8,629
Net actuarial loss	10,853	-
Past service cost	124,137	-
Other	-	731,414
<b>Net expense recognized in income statement</b>	<b>275,020</b>	<b>743,117</b>

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Changes in the present value of the Group's pension benefit obligation are as follows:

	31 December 2007	31 December 2006
Projected Benefit Obligation at beginning of the year	1,181,850	144,058
Service cost	80,289	2,074
Interest cost	79,781	8,629
Actuarial loss/(gain)	33,879	(1,619)
Past service cost	280,887	303,083
Benefits paid	(120,637)	(8,988)
Other	-	731,414
<b>Present value of pension benefit obligations at end of the year</b>	<b>1,525,409</b>	<b>1,181,850</b>

Experience adjustment on plan liabilities is as follows:

	31 December 2007	31 December 2006
Defined benefit obligation	1,525,409	1,181,850
Plan assets	-	-
Deficit	(1,525,409)	(1,181,850)
Experience adjustments on plan liabilities	33,881	(1,619)
Experience adjustments on plan assets	-	-

The Group expects to contribute RR 345,813 thousand to the defined benefit plans during the year beginning 1 January 2008.

Principal actuarial assumptions are as follows:

	31 December 2007	31 December 2006
Nominal discount rate	8.75%	8.8%
Wage growth rate	7.0%	7.0%
Inflation rate	8.0%	5.0%

**Note 16. Current and non-current debt**
**Non-current debt**

	Currency	Effective Interest rate	Due date	31 December 2007	31 December 2006
EBRD (tranche 1)	RR	3.65%+MOSPRIME	2020	2,000,015	2,000,015
EBRD (tranche 2)	RR	2.75%+MOSPRIME	2014	850,000	850,000
EBRD (tranche 3)	RR	3.05%+MOSPRIME	2016	3,150,000	3,150,000
Bonds Issue (OJSC RusHydro Management Company)	RR	8.10%	2011	5,000,000	5,000,000
Morgan Stanley Bank International Ltd	RR	8.75%	2013	3,000,000	3,000,000
Morgan Stanley Bank International Ltd	RR	1.5%+MOSPRIME	2014	1,500,000	-
Municipal authority of Kamchatka region	RR	LIBOR+3%	2025	954,528	992,710
Other long-term debt	RR	-	-	174,923	-
Finance lease liabilities	RR	11.10%	-	930,998	729,611
<b>Total</b>				<b>17,578,464</b>	<b>15,722,336</b>
Less current portion of finance lease liabilities				(269,000)	(267,370)
Less current portion of non-current debt				(42,922)	(39,485)
<b>Total non-current debt</b>				<b>17,258,542</b>	<b>15,425,581</b>

European Bank for Reconstruction and Development (hereinafter referred to as "EBRD"). In September 2006 the Group received a loan, in three tranches, of RR 8,300,000 thousand from European Bank for Reconstruction and Development. Tranche 1 is stated net of transaction costs incurred in the amount of RR 289,885 thousand as at 31 December 2007. The funds will be used to finance a program

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to upgrade and re-equip HPPs of the Volzhskaya-Kamskaya Cascade. The loan is co-arranged by Standard Bank PLC, CJSC Bank Austria Creditanstalt AG and ING Bank (Eurasia). The lead arrangers are Calyon, Fortis S.A./N.V. and CJSC Raiffeisenbank Austria and the arrangers are CJSC Citibank, Credit Suisse and Banque Societe Generale Vostok. Interest is payable quarterly. The Group is subject to certain financial and other covenants under the facility. As at 31 December 2007, the Group was in compliance with all its covenants under the facility.

**Bonds issue.** In July 2006 OJSC RusHydro Management Company issued bonds in a public offering on the MICEX Stock Exchange. The total value of bonds issue was RR 5,000,000 thousand. The bonds were sold at a par value of RR 1,000 rubles, with a yield of 8.1 percent per annum. The yield is payable every six months. The bonds are repayable in July 2011. The bonds issue was sponsored by the KIT Finance Investment Bank. The bond issue proceeds will be used to finance the completion of Boguchanskaya HPP and the needs of Group's subsidiaries.

**Morgan Stanley Bank International Ltd.** (hereinafter referred to as "Morgan Stanley"). In April 2007 the Group obtained a loan of RR 1,500,000 thousand from Morgan Stanley. The funds are intended to be used for financing capital expenditure projects in accordance with the Group's investment programme. The loan bears interest at 1.5%+MOSPRIME per annum and is scheduled for repayment in April 2014. The interest is payable each half a year. The Group is subject to certain financial and other covenants under the facility. As at 31 December 2007, the Group was in compliance with all its covenants under the facility.

In December 2008 the Group obtained a loan of RR 3,000,000 thousand from Morgan Stanley. The funds are intended to be used for financing of the Company's investment programme. The loan bears interest at a 8.75 percent per annum and is scheduled for repayment in December 2013. The interest is payable on a monthly basis. The Group is subject to certain financial and other covenants under the facility. As at 31 December 2007, the Group was in compliance with all its covenants under the facility.

**Municipal authority of Kamchatka region.** The loan was received for the purpose of Mutnovskaya GeOES construction. Loan is scheduled for repayment by 1 January 2035 through annual payments. Interests of 1 percent is charged on the rest amount of the loan. Debt is stated at present value, discount rate is 8.57 percent.

### Current debt

	Currency	Effective interest rate	31 December 2007	31 December 2006
JSC Mezhlipenergbank	RR	11.00% - 14.30%	214,018	872,813
AB Otirbi	RR	11.00%	138,000	-
Aluminium Group Ltd	RR	12.00%	-	888,582
Settime Holding Ins	RR	12.00%	-	182,000
Other current debt	RR	-	4,388	54,938
Finance lease liabilities	RR	11.10%	288,000	257,370
Current portion of non-current debt	RR	-	42,822	38,485
Interest payable	RR	-	350,515	308,128
<b>Total current debt and current portion of non-current debt</b>			<b>1,018,854</b>	<b>2,682,074</b>

During 2008 the Group obtained debt from Aluminium Group Ltd and Settime Holding Ins, both RUSAL Group affiliates, to help finance the construction of Boguchanskaya HPP, which were transferred to BoGES Group upon BEMA establishment in year 2007 (Note 2).

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### Debt maturity

	31 December 2007	31 December 2006
Due for repayment		
Between three years and four years	5,174,823	-
Between four years and five years	-	5,000,000
After five years	11,421,821	9,853,280
<b>Total</b>	<b>16,596,644</b>	<b>14,853,280</b>

**Effective interest rate.** The effective interest rate is the market interest rate applicable to the loans at the date of origination for fixed rate loans and the current market rate for floating rate loans. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

**Finance lease liabilities.** Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2007	321,761	725,190	12,885	1,059,836
Less future finance charges	(52,781)	(74,322)	(885)	(128,048)
Present value of minimum lease payments at 31 December 2007	269,000	650,868	11,138	930,998
Minimum lease payments at 31 December 2006	293,883	500,867	8,811	802,561
Less future finance charges	(38,313)	(38,005)	(832)	(77,150)
Present value of minimum lease payments at 31 December 2006	257,370	464,862	7,379	729,611

### Note 17. Other non-current liabilities

	31 December 2007	31 December 2006
Pension obligations	843,855	888,470
Other non-current liabilities	84,088	129,871
<b>Total other non-current liabilities</b>	<b>937,924</b>	<b>819,141</b>

### Note 18. Accounts payable and accruals

	31 December 2007	31 December 2006
Trade payables	1,936,193	1,150,749
Advances received from RAO UES (Note 5)	1,238,838	4,995,936
Accounts payable to RAO UES (Note 5)	4,875,323	-
Advances received	337,484	120,000
Dividends payable (Note 13)	18,081	1,055,990
Settlements with personnel	508,579	335,380
Other accounts payable	1,217,817	885,805
<b>Total accounts payable and accruals</b>	<b>10,135,625</b>	<b>8,543,689</b>

**Advances received from RAO UES.** As at 31 December 2007 the Group has investment agreements with RAO UES to finance the construction of various HPP assets located in OJSC Zaramagskoe HPPs, OJSC Zelenchukskoe HPPs, and OJSC Kabalk HPP. The Group expects to settle these obligations in 2008.

All accounts payable and accruals are denominated in Russian Rubles.

Trade payables are classified as financial liabilities. Total amount of financial liabilities as at 31 December 2007 comprises RR 20,213,589 thousand (as at 31 December 2006: RR 19,258,324 thousand) and includes, beside trade payables, non-current borrowings and current borrowings and current portion of non-



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current borrowings (Note 16).

Management believes that the majority of suppliers, balances of which are included into trade payables, comprise a single class, as they have the same characteristics. Those suppliers are mainly providers of repair and maintenance services.

Other taxes payable represent the following:

	31 December 2007	31 December 2006
Value added tax	101,507	257,549
Property tax	485,808	475,900
Unified social tax	84,079	49,598
Other taxes	187,011	280,278
<b>Total other taxes payable</b>	<b>848,405</b>	<b>1,043,325</b>

**Note 19. Revenue**

	Year ended 31 December 2007	Year ended 31 December 2006
Sales of electricity (power)	45,885,718	21,838,215
Other revenue	1,803,853	3,154,175
<b>Total revenues</b>	<b>47,729,571</b>	<b>24,992,390</b>

**Note 20. Operating expenses**

	Year ended 31 December 2007	Year ended 31 December 2006
Purchased power expenses	9,941,329	4,222,949
Depreciation of property, plant and equipment	7,771,975	3,492,713
Employee benefit expenses and payroll taxes	4,721,467	3,231,134
Third parties services, including:	8,320,411	5,004,483
Rent, Repairs and Maintenance	4,173,204	2,302,051
Services of SO-CDU	1,226,714	1,076,840
Consulting, legal and information expenses	942,922	291,202
Security expenses	425,879	186,899
Insurance cost	485,555	287,979
Expenses related to reorganization	103,369	5,816
Transportation expenses	119,167	78,686
Other third parties services	863,801	795,190
Taxes other than profit tax	2,508,521	1,927,672
Other materials	1,002,382	619,952
Water usage expenses	797,000	987,586
Social charges	566,020	257,376
Loss on disposals of property, plant and equipment, net	52,262	2,531,663
Write-off and charge of impairment of accounts receivable	448,708	247,603
Other expenses	1,101,018	851,414
<b>Total operating expenses</b>	<b>37,229,091</b>	<b>23,354,525</b>

Loss on disposals of property, plant and equipment. In 2008 included within loss on disposals of property, plant and equipment is a RRR 2,335,351 thousand net loss which resulted from a disposal of construction in progress to OJSC Dagautdor. The disposed assets comprised of roads, bridges and other infrastructure under construction in Dagestan.

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**Note 21. Finance cost**

	Year ended 31 December 2007	Year ended 31 December 2006
Interest income	720,364	142,882
Interest expense	(1,375,822)	(514,781)
Finance lease expense	(30,400)	(43,225)
Other (expense)/income	(105,085)	122,684
<b>Finance cost, net</b>	<b>(794,853)</b>	<b>(282,440)</b>

**Note 22. Earnings per share**

	Year ended 31 December 2007	Year ended 31 December 2006
Weighted average number of ordinary shares issued (thousand of shares)	144,382,463	121,414,115
Profit attributable to the shareholders of OJSC RusHydro (in thousand RR)	6,530,075	16,285,673
<b>Weighted average earnings per share – basic and diluted (in RR)</b>	<b>0.0452</b>	<b>0.1341</b>

**Note 23. Financial risks management**

**Financial risk factors.** The Group activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, changes in interest rates and the collectibility of receivables. The Group does not have a risk policy in order to hedge its financial exposures.

**Currency risk.** Power and heat produced by the Group is sold on the internal market of the Russian Federation with prices fixed in the currency of the Russian Federation. Hence, the Group is little subject to the foreign currency exchange risk. The financial condition of the Company, its liquidity, financing sources and the results of activities do not considerably depend on currency rates as the Group activities are planned to be performed in such a way that its assets and liabilities be denominated in the national currency. Moreover, the Group does not plan to perform activities on the outer market. That is why the influence of changes in the domestic currency rate as related to foreign currency rates on the financial condition of the Group is estimated as insignificant.

**Interest rate risk.** The Group's operating profits and cash flows from operating activity are largely not dependent on the changes in market interest rates. The company obtains borrowings both with fixed and with floating rate and is subject to the risk of interest rate changes. The Group's significant interest bearing liabilities are disclosed in Note 16. The company obtains loans in the national currency with floating rate, which are established on the basis of the MosPrime rate.

Management performed sensitivity analyses of rates fluctuations for 2007 and 2008 years based on expected forecasts of rates changes at the date of redemption of exchange commitments. If the MosPrime rate increased by 0.5 percent the profit after tax would decreased by RRR 28.5 million for the year ended 31 December 2007 and by RRR 22.8 mln for the year ended 31 December 2008.

With the purpose of interest risk reduction the Group makes the following arrangements:

- credit market monitoring to identify favourable credit conditions;
- attraction of credit resources at rates that lower than the refinancing rate of the Central Bank of the Russian Federation;
- diversification of credit portfolio by attracting of borrowings with fixed rates and floating rates.

**Credit risk.** Credit risk is the risk of financial loss for the Group in the case of non-fulfillment by the Contractor of the obligations on the financial instrument under the proper contract. Financial assets on which the Group has the potential credit risk are represented mainly by the accounts receivable of buyers and customers (in amount of RRR 2,518,921 thousands; 2008 – RRR 843,885 thousands), cash and cash equivalents (in amount of RRR 5,779,538 thousands; 2008 – RRR 5,571,887 thousands), promissory notes (in amount RRR 27,897,677 thousands; 2008 – RRR 14,923,232 thousands), long-term loans issued (RRR 210,324 thousands in 2007, RRR 1,000,000 thousands in 2008), available for sale investments (RRR 123,894 thousands

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in 2007, RRR 1,982,580 thousands in 2006), totalling RRR 36,531,454 thousands (2006 – RRR 25,321,674 thousands). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

For Group customers there is no independent rating and therefore the Group assesses the credit quality of the customer at the contract execution stage. The Group takes into account the customer's financial position and its credit history. The Group monitors the existing receivables on the ongoing basis in the profile departments and takes actions regularly to their collection.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

Cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. The Board of Directors approved the list of banks for deposits, as well as rules for the placement of deposits. Moreover, the Company constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors.

The table in Note 9 shows the deposits with banks of the major counterparties and their ratings at the balance sheet date.

**Liquidity risk.** Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities. The Company adheres to the balanced model of financing of working capital – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and bills of exchange. Current liabilities are represented mainly by the account payable to suppliers and contractors.

The company has implemented a control system under its contract conclusion process by introduction and application of typical financial arrangements which include standardised payment structure, payment deadlines, percentage ratio between advance and final settlement, etc. In such a manner company control capital maturity.

The table below analyses the Group's financial liabilities (including interest accrued) into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their discounted balances (Note 18).

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>At 31 December 2007</b>				
Loans and borrowings	753,435	-	5,825,781	11,432,752
Promissory notes	285,383	-	-	-
Accounts payable	1,838,183	-	-	-
<b>At 31 December 2006</b>				
Loans and borrowings	1,850,753	-	5,484,882	8,860,840
Promissory notes	872,813	-	-	-
Accounts payable	1,150,740	-	-	-

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**Reconciliation of classes of financial instruments with measurement categories**

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss (hereinafter referred to as "FVTPL"). The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2007:

	Loans and receivables	Available-for- sale investments	Total
<b>ASSETS</b>			
Other non-current assets (Note 8)			334,318
Long-term loans receivable	210,324	-	-
Available-for sale investments	-	123,884	-
Trade and other receivables (Note 10)			24,457,264
Trade receivables	2,510,821	-	-
Promissory notes receivable	21,837,443	-	-
Other current assets (Note 12)			5,968,234
Promissory notes	5,880,234	-	-
Cash and cash equivalents (Note 9)			5,778,538
Cash and cash equivalents	5,778,538	-	-
<b>TOTAL FINANCIAL ASSETS</b>			<b>36,531,454</b>
<b>NON-FINANCIAL ASSETS</b>			<b>241,384,519</b>
<b>TOTAL ASSETS</b>			<b>277,835,973</b>

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2006:

	Loans and receivables	Available-for- sale investments	Total
<b>ASSETS</b>			
Other non-current assets (Note 8)			3,882,580
Long-term loans receivable	1,900,000	-	-
Available-for sale investments	-	1,882,580	-
Trade and other receivables (Note 10)			14,731,790
Trade receivables	943,885	-	-
Promissory notes receivable	13,787,825	-	-
Other current assets (Note 12)			1,135,307
Promissory notes	1,135,307	-	-
Cash and cash equivalents (Note 9)			5,571,987
Cash and cash equivalents	5,571,987	-	-
<b>TOTAL FINANCIAL ASSETS</b>			<b>25,321,674</b>
<b>NON-FINANCIAL ASSETS</b>			<b>113,526,280</b>
<b>TOTAL ASSETS</b>			<b>138,847,954</b>

All of the Group's financial liabilities as at 31 December 2007 and as at 31 December 2006 are carried at amortised cost.

**Fair values.** Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for Group for similar financial instruments.

The maximum exposure for each risk is limited to the fair value of each class of financial instrument.



**Note 24. Capital risk management**

Capital risk management relates to the compliance with the Russian legislation and credit policy implementation to maintain an optimal capital structure and reduce the cost of capital.

The following capital requirements have been established for joint stock companies by the legislation of the Russian Federation:

- share capital can not be lower than 1,000 minimum shares on the date of the company registration;
- if the share capital of the entity is greater than statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- if the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2007 the Group was in compliance with the above share capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the consolidated balance sheet, less cash. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The Group's policy of capital risk management is based on the following financial ratios: net debt to EBITDA ratio, interest payments coverage by EBITDA, and net debt coverage by revenue.

The Group's strategy is to achieve net debt to EBITDA ratio not more than 4.0, interest payments coverage by EBITDA not more than 0.25, net debt coverage by revenue not more than 1.25.

The net debt to EBITDA ratios were 0.68 and 0.53 as at 31 December 2007 and 2006 respectively.

Interest payments coverage by EBITDA were 0.078 and 0.012 for year ended 31 December 2007 and 2006 respectively.

Net debt coverage by revenue were 0.26 and 0.52 as at 31 December 2007 and 2006 respectively.

**Note 25. Commitments**

**Social commitments.** Group entities contribute to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

**Capital commitments.** In May 2006 RAO UES, the Company and RUSAL Group concluded an agreement on the mutual financing, construction and exploitation of Boguchanskaya HPP and the Boguchansky Aluminium Plant (Note 2). The total investment to be contributed by the RusHydro and RUSAL Groups amounts to RR 132,123 million (USD 5,383 million). Both RusHydro Group and RUSAL Group has committed to finance the construction on a parity terms. The first line of Boguchanskaya HPP and Boguchansky Aluminium Plant is planned to be put into operation in the fourth quarter of 2009.

Other future capital expenditures in accordance with contractual obligations amounted to RR 7,572,807 thousand at 31 December 2007 (31 December 2006: RR 8,360,146 thousand).

**Note 26. Contingencies**

**Political environment.** The operations and earnings of Group entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation.

**Insurance.** The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed for those risks for which it does not have insurance.

**Legal proceedings.** Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

**Tax contingencies.** Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

Due to the fact, that the tax and other legislation do not fully cover all the aspects of the Group reorganisation, there might be respective legal and tax risks.

As at 31 December 2007 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

Due to completion of the first stage of the Company's reorganisation in January 2008 in the form of the merger of 20 subsidiaries and associated companies, the Company is a legal successor for litigations of the subsidiaries and associated companies including those with tax authorities.

**Environmental matters.** Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Guarantees.** The Company provided certain counterparties with guarantees in respect to the following amounts of borrowings taken by the Group's related parties:

Name of counterparty	Debtor	Nature of relationship	31 December 2007	31 December 2006
BARCLAYS BANK PLC	CSJC Boguchansky Aluminium Plant	Joint venture	6,712,212	-
OJSC WGC-6*	OJSC Kastad NCh HPPs	Subsidiary of RAO UES	60,445	120,882
OJSC WGC-2	OJSC Kastad NCh HPPs	Subsidiary of RAO UES	58,334	-
OJSC Novochertasskaya GRES	OJSC Kastad NCh HPPs	Subsidiary of RAO UES	24,258	48,516
<b>Total:</b>			<b>6,855,249</b>	<b>169,408</b>

(\* ) in September 2007 OJSC WGC-6 was spun-off during the first stage of reorganisation of OJSC RAO UES of Russia. Therefore, it ceased to be a subsidiary of RAO UES of Russia.

## RusHydro Group

Notes to the Combined and Consolidated Financial Statements for the year ended 31 December 2007  
(in thousand of Russian Rubles)

In March 2007 the Company issued the guarantee for the loan of USD 520 million raised by OJSC Boguchansky Aluminium Plant to finance BEMA (Note 2). The loan period is 3 years, average interest rate is LIBOR + 0,825%. The managers and underwriters of the loan are ABN Amro, Barclays, Calyon and Sberbank of Russia. The raised borrowings are used for construction of Boguchansky Aluminium Plant and completion of Boguchanskaya HPP. The Company's guarantee provides for 50 percent of the borrower's liabilities under the loan agreement; the remaining 50 percent of liabilities are secured by the guarantee and surety provided by the RUSAL Group entities.

### Note 27. Subsequent events

On 8 January 2008 the first stage of reorganisation was completed by merging of the Company with OJSC Volzhskaya HPP, OJSC Zhigulevskaya HPP, OJSC Volkinskaya HPP, OJSC Sayano-Shushenskaya HPP named after P.S. Neponozhny, OJSC Zeiskaya HPP, OJSC Sulalenergo, OJSC Zelenchulskoe HPPs, OJSC KabalkHPP, OJSC Dagestanskaya Regional Hydrogenerating Company, OJSC Stavropolskaya Generating Company, OJSC Zagorskaya HAEPP, OJSC Bureiskaya HPP, OJSC Severo-Osetinskaya Hydrogenerating Company, OJSC Cheboksarskaya HPP, OJSC Nizhegorodskaya HPP, OJSC Saratovskaya HPP, OJSC Kamenskaya HPP, OJSC Kaskad VV HPPs, OJSC Kabardino-Balkarskaya Hydrogenerating Company, OJSC EOZ. During reorganisation the shares of the merged subsidiaries and associated companies were converted into the Company's shares. The shares of the subsidiaries and associated companies were converted into the Company's additional shares amounting to 38,898,122,959 shares at the date of making entries about the discontinuation of the above companies operations in the Unified State Register of Legal Entities as at 9 January 2008.

As a result of the additional share issue the Company's charter capital increased and as of 11 February 2008 amounted to 185,860,488,735 ordinary shares with nominal value of RR 1.

In February 2008 for the purposes of public circulation of ordinary shares at the Russian Stock Exchanges the Company's shares were subject to the stock exchange listing procedures with the major trade institutions at the Russian securities market: Moscow Interbank Currency Exchange (hereinafter referred to as "MICEX") and Russian Commodities and Raw Materials Exchange.

OJSC MICEX and Russian Commodities and Raw Materials Exchange started trading the Company's securities on 11 February 2008.

On 21 February 2008 the Company provided AREVA T&D S.A. with a guarantee under a contract for delivery of equipment and services for OJSC Boguchansky Aluminium Plant. The cost of the equipment and services under the contract amounts to Euro 78,181 thousand. The guarantee amounted to 50 percent of all current and future payment liabilities to AREVA T&D S.A.

On 14 April 2008 the Company and The Bank of New York signed the depositary agreement for the purpose of further placement of Global Depositary Receipts.

### Kyoto Protocol

In May 2007 the Resolution on Practical Implementation of the Kyoto Protocol Mechanisms in Russia was signed by the Chairman of the Russian Federation Government. The Group entities will now be able to go ahead with about 88 Joint Implementation projects designed to improve the energy efficiency of its operations. Generated funds will be used to help modernize the existing generation capacity and build new generation capacity using the most advanced power equipment. As at 31 December 2007 only several preliminary contracts were signed by the Group companies. As of now there are no Joint Implementation agreements registered by authorized government body of the Russian Federation and the United Nations.

## Appendix 5 JSC RusHydro Board of Directors Members in 2006-2007 corporate year

The Board of Directors was elected by the General meeting of the Company's shareholders on 22.06.2006  
(each member's position is specified according to their Board of Directors membership day)

Victor B. Christenko (Chairman)	
Year of birth	1957
Education	Higher education, Chelyabinsk Polytechnical University, year of graduation -1978; Academy of the national economy for the Government of the Russian Federation, year of graduation -1995, economic engineer, Master of administration, Doctor of economic science
Nationality	Russia
Offices held in the issuer company and other organizations over the last 5 years and at present, in chronological order	2000 Government of the Russian Federation, First Deputy Chairman of the Government  2001-2004 Government of the Russian Federation, Deputy Chairman of the Government  2004 Government of the Russian Federation, Acting Chairman of the Government  2004 – by present Ministry for industry and energy of the Russian Federation Minister of industry and energy of the Russian Federation
Vyacheslav Yu. Sinyugin	
Year of birth	1969
Education	Higher education, Omsk State University, legal science; St. Petersburg State University, postgraduate courses, academic degree of Candidate of legal science
Nationality	Russia
Offices held in the issuer company and other organizations over the last 5 years and at present, in chronological order	1999-2001 JSC RAO UES of Russia, Head of capital management department  2000-2001 JSC RAO UES of Russia, Member of the Board, Head of corporate strategy department  2001- 2004 JSC RAO UES of Russia, Deputy Chairman of the Board  2004 – by present JSC RAO UES of Russia, Member of the Board, CEO for Hydrogeneration business-division  2005 – 2008 OJSC MC HydroOGK, General Director  2004 - by present JSC RusHydro, Chairman of the Board



<b>Anatoly B. Chubais</b>	
Year of birth	1955
Education	Higher education, Leningrad Palmiro Togliatti Engineering and Economic Institute (LEEI), year of graduation - 1977
Nationality	Russian
Offices held in the issuer company and other organizations over the lastt 5 years and at present, in chronological order	1998 – to present day JSC RAO UES of Russia, Chairman of the Board, Member of the Board of Directors

<b>Yakov M. Urinson</b>	
Year of birth	1944
Education	Higher education, Moscow Plekhanov Institute of national economy , year of graduation – 1966, economist
Nationality	Russian
Offices held in the issuer company and other organizations over the lastt 5 years and at present, in chronological order	1999 – to present day SU Higher School of Economics, lecturer  1999-2000 JSC RAO UES of Russia, Manager of expert and analytical group on economic and financial affairs– Chief expert  2000 – to present day JSC RAO UES of Russia, Deputy Chairman of the Board, Head of Corporate Center

<b>Andrey N. Rappoport</b>	
Year of birth	1963
Education	Higher education, Donetsk State University, national economy planning, year of graduation - 1989
Nationality	Russian
Offices held in the issuer company and other organizations over the lastt 5 years and at present, in chronological order	1998-2004 JSC RAO UES of Russia, Deputy Chairman of the Board  2004 - to present day JSC RAO UES of Russia, Member of the Board  2002 - to present day OJSC FSC UES, Chairman of the Board , Member of Board of Directors

<b>Boris I. Ayuev</b>	
Year of birth	1957
Education	Higher education, Ural Polytechnical Institute, year of graduation - 1979 , qualification: electric power plants, Candidate of technical science
Nationality	Russian
Offices held in the issuer company and other organizations over the lastt 5 years and at present, in chronological order	1997-2002 Joint dispatcher control over Urals power systems (ODU of Urals), Subsidiary of JSC RAO UES of Russia, Deputy Director for TRDC FOREM – Head of financial settlements and reporting dept., deputy Director for ODU of Urals, Director of TRDC FOREM  2002 – 2004 OJSC CO UES, Deputy Chairman of the Board, Member of Board of Directors  2004 - to present day OJSC CO UES, Chairman of the Board , Member of Board of Directors  2004 – to present day JSC RAO UES of Russia, Member of the Board

<b>Vassily A. Zubakin</b>	
Year of birth	1958
Education	Higher education, Omsk Polytechnical Institute, year of graduation – 1986, radio equipment design and manufacture Moscow Institute of national economy, postgraduate courses, year of graduation -1986; Russian Plekhanov Economic Academy, doctorate, year of graduation - 1993
Nationality	Russian
Offices held in the issuer company and other organizations over the lastt 5 years and at present, in chronological order	2000 - 2002 JSC RAO UES of Russia, Head of capital management department  2002 -2004 JSC RAO UES of Russia, Member of the Board, Head of capital management department  2004 - 2006 JSC RAO UES of Russia, Member of the Board, Head of department of support to processes of Reform Management Center reformation  2006 – to present day JSC RusHydro, Member of the Board – Deputy Chairman of the Board

<b>Dmitry V. Ponomarev</b>	
Year of birth	1967
Education	Higher education, MGIMO, legal science, year of graduation - 1993
Nationality	Russian
Offices held in the issuer company and other organizations over the lastt 5 years and at present, in chronological order	1997-2000 NE Stock Exchange RTS , President  2000-2002 NE RTS Stock Exchange, Chairman of the Board of Directors  2000-2002 CJSC technical center RTS, Advisor for General Director  2002 -to present day NE ATS, Chairman of the Board

<b>David A. Herne</b>	
Year of birth	1971
Education	Higher education, Harvard University, BA, year of graduation - 1993
Nationality	USA
Offices held in the issuer company and other organizations over the last 5 years and at present, in chronological order	2000 – 2003 Brunswick Capital Management Company, Moscow Office, Director  2003 – by present Halcyon Advisors, CEO

<b>Per-Christian Endsho</b>	
Year of birth	1941
Education	PhD (Resource Management), MA (Economics), MBA
Nationality	Norwegian
Offices held in the issuer company and other organizations over the last 5 years and at present, in chronological order	1995 – 2001 Norsk Hydro Asia Pte Ltd. and Hydro Asia Pacific Pte Ltd. Singapore (Regional Headquarters for Asia, Pacific for Norsk Hydro ASA), President  2001 – 2004 Embassy of Norway in Singapore, Counselor for Technology and Research  2004 – by present Organization: Petal Consulting, Oslo, Norway, Independent consultant

<b>Rustam Z. Khamitov</b>	
Year of birth	1954
Education	Higher education, MW MGTU named by N.E. Bauman, engineer officer, year of graduation – 1977
Nationality	Russia
Offices held in the issuer company and other organizations over the last 5 years and at present, in chronological order	2000 – 2003 Administration of Plenipotentiary Representative of the President of the Russian Federation in the Privolzhsky Federal District, Chief Federal Inspector for the Republic of Bashkortostan  2003 Interregional Inspectorate No.4, Federal Tax Administration for major taxpayers. Head.  2004 – by present Federal Agency for Water Resources, Head

## Appendix 6 Information on Compliance with the Corporate Governance Code

Corporate Governance Code rule	Information on compliance/non-compliance and explanatory notes (the way it is/is not observed), actions taken for the rule to be observed, comments on events of non-compliance
<b>1. PRINCIPLES AND PATTERNS OF THE COMPANY'S CORPORATE GOVERNANCE</b>	
Compliance with corporate governance principles.	Observed. The activities of the Company and the Company Board of Directors are based on observance of corporate governance principles as recorded in the Corporate Governance Code. <b>Accountability.</b> The Company Board of Directors is accountable to all shareholders in accordance with current laws and regulations. For instance, this is manifested in the submission by the Board of Directors of the annual report to be approved by the Annual General Meeting of Shareholders. <b>Justice.</b> The Company ensures protection of the rights and lawful interests of the shareholders by: providing a reliable method of keeping records of ownership of shares, as well as an opportunity to freely and quickly dispose of shares held by the shareholders; providing an opportunity for the shareholders to participate in company management by passing decisions on major matters of the Company's operations at the general meeting of shareholders; providing an opportunity for the shareholders to participate in the Company's profits by establishing a clear mechanism for determination of the dividend rate (Regulations on the Dividend Policy of JSC RusHydro is planned to be approved by the Board of Directors at its meeting on 4 April 2008). <b>Transparency.</b> Apart from information to be disclosed as required by laws and regulations the Company discloses additional information according to the Regulation on Information Policy as accepted in the Company. Over the accounting period information on all material facts had been disclosed, the quarterly report of the issuer for the 3rd quarter of 2007 was prepared, and shareholders were granted access to information as provided by the Federal Law on Joint Stock Companies during the extraordinary General Meeting of Shareholders of 12 October 2007: <a href="http://www.gidroogk.ru">www.gidroogk.ru</a> . <b>Responsibility.</b> The Company acknowledges the legally established rights of all stakeholders. The responsibility of the members of the Board of Directors and the members of the Management Board as established in Art. 71 of the Federal Law on Joint Stock Companies, in the Regulation on the Procedure for Calling and JSC RusHydro Holding Board of Directors Meetings, and the Regulation on the Management Board.
Availability of Company bylaws regulating the activities of managing and supervisory bodies of the Company and their compliance with current laws and regulations.	Observed. The General Meeting of Shareholders of the Company (the Board of Directors of JSC RAO UES of Russia) of 22 June 2007 (Minutes No. 254) approved the Regulation on the Procedure for Convening and JSC RusHydro Holding the General Meeting of Shareholders and the Regulation on the Procedure for Calling and JSC RusHydro Holding Board of Directors Meetings. The General Meeting of Shareholders (the Management Board of JSC RAO UES of Russia) of 06 April 2005 (Minutes No. 1187pr/3) approved the Regulation on the Management Board of the Company and the Regulation on the Auditing Commission of the Company. <a href="http://www.gidroogk.ru/global/investors/disclosure/documents/">http://www.gidroogk.ru/global/investors/disclosure/documents/</a>
Disclosure on the Company's site of by-laws of the Company regulating the activities of the managing and supervisory bodies of the Company.	Observed. Company bylaws regulating the activities of the managing and supervisory bodies of the Company are available on the site of the Company at: <a href="http://www.gidroogk.ru/global/investors/disclosure/documents/">http://www.gidroogk.ru/global/investors/disclosure/documents/</a>



Corporate Governance Code rule	Information on compliance/non-compliance and explanatory notes (the way it is/ is not observed), actions taken for the rule to be observed, comments on events of non-compliance
<b>2. CORPORATE GOVERNANCE PRACTICES</b>	
<b>2.1. The Board of Directors</b>	
Compliance with the procedure for election and termination of powers of the members of the Board of Directors.	Observed. The members of the Board of Directors are elected by the General Meeting of Shareholders according to a procedure established by the Federal Law on Joint Stock Companies and the Company Charter for a term until the next annual General Meeting of Shareholders.
No limitation on the number of reelections of Board of Directors members.	Observed. Under Article 13.4. of the Company Charter persons elected to the Board of Directors can be reelected for an unlimited number of successive terms. No limitation on the number of reelections of Board of Directors members are provided for in the Company bylaws.
At least three independent directors among the Board of Directors members.	Observed. Three independent directors among the Board of Directors members.
At least 25% of executive directors among the members of the Board of Directors being concurrently the Company's employees.	Observed. The Board of Directors includes Vyacheslav Sinyugin who is concurrently the Company's employee (Chairman of the Management Board), which is less than 25% of executive directors. The Board of Directors includes no other employees of the Company.
Compliance with the principle of concurrent JSC RusHydro Holding of the offices of one-person executive body and Chairman of the Management Board being prohibited.	Observed. Victor Christenko is the Chairman of the Board of Directors. Vyacheslav Sinyugin is the Chairman of the Management Board of the Company.
Existence in the Company of the following committees under the Board of Directors: for strategy; for reliability; for audits; for personnel and remuneration.	Observed. The Strategy Committee under the Board of Directors was set up in 2005 (Board of Directors Minutes No.4 of 29 March 2005 and No. 5 of 25 April 2005). The Reliability Committee of the Board of Directors was set up in 2005 (Board of Directors Minutes No.13 of 16 December 2005). The currently functioning members of the Strategy Committee and of the Reliability Committee have been elected by the Board of Directors on 20 July 2007 (Minutes No. 35). The Personnel and Remuneration Committee and the Audit Committee under the Board of Directors were set up in 2007 (Board of Directors Minutes No. 45 of 26 December 2007). The members of the Personnel and Remuneration Committee and of the Audit Committee have been elected by the Board of Directors on 24 January 2008 (Minutes No. 46).
Availability in the Company of an approved work schedule of the Board of Directors.	Observed. The Board of Directors of JSC RusHydro approved the Work Schedule of the Board of Directors for the 2007-2008 corporate year on 20 July 2007 (Minutes No. 35).

Corporate Governance Code rule	Information on compliance/non-compliance and explanatory notes (the way it is/ is not observed), actions taken for the rule to be observed, comments on events of non-compliance
Meetings of the Board of Directors held at least quarterly.	Observed. Meetings of the Board of Directors of JSC RusHydro are held once a month on average.
Provisions on the procedure for JSC RusHydro Holding Board of Directors meetings available in the Company's bylaws.	Observed. The General Meeting of Shareholders of JSC RusHydro approved the Regulation on the Procedure for Calling and JSC RusHydro Holding Board of Directors meetings (revised), which contains a procedure for JSC RusHydro Holding Board of Directors meetings, on 22 June 2007. <a href="http://www.gidroogk.ru/res/files/hydroogk/council_meeting_22062007.pdf">http://www.gidroogk.ru/res/files/hydroogk/council_meeting_22062007.pdf</a>
Public disclosure on the Company's site of information on remuneration of the members of the Board of Directors.	Observed. Information on remuneration of the members of the Board of Directors is presented on the Company's site at: <a href="http://www.gidroogk.ru/global/company/management/board/sd/">http://www.gidroogk.ru/global/company/management/board/sd/</a>
Compliance with the ban on granting loans to Board of Directors members who are not the Company's employees.	Observed. No loans have been granted to Board of Directors members who are not the Company's employees.
<b>2.2. The Management Board and the Chairman of the Management Board</b>	
Compliance with the procedure for the election of the Chairman and members of the Management Board.	Observed. The Chairman and members of the Management Board are elected in a manner established by the Federal Law on Joint Stock Companies and the Company Charter. The members of the Management Board have been elected by decisions of the Board of Directors of the Company. The Chairman of the Management Board has been elected by the General Meeting of Shareholders. In 2007 amendments concerning election of the Chairman of the Management Board by the Board of Directors have been made to the Company Charter.
Compliance with the Management Board work procedure.	Observed. The work of the Management Board is conducted in accordance with the Regulation on the Management Board of the Company. Meetings of the Management Board are held according to the work schedule of the Management Board for a relevant quarter as approved by the Management Board.
Availability of a Management Board remuneration system approved by the Board of Directors.	Observed. The Board of Directors of JSC RusHydro approved the Regulation on Material Incentives for Top Managers (revised) (Minutes No. 34) on 21 June 2007. The Board of Directors of JSC RusHydro approved the Regulation on Material Incentives for the Chairman of the Management Board (revised) (Minutes No. 35) on 20 July 2007.
Observance of the Management Board members' obligation to avoid actions that lead or may lead to a conflict of private and public interests, and in the event of such a conflict to inform the Board of Directors of the same.	Observed. Additional agreements to employment contracts have been signed with the members of the Management Board containing an obligation to avoid such actions and to inform the Board of Directors of any such conflicts arising.
Disclosure by the members of the Management Board to the Company of information on any commercial operations not related to the interests of the Company.	Observed. Additional agreements to employment contracts have been signed with the members of the Management Board establishing an obligation to disclose information on any commercial operations carried out by members of the Management Board.

Corporate Governance Code rule	Information on compliance/non-compliance and explanatory notes (the way it is/is not observed), actions taken for the rule to be observed, comments on events of non-compliance
<b>2.3. Interaction between the Board of Directors and the executive bodies</b>	
Submission to the Board of Directors of reports on the activities of the Management Board.	Observed. The report on the activities of the Management Board for the second half-year of 2007 is planned to be considered at the meeting of the Board of Directors of JSC RusHydro on 04 April 2008.
<b>3. SHAREHOLDERS OF THE COMPANY</b>	
<b>3.1. Rights of Shareholders and Protection of Shareholders' Rights</b>	
Observance of the right of shareholders to promptly obtain information.	Observed. The right of shareholders to promptly obtain information is observed.
Compliance by the Company with requirements for disclosure of information, including on the internet.	Observed. Information subject to be disclosed under laws and regulations currently in force and the Company's bylaws is disclosed on the site of the Company at: <a href="http://www.gidroogk.ru/global/investors/disclosure/regulations/">http://www.gidroogk.ru/global/investors/disclosure/regulations/</a>
<b>3.2. General Meeting of Shareholders</b>	
The Company accepted the Regulation on the Procedure for Preparing and JSC RusHydro Holding the General Meeting of Shareholders in which the procedure for preparing and JSC RusHydro Holding of and passing resolutions by the General Meeting of Shareholders is set out in detail.	Observed. The Regulation on the Procedure for Preparing and JSC RusHydro Holding the General Meeting of Shareholders in which the procedure for preparing and JSC RusHydro Holding of and passing resolutions by the General Meeting of Shareholders is set out in detail was approved by the General Meeting of Shareholders on 22 June 2007. <a href="http://www.gidroogk.ru/res/files/hydroogk/meeting.pdf">http://www.gidroogk.ru/res/files/hydroogk/meeting.pdf</a>
Observance of the rights of shareholders to attend the general meeting of shareholders, to vote on its agenda items, to be given notice of the meeting and its agenda well in advance, and to obtain reliable, objective and timely information sufficient for passing decisions on agenda items.	Observed. The rights of shareholders to attend the general meeting of shareholders, to vote on agenda items, to be given notice of the meeting and its agenda, and to obtain reliable, objective and timely information sufficient for passing decisions on agenda items are recorded in Articles 6 and 10 of the Company Charter. <a href="http://www.gidroogk.ru/global/investors/disclosure/regulations/">http://www.gidroogk.ru/global/investors/disclosure/regulations/</a>
Compliance with the procedure for proposals to be made concerning the agenda of the general meeting of shareholders.	Observed. The procedure for proposals to be made concerning the agenda of the general meeting of shareholders is established in Article 11 of the Company Charter. <a href="http://www.gidroogk.ru/global/investors/disclosure/regulations/">http://www.gidroogk.ru/global/investors/disclosure/regulations/</a>
The Company does its best to ensure that shareholders attend the General Meeting and vote on agenda items. The venue of the General Meeting shall be accessible for the shareholders. The registration procedure is convenient for the participants and ensures fast and unimpeded access to the venue of the meeting.	Observed. During the accounting period (12 October 2007) one extraordinary General Meeting of Shareholders was held in the form of absentee vote. All shareholders of the Company cast their votes. The venue of the General Meeting of Shareholders in the form of joint attendance is specified in Article 10.8 of the Company Charter: The General Meeting of Shareholders may be held at the place of the Company's location or in Moscow.
Voting is held by ballots.	Observed. According to Article 10.13 of the Company Charter voting on agenda items of the General Meeting of Shareholders shall be held by ballots only.

Corporate Governance Code rule	Information on compliance/non-compliance and explanatory notes (the way it is/is not observed), actions taken for the rule to be observed, comments on events of non-compliance
Vote results and other appropriate material shall be provided to shareholders on the day of the General Meeting or thereafter, and promptly published on the Company's site and in mass media.	Observed. According to Article 10.17 of the Company Charter, vote results and resolutions passed by the General Meeting of Shareholders can be announced at the General Meeting of Shareholders. Resolutions passed by the General Meeting of Shareholders, as well as vote results in the form of a voting summary within no less than 10 (Ten) days after the date of the voting summary report shall be published by the Company in the Vedomosti newspaper and placed on the Company's web-site at: <a href="http://www.gidroogk.ru/global/company/management/general-meeting/overpast/">http://www.gidroogk.ru/global/company/management/general-meeting/overpast/</a>
<b>3.3. Dividend Policy</b>	
Compliance with the procedure and time limits for dividend payment.	Observed. The procedure and time limits for dividend payment are established in Article 7 of the Company Charter. Dividends for the 1st quarter of 2007, resolution on payment of which had been passed by the annual General Meeting of Shareholders on 22 June 2007, were paid in full. No resolution on payment of dividends in the second half-year of 2007 was passed.
Establishment of a transparent and clear mechanism for the determination of the size of dividends; provision of a dividend payment procedure most convenient for the shareholders that would exclude failure to pay in full or in time dividends declared.	Observed. The Company developed a draft Regulation on the Dividend Policy of JSC RusHydro providing for the establishment of a transparent and clear mechanism for the determination of the size of dividends and a dividend payment procedure most convenient for the shareholders that would exclude failure to pay dividends in full or in time. The Regulation is to be approved by the meeting of the Board of Directors on 04 April 2008.
<b>4. Disclosure of Information and Transparency</b>	
<b>4.1. Disclosure of Information Policies and Practices</b>	
Availability of a Regulation on Information Policy accepted in the Company.	Observed. The Regulation on Information Policy was approved (as revised) by the Board of Directors on 26 December 2007 (Minutes No. 45)
Disclosure of information on the Company's site.	Observed. Information to be disclosed under current laws and regulations and the Company's bylaws is disclosed on the site: <a href="http://www.gidroogk.ru">www.gidroogk.ru</a>
Disclosure of information in annual and quarterly reports.	Observed. Quarterly issuer reports for the 3rd and 4th quarters of 2007 were submitted to the registration agency within the time limits stipulated by the current law of the Russian Federation. The text of quarterly reports for the 3rd and 4th quarters of 2007 are available on the internet at: <a href="http://www.gidroogk.ru/global/investors/disclosure/greports/">http://www.gidroogk.ru/global/investors/disclosure/greports/</a> The text of the Company's annual report for 2006 is available on the internet at: <a href="http://www.gidroogk.ru/global/investors/disclosure/annual-reports/">http://www.gidroogk.ru/global/investors/disclosure/annual-reports/</a>
Availability of an English language site of the Company.	Observed. The English language version of JSC RusHydro site is under development.
Availability of a document approved by the Board of Directors concerning the use of material information on the Company's operations, shares and other securities and transactions with them that is not publicly available and disclosure of which may have a material impact on the market value of shares and other securities of the Company (insider information).	Observed. The Regulation on the insider information of JSC RusHydro was approved by the Company on 10 October 2005 (Minutes No. 10).



Corporate Governance Code rule	Information on compliance/non-compliance and explanatory notes (the way it is/ is not observed), actions taken for the rule to be observed, comments on events of non-compliance
The Company seeks assessments of the level of disclosure of information and corporate governance system as a whole by leading analysts and the public with a view to drawing on such recommendations to make improvements in the Company's corporate governance.	Observed. In 2007 the Company held some 30 meetings with leading analysts and the public at which information on the Company's financial and business operations were presented. Major investment funds prepared reports on the Company which is indicative of the high level of transparency and information availability. In the context of annual reports and corporate sites, the annual report of JSC RusHydro was recognized as the best annual report in English (EnergoRynok magazine) and the best annual report in the Siberian Federal District (RTS Stock Exchange jointly with the Equity Market magazine)
<b>4.2. Financial Statements</b>	
Accounting and financial statements according to Russian accounting standards.	Observed. The Company is keeping accounts and records and prepares financial statements in accordance with Russian accounting standards. Financial statements for the first half-year of 2007 were compiled and presented within the legally established time limits.
Disclosure of financial information according to the IAS.	Observed. The Company prepares summary (consolidated) financial statements according to international accounting standards (IAS) at the end of the year and publishes such statements on the Company's site at: <a href="http://www.gidroogk.ru/global/investors/disclosure/finreports1/2006/">http://www.gidroogk.ru/global/investors/disclosure/finreports1/2006/</a>
<b>4.3. Control over Financial and Business Operations</b>	
Availability of procedures for internal control over the financial and business operations of the Company approved by the Board of Directors.	Observed. On 15 August 2007 (Minutes No. 37) the Board of Directors approved the Regulation on the Internal Audits and Risk Management. Article 3 of the Regulation contains information on internal control procedures. The Regulation on the Internal Control and Risk Management Policies is scheduled to be approved at the meeting of the Board of Directors on 04 April 2008.
Availability of a special division of the Company responsible for compliance with the internal control procedure.	Observed. On 15 August 2007 (Minutes No. 37) the Board of Directors approved the Regulation on the Internal Audit and Risk Management Department. The Internal Audit and Risk Management Department has been set up and is operating in accordance with the Regulation approved.
<b>4.4. Ownership Structure</b>	
Disclosure of information on actual owners of five percent and more voting shares.	Observed. The structure of the Company's equity capital including information on shareholders owning 5% and more voting shares in the Company is available on the Internet at: <a href="http://www.gidroogk.ru/global/investors/capital/structure/">http://www.gidroogk.ru/global/investors/capital/structure/</a>
<b>5. Principles and Practices of Relationships with Subsidiary and Affiliated Companies</b>	
Availability in the Company of an approved procedure for relationships with SDC.	Observed. On 4 December 2007 (Minutes No. 43) the Board of Directors of JSC RusHydro approved the Procedure for JSC RusHydro Relationships with Business Entities in Which JSC RusHydro Owns Shares (Interest) (revised).

## Appendix 7 Chronicle of Transactions

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
<b>Transactions effected by the Company in the accounting year and treated as major transactions under the Federal Law on Joint Stock Companies</b>			
Agreement between JSC Krasnoyarsk Territory Development Corporation, JSC RUSAL, JSC RusHydro on co-investment in construction of the Boguchanskaya HPP and an aluminum production unit within the framework of the Comprehensive Development of the Lower Angara Area investment project	General Meeting of Shareholders of JSC RusHydro (represented by the Board of Directors of JSC RAO UES of Russia) Minutes No. 257 of 21 August 2007	<b>Parties to the Agreement:</b> JSC Krasnoyarsk Territory Development Corporation—Investor; JSC RUSAL—Co-investor 1; JSC RusHydro—Co-investor 2. <b>Subject of the Agreement:</b> Each Co-investor assumes all obligations, as well as full responsibility of the Investor under Investment Agreement of 17 April 2007 on Joint Financing of the Comprehensive Development of the Lower Angara Area investment project concluded between Rosenergo, Rosavtodor, Roszheldor, Krasnoyarsk Territory Administration Council and Krasnoyarsk Territory Development Corporation insofar as organization of financing and implementation of measures for the construction of the Boguchanskaya HPP and the Boguchansky aluminum mill. <b>Amount of the Agreement:</b> Total amount of the Agreement—138,289,000,000 rubles, including: - 70,408,000,000 rubles—financing of the Boguchanskaya HPP completion project; - 67,881,000,000 rubles—financing of the Boguchansky aluminum mill.	
<b>Transactions effected by the Company in the accounting year and treated as transactions of interest under the Federal Law on Joint Stock Companies</b>			
Agreement for the provision of paid services between JSC RusHydro and NP Hydroenergy of Russia	Board of Directors of JSC RusHydro; Minutes No. 36 of 30 July 2007	<b>Parties to the Agreement:</b> Customer: JSC RusHydro; Contractor: Hydroenergy of Russia Non-Profit Partnership. <b>Subject of the Agreement:</b> The Contractor undertakes to provide on assignment from the Customer services of developing a Conception of Design, Construction and Commissioning of Reservoirs in accordance with the Specification, and the Customer undertakes to pay for the services provided by the Contractor. Cost of services: 3,000,000 rubles, VAT (18%) included. Deadline for the completion of services under the Agreement: 1 December 2007.	Chairman of the Management Board Vyacheslav Sinyugin; Member of the Management Board Rasim Khaziakhmetov.
Lease Agreement for Non-residential Premises between JSC RusHydro and JSC Kamskaya HPP	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	To approve the Lease Agreement for Non-residential Premises (hereinafter: the Agreement) as a interested-party transaction, on the following essential terms: <b>Parties to the Agreement:</b> The Lessor: JSC Kamskaya HPP; The Tenant: JSC RusHydro. <b>Subject of the Agreement:</b> The Lessor provides and the Tenant accepts non-residential premises with a total area of 23.4 sq m located at: Kamskaya HPP, Perm. The rent shall be 8,190 (eight thousand one hundred ninety) rubles per month, VAT (18%) included. The Agreement shall come into force from the date of its signing by the parties and apply to relationships between the parties arising from 1 October 2007 and be effective up to 08 January 2008, inclusive.	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Lease Agreement for Non-residential Premises between JSC RusHydro and JSC Cascade of VV HPPs	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Parties to the Agreement: The Lessor: JSC Cascade of VV HPPs. Tenant: JSC RusHydro. Subject of the Agreement: The Lessor provides and the Tenant accepts non-residential premises with a total area of 16.7 sq m located at: 31 ul. Vyazemskogo, Rybinsk, Yaroslavl Region. The rent shall be 2,418 (two thousand four hundred and eighteen) rubles 43 kopecks per month, VAT (18%) included. The Agreement shall come into force from the date of its signing by the parties and apply to relationships between the parties arising from 1 October 2007, and shall be effective up to 08 January 2008, inclusive.	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin
Loan Agreement between JSC RusHydro and Chairman of the Management Board Vyacheslav Sinyugin	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Vyacheslav Sinyugin. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 23,066,906 rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Chairman of the Management Board Vyacheslav Sinyugin
Loan Agreement between JSC RusHydro and member of the Management Board Vasily Zubakin	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Vasily Zubakin. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 16,282,522 (sixteen million two hundred eighty two thousand and twenty two) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum	Member of the Management Board Vasily Zubakin
Loan Agreement between JSC RusHydro and member of the Management Board Konstantin Belyaev	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Konstantin Belyaev. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 (fourteen million nine hundred twenty five thousand six hundred and forty five) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Konstantin Belyaev
Loan Agreement between JSC RusHydro and member of the Management Board Boris Bogush	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Boris Bogush; Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Boris Bogush
Loan Agreement between JSC RusHydro and member of the Management Board Oleg Oksuzyan	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Boris Oksuzyan; Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 (fourteen million nine hundred twenty five thousand six hundred and forty five) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Oleg Oksuzyan

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Loan Agreement between JSC RusHydro and member of the Management Board Alexander Sergeev	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Alexander Sergeev. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 (fourteen million nine hundred twenty five thousand six hundred and forty five) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Alexander Sergeev
Loan Agreement between JSC RusHydro and member of the Management Board Alexander Toloshinov	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Alexander Toloshinov. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 (fourteen million nine hundred twenty five thousand six hundred and forty five) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Alexander Toloshinov
Loan Agreement between JSC RusHydro and member of the Management Board Rasim Khaziakhmetov	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Rasim Khaziakhmetov. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 (fourteen million nine hundred twenty five thousand six hundred and forty five) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Rasim Khaziakhmetov
Loan Agreement between JSC RusHydro and member of the Management Board Sergei Yushin	Board of Directors of JSC RusHydro; Minutes No. 43 of 04 December 2007	Borrower: Sergei Yushin. Lender: Open Joint-Stock Company "Federal Hydro-generating Company". Amount of loan: not in excess of 14,925,645 (fourteen million nine hundred twenty five thousand six hundred and forty five) rubles. Currency of loan: Russian Federation rubles. Loan period: up to March 2011. Loan interest rate: 0% per annum.	Member of the Management Board Sergei Yushin
Lease and Operation Agreement between JSC Neporozhny Sayano-Sushenskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<b>Parties to the Agreement:</b> Party 1 – JSC Neporozhny Sayano-Sushenskaya HPP. Party 2 – JSC RusHydro. <b>Subject of the Agreement:</b> JSC Neporozhny Sayano-Sushenskaya HPP undertakes to provide for temporary use movable and immovable property (hereinafter: the "Property"), and JSC RusHydro undertakes to accept the Property and pay for the use thereof. JSC Neporozhny Sayano-Sushenskaya HPP shall ensure in-service maintenance and repair, logistic support, monitoring, and management and process control of the Property's operation (hereinafter: the "Services"). <b>Price of the Agreement:</b> Payment under the Agreement shall be determined from a formula set out in the Appendix to the resolution of the Board of Directors. <b>Duration of the Agreement:</b> The Agreement shall come into force upon its signing and be effective until discharge by the Parties of their obligations in full. The Parties agreed that terms and conditions of the Agreement shall apply to relationships between the Parties arising from 01 September 2007. Term of lease of the Property and provision of the Services: from 1 September 2007 to 31 December 2007. The term of the Agreement may be extended by agreement between the Parties.	Chairman of the Management Board Vyacheslav Sinyugin



List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Additional Agreement No. 1 to Agreement No. 21-02-3012-07 of 15 June 2007 between JSC Saratovskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the additional agreement:</b> Party 1 – JSC Saratovskaya HPP Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b> 1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008. 2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula: S/agr = S/serv + S/lease, where: S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as S/lease = Slease * 1/31 * 8 and equal to 24,303,838.65 Rublels (twenty four million three hundred and three thousand eight hundred thirty eight rubles 65 kopecks), VAT (18%) included in the amount of 3,707,365.22 rubles (three million seven hundred and seven thousand three hundred sixty five rubles 22 kopecks). S/serv is the cost of Services provided by Party 1 in the period from 1 January 2008 to 8 January 2008, inclusive. And S/serv shall be determined from the formula: S/serv = (Sngp2008 * 1/12 * 1/31 * 8 – S/lease). Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of the Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law. 3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Additional Agreement No. 1 to Agreement No. 21-02-3002-07 of 03 August 2007 between JSC Volzhskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Volzhskaya HPP Party 2 – JSC RusHydro.</p> <p><b>Subject of the Additional Agreement:</b> 1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 of 8 January 2008. 2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula: S/agr = S/serv + S/lease, where: S/lease is the rent payable by Party 2 for the use of the Property in the period from 01 January 2008 to 08 January 2008, inclusive, calculated as S/lease = Slease * 1/31 * 8 and equal to 12,922,273.48 rubles (twelve million nine hundred twenty two thousand two hundred seventy three rubles 48 kopecks), VAT (18%) included in the amount of 1,971,194.26 rubles (one million nine hundred seventy one thousand one hundred ninety four rubles 26 kopecks). S/serv is the cost of Services provided by Party 1 in the period from 01 January 2008 to 08 January 2008, inclusive. And S/serv shall be determined from the formula: S/serv = (Sngp2008 * 1/12 * 1/31 * 8 – S/lease – S/sublease). Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the effective Russian law. S/sublease is the amount of sublease payment for January 2008 under Sublease of Energy Equipment No. 21-02-2724-07 of 19 May 2007 concluded between Party 1 and Party 2. 3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	Chairman of the Management Board Vyacheslav Sinyugin
Additional Agreement No. 1 to Agreement No. 21-02-3001-07 of 03 August 2007 between JSC Votkinskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Votkinskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the Additional Agreement:</b> 1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 of 8 January 2008. 2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula: S/agr = S/serv + S/lease, where: S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as S/lease = Slease * 1/31 * 8 and equal to 4,998,461.79 rubles (four million nine hundred ninety</p>	Chairman of the Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
		<p>eight thousand four hundred sixty one rubles 79 kopecks), VAT (18%) included in the amount of 762,477.22 rubles (seven hundred sixty two thousand four hundred seventy seven rubles 22 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 1 January 2008 to 8 January 2008, inclusive. And S/serv shall be determined from the formula:</p> $S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease).$ <p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	
Additional Agreement No. 1 to Agreement No. 21-02-3000-07 of 17 August .2007 between JSC Dagestanskaya Regional Generating Company and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Dagestanskaya Regional Generating Company. Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b></p> <p>1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008.</p> <p>2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula: S/agr = S/serv + S/lease, where: S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as S/lease = Slease * 1/31 * 8 and equal to 10,558,586.77 rubles (ten million five hundred fifty eight thousand five hundred eighty six rubles 77 kopecks), VAT (18%) included in the amount of 1,610,631.88 rubles (one million six hundred ten thousand six hundred thirty one rubles 88 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 1 January 2008 to 8 January 2008, inclusive. And S/serv shall be determined from the formula: S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease).</p> <p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	Chairman of the Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Additional Agreement No. 1 to Agreement No. 21-02-3004-07 of 17 August 2007 between JSC Zeiskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Zeiskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b></p> <p>1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008.</p> <p>2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula: S/agr = S/serv + S/lease, where: S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as S/lease = Slease * 1/31 * 8 and equal to 9,506,098.96 rubles (nine million five hundred and six thousand and ninety eight rubles 96 kopecks), VAT (18%) included in the amount of 1,450,082.89 rubles (one million four hundred fifty thousand eighty two rubles 89 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 1 January 2008 to 8 January 2008, inclusive. And S/serv shall be determined from the formula: S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease) + S/heat.</p> <p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>S/heat = Sheat * 1/31 * 8, where: S heat is the cost of heat energy supplied by Party 2 over the settlement period as specified in the Heat Acceptance Certificate or another document containing similar information.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	Chairman of the Management Board Vyacheslav Sinyugin
Additional Agreement No. 1 to Agreement No. 21-02-3010-07 of 15 June 2007 between JSC Kamskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement::</b> Party 1 – JSC Kamskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b></p> <p>1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008.</p> <p>2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula: S/agr = S/serv + S/lease, where: S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as S/lease = Slease * 1/31 * 8 and equal to 4,532,924.66 rubles (four million five hundred thirty two thousand nine hundred twenty four rubles 66 kopecks), VAT (18%) included in the amount of 691,463.08 rubles (six hundred ninety one thousand four hundred sixty three rubles 08 kopecks).</p>	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin



List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
		<p>S/serv is the cost of Services provided by Party 1 in the period from 01 January 2008 to 08 January 2008, inclusive. And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease)</math>.  Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p>Duration of the Additional Agreement:  The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	
Additional Agreement No. 1 to Agreement No. 21-02-3011-07 of 15 June 2007 between JSC Cascade of VV HPPs and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b>  Party 1 – JSC Cascade of VV HPPs.  Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b></p> <p>1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008.</p> <p>2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula:  <math>S/agr = S/serv + S/lease</math>, where:  S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as <math>S/lease = S/lease * 1/31 * 8</math> and equal to 2,569,590.10 rubles (two million five hundred sixty nine thousand five hundred ninety rubles 10 kopecks), VAT (18%) included in the amount of 391,971.37 rubles (three hundred ninety one thousand nine hundred seventy one rubles 37 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 1 January 2008 to 8 January 2008, inclusive. And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease)</math>.  Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b>  The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Additional Agreement No. 1 to Agreement No. 21-02-3016-07 of 15 June 2007 between JSC Nizhegorodskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b>  Party 1 – JSC Nizhegorodskaya HPP.  Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b></p> <p>1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008.</p> <p>2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula:  <math>S/agr = S/serv + S/lease</math>, where:  S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as <math>S/lease = S/lease * 1/31 * 8</math> and equal to 6,820,208.36 rubles (six million eight hundred twenty thousand two hundred and eight rubles 36 kopecks), VAT (18%) included in the amount of 1,040,370.77 rubles (one million forty thousand three hundred seventy rubles 77 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 01 January 2008 to 08 January 2008, inclusive. And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease)</math>.  Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b>  The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin
Lease between JSC Neporozhny Sayano-Sushenskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Agreement:</b>  Party 1 – JSC Neporozhny Sayano-Sushenskaya HPP.  Party 2 – JSC RusHydro.</p> <p><b>Subject of the Agreement:</b>  JSC Neporozhny Sayano-Sushenskaya HPP undertakes to provide for temporary use movable and immovable property (hereinafter: the "Property") (Appendix 12 to this resolution), and JSC RusHydro undertakes to accept the Property and pay for the use thereof.</p> <p>JSC Neporozhny Sayano-Sushenskaya HPP shall ensure in-service maintenance and repair, logistic support, monitoring, and management and process control of the Property's operation (hereinafter: the "Services").</p> <p><b>Price of the Agreement:</b>  Payment under the Agreement (Sagr) shall be determined from the following formula:  <math>Sagr = Sserv + Slease</math>, where:  Slease is the rent payable by Party 2 for the use of the Property under Article 1.1 of this Agreement in the period from 01 January 2008 to 08 January 2008, inclusive, in the amount of 12,450,320.04 (twelve million four hundred fifty thousand three hundred twenty rubles 04 kopecks), VAT (18%) included in the amount of 1,899,201.36 (one million eight hundred ninety nine thousand two hundred and one rubles 36 kopecks).</p>	Chairman of the Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
		<p>S/serv is the cost of Services provided by Party 1 under Article 1.2 of this Agreement over the settlement period.</p> <p>And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease)</math>.</p> <p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p><b>Duration of the Agreement:</b>  The Agreement shall come into force upon its signing and be effective until discharge by the Parties of their obligations in full. The Parties agreed that terms and conditions of the Agreement shall apply to relationships between the Parties arising from 1 January 2008.</p> <p>Term of lease of the Property and provision of the Services: from 1 January 2008 to 8 January 2008, inclusive.</p> <p><b>The term of the Agreement may be extended by agreement between the Parties.</b></p>	
Additional Agreement No. 1 to Agreement No. 21-02-3014-07 of 3 September 2007 between JSC Stavropolskaya Electricity Generating Company and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b>  Party 1 – JSC Stavropolskaya Electricity Generating Company.  Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b>  1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 08 January 2008.  2. The Parties agreed that in the period from 01 January 2008 to 08 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula:  <math>S/agr = S/serv + S/lease</math>, where:  S/lease is the rent payable by Party 2 for the use of the Property in the period from 01 January 2008 to 08 January 2008, inclusive, calculated as <math>S/lease = Slease * 1/31 * 8</math> and equal to 3,098,414.83 rubles (Three million ninety eight thousand four hundred fourteen rubles 83 kopecks), VAT (18%) included in the amount of 472,639.55 rubles (Four hundred seventy two thousand six hundred thirty nine rubles 55 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 01 January 2008 to 08 January 2008, inclusive. And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease)</math>.</p> <p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>3. The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b>  The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	Chairman of the Management Board Vyacheslav Sinyugin

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Additional Agreement No. 1 to Agreement No. 21-02-3013-07 of 15 June 2007 between JSC Cheboksarskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b>  Party 1 – JSC Cheboksarskaya HPP.  Party 2 – JSC RusHydro.</p> <p><b>Subject of the additional agreement:</b>  1. The Parties agreed to extend the term of lease of property and the term of provision of services under the Agreement up to 24.00 on 8 January 2008.  2. The Parties agreed that in the period from 1 January 2008 to 8 January 2008, inclusive, payment under Agreement (S/agr) shall be determined from the following formula:  <math>S/agr = S/serv + S/lease</math>, where:  S/lease is the rent payable by Party 2 for the use of the Property in the period from 1 January 2008 to 8 January 2008, inclusive, calculated as <math>S/lease = Slease * 1/31 * 8</math> and equal to 9,094,998.53 rubles (nine million ninety four thousand nine hundred ninety eight rubles 53 kopecks), VAT (18%) included in the amount of 1,387,372.66 rubles (one million three hundred eighty seven thousand three hundred seventy two rubles 66 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 in the period from 1 January 2008 to 8 January 2008, inclusive. And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - S/lease)</math>.</p> <p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>The Parties agreed that Party 2 shall make payment under the Agreement in the amount specified in this resolution not later than 25 January 2008.</p>	JSC RAO UES of Russia; Chairman of JSC RusHydro Management Board Vyacheslav Sinyugin.
Lease between JSC Zagorskaya and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Agreement:</b>  Party 1 – JSC Zagorskaya HPP.  Party 2 – JSC RusHydro.</p> <p><b>Subject of the Agreement:</b>  JSC Zagorskaya HPP undertakes to provide for temporary use movable and immovable property (hereinafter: the "Property") (Appendix to the resolution), and JSC RusHydro undertakes to accept the Property and pay for the use thereof.</p> <p>JSC Zagorskaya HPP shall ensure in-service maintenance and repair, logistic support, monitoring, and management and process control of the Property's operation (hereinafter: the "Services").</p> <p><b>Price of the Agreement:</b>  Payment under the Agreement (Sagr) shall be determined from the following formula:  <math>Sagr = Sserv + Slease</math>, were:  Slease is the rent payable by Party 2 for the use of the Property under Article 1.1 of this Agreement in the period from 1 January 2008 to 8 January 2008, inclusive, in the amount of 32,152,734.00 (thirty two million one hundred fifty two thousand seven hundred thirty four rubles 00 kopecks), VAT (18%) included in the amount of 4,904,654.34 (four million nine hundred and four thousand six hundred fifty four rubles 34 kopecks).</p> <p>S/serv is the cost of Services provided by Party 1 under Article 1.2 of this Agreement over the settlement period.</p> <p>And S/serv shall be determined from the formula:  <math>S/serv = (Sngp2008 * 1/12 * 1/31 * 8 - Spur * 1/31 * 8 - S/lease)</math>.</p>	Chairman of the Management Board Vyacheslav Sinyugin



List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
		<p>Sngp2008 is necessary gross proceeds from the sale of electricity and capacity on the ORE approved by the Federal Tariff Service of Russia for 2008 for Party 2 (in supply point groups previously registered for Party 1) less those registered by the FTS of Russia for Party 2 (in supply point groups previously registered for Party 1) the amount of expenses incurred in connection with payments made to organizations engaged in the regulated activities on ORE (NP ATS, JSC UES SO-CDA), expenses incurred in connection with payments made to CJSC Financial Settlements Centre and the amount of targeted investment funds. For the purpose of that Agreement Sngp2008 (rubles) is determined with VAT included as stipulated by the current Russian law.</p> <p>Spur is the cost of electricity (capacity) purchased by Party 2 (in supply point groups previously registered for Party 1) on the electricity (capacity) wholesale market in January 2008 and calculated in accordance with the tariff and balance decision of the FTS of Russia for 2008 and, in addition, VAT as established by the current law of the Russian Federation.</p> <p><b>Duration of the Agreement:</b> The Agreement shall come into force upon its signing and be effective until discharge by the Parties of their obligations in full. The Parties agreed that terms and conditions of the Agreement shall apply to relationships between the Parties arising from 1 January 2008. Term of lease of the Property and provision of the Services: from 1 January 2008 to 8 January 2008, inclusive. The term of the Agreement may be extended by agreement between the Parties.</p>	
Additional Agreement to Power Equipment Lease No. 21-02-3015-07 of 31 July 2007 between JSC Bureiskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Bureiskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the Additional Agreement:</b> The Parties agreed to extend the term of lease of property and provision of services under the Agreement up to 24.00 of 8 January 2008. The Parties agreed to formulate Schedule No. 1 to the Agreement using the wording as provided by Appendix 14 to this resolution. The Parties agreed to formulate Schedule No. 3 to the Agreement using the wording as provided by Appendix 15 to this resolution. The Parties agreed to formulate Article 4.1.1. of the Agreement using the following wording: *4.1.1. S<sub>agr1</sub> = S<sub>serv</sub> + S<sub>lease</sub>, where: S<sub>lease</sub> is the rent payable by Party 2 for the use of the Property under Article 1.1 of this Agreement during the settlement period in the amount of 139,964,659.66 (one hundred thirty nine million nine hundred sixty four thousand six hundred fifty nine Rubes 66 kopecks), VAT (18%) included in the amount of 21,350,541.30 (twenty one million three hundred fifty thousand five hundred forty one rubles 30 kopecks). Calculation of the rent is set out in Schedule No. 3 to this Agreement. S<sub>serv</sub> is the cost of Services provided by Party 1 under Article 1.2 of this Agreement during the settlement period. And S<sub>serv</sub> shall be calculated from the formula: S<sub>serv</sub> = (Sngp * 1/6 – S<sub>lease</sub> – S<sub>subleasing</sub>) + S<sub>heat</sub>. Sngp (Rbls) shall be determined in accordance with Schedule 4 to this Agreement. S<sub>heat</sub> (Rbls) is the cost of heat energy supplied by Party 2 over the settlement period as specified in the Heat Energy Acceptance Certificate or another document containing similar information.</p>	JSC RAO UES of Russia

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
		<p>Ssubleasing is the amount of subleasing payment under the Power Equipment Subleasing Agreement No. 21-02-2724-07 of 19 May 2007 concluded between Party 1 and Party 2 for the settlement period. The Parties agreed that in the period from 01 January 2008 to 08 January 2008, inclusive, payment under the Agreement (S<sub>agr</sub>) shall be calculated from the formula: S<sub>agr</sub> = S<sub>serv</sub> + S<sub>lease</sub>, where: S<sub>lease</sub> is the rent payable by Party 2 for the use of the Property in the period from 01 January 2008 to 08 January 2008, inclusive, determined as S<sub>lease</sub> = S<sub>lease</sub> * 1/31 * 8 and equal to 36,119,912.17 rubles (thirty six million one hundred nineteen thousand nine hundred twelve rubles 17 kopecks), VAT (18%) included in the amount of 5,509,817.11 rubles (five million five hundred and nine thousand eight hundred seventeen rubles 11 kopecks). S<sub>serv</sub> is the cost of Services provided by Party 1 in the period from 01 January 2008 to 08 January 2008, inclusive. And S<sub>serv</sub> shall be determined from the formula: S<sub>serv</sub> = (Sngp2008 * 1/12 * 1/31 * 8 – S<sub>lease</sub> – S<sub>subleasing</sub>) + S<sub>heat</sub>. Sngp2008 (rubles) shall be determined in accordance with Schedule No. 3 to this Agreement. S<sub>subleasing</sub> is the amount of subleasing payment for January 2008 under Power Equipment Subleasing Agreement No. 21-02-2724-07 of 19 May 2007 concluded between Party 1 and Party 2. S<sub>heat</sub> = S<sub>heat</sub> * 1/31 * 8, where: S<sub>heat</sub> is the cost of heat energy supplied by Party 2 during January 2008 as specified in the Heat Acceptance Certificate or another document containing similar information. For the period from 1 January 2008 to 8 January 2008, inclusive, Party 2 makes payment under the Agreement in the amount specified in the Additional Agreement not later than 7 February 2008. All the remaining terms and conditions of the Agreement shall remain unchanged and be effective insofar as they do not come into conflict with the Additional Agreement. The Additional Agreement shall come into force from its signing by the Parties; terms and conditions of the Additional Agreement shall apply to relationships between the Parties arising from 1 December 2007.</p>	
Additional Agreement to Power Equipment Subleasing Agreement No. 21-02-3382-07 of 24 October 2007 between JSC Bureiskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Bureiskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the Additional Agreement:</b> Extension of the term of the Agreement up to 8 January 2008, inclusive. Addition to Schedule No. 1 to the Agreement of columns Nos 86 – 196 in accordance with Appendix 16 to this resolution. The wording of Schedule No. 2 to the Agreement shall be in accordance with Appendix 17 to this resolution. Payments shall be made by the Sublease Holder within one month from the date of signing the Additional Agreement. <b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and apply to relationships between the Parties arising from 1 July 2007 and be effective until termination of the Agreement.</p>	JSC RAO UES of Russia

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
Additional Agreement to Power Equipment Subleasing Agreement No. 21-02-2723-07 of 19 May 2007 between JSC Volzhskaya HPP and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Volzhskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the Additional Agreement:</b> To extend the term of the Agreement up to 8 January 2008, inclusive. The amount of subleasing payment due and payable by the Sublease Holder for the period from 1 to 8 January 2008 (inclusive) shall be 3,207,685.20 (three million two hundred and seven thousand six hundred eighty five rubles 20 kopecks), VAT (18%) included in the amount of 489,307.91 (four hundred eighty nine thousand three hundred and seven rubles 91 kopecks). Sublease Holder shall make payment in the amount specified in this clause not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	Chairman of the Management Board Vyacheslav Sinyugin
Additional Agreement to Power Equipment Subleasing Agreement No. 21-02-2724-07 of 19 May 2007 between JSC Zhigulevskaya and JSC RusHydro	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Additional Agreement:</b> Party 1 – JSC Zhigulevskaya HPP. Party 2 – JSC RusHydro.</p> <p><b>Subject of the Additional Agreement:</b> To extend the term of the Agreement up to 08 January 2008, inclusive. The amount of subleasing payment due and payable by the Sublease Holder for the period from 01 to 08 January 2008 (inclusive) shall be 9,662,677.26 (nine million six hundred sixty two thousand six hundred seventy seven rubles 26 kopecks), VAT (18%) included in the amount of 1,473,967.72 (one million four hundred seventy three thousand nine hundred sixty seven rubles 72 kopecks). Sublease Holder shall make payment in the amount specified in this clause not later than 25 January 2008.</p> <p><b>Duration of the Additional Agreement:</b> The Additional Agreement shall come into force from the date of its signing by duly authorized representatives of the Parties and be effective until termination of the Agreement.</p>	Chairman of the Management Board Vyacheslav Sinyugin
Sale and Purchase Agreement between JSC RusHydro and Non-Profit Partnership Trade System Administrator (NP ATS)	Board of Directors of JSC RusHydro; Minutes No. 45 of 26 December 2007	<p><b>Parties to the Agreement:</b> The Seller – NP ATS The Buyer – JSC RusHydro</p> <p><b>Subject of the Agreement:</b> NP ATS undertakes to transfer to JSC RusHydro the ownership of, and JSC RusHydro undertakes to accept and pay for key information media eToken PRO 32K in the number of 18 (eighteen) items.</p> <p><b>Price of the Agreement:</b> The cost of one key information medium is 1400 (one thousand four hundred) rubles 00 kopecks, VAT of 18 (eighteen) percent included in the amount of 213 (two hundred thirteen) rubles 56 kopecks. The total cost is 25,200 (twenty five thousand two hundred) rubles 00 kopecks.</p> <p><b>Duration of the Agreement:</b> The Agreement shall come into force from the date of its signing by the Parties and be effective until the Parties discharge their obligations in full. The Agreement shall apply to relationships between the Parties arising from 31 October 2007.</p>	Member of the Board of Directors Dmitry Ponomarev

List of Transactions	No./Date of Minutes of a Management Body Approving the Transaction	Material Terms and Conditions	Stakeholders
<b>Miscellaneous Transactions</b>			
Credit Agreement between JSC RusHydro and Morgan Stanley International Limited (and/or any other company of the Morgan Stanley Group)	Board of Directors of JSC RusHydro; Minutes No. 30 of 10 April 2007	Amount of credit: 1,500,000,000 rubles; Loan period: (complete repayment of the principal): 7 years from the date of signing the loan agreement. Interest rate not in excess of MOSPRIME + 1.5% per annum. No security. Other terms of loan in accordance with terms and conditions of the loan agreement.	
Contract of Guarantee between JSC RusHydro and Voith Siemens Hydro Power Generation for discharge of obligations of JSC Cascade of VV HPPs under the contract (No. Д02584 of 02 April 2007) with Voith Siemens Hydro Power Generation for the delivery and replacement of vertical hydraulic unit No. 2 of the Uglichskaya HPP	Board of Directors of JSC RusHydro; Minutes No. 30 of 10 April 2007	The Contract of Guarantee is concluded for a term until the discharge by JSC Cascade of VV HPPs of its obligations in full. The term of the Contract is 28 months from the date of its signing. JSC RusHydro shall be responsible for the performance in full of obligations under the Contract by JSC Cascade of VV HPPs. The obligations of JSC Cascade of VV HPPs under the contract amounts to 33,200,000 euro, VAT not included.	
Letter of undertaking	Board of Directors of JSC RusHydro; Minutes No. 28 of 30 January 2007	JSC RusHydro undertakes to provide guarantee for the discharge of obligations by JSC Cascade of VV HPPs under the credit agreement in an amount of no more than 60,000,000 US dollars ("Credit Refinancing Agreement") concluded for the purpose of refinancing, in part or in full, the debt of JSC Cascade of Nizhne-Cherekskiye HPPs' debt to CF STRUCTURED PRODUCTS B.V. under the loan agreement to the amount of 60,000,000 US dollars.	



## Appendix 8 The JSC RusHydro Holding performance results

Electrical energy generation by JSC RusHydro SDC hydropower plants , mln kWh					
Name	Inst. capacity, MW	Number of plant units	2005	2006	2007
OJSC UV HPP Cascade	456.4	8	1 508.0	1 030.6	1 258.6
■ Rybinskaya HPP	346.4	6	278.0	269.0	219.0
■ Uglichskaya HPP	110.0	2	1 230.0	761.6	1 039.6
OJSC Nizhegorodskaya HPP	520.0	8	1 784.0	1 316.4	1 636.9
OJSC Zhigulevskaya HPP	2 315.0	20	11 229.0	9 586.2	11 742.2
OJSC Saratovskaya HPP	1 360.0	24	5 943.0	5 468.0	6 226.1
OJSC Volzhskaya HPP	2 541.0	23	12 854.0	11 306.9	13 536.9
OJSC Kamskaya HPP	510.0	23	1 889.0	1 806.1	2 212.0
OJSC Votkinskaya HPP	1 020.0	10	2 521.0	2 379.1	3 176.2
OJSC Cheboksarskaya HPP	1 370.0	18	2 154.0	2 079.1	2 046.6
OJSC Zeiskaya HPP	1 330.0	6	4 295.0	5 166.0	5 276.2
OJSC Neporozhny SShHPP	6 721.0	13	23 647.7	26 817.7	20 764.5
■ Sayano-Shushenskaya HPP	6 400.0	10	22 433.4	25 400.0	19 407.6
■ Mainskaya HPP	321.0	3	1 214.3	1 417.7	1 356.9
OJSC Zelenchukskie HPP	160.0	2	199.0	228.3	375.9
OJSC Sulakenergo	400.0	2	707.0	229.0	1047.5
OJSC Dagestanskaya RPP	1 381.9	27	4 270	3 616.5	3 614.6
■ Chirkeiskaya HPP	1000	4	2 858	2 300	2 297
■ Chirjurtzkaya HPP-1	72	2	50	51	47
■ Chirjurtzkaya HPP-2	9	1	453	452	422
■ Miatlinskaya HPP	220	2	799	696	688
■ Gergebilskaya HPP	17.8	5	60	57	56
■ Gelbakhszkaya HPP	44	2	0	0	19
■ Gunibskaya HPP	15	3	49	58	59
■ Malaya Kurushskaya HPP	0.5	2	0,7	0,1	2,8
■ Malaya Ahtynskaya	1.8	3	0,3	0,8	11,3
■ Agulskaya HPP	0,6	1	-	1,6	4,3
■ Maginskaya HPP	1,2	2	-	-	8,2
OJSC KabbalkHPP	4.5	3	6.2	11.6	13.7
■ Akbashskaya HPP	1.0	2	-	-	1.9
■ MHPP-3 on Baksan-Malka Channel	3.5	1	6.2	11.6	11.8
OJSC Stavropolskaya EGS	462.4	29	1 682.5	1 634.1	1 493.8
■ HPP-1	37.0	2	233.6	230.5	202.8
■ HPP-2	184.0	4	671.7	673.1	612.1
■ HPP-3	87.0	3	272.0	267.2	240.8
■ HPP-4	78.0	3	259.4	251.2	216.2
■ PSHPP	15.9	6	11.0	9.9	12.8
■ Sengileevskaya HPP	15.0	3	84.3	75.4	76.8
■ Egorlykyskaya HPP	30.0	2	76.2	63.3	62.7
■ Novotroitskaya HPP	3.7	2	22.7	16.1	18.4
■ Svistukhinskaya HPP	11.8	4	51.6	47.4	51.2
OJSC Zagorskaya PSHP"	1200	6	1 916.0	1 919.4	1 934.2
Novosibirskaya HPP	455.0	7	1 933.4	2 024.2	2 014.7
<b>TOTAL</b>	<b>22 207.2</b>	<b>235</b>	<b>78 538.8</b>	<b>76 619.2</b>	<b>78 370.6</b>

## Appendix 9 The Holding and JSC RusHydro sales results

Electric and heat energy supplied by JSC RusHydro Holding in 2007 (including OJSC Zagorskaya PSHP), MWh

Month	Sold under RC *, MWh	Sold on DAM **, MWh	Sold under FBC ***, MWh	Sold on EM ****, MWh	Total energy supply on WEM *****, MWh	Heat energy supply, Gcal
January	5 097 604.281	2 160 583.425	24 960.000	448 085.888	6 548 325.406	38 486.510
February	4 999 877.791	2 050 266.392	0.000	388 666.024	6 303 915.130	32 274.007
March	5 293 789.067	2 594 302.672	64 470.000	438 270.511	7 239 279.195	28 577.390
April	5 869 136.381	2 238 606.382	397 228.969	309 737.170	7 013 303.932	20 400.745
May	7 988 213.753	1 841 973.930	73 588.406	288 190.302	8 783 304.838	10 762.643
June	7 582 190.620	1 479 060.395	63 141.552	307 807.673	7 929 548.700	7 269.894
July	6 678 518.444	1 488 324.832	474 264.284	437 713.285	6 976 914.858	7 047.520
August	6 504 798.072	1 107 066.931	431 426.041	477 120.225	6 008 577.824	5 666.992
September	6 170 381.295	972 183.781	130 716.111	491 725.214	5 414 636.658	8 567.658
October	5 621 210.039	818 705.666	43 805.500	576 253.233	5 027 725.741	19 586.108
November	5 529 851.474	931 050.773	52 452.450	492 561.173	4 911 991.113	29 571.942
December	5 326 202.287	1 226 270.349	43 623.200	531 885.355	5 251 458.820	38 356.908
<b>TOTAL:</b>	<b>72 661 773.504</b>	<b>18 908 395.528</b>	<b>1 799 676.513</b>	<b>5 188 016.053</b>	<b>77 408 982.215</b>	<b>246 568.317</b>

Month	Purchased under RC, MWh	Purchased on DAM, MWh	Purchased under FBC, MWh	Purchased on EM, MWh
January	226 780.968	449 674.325	910.000	505 542.895
February	226 855.484	506 674.235	0.000	401 365.358
March	226 871.589	380 969.502	0.000	543 711.964
April	214 786.134	1 122 000.190	0.000	464 618.646
May	214 786.026	643 120.866	0.000	550 754.661
June	214 785.990	793 322.233	0.000	494 543.317
July	202 853.576	1 481 223.623	0.000	417 828.788
August	202 853.628	1 838 181.538	0.000	470 798.279
September	202 853.300	1 659 895.124	0.000	487 621.319
October	202 853.466	1 271 478.361	0.000	557 916.870
November	202 853.331	1 379 289.710	0.000	511 781.716
December	202 853.604	1 170 575.795	0.000	503 092.972
<b>TOTAL:</b>	<b>2 541 987.096</b>	<b>12 696 405.502</b>	<b>910.000</b>	<b>5 909 576.785</b>

\* Regulated bilateral contracts  
 \*\* Day-ahead market  
 \*\*\* Free bilateral contracts  
 \*\*\*\* Equilibrating market  
 \*\*\*\*\* Electric energy supply/sale on wholesale electric energy market net of purchased electric energy

Electric and heat energy sold by JSC RusHydro Holding in 2007 (including OJSC Zagorskaya PSHPP), thousand USD

Month	Sold under RC * (electric energy)	Sold under RC (capacity)	Sold on DAM **	Sold under FBC ***	Sold on EM ****	Proceeds from electric energy sale on WEM *****	Proceeds from heat energy sale
January	559 272	2 033 849	830 427	9 984	176 019	3 219 571	19 124
February	552 510	2 043 238	915 045	0	156 442	3 258 935	16 024
March	564 778	2 029 101	985 915	22 565	150 465	3 379 485	14 191
April	639 064	2 035 569	721 938	189 288	171 923	2 982 864	10 133
May	912 859	2 036 101	590 098	22 672	104 474	3 152 129	5 393
June	865 518	2 033 891	492 508	22 209	154 493	3 012 266	3 655
July	757 722	2 077 239	689 937	236 899	216 218	2 945 245	3 533
August	741 263	2 098 265	698 652	213 761	329 898	2 659 446	2 798
September	699 056	2 086 268	589 614	60 372	302 986	2 477 762	4 344
October	624 994	2 087 450	469 155	10 155	346 025	2 498 035	9 783
November	601 529	2 086 532	593 395	22 421	326 658	2 534 542	14 612
December	570 930	2 137 251	741 160	17 154	326 883	2 794 719	18 887
<b>TOTAL:</b>	<b>8 089 494</b>	<b>24 784 756</b>	<b>8 317 843</b>	<b>827 480</b>	<b>2 762 484</b>	<b>34 914 998</b>	<b>122 477</b>

Month	Purchased under RC (electric energy)	Purchased on DAM	Purchased under FBC	Purchased on EM
January	86 275	181 274	501	121 932
February	78 802	218 080	0	111 418
March	98 218	168 239	0	106 880
April	64 859	615 150	0	94 909
May	93 742	321 682	0	98 651
June	91 530	366 640	0	98 182
July	117 988	802 712	0	112 070
August	51 270	1 207 976	0	163 148
September	107 687	998 534	0	154 313
October	83 449	768 321	0	187 975
November	68 067	857 274	0	170 652
December	85 329	741 932	0	171 397
<b>TOTAL:</b>	<b>1 027 216</b>	<b>7 247 814</b>	<b>501</b>	<b>1 591 527</b>

\* Regulated bilateral contracts  
 \*\* Day-ahead market  
 \*\*\* Free bilateral contracts  
 \*\*\*\* Equilibrating market  
 \*\*\*\*\* Electric energy supply/sale on wholesale electric energy market net of purchased electric energy

## Appendix 10 Terms of SDC shares conversion into JSC RusHydro shares

As a result of joint stock companies takeover, SDC shares were converted into JSC RusHydro shares:

State registration number of JSC RusHydro share issue	SDC	Category of SDC shares converted into JSC RusHydro shares	Number of additional JSC RusHydro shares SDC converted into	Conversion rate
1-01-55038-E-003D	OJSC Bureiskaya HPP	ordinary	1 926 156 345	0,9753053055711250
1-01-55038-E-004D	OJSC Volzhskaya HPP	ordinary	4 164 768 364	0,0924777120278805
1-01-55038-E-005D	OJSC Volzhskaya HPP	preferred	1 038 366 440	0,1009802489930990
1-01-55038-E-006D	OJSC Votkinskaya HPP	ordinary	1 180 221 205	0,0791401964646080
1-01-55038-E-007D	OJSC Votkinskaya HPP	preferred	1 004 053 679	0,0864164626169556
1-01-55038-E-008D	OJSC Dagestanskaya Regional Generating Company	ordinary	5 452 397 967	0,4735290884122240
1-01-55038-E-009D	OJSC Zhigulevskaya HPP	ordinary	3 057 860 640	0,1660809314517490
1-01-55038-E-010D	OJSC Zhigulevskaya HPP	preferred	696 932 968	0,1813506567501080
1-01-55038-E-011D	OJSC Zagorskaya PSHPP	ordinary	6 894 241 049	2,0118517662031500
1-01-55038-E-012D	OJSC Zeiskaya HPP	ordinary	1 397 059 856	0,1611471300891550
1-01-55038-E-013D	OJSC Zeiskaya HPP	preferred	1 290 183 415	0,1759632344279920
1-01-55038-E-014D	OJSC Zelenchukskie HPP	ordinary	58 998	0,7265321674568300
1-01-55038-E-015D	OJSC Kabardino-Balkarskaya Hydrogenerating Company	ordinary	121 317 531	0,7904875674830130
1-01-55038-E-016D	OJSC KabbalkHPP	ordinary	3 023 005	0,1207407869959820
1-01-55038-E-017D	OJSC Kamskaya HPP	ordinary	22 322	0,0000447998082296
1-01-55038-E-018D	OJSC Cascade VV HPP	ordinary	10	0,0999039271877230
1-01-55038-E-019D	OJSC Nizhegorodskaya HPP	ordinary	793	0,0012607083225520
1-01-55038-E-020D	OJSC Saratovskaya HPP	ordinary	560	0,0017846014274298
1-01-55038-E-021D	OJSC Severo-Ossetinskaya Hydrogenerating Company	ordinary	271 302 097	0,3757435019735730
1-01-55038-E-022D	OJSC Stavropolskaya Electric Generating Company	ordinary	515 643 709	0,4675003089462080
1-01-55038-E-023D	OJSC Stavropolskaya Electric Generating Company	preferred	513 301 105	0,5104829754817740
1-01-55038-E-024D	OJSC Sulakenergo	ordinary	765 757 200	0,3177272339096330
1-01-55038-E-025D	OJSC Naporozhny SShNRR	ordinary	6 898 539 845	0,0482446653903393
1-01-55038-E-026D	OJSC Naporozhny SShNRR	preferred	1 804 913 847	0,0526803509394403
1-01-55038-E-027D	OJSC Cheboksarskaya HPP	ordinary	9	0,1103464122150060

Evaluation of the shares market price for the purposes of setting up conversion rates was performed by the following Consortia of values: Consortium No.1 comprising CJSC Deloitte &Touche CIS and Consortium No.2 comprising Institute for Entrepreneurship Ltd. CJSC ABM Partner, CJSC Professional Evaluation Center and BINOM® Evaluation Firm Ltd.

Adequacy of the rate of incorporated companies' shares conversion into JSC RusHydro shares is confirmed by an investment banks consortium comprising BNP PARIBAS SA, KIT FINANCE INVESTMENT BANK (OJSC) and METROPOL IFC.



## Appendix 11 JSC RusHydro Subsidiaries

№	Subsidiary name	Address, phone	Director of Subsidiary
1.	Subsidiary Bureiskaya HPP	Talakan settlm., Burisk district, Amur region phone: (41634) 5-23-59, fax: (41634) 5-27-05	Yuri V. Gorbenko
2.	Subsidiary Volzhskaya HPP	Volzhsky, Volgograd region phone: (8443) 42-03-59, 42-03-43, fax: (8443) 41-06-13	Andrei V. Klimenko
3.	Subsidiary Votkinskaya HPP	Chaikovsky, Perm region (34241)7-03-59, fax: (34241) 7-03-02	Alexei G. Byakov
4.	Dagestan Subsidiary	Makhachkala, Republic of Dagestan phone: (8722) 78-05-79, 78-06-05, fax: (8722) 78-06-04 (8722) 68-18-78, fax: (8722)68-18-78	Timur G. Gamzatov
5.	Subsidiary Zhigulevskaya HPP	Zhigulevsk, Samara region phone: (84862) 39-3-50, 39-3-59, fax: (84862) 39-3-99, 2-15-87, 39-6-49	Vera N. Dolgikh
6.	Subsidiary Zagorskaya PSHPP	Bogorodskoye settlm., Sergiyev-Posad district, Moscow region phone: (495) 957-26-52, (254) 5-35-18, fax: (254) 5-35-21	Vladimir I. Magruk
7.	Subsidiary Zeiskaya HPP	Zeya, Amur region phone: (41658) 2-45-31, fax: (41658) 2-47-16	Irina D. Savelyeva
8.	Kabardino-Balkarsky Subsidiary	Kashkhatau settlm., Chereksk district, Kabardino-Balkarsky Republic phone: (8662) 97-58-21 , fax: (8662) 97-58-21	Ali A. Sottaev
9.	Subsidiary Kamskaya HPP	Kamskaya HPP, Perm phone: (3422) 73-46-84, fax: (3422) 73-43-90	Sergey N. Bologov
10.	Karachaevo- Circassian Subsidiary	Pravokubansky settlm., Karachaevo- Circassian Republic phone:(878-22) 6-70-40, fax: (878-22) 6-71-00	Grigor A. Saratikyan
11.	Subsidiary Upper Volga HPPCascade	Rybinsk, Yaroslavl region phone: (4855)29-74-59, fax: (4855)21-51-25	Andrei V. Derezhkov
12.	Subsidiary Kuban HPP Cascade	Nevinnomyssk, Stavropol region phone: (86554)6-89-01, fax: (86554)6-85-50	Victor A. Machev
13.	Subsidiary Corporate Hydro energy University	Moscow, 8A Prospect Vernadskogo phone: (495) 540-30-12, 540-30-13 fax: (495) 540-30-14	Sergey V. Garnik
14.	Subsidiary Nizhegorodskaya HPP	Zavolzhje, Gorodetsky district, Nizhniy Novgorod region phone: (83169) 6-11-83, fax: (83169) 6-01-41	Evgeny A. Dikov
15.	Subsidiary Novosibirskaya HPP	Novosibirsk phone/fax: (383) 345-06-30	Victor I. Serzhun
16.	Subsidiary Saratovskaya HPP	Saratovskaya HPP, Balakovo, Saratov region phone: (8453) 44-20-65, fax: (8453) 35-28-54	Lyudmila V. Odintsova
17.	Subsidiary P.S. Neporozhny Sayano-Shushenskaya HPP	Cheremushky settlm., Sayanogorsk, Republic of Khakassia phone: (8672) 53-66-34, fax: (8672)53-91-76	Nikolay N. Nevolko
18.	North Ossetian Subsidiary	Vladikavkaz, Republic of North Ossetia-Alania	Vitaly B. Totrov
19.	Subsidiary Cheboksarskaya HPP	Novocheboksarsk, Chuvash Republic phone: (8352) 73-75-06, fax: (8352) 73-77-82	Vladimir G. Drorfeyev
20.	Subsidiary Irganaiskaya HPP	Shamilkala settlm., Untsukulsky district, Republic of Dagestan	Nurmagomed A. Aliev

## Appendix 12 Subsidiary, dependent and other entities and organizations JSC RusHydro has an interest in (as of 31.12.2007)

JSC RusHydro share in registered capital, %	SDC location	Core business	Installed capability, MW
<b>OJSC Volzhskaya HPP *</b>			
83.31%	Volzhsky, Volgograd region	Electric power generation	2 541
<b>OJSC Zhigulevskaya HPP*</b>			
84.11%	Zhigulevsk, Samara region	Electric power generation	2300
<b>OJSC Votkinskaya HPP*</b>			
59.84%	Tchaikovsky, Perm region	Electric power generation	1020
<b>OJSC UV HPPCascade*</b>			
100% -1 share	Rybinsk, Yaroslavl region	Electric power generation	456.4
<b>OJSC Kamskaya HPP*</b>			
100% -1 share	Perm	Electric power generation	501
<b>OJSC Nizhegorodskaya HPP *</b>			
100% -1 share	Zavolzhje, Gordetsky district, Nizhniy Novgorod region	Electric power generation	520
<b>OJSC Saratovskaya HPP*</b>			
100% -1 share	Balakovo, Saratov region	Electric power generation	1 360
<b>OJSC Cheboksarskaya HPP*</b>			
100% -1 share	Novocheboksarsk, Chuvash Republic	Electric power generation	1 370
<b>OJSC Neporozhny SSHPP **</b>			
78.9%	Cheremushky settlm., Sayanogorsk, Republic of Khakassia	Electric power generation	6721
<b>OJSC Zeiskaya HPP*</b>			
56.39%	Zeya, Amur region	Electric power generation	1330
<b>OJSC Zagorskaya PSHPP*</b>			
50,9%	Bogorodskoye settlm., Sergiyev-Posad district, Moscow region	Electric power generation	1200
<b>OJSC Bureiskaya HPP*</b>			
15,91%	Talakan settlm., Bureisk district, Amur region	Electric power generation	1005
<b>OJSC Zaramagskiye HPP</b>			
95.45%	Alapir, Republic of North Ossetia-Alania	Electric power generation	Capacity to be commissioned (plan) — 352
<b>OJSC Zelenchuksiye HPP*</b>			
99.97%	Pravokubansky settlm., Karachaev region, Karachaevo-Circassian Republic	Electric power generation	160
<b>OJSC KabbalkHPP*</b>			
50.34%	Nalchik, Kabardino-Balkarsky Republic	Electric power generation	4,5

\* SACs terminated their business on 09.01.2008

JSC RusHydro share in registered capital, %	SDC location	Core business	Installed capability, MW
<b>OJSC Sulakenergo*</b>			
71.74%	Shamilkala settlm., Untsukul'sky district, Republic of Dagestan	Electric power generation	400
<b>OJSC Stavropolskaya Electric Generating Company*</b>			
55,12%	Nevinnomyssk, Stavropol region	Electric power generation	462,4
<b>OJSC Dagestanskaya Regional Generating Company *</b>			
51%	Makhachkala, Republic of Dagestan	Electric power generation	1336,1
<b>CJSC Boguchanskaya HPP</b>			
99%	St. Petersburg	Performing functions of customer and general contractor for electric power facilities construction	
<b>OJSC Malaya Mezenskaya TPP</b>			
99,58%	St. Petersburg	Generation of electric power	
<b>OJSC North Ossetian HGC*</b>			
43,97%	Vladikavkaz, Republic of North Ossetia-Alania	Generation of electric power	
<b>OJSC UES Energo-construction complex (OJSC UES ECC)</b>			
100%	Moscow	Performing functions of customer and general contractor for electric power facilities construction	
<b>OJSC Scientific-research Institute for power constructions (OJSC NIIES)</b>			
100% - 1 share	Moscow	Scientific research and experimental designing in electric power sphere	
<b>OJSC B.E. Vedeneyev All-Russian Scientific-research Hydraulic Engineering Institute (OJSC VNIIG)</b>			
100% - 1 share	St. Petersburg	Scientific research, experimental designing and development in electric power sphere	
<b>OJSC MC HydroOGK</b>			
100% -1 share	Moscow	Provision of corporate governance services	
<b>OJSC Lenhydroproekt (at present - OJSC Hydroinvest)</b>			
100%-1 share	St. Petersburg	Performing functions of customer under contracts for electric power facilities reconstruction, re-equipment and new construction	
<b>CJSC Boguchanskaya HPP construction operator</b>			
51%	Kezhem region, Krasnoyarsk territory	Construction	
<b>CJSC Boguchanskaya HPP construction customer</b>			
49%	Kezhem region, Krasnoyarsk territory	Construction	
<b>CJSC Boguchany Aluminum Plant construction operator</b>			
49%	Kezhem region, Krasnoyarsk territory	Construction	

\* SACs terminated their business on 09.01.2008

JSC RusHydro share in registered capital, %	SDC location	Core business	Installed capability, MW
<b>CJSC Boguchany Aluminum Plant construction customer</b>			
51%	Kezhem region, Krasnoyarsk territory	Construction	
<b>OJSC Geoterm</b>			
71.61%	Petropavlovsk-Kamchatsky	Generation of electric power	
<b>OJSC OP Verkhne-Mutnovskaya GeoPP</b>			
48.04%	Petropavlovsk-Kamchatsky	Generation of electric power	
<b>HydroOGK Power Company Limited</b>			
100% - 1 share	Republic of Cyprus	Investment operations	
<b>HydroOGK Aluminum Company Limited</b>			
100% - 1 share	Republic of Cyprus	Investment operations	

### JSC RusHydro interest in non-commercial organizations

Full name of non-profit organization	Location	Non-profit organization's line of business	Year of admission
All-Russian trade association of employers in electric power industry (REPI Association)	Moscow	Making provisions for business development in power industry through representation and protection of employers' interests in social, labor, economic and other fields, in relationship with trade unions, government authorities, local government administration, development and pursuance of coordinated socially responsible policy of the Association member-organizations	2006
Non-profit partnership Innovation in Electric Power Industry (NP IEPI)	Moscow	Enhancement of members' industrial efficiency through consolidation of their financial resources allocated for R&AD	2006
Non-profit partnership Russian-Chinese Business Council (NP Russian-Chinese Business Council)	Moscow	Promotion of business contacts, trade and economic relations between Russia and China, establishment and development of mutually beneficial cooperation between the Russian and Chinese business communities	2006
International Hydropower Association (IHA)	London, United Kingdom	Promotion and dissemination of knowledge about hydropower engineering under aegis of the UNESCO International Hydropower Program	2007
Renewable energy sources development fund New Energy (New Energy Fund)	Moscow	Provision of assistance in the use of renewable energy sources in the Russian Federation	2007
Non-profit partnership Russian-Indian Business Council (NP Russian-Indian Business Council)	Moscow	Promotion of business contacts, trade and economic relations between Russia and India, establishment and development of mutually beneficial cooperation between the Russian and Indian business communities	2007



## REFERENCE DATA

Full business name of the Company:

### Open Joint Stock Company Federal Hydrogenerating Company

The company's name in English: JSC RusHydro

Abbreviated business name of the Company: **JSC RusHydro**

Location of the Company: 51 Respubliki Street, Krasnoyarsk, Krasnoyarsk Territory

Mail address: 51 Architectora Vlasova Street, 117393 Moscow

web-site: [www.eng.gidroogk.ru](http://www.eng.gidroogk.ru)

E-mail address: [office@gidroogk.ru](mailto:office@gidroogk.ru)

### THE COMPANY'S AUDITOR

Full business name: Close Joint Stock Company PriceWaterhouseCoopers Audit

Abbreviated business name: C.JSC PWC Audit

Location: Bld. 5, 52 Kosmodamianskaya Embankment, 115054 Moscow

Phone: (495) 967-60-00; fax: (495) 967-60-01

### THE COMPANY'S REGISTRAR

Open Joint Stock Company Central Moscow Depository (OJSC Central Moscow Depository, OJSC CMD)

Location: Bld. B, 3 Orlikov Lane, 107078 Moscow

Mail address: Bld. 8, 34 B. Pochtovaya Street, 105082 Moscow

Phone: (095) 221-1333; fax: (095) 221-1383

E-mail address: [mcdepo@dol.ru](mailto:mcdepo@dol.ru)

web-site: [www.mcd.ru](http://www.mcd.ru)

**CMD Hotline phone:** (495) 221-13-34

Subsidiary name	Mail address	Contact phones
Archangelsk Subsidiary	21 Troitsky lane, 163000 Arkhangelsk	(8182)65-75-44
Far-Eastern Subsidiary	20a Tigrovaya Street, 690090 Vladivostok	(4232)41-28-12, (4232)41-48-77
Ekaterinburg Subsidiary	Office 132, 180 Soni Morozovoi Street, 2620026 Ekaterinburg	(343)261-65-44 (343)261-54-12 (343)261-48-27
Karachaevo- Circassian Republic Subsidiary	19 Kavkazskaya Street, 357100 Cherkessk, Karachaevo- Circassian Republic	(87822)5-47-06
Kostroma Subsidiary	49 Pyatnitskaya Street, 156000 Kostroma	(4942)31-64-04
Nizhniy Novgorod Subsidiary	151 Gorky Street, 603006 Nizhniy Novgorod	(8312)78-91-61 (8312)78-91-60
Omsk Subsidiary	1 P. Nekrasova Street, 644037 Omsk	(3812)25-44-93 (3812)23-01-55
Penza Subsidiary	47 Volodarskogo Street, 440600 Penza	(8412)56-28-6 (8412)56-30-22 (8412)56-28-95
Perm Subsidiary	50 Lenina Street, 614000 Perm	phone/fax (3422)18-01-66 phone/fax (3422)19-68-97
Ryazan Subsidiary	5 Leniskogo Komsomola Street, 390005 Ryazan	phone/fax (4912)96-23-01 phone/fax (4912)24-04-22
Samara Subsidiary	B, B1, 57 Chetverty Proezd, 443080 Samara	phone (8462)67-34-41 phone/fax (8462)67-34-42
Saratov Subsidiary	60/62A Chernyshevskogo Street, 410004 Saratov	phone/fax (8452)57-28-94 phone/fax (8452)57-28-95
North-Western Subsidiary	12 Bolshoi Smolensky Prospect, St. Petersburg	phone/fax (812)380-34-64 phone/fax (812)380-34-65 phone/fax (812)380-34-66

Subsidiary name	Mail address	Contact phones
Subsidiary in the Republic of North Ossetia-Alaniya	46 Prospect Mira, 362040, Republic of North Ossetia-Alaniya	phone/fax (8672)54-96-82
Tver Subsidiary	60 Semionovskaya Street, 170000 Tver	phone/fax (4822)77-73-63 fax (4822)77-73-83
Togliatti Subsidiary	6A Frunze Street, 445051 Togliatti, Samara region	phone (8482)53-40-38 phone (8482)53-40-29 fax (8482)34-52-59
Tula Subsidiary	Office 619, 77 Lenina Street, 300000 Tula	phone/fax (4872)70-00-64
Tymen Subsidiary	Office 1007, 61 Respubliki Street 625000 Tyumen	phone/fax (3452)49-01-50 phone/fax (3452)49-02-50 phone/fax (3452)24-78-01
Udmurtiya Republican Subsidiary	53 10-let Oktiabrya Street, 426057, Izhevsk, Republic of Udmurtiya	phone/fax (3412)90-13-28 phone/fax (3412)90-13-29 phone/fax (3412)90-13-30 phone/fax (3412)22-12-53
Cherepovets Subsidiary	24 Krasnodontsev Street, 162605 Cherepovets, Vologda region	phone/fax (8202)23-25-54

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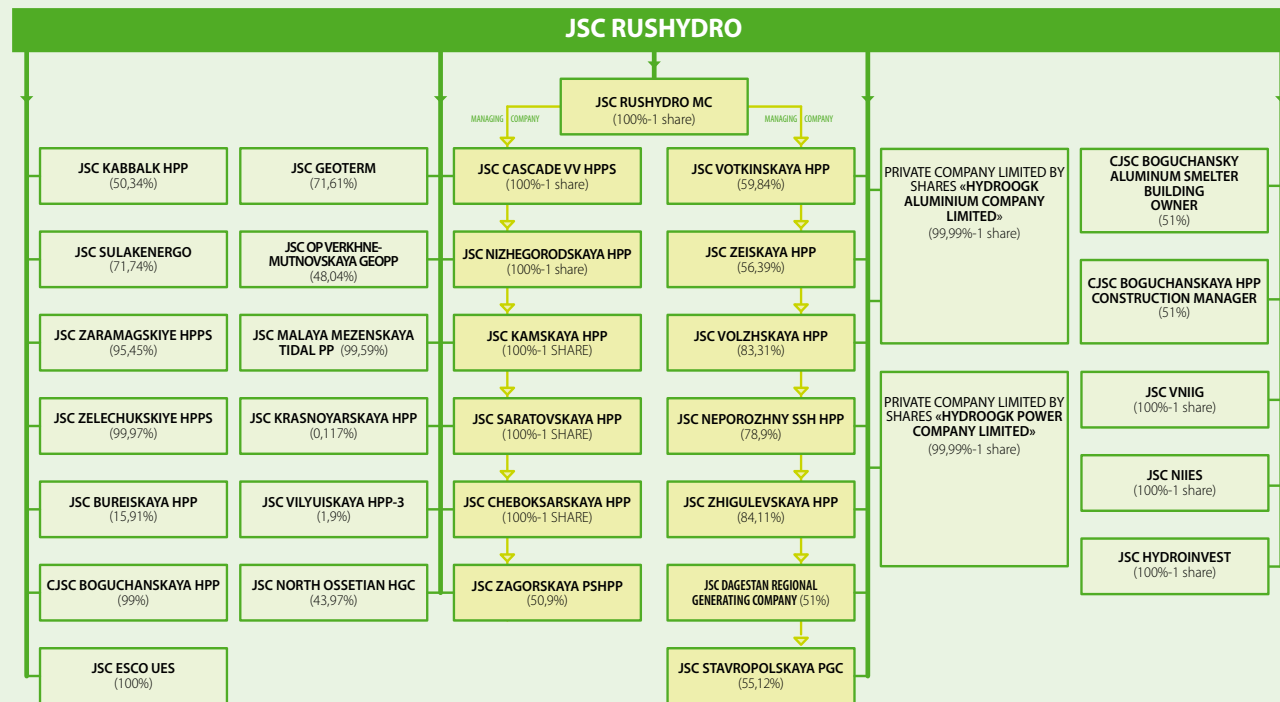
##### Irina V. Volodina

Phone/fax number: (495) 540-30-12 (ext. 1077)

Fax number: (495) 225 37 37

E-mail address: [volodinaiv@gidroogk.ru](mailto:volodinaiv@gidroogk.ru)

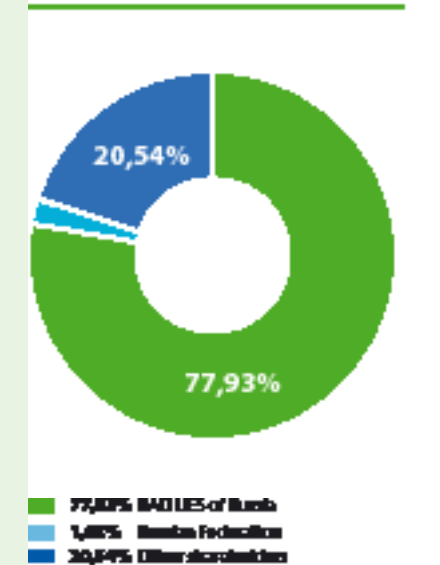
## JSC RusHydro Holding structure as of 29.12.2007



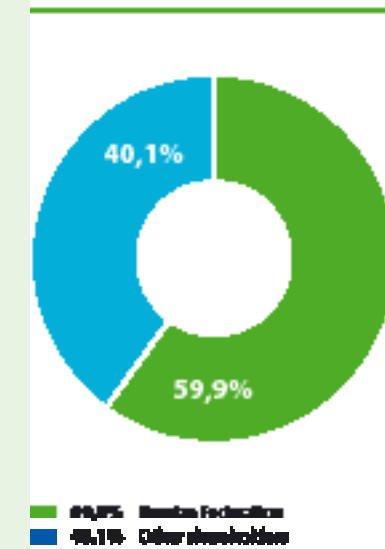
## JSC RusHydro in securities market

As of the Annual Report approval date, JSC RusHydro registered capital amounts to **195,860,496,735** rubles divided into **195,860,496,735** ordinary shares each of 1 ruble nominal price.

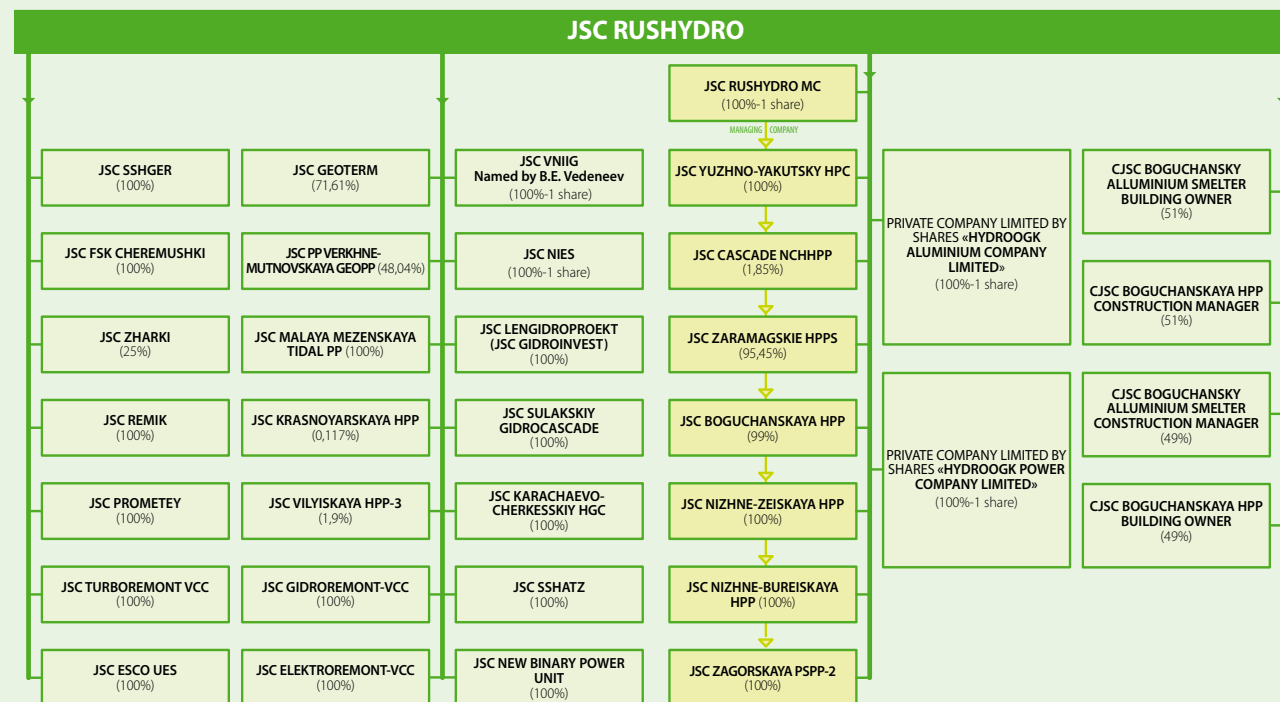
Equity capital structure as of January 2008, 2d quarter consolidated by JSC RusHydro



Equity capital structure resulting from JSC IPO (ES of Russia reorganization as of 01.07.2008) (Percent)



## JSC RusHydro Holding structure as of 01.05.2008



For the purposes of JSC RusHydro shares public circulation in the Russian stock exchanges, in February 2008 the Company's shares passed the procedure for security listing with major trade operators in the Russian securities market – the Moscow Inter-bank Currency Exchange (MICEX) and Russian Trading System (RTS).

On February 11, 2008, the trade in securities commenced in CJSC Stock Exchange MICEX and OJSC RTS. The initial price of JSC RusHydro shares entering into the organized financial market was approx. **2.1 rubles** per ordinary share.

## Codes of JSC HydroOGK shares in major trading systems

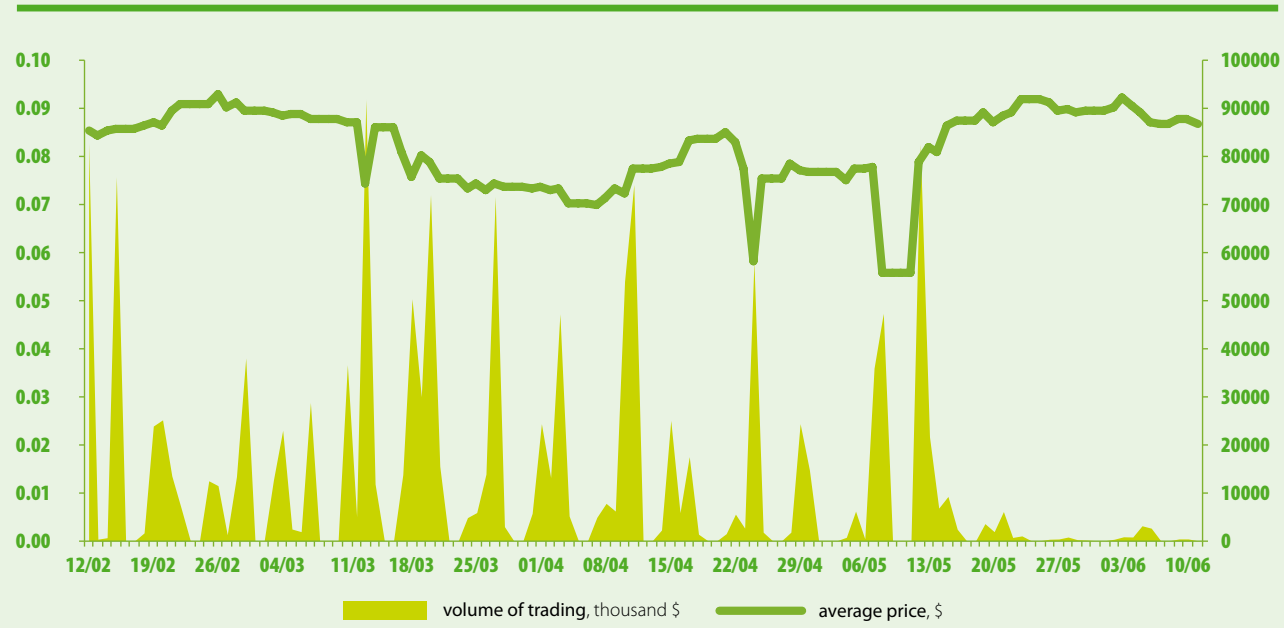
	Share trade code	Quotation list
<b>RTS</b>		
Classical market	HYDR	Quotation list B
Stock market	HYDRG	Quotation list B
<b>MICEX</b>	HYDR	Quotation list B

In March-April 2008 HydroOGK shares were included in stock indices of RTSI, RTS, MICEX, and MICEX Power.

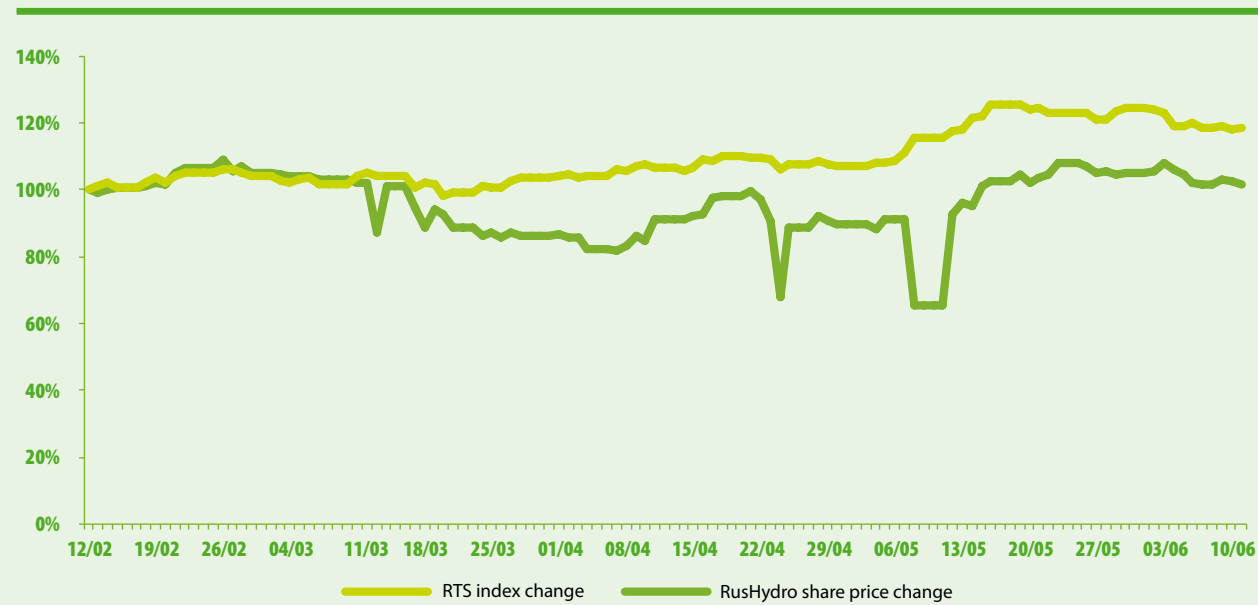
JSC RusHydro intends to gradually shift its shares to the quotation lists of higher degree as they comply with stock exchanges' rules. Thus, from May 13, 2008, JSC RusHydro shares have been traded as per RTS Quotation list B, and from June 3 as per Quotation list B of MICEX. The shares are planned to be quoted according to RTS and MICEX Quotation lists A starting from the third quarter of this year.



JSC RusHydro volume of share trading



JSC RusHydro share price performance at RTS, %



### Depository receipt program (GDR)

On May 20, the Russian Federal Agency for Financial markets issued a permit for 37.5 billion JSC RusHydro shares (which today account for nearly 19% of the Company's registered capital) circulation beyond the Russian Federation borders.

The Program for JSC RusHydro share depository receipts (GDR) is planned to be launched in June-July 2008. The Bank of New York is the program operator.

Open Joint Stock Company  
Federal Hydrogenerating Company (JSC RusHydro)

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