

**Open Joint Stock Company
Votkinskaya Hydropower Plant
2006 Annual Report**

Chaikovsky
June 18, 2007

CONTENTS

*General information about the Company. Position in the sector
Address to shareholders*

Section 1. The Company's development

- 1.1. The Company's development strategy
- 1.2. RusHydro's target model
- 1.3. Risk management

Section 2. Corporate governance

- 2.1. Principles of corporate governance
- 2.2. Enhancement of corporate governance
- 2.3. Governing and controlling bodies
- 2.4. Authorized capital
- 2.5. Equity structure
- 2.6. The Company's shares on the Russian stock market

Section 3. Production and sales

- 3.1. Key performance indicators
- 3.2. Electricity sales

Section 4. Economics and finances

- 4.1. The Company's financial and economic performance in 2006
- 4.2. The Company's financial statements for 2006. Analytical balance sheet. Analysis of assets and liabilities structure. Net assets calculation
- 4.3. Indicators of the Company's liquidity, profitability, financial stability and business activity in the reporting period
- 4.4. Profit distribution and dividend policy

Section 5. Investment and innovations

Section 6. Social responsibility

- 6.1. Personnel and social policy
- 6.2. Health, safety and social issues
- 6.3. Environmental protection
- 6.4. Charitable programs
- 6.5. Participation in nonprofit organizations

Reference information for shareholders

Annexes:

1. Short form of balance sheet and profit and loss account
2. Auditor's report
3. Statement by the Auditing Commission
4. Composition of the Company's Board of Directors in the 2005/2006 corporate year

JSC Votkinskaya HPP in figures

Indicators	Unit of measurement	2004	2005	2006
Installed capacity	MW	1,020	1,020	1,020
Electricity generation	mln kWh	2,415	2,521	2,379.1
Effective electricity supply	mln kWh	2,343	2,447	2,291
Average payroll	persons	196	194	197
Revenues	mln RUB	704.85	796.77	797.926
Net profit	mln RUB	169.64	116.44	117.148
Dividends per ordinary share *	RUB	0.1000	0.0871	0.1903
Dividends per preferred share *	RUB	0.1000	0.1962	0.1903
Capitalization	RUB	4,960,556,412.05	5,186,754,672	7,809,567,501.12
Capitalization to installed capacity ratio	thous RUB/MW/ thous \$US/MW/	4,863.29/ 175.26	5,085.05/ 176.67	7,656.44/ 290.78

General information about the Company. Position in the sector

JSC Votkinskaya HPP is a part of the RusHydro holding company. The RusHydro Management Company performs the functions of the sole executive body of JSC Votkinskaya HPP.

The Votkinskaya HPP is a key network junction point in the Urals electric power grid. The hydropower plant was built in the mid-20th century 566 kilometers from the source of the Kama River, within the limits of the town of Chaikovsky, Perm Region. Construction of the hydropower plant began in 1955, and in 1966 it was put into operation.

Being an important link in the Urals integrated electric power system, the hydropower plant is directly connected to the Perm, Udmurtia, Kirov, Bashkiria and Sverdlovsk power grids and participates in the automatic regulation of electricity frequency and power flow in the Center-Urals electricity transmission line.

The hydropower plant is integrated into the Urals power grid and its main function is to meet peak loads and promptly provide reserve capacity to compensate for power failures and ensure energy balancing during grid operation. The HPP also regulates the Kama River water flow to facilitate navigation and the uninterrupted operation of urban water intake facilities.

* The Table cites information on the size of dividends per ordinary and preferred shares distributed by the Company in 2004 for 2003, in 2005 for 2004 and in 2006 for 2005, respectively.

2006 Highlights

February	Collective bargaining agreement for 2006-2008 is concluded
March	JSC Votkinskaya HPP is awarded the Benefactor of the Year title
March	A system of commercial electricity metering is introduced
March	An automated control system is introduced at hydropower unit No. 9
June	The HPP holds an annual general meeting of shareholders to discuss the 2005 performance
July, September	The HPP participates in the Clean River Banks actions organized by environmentalists and HPP employees in the town of Chaikovsky
August	Modernization of the unit 220 kV ORU outdoor switch gear, which involved the replacement of power equipment, is completed
December	45th anniversary of the launch of the plant's first hydropower unit is marked The Votkinskaya HPP museum is opened

Dear shareholders,

The Company has made another year-long step. Last year, important events took place in the history of the Russian hydropower sector, the RusHydro holding company and the Votkinskaya HPP.

One of the key results of 2006 was that the process of forming a single hydrogenerating holding company was completed and the step proved efficient. The consolidation of more than 50% of the country's hydropower assets has made it possible already in the second year since the establishment of RusHydro to address large-scale and ambitious tasks of attaining the Company's strategic goals – ensuring the reliable operation of the unified power system, developing renewable sources of energy in Russia and increasing the Company's value.

In 2006, we focused on improving the safety of hydropower facilities and ensuring an uninterrupted and reliable supply of power to the Volga area. RusHydro prepared and adopted several fundamental documents and, for the first time in the history of the electric power sector, drafted long-term (until 2020), mid-term (for five years) and yearly programs of hydropower plant upgrading to reverse the trend of equipment ageing and to switch over to breakthrough technologies. RusHydro also adopted a common technological policy. In 2006, JSC Votkinskaya HPP initiated several long-term investments aimed at raising the reliability of its operation.

Also, as part of the efforts to ensure the reliable and safe operation of the hydropower plant, JSC Votkinskaya HPP centered on measures to certify workplaces, train personnel, ensure industrial safety and equipment monitoring. The HPP drafted and adopted a program of implementing its environmental policy for 2006-2008.

In 2006, JSC Votkinskaya HPP attained key economic efficiency indicators set by its Board of Directors generating 2,379.1 million kWh of electricity, including 2,291 million kWh of effective electricity supply. Sales revenues amounted to 797.926 million and net profits to 117.148 million rubles, respectively.

The value of the Company's ordinary shares grew 150% and the value of its preferred stock climbed 164% in 2006. We believe these figures are proof of the efficient work of the entire management team of JSC RusHydro, the RusHydro Management Company and JSC Votkinskaya HPP.

In 2006, preparations were made for the next main stage in implementing RusHydro's target model: forming a single operating company. Since 2005, JSC Votkinskaya HPP has been part of the RusHydro holding company. The operating company will be formed in 2007-2008. In 2007, work will begin to reorganize 100%-owned subsidiaries of RusHydro into its branches.

In 2006, JSC RusHydro and JSC Votkinskaya HPP focused their attention on developing human resources and creating a personnel reserve. Many employees underwent training and took advanced training courses in various areas. We intend to further develop our human resources, provide training to and look for hydropower plant personnel among students of technical colleges and universities. That is why we actively encourage students to have their practical training at the hydropower plant.

Our key tasks for 2007 are to ensure the reliable and failure-free operation of the hydropower plant, maximize sales, improve the system of production- and business-process management, and develop human resources.

On behalf of the Federal Hydrogenerating Company and the RusHydro Management Company I would like to thank you for the confidence you place in us, and express the hope that our joint work in 2007 will also be effective and aimed at strengthening the position of JSC Votkinskaya HPP as a leader of the Volga area power sector.

Yu.V. Smirnova
Chairperson of the Board of Directors
JSC Votkinskaya HPP

V.Yu. Sinyugin
General Director
RusHydro Management Company

Section 1. The Company's development

1.1. The Company's development strategy

Objectives	Measures
<i>Provision of system reliability and safety</i>	Implementation of the long-term technical upgrading and rehabilitation program, including equipment modernization, whose main goals are as follows: <ul style="list-style-type: none">• Enhancing the reliability, safety and efficiency of the Company's operation through replacement of basic and auxiliary equipment whose service life has expired;• Reducing repair costs (through switching from the system of scheduled preventive maintenance to status-based repairs by introducing diagnostic control systems to monitor the Company's basic and auxiliary equipment and replacing the Company's plant by new extended TBO and low-maintenance equipment, and the reduced volume of maintenance work, and introducing service maintenance for equipment being commissioned or modernized with the involvement of producers and service companies);• Integrated production processes automation through the use of microchips and advanced software allowing to optimize equipment control procedures and facilitate their integration into a uniform HPP management system;• Increasing the hydropower plant's installed capacity.
<i>Provision of acceptable rate of return for shareholders</i>	Implementation of measures to switch to a target model of integrating the Company into the RusHydro operating company. Integration of the Company's sales with JSC RusHydro, its largest shareholder, to achieve, as a result, concentration of market operation competences and effective business process sharing.
<i>Development of human resources</i>	Preparation and implementation of an up-to-date personnel development program, including skill-level requirements, performance evaluation, an employee promotion scheme, the creation of a personnel reserve, targeted training and a system of labor incentives.
<i>Raising the efficiency of operations</i>	Efforts to raise the efficiency of business and production processes, optimize the value of asset ownership through the introduction of a system of assets and funds management, a system of water and energy resources management and comprehensive computerization of all process procedures.

1.2. RusHydro's target model *

The electric power sector of Russia is undergoing radical changes: the system of state regulation of the sector is changing and a competitive electricity market and new companies are emerging.

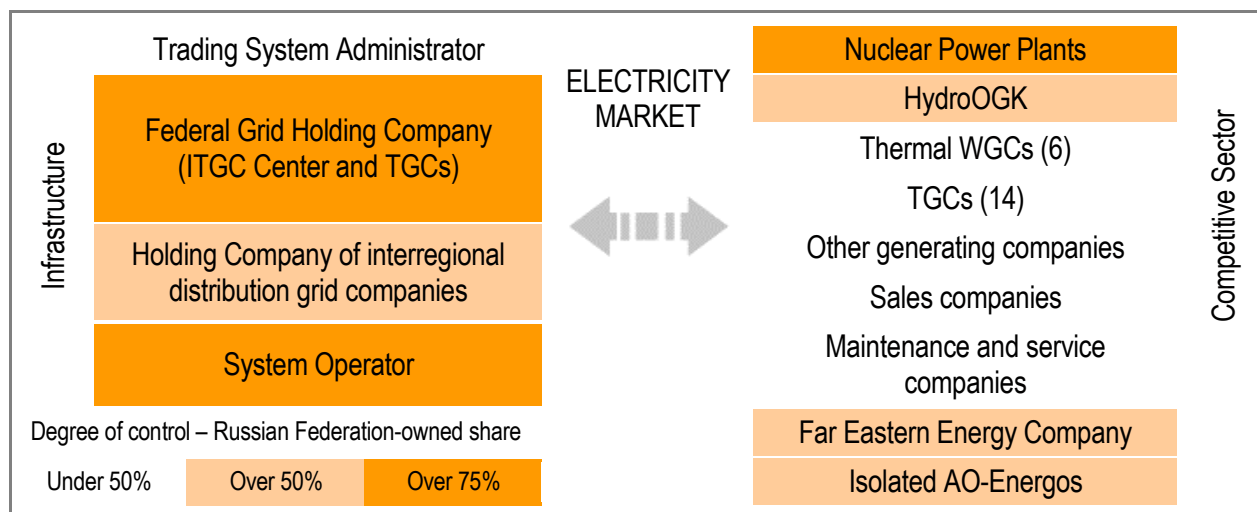
The key objective of electric power sector reform in Russia is to enhance the efficiency of the sector's companies and create conditions for its development based on the stimulation of investment and the reliable and uninterrupted supply of electricity to customers. The reform's goals and objectives are defined in Russian Federation Government Resolution No. 526 of July 11, 2001 on Electric Power Sector Reform in the Russian Federation.

* Information on RusHydro's target model is cited in this section as of March 1, 2007.

The reform is to change the sector's structure and to separate natural-monopoly (power transmission and dispatch control) and potentially competitive operations (generation, sales, repair and servicing), and to replace vertically-integrated companies that performed these functions with specialized entities. Generating, sales and maintenance companies will mainly be private businesses competing with one another. Natural monopolies, however, will be placed under greater state control.

Therefore, the reform is creating conditions for the development of a competitive electricity market where prices are formed on the basis of supply and demand rather than regulated by the state and market participants compete with each other by reducing their costs.

Considering subsequent changes in the regulatory and legal framework, the reform's goals and objectives were specified in the 5+5 Strategy Concept for 2005-2008 drafted by RAO UES of Russia:



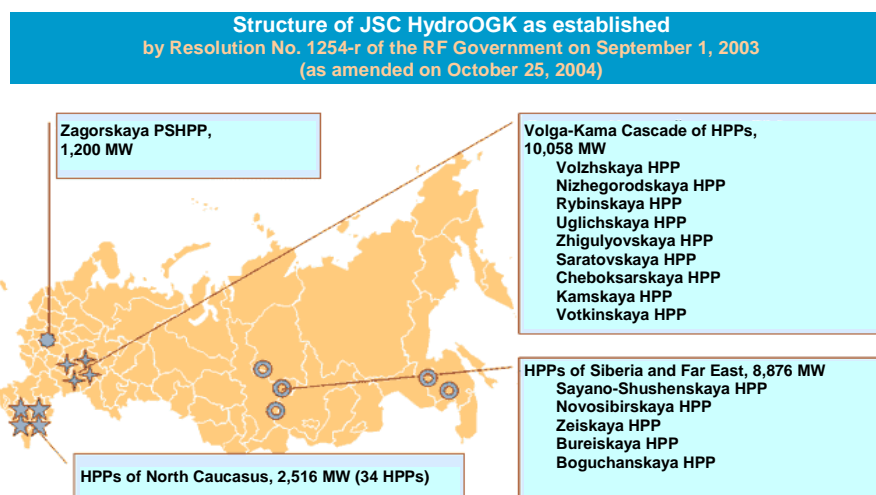
Target structure of the electric power sector

Under Russian Federation Government Resolution No. 526 of July 11, 2001, a wholesale hydrogenerating company – the Federal Hydrogenerating Open Joint Stock Company (JSC RusHydro) – was formed using the assets of RAO UES of Russia subsidiaries. The company's state registration was effected on December 26, 2004.

The list of hydropower assets to be included in RusHydro was defined in Russian Federation Government Resolution No. 1254-r on the Formation of Wholesale Electricity Market Generating Companies, dated September 1, 2003 (as amended on October 25, 2004).

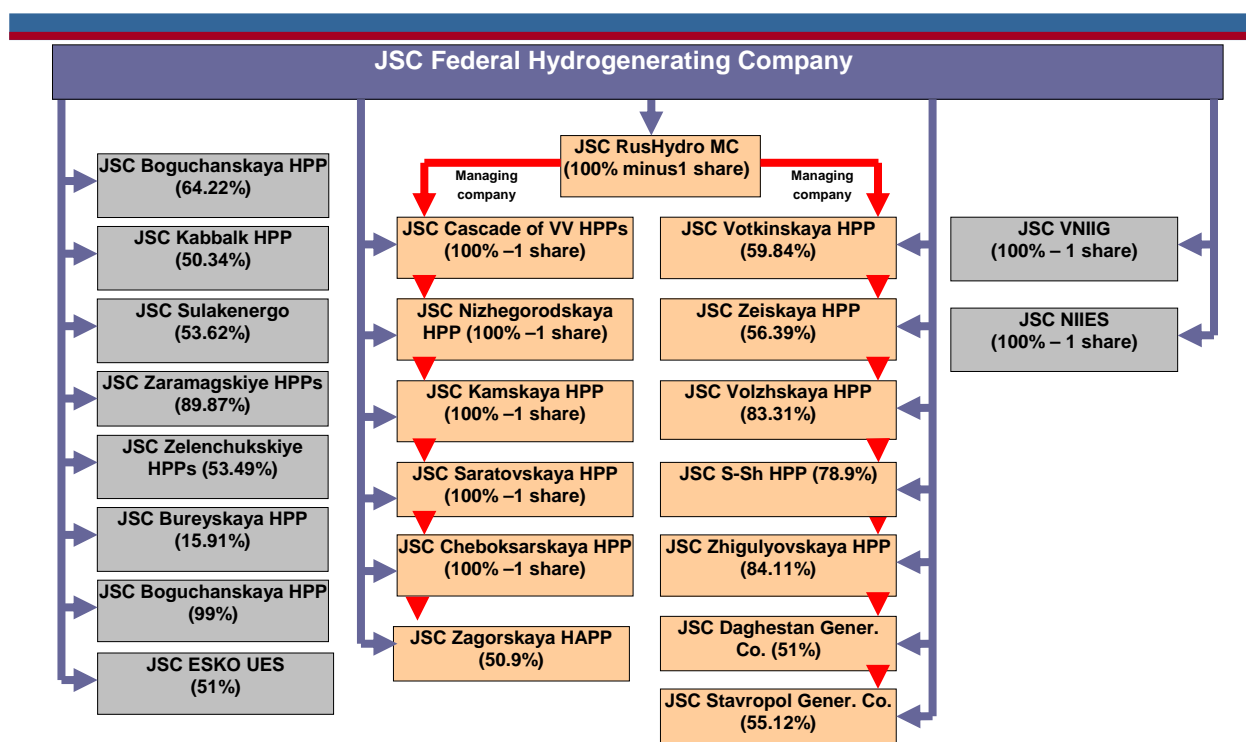
JSC RusHydro works to implement the government's hydropower policy and create conditions for the effective functioning of the wholesale electricity market, effective operation and centralized technological management of hydropower assets, pursuing the unified investment and fund-raising strategy to address the general objective of the hydropower sector's development, formulating and conducting research and development policy, and introducing new progressive types of equipment and technologies, including the development of renewable energy sources.

HydroOGK structure



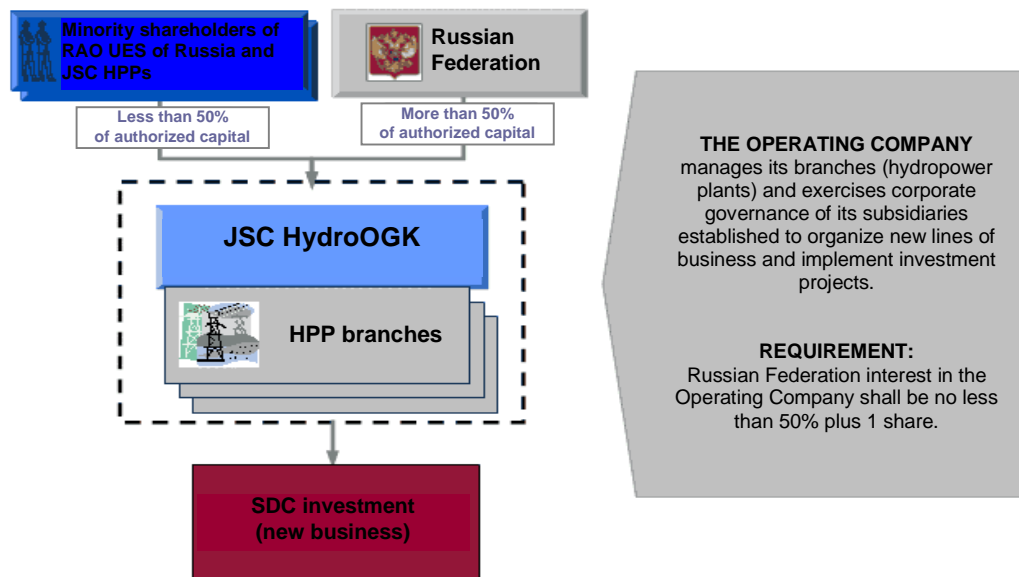
Since 2005, JSC Votkinskaya HPP has been integrated into the RusHydro holding company (RAO UES of Russia contributed 59.84% of the shares of JSC Votkinskaya HPP to the charter capital of RusHydro upon incorporation).

Structure of RusHydro Holding Company (as of December 31, 2006)



JSC Votkinskaya HPP will participate in the establishment of the RusHydro Operating Company, which is envisaged by the RusHydro target model (as approved by the RAO UES of Russia Board of Directors on September 30, 2005).

TARGET MODEL OF JSC HYDROOGK OPERATING COMPANY



Main advantages of the Operating Company:

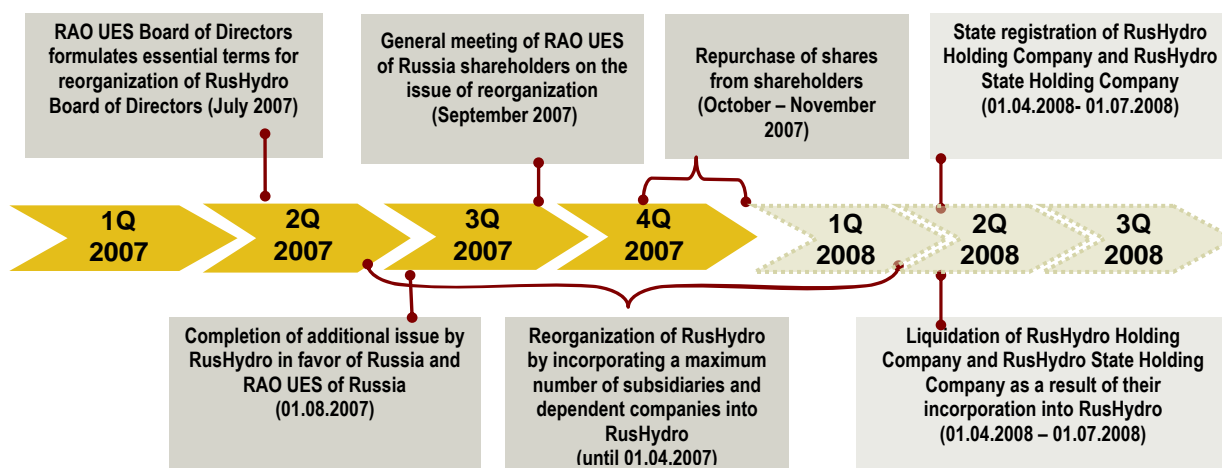
- Concentration of competences to make the required strategic decisions, prompt and effective decision-making;
- Consolidation of investment resources and the possibility of their redistribution;
- Effective management of cash flows, high financial maneuverability, the lower cost of funds borrowed by the Company;
- The possibility of using the economy of scale and synergy effects when building a system of governance;
- Effective distribution of functions and business processes within the company and its branches;
- Implementation of the Company's mission and goals.

The RusHydro Operating Company will be established in 2007-2008 by way of incorporating all of RusHydro subsidiaries and dependent companies, and also joint stock companies being created in the process of reorganization of RAO UES of Russia (JSC RusHydro Holding Company and JSC RusHydro State Holding Company).

During reorganization of JSC Votkinskaya HPP and its incorporation into RusHydro, its shareholders will be granted the right to exchange their shares in JSC Votkinskaya HPP for the shares of RusHydro in accordance with the swap ratio to be determined on the basis of an independent appraisal confirmed by the relevant investment bank.

Russia will maintain its interest in the authorized capital of RusHydro in the amount of at least 50% plus one share by way of contributing its shares in the RusHydro State Holding Company being established in the process of reorganization of RAO UES of Russia.

Highlights and approximate timeframe for Target Model implementation in 2007-2008



The installed capacity of JSC RusHydro as an operating company (excluding subsidiaries and dependent companies) will total 21,411.5 MW.

1.3. Risk management

The risks cited below can materially affect the Company's operations, electricity sales, assets, liquidity and investor appeal.

These risks depend on the specifics of the sector and the Company's activities, the political and economic situation in the country and in the region. Some risks, which are presently irrelevant, can become tangible in the future.

All appraisals and forecasts given in this Annual Report must be viewed in the context of these risks. The Company makes efforts to identify and evaluate risks to minimize their effect.

Regional risks

Basic regional risks have no direct effect on the Company's activities because in 2006, in accordance with the contract on the lease of power equipment and the agreement on the provision of services for equipment operation and maintenance signed between JSC Votkinskaya HPP and Territorial Generating Company (TGC) No. 9, the Company ceased selling electricity on all electricity (capacity) markets, and Territorial Generating Company No. 9 assumed all regional electricity sale risks in 2006.

On January 1, 2007, all electric power equipment was transferred for lease to RusHydro using a similar procedure.

Market risks

Inflation risk is an important market risk which can increase the Company's costs and bring down its profit. That is why the Company makes forecasts of and takes into account the rate of inflation, when drafting business plans.

Interest rate risks

The Company is not exposed to interest rate risks because it has debt obligations only to JSC RusHydro and its subsidiaries and dependent companies.

Tariff regulation risk

Considerable political risks for the Company are linked with government tariff regulation, in particular, the probability of the government approving tariffs that are disproportionate to the Company's costs. To

manage these risks, the Company conducts sales and formulates tariff and balance sheet decisions within the framework of the RusHydro unified sales service. As the electricity market is further liberalized, these risks will decrease.

Currency risks

The fluctuations of the exchange rate of the national currency are a considerable factor determining inflationary processes in the Russian economy. As the Company's profits and losses are denominated in rubles, its currency risks are inflationary in nature.

Liquidity risk

The Company's liquidity risk, linked with potential cash flow gaps, is neutralized by the following instruments:

- Stipulating in contracts on the delivery of works, goods and services a grace period, which at least averages the redemption term for the Company's debtors;
- Daily payment calendar planning (dates of money receipts and payouts);
- Establishing authorized overdrafts on the Company's settlement accounts;
- Establishing a reserve (required minimum balance) on the Company's accounts.

Risks related to possible changes in the prices of the Company's products and/or services

These risks have been neutralized by the Company's signing contracts on the lease of power equipment and contracts on the provision of services to maintain, operate and repair equipment with Territorial Generating Company (TGC) No. 9 which shouldered all the risks related to energy sales.

Credit risk

Potential risks related to the counterparty's refusal or inability to fully or partially fulfill its contractual obligations.

Currently, the Company has minimum credit risks because all settlement terms are stipulated in the contracts on the lease of power equipment and on the provision of services to maintain, operate and repair equipment, signed with TGC-9.

Legal risks

Legal risks are linked, in particular, with the ambiguous interpretation of legislation, which could result in the incorrect calculation and payment of taxes. To minimize these risks, the Company's accounting department continuously improves the methodology of calculating the tax base for various taxes and exercises control over their compliance with effective legislation.

Changes in the requirements for licensing the Company's core operations (for example, the enforcement of the RF Water Code as of January 1, 2007) can extend the time of preparing documents to prolong the license validity and make the Company bring its operations into compliance with the new requirements. On the whole, however, these risks should be regarded as negligible, except for the cases when the Company becomes unable to comply with the requirements for extending the license or carrying out licensed activities or when such compliance becomes extremely costly.

Corporate governance risks

The Company (like all other joint stock companies operating in Russia) is exposed to the risk of changes in legislation (federal laws and sublaws) regulating shareholder and corporate relations.

Like all other joint stock companies, JSC Votkinskaya HPP runs the risk of its shareholders challenging the Company's transactions (both transactions performed without proper approval from the Company's governing bodies and transactions approved by the governing bodies in a disputable manner).

To minimize this risk, the Company unfailingly analyzes potential transactions as to their compliance with a special approval procedure provided for under effective legislation and/or the Company's Articles of Association. If necessary, transactions are submitted to the Company's governing bodies (the Board of Directors and/or a general meeting of shareholders) for approval.

The risks involved in relationships with the Company's shareholders include, in particular, risks linked with the registration of rights to Company shares (the risk that the license of a professional securities market participant in charge of keeping the Company shareholders register could be revoked, the risk that shareholders' shares could be illegitimately written off due to fraudulent actions by third parties, the risk that shareholders could lodge complaints about the keeping of the Company's register), the risk of shareholders' "corporate blackmail" of the Company, the risk that ill-disposed shareholders could take action aimed at disrupting general meetings of the Company's shareholders.

To minimize these risks, the register of the Company's shareholders is kept by a professional registrar with broad experience of work on the Russian stock market (actually, from its re-emergence in the early 1990s) and traditional top registrar ratings (including the reliability rating). The Company also implements a series of measures to keep its shareholders properly informed (the disclosure of information in a procedure stipulated by regulatory acts, and also the holding of meetings by the management of the Company (Management Company) with shareholders to clarify topical issues of the Company's current activities and the prospects for its reform).

Environmental and social risks

The Company proceeds from the fact that solving environmental and social issues is important for the Company to achieve strategic success, sustainable growth and long-term competitiveness.

Environmental risks involve the possibility of water flowing over the headrace or afterbay side of the dam (reservoir) and flooding coastal areas that accommodate production facilities, residential buildings and natural parks. Protective dams and facilities are built to prevent floods. The owners of water development facilities must properly maintain them and timely repair corroding sections. For its part, the Company studies weather forecasts during flood seasons to timely inform water users about possible changes in river levels so that they could take required protective measures.

To reduce social risks, the Company implements its pension plan, constantly improves the system of personnel motivation and professional development, participates in health-building and sports programs, and carries out charitable activity.

Reform risks

Specific risks related to Russian energy sector reform involve uncertainty as to the concluding stage of reform (including the final configuration of RusHydro), and also the probability (risk) that the Company's minority shareholders would vote against decisions to reorganize the Company in the process of reform.

Production risks

Hydropower plants play an important role in ensuring the required quality of electricity supply, offering measures to compensate for uneven loads in daily power supply and provide short-term emergency reserve capacities.

The intensive use of hydropower plant permanent equipment accelerates its ageing. The unsatisfactory condition of equipment due to its wear and tear is the basic cause of production risks, the main of which are as follows:

- the threat to complete performance by the hydropower plant of its system operating and regulating functions (regulation of frequency, voltage, etc.), which could result in failure to use reserves emerging in the process of electric power sector reform;
- deterioration of the hydropower plant's operating and economic indicators;
- the onset of unfavorable environmental consequences;

- the threat of accidents entailing lower electricity output and grave environmental and social impacts.

Production risk management at the Company forms the basis of the system for technical and economic decision making when the programs of technical impacts on equipment are prepared (as part of prospective equipment upgrading, and rehabilitation programs, repairs and maintenance).

Risks of energy output uncertainty (water content risk)

The risk of energy output uncertainty means that the Company may fail to determine the volume of power produced by it, and this situation can lead to deviations of actual output from planned or projected figures. This risk largely affects the fulfillment of the Company's obligations to supply power for the wholesale electricity market. Considering that the Company currently does not sell electricity on all wholesale electricity and wattage markets, this risk is minimized within the RusHydro unified sales service through the following measures:

- preparing proposals for changing the regulatory framework as to hydropower plants' planning of their own daily energy output and supplying power based on a specific volume of price bids;
- concluding bilateral contracts on the day-ahead market;
- protecting the hydropower plant's interests in inter-departmental groups of the Federal Agency for Water Resources.

Section 2. Corporate governance

Ongoing improvement of corporate governance is a major factor in enhancing JSC Votkinskaya HPP's operating efficiency and investor appeal and achieving stakeholder harmony.

Corporate governance is aimed at forming the Company's positive image among its shareholders, counterparties and employees, and also at controlling and reducing risks, maintaining sustainable growth of its financial indicators and enabling the Company's successful operation.

In its operations, the Company is guided by respect for the rights and legitimate interests of all groups of owners and shareholders, and the principles of corporate governance based on the requirements of corporate law and recommendations of the Code for Corporate Behavior developed by Russia's Federal Securities Market Commission, and best corporate governance practices.

2.1. Principles of corporate governance

The Company considers the basic corporate governance principles to be as follows:

Fairness

The Company's corporate governance system is designed to protect the rights and legitimate interests of its shareholders and ensure equal treatment of all shareholders, including minority shareholders. The Company seeks to give all shareholders equal access to effective remedies, if their rights are breached.

Responsibility

The Company proceeds from the legitimacy of the rights and interests of stakeholders (shareholders, potential investors, counterparties, consumers and government bodies) and facilitates active cooperation with the latter for the purpose of creating prosperity, jobs, and financial sustainability. The Company also attaches great importance to the issues of environmental protection and social responsibility.

Transparency

The Company's corporate governance system provides all stakeholders with complete and reliable information about the Company and its activities, and does not hesitate to disclose negative information to the extent making it possible to get a clear idea about the Company and its operations.

Accountability

The Company's corporate governance system ensures strategic management of the Company, effective control of managers by the Board of Directors and accountability of the Board of Directors to the Company's shareholders.

2.2. Enhancement of corporate governance

The scope of the Company's operations determines its strong responsibility to shareholders, employees, consumers, suppliers, and the public at large.

The Company's efficient governance, openness and protection of shareholder rights are vital for its investor appeal. Only proper governance can make the Company attractive for investment and ensure the systematic growth of its shareholder value.

Recognizing the importance of high standards of corporate governance, the Company drafted and its Board of Directors approved in 2006 a Code of Corporate Governance for JSC Votkinskaya HPP designed to improve and systematize corporate management.

Throughout 2006, the Company's managers regularly met with shareholders to discuss the adoption of vital decisions for the Company's operations, as well as with journalists, analysts and CEOs of large investment companies and other financial institutions.

In addition, the Company's Board of Directors approved in the reporting year a Statute of the Information Policy of JSC Votkinskaya HPP to increase the Company's information transparency. The Statute defines the rules and approaches to information disclosure, the list of data and documents to be disclosed to shareholders, potential investors, creditors and other stakeholders, and establishes the procedure and timeframe for information subject to mandatory disclosure under effective legislation. The Statute also includes a list of information and documents to be disclosed by the Company at its discretion, which was drawn up with due account for the interests of Company shareholders and potential investors.

The corporate website is the most important source of information for shareholders and potential investors about the Company and its operations. The timely disclosure of complete and reliable information about the Company on its corporate website, including data on financial and economic performance, corporate governance, major corporate events, ownership and governance structure, enables the Company's shareholders and potential investors to take informed and reasonable decisions, helps the Company maintain confidence of the investment community and raise funds. That is why the Company regularly upgrades its website, publishes press releases, news, articles and interviews, and discloses new documents.

In 2006, the Company's efforts to enhance corporate governance went a long way toward increasing its market value by 52% compared with the beginning of the year.

2.3. Governing and controlling bodies

The Company's governing bodies are:

- The general meeting of shareholders
- The Board of Directors
- The sole executive body (Management Company)

No collegial executive body is provided for under the Company's Articles of Association.

The Auditing Commission exercises control over the Company's financial and economic activities.

The general meeting of shareholders

The general meeting of shareholders is the Company's supreme management body, which makes decisions on the most important issues in respect of its operations. Shareholders participate in general meetings of shareholders to exercise their right to take part in Company management.

Major decisions passed by the general meeting of shareholders

In 2006, four general meetings of shareholders were held.

On January 31, 2006, the general meeting of shareholders approved contracts with JSC TGC-9 that are related party transactions.

The annual general meeting of shareholders, held on June 19, 2006, approved the Company's 2005 annual report, the yearly accounting books, the 2005 profit and loss statement, elected the Company's Board of Directors and Auditing Commission, endorsed the Company's Auditor, and decided on dividend payment and on amending the Company's Articles of Association.

The general meeting of shareholders dated June 30, 2006 approved contracts with JSC TGC-9 that are related party transactions.

The general meeting of shareholders dated December 25, 2006 approved contracts with JSC RusHydro that are related party transactions.

The Board of Directors

The Board of Directors is a collegial management body that defines the strategy of the Company's development and exercises control over its executive bodies. The Board of Directors is the key element of the Company's corporate governance system.

The work of the Board of Directors is regulated by the Statute on the procedure for convening and holding sessions of the Votkinskaya HPP Board of Directors as approved by an annual general meeting of shareholders (minutes dated June 24, 2002).

In the reporting year, the Board of Directors held 16 sessions and discussed 85 issues.

The Board of Directors passed decisions on the Company's charitable activities, and also regularly reviewed reports on the fulfillment of the Company's plans and programs for 2006.

In particular, the Board of Directors approved:

- The Code of the Company's Corporate Governance;
- The Statute on the Company's Information Policy;
- The Company's business plan;
- The Company's key performance indicators;
- The program for upgrading the Company's telecontrol and telecom systems;
- The occupational pension scheme for the Company's personnel;
- The Company's repair and maintenance program;
- The Company's equipment upgrading and rehabilitation program;
- The Company's insurance program;
- The annual integrated procurement program.

Also, the Board of Directors approved six related party transactions in 2006. On the initiative of the Board of Directors, three extraordinary general meetings of shareholders were held to approve contracts involving related party deals.

No claims were ever made to members of the Board of Directors.

Composition of the Board of Directors

(elected by the annual general meeting of shareholders on June 19, 2006, minutes dated June 29, 2006)

Chairperson of the Board of Directors

Smirnova, Yuliya Vsevolodovna

Year of birth: 1978

Position: Head of RusHydro Corporate Governance Department, Head of Corporate Governance Department at RusHydro Management Company

Chabak, Anatoly Antonovich

Year of birth: 1966

Position: Executive Director of AG Capital Investment Group

Muravyov, Alexander Olegovich

Year of birth: 1977

Position: Head of Marketing Department at RusHydro Management Company

Khalmayev, Takhir Kayumovich (independent director)

Year of birth: 1950

Position: Adviser at the Institute of Professional Directors Foundation

Dubovitskaya, Yelena Anatolyevna (independent director)

Year of birth: 1981

Position: Adviser at the Institute of Professional Directors Foundation

Flegontov, Vladimir Danilovich (independent director)

Year of birth: 1966

Position: Adviser at the Institute of Professional Directors Foundation

Shulin, Maxim Igorevich (independent director)

Position: Adviser at the Institute of Professional Directors Foundation

Members of the Board of Directors receive remuneration and compensation for their expenses in compliance with the Statute of Paying Remuneration and Compensation to Members of the JSC Votkinskaya HPP Board of Directors (as approved by the June 19, 2006 annual general meeting of shareholders, minutes dated June 29, 2006).

A member of the Board of Directors is paid remuneration for participating in Board of Directors sessions (whatever the form of holding them) in an amount equivalent to 5 (five) times the minimum monthly rate established for a category 1 worker by the tariff agreement in the electric power sector of the Russian Federation (hereinafter the Agreement) as of the day of holding a meeting, with adjustments stipulated in the Agreement, during seven calendar days after the Board of Directors session.

The amount of remuneration paid to the Chairperson (Deputy Chairperson) for each session conducted in the capacity of the Chairperson of the Board of Directors is increased by 50%.

Total remuneration paid to the above composition of the Board of Directors in 2006 amounted to 456,950 rubles.

Sole executive body

The powers of the Company's sole executive body are performed by the management company.

Brief information on the Management Company	
Corporate name in Russian	Открытое акционерное общество "Управляющая компания ГидроОГК" (ОАО "УК ГидроОГК")
Corporate name in English	JSC RusHydro Management Company (RusHydro MC)
Location	Russian Federation, Moscow, 8a Vernadskogo prospekt
Postal address	119311, Russian Federation, Moscow, 8a Vernadskogo prospekt
Date of state registration	April 16, 2001
Equity structure	JSC RusHydro holds 100% minus 1 share in RusHydro Management Company and RAO UES of Russia holds 1 share

The grounds for the transfer of powers:

- A decision passed by a general meeting of JSC Votkinskaya HPP shareholders on May 5, 2003 (minutes No. 13);
- Agreement No. 7 dated July 1, 2003 on the transfer of powers of JSC Votkinskaya HPP executive body (version No. 1 of November 25, 2005).

The management company exercises the rights and performs the duties of the Company's sole executive body to the extent and within the limits defined by the applicable legislation of the Russian Federation, the Company's Articles of Association, in-house documents, decisions by general meetings of shareholders and the Board of Directors, and the agreement signed with the Company.

By its decision of August 1, 2005, the Board of Directors of JSC RusHydro MC appointed Sinyugin Vyacheslav Yurievich as General Director of the RusHydro Management Company (minutes No. 30).

Sinyugin, Vyacheslav Yuryevich

Year of birth: 1969

Position: Management Board Member, Managing Director of the Hydrogeneration Business Unit of RAO UES of Russia
Chairman of the RusHydro Management Board
Director General of JSC RusHydro MC

The management company is paid remuneration in compliance with Agreement No. 7 dated July 1, 2003 on the transfer of powers of the Votkinskaya HPP executive body (version No. 1 of November 25, 2005).

Under this Agreement, the cost of services rendered by the Management Company consists of two parts: the permanent component within the estimate of expenses approved by the Company and the variable component.

The amount of payment for the services of the Management Company may not exceed 2% of the book value of the Company's assets per annum.

Remuneration paid to the Management Company in 2006 totaled 7,016,063.34 rubles (VAT excluded).

The Management Company was paid compensation for expenses totaling 32,767,439.54 rubles in 2006 (VAT excluded).

Auditing Commission

A general meeting of shareholders elects an Auditing Commission to exercise control over the Company's financial and economic activities. The Auditing Commission operates until the next annual general meeting of shareholders.

The work of the Auditing Commission is regulated by the Statute of the Auditing Commission of JSC Votkinskaya HPP, as approved by the May 25, 2001 general meeting of shareholders, minutes No. 10.

Composition of JSC Votkinskaya HPP Auditing Commission

(elected by the annual general meeting of shareholders on June 19, 2006, minutes dated June 29, 2006)

Gorbunov, Alexei Gennadyevich (Commission Chairperson)

Year of birth: 1972

Position: Senior expert at the Internal Audit Department of the Corporate Center of RAO UES of Russia

Voropayev, Yuri Alexandrovich

Year of birth: 1946

Position: Section head of the Department for Technical Audit and General Inspection of the Corporate Center of RAO UES of Russia

Lukashov, Artyom Vladislavovich

Year of birth: 1981

Position: Senior expert at the Management and Capital Control Department of RusHydro MC

Petrova, Yulia Vladimirovna

Year of birth: 1981

Position: Chief expert at the Corporate Governance Department of RusHydro MC

Fadeyev, Sergei Viktorovich

Year of birth: 1963

Position: Chief accountant of JSC Cascade of VV HPPs

In compliance with the Statute of Paying Remuneration and Compensation to Members of the Votkinskaya HPP Auditing Commission (as endorsed by the annual general meeting of shareholders on June 24, 2002, minutes No. 12), members of the Votkinskaya HPP Auditing Commission are paid remuneration for checks (audits) of financial and economic operations in an amount equal to three times the minimum monthly rate established for a category 1 worker, with adjustments stipulated by the sectoral tariff agreement, during a week after drawing up a statement on the results of the check (audit) held.

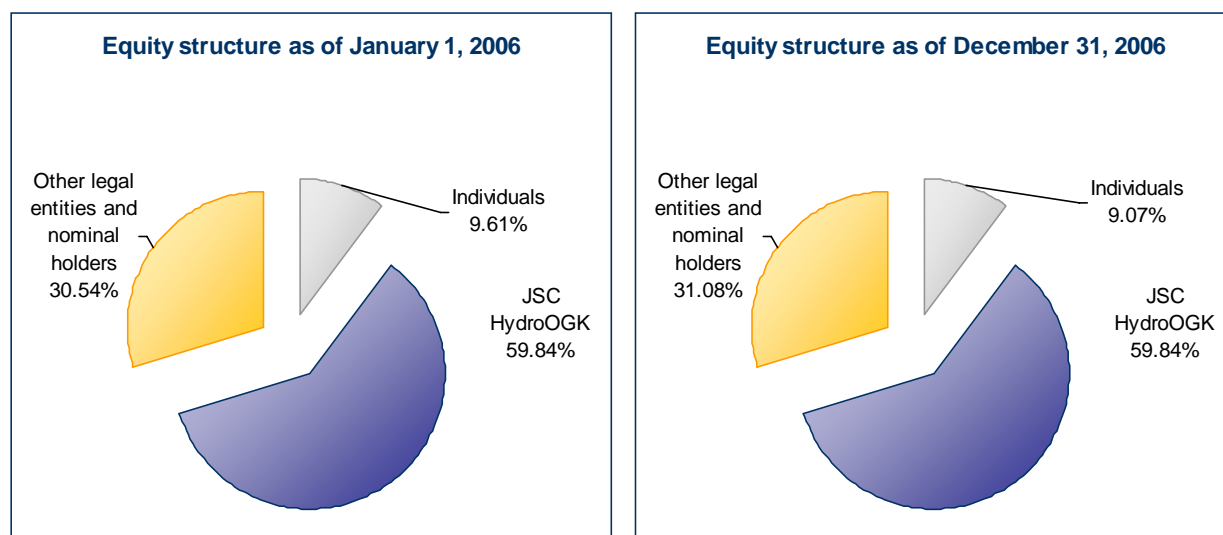
2.4. Authorized capital

As of December 31, 2006, the authorized capital of JSC Votkinskaya HPP equaled 448,681,200 (Four hundred and forty-eight million six hundred and eighty-one thousand two hundred) rubles.

Authorized capital structure by category of shares	
Category of shares	Registered ordinary shares
Total outstanding shares	361,914,432 (Three hundred and sixty-one million nine hundred and fourteen thousand four hundred and thirty-two) shares
Face value per share	1 (one) ruble
Total face value	361,914,432 (Three hundred and sixty-one million nine hundred and fourteen thousand four hundred and thirty-two) rubles
Category of shares	Preferred shares
Total outstanding shares	86,766,768 (Eighty-six million seven hundred and sixty-six thousand seven hundred and sixty-eight) shares
Face value per share	1 (one) ruble
Total face value	86,766,768 (Eighty-six million seven hundred and sixty-six thousand seven hundred and sixty-eight) rubles

The data on the issues of the Company's securities are given in Appendix No. 7.

2.5. Equity structure



Shareholders possessing more than 5% of the Company's authorized capital and more than 5% of the Company's registered ordinary shares

Corporate name of shareholder possessing more than 5% of AC	January 1, 2006		December 31, 2006	
	Stake in authorized capital	Proportion of ordinary shares	Stake in authorized capital	Proportion of ordinary shares
JSC RusHydro	59.84%	74.19%	59.84%	74.19%

As of December 31, 2006, there were 613 (six hundred and thirteen) persons registered in the register of JSC Votkinskaya HPP shareholders, including 9 (nine) nominal holders.

2.6. The Company's shares on the Russian stock market

The shares of JSC Votkinskaya HPP are trading successfully on Russian stock exchanges.

Registered ordinary shares of JSC Votkinskaya HPP are admitted to trading without listing requirements (non-listed stock) of the Russian Trading System (RTS) Stock Exchange (Non-Profit Partnership) and JSC RTS Stock Exchange while preferred registered shares are traded in the RTS Board system.

The ordinary and preferred registered shares of JSC Votkinskaya HPP are admitted to trading without listing requirements (non-listed stock) on the Moscow Inter-Bank Currency Exchange (MICEX).

MICEX trade results for the period from January 1 to December 31, 2006

	Ordinary	Preferred
Price per share as of start of period, RUB	11.97	9.32
Price per share as of end of period, RUB	17.92	15.26
Price change per share	149.7%	163.73%
Capitalization as of start of period, RUB	4,332,115,751.04	808,666,277.76
Capitalization as of end of period, RUB	6,485,506,621.44	1,324,060,879.68
Capitalization to installed capacity ratio as of end of period, thous RUB/MW/ thous USD/MW	7,656.44/290.78	

Due to reorganization of the RTS Stock Exchange Non-Profit Partnership, trading on the classic market was transferred to JSC RTS Stock Exchange from January 1, 2007. As a result, the ordinary and preferred shares of JSC Votkinskaya HPP will be traded only on JSC RTS Stock Exchange using both classical and order-driven market technologies.

More information on the results of trading in the Company's shares can be found on the websites: www.micex.ru and www.rts.ru.

Section 3. Production and sales

3.1. Key performance indicators

Main indicators of electricity generation and supply

Electricity generation and supply by JSC Votkinskaya HPP in 2004-2006					
№	Indicator	Unit of measurement	2004	2005	2006
1	Installed capacity	MW	1020	1020	1020
2	Available capacity	MW	861.5	869.7	896.7
3	Operating capacity	MW	736.1	727.4	765.9
4	Power-plant capacity consumption	MW	7.9	8.4	10.1
5	Net power flow	MW	-390.1	-396.5	-339.3
6	Electricity generation, total	mln kWh	2415	2521	2379.1
7	Power-plant electricity consumption, total:	mln kWh	16	15	26
7.1.	for electricity production	mln kWh	16	15	26
7.2.	as % of electricity generation	%	0.65	0.61	1.1
8	Busbar electricity output	mln kWh	2399	2506	2352.9
9	Electricity consumption for intra-grid losses	mln kWh	56	59	62
9.1.	as % of busbar electricity output	%	2,3	2,4	2,6
10	Electricity supply (net flow)	mln kWh	2343	2447	2290.8
11	including to wholesale electricity market	mln kWh	0	0	0

HPP's generating capacities

№	№ of hydropower unit	Installed capacity, MW	Year of putting into operation	Year of putting turbine into operation
1	01	110	1963	1963
2	02	110	1961	1961
3	03	100	1961	1961
4	04	100	1962	1962
5	05	100	1962	1962
6	06	100	1962	1962
7	07	100	1962	1962
8	08	100	1963	1963
9	09	100	1963	1963
10	10	100	1963	1963

Total installed capacity of the HPP is 1,020 MW as of December 31, 2007.

3.2. Electricity sales

Changes in electricity commercial output and sale

Electricity commercial output and sale by JSC Votkinskaya HPP in 2006		
Month	Electricity supply plan (contractual volume), thous kWh	Actual supply, thous kWh
January	130,000	104,173
February	130,000	92,256
March	140,000	115,395
April	180,000	163,217
May	487,000	368,874
June	352,000	317,090
July	227,000	183,333
August	189,000	177,398
September	178,000	178,414
October	197,000	183,381
November	176,000	226,885
December	150,000	180,249
Total	2,536,000	2,290,665

Actual electricity supply was lower than the target figure projected by the Federal Tariff Service of Russia due to the lower water content of rivers. Water inflow into the reservoirs of the Volga-Kama cascade increased only at the end of the fourth quarter, which enabled the Company to reduce the volume of electricity purchases on the day-ahead market required to fulfill its obligations under regulated contracts that came into effect in September 2006 along with the launch of a new model of the wholesale market for the transition period.

Changes in JSC Votkinskaya HPP tariffs by date of tariff introduction

Date of tariff endorsement	Electricity tariff thous RUB kWh	Capacity tariff thous RUB kWh
08.08.2000. (Resolution No. 42/1, introduced from 01.09.2000)	3.74	12,420
11.07.2001 (Resolution No. 44/4, introduced from 16.07.2001)	4.54	16,361
25.12.2002 (Resolution No. 98-e/2, introduced from 01.01.2003)	9.99	34,037
24.12.2003 (Resolution No. 108-э/21, introduced from 01.01.2004 and from 01.07.2004)	From 01.01.2004 – 21.56 From 01.07.2004 – 23.28	From 01.01.2004 – 28,328 From 01.07.2004 – 29,874
30.11. 2004 (Order No. 211-e/3, introduced from 01.01. 2005)	14.47	33,547.8
03.12. 2005 (Order No. 572-e/5, introduced from 01.01.2006)	15.23	55,601.78

Therefore, from 2000 to 2006, the electricity tariff rate rose 310% and the capacity tariff rate climbed 350%.

2002: electricity and capacity tariffs were unchanged and stayed at the level approved by Resolution No. 44/4 of July 11, 2004 adopted by the Federal Energy Commission of Russia (the new tariffs in 2001 were introduced from the middle of the year).

2003: tariff rates grew 120% for electricity and 110% for capacity compared with 2002 (2002 re-assessment was included in the tariff).

2004: electricity and capacity tariff rates were set for six-month periods (electricity tariff rate grew 8% and capacity tariff rate increased 5.4% in the second half of 2004 compared with the first half of 2004).

2005: the average electricity sale tariff grew 14.6% year on year as it included increased costs for the repair of fixed assets (+17.5%) and larger depreciation charges for newly commissioned plant and equipment (+ 9.7%) while the balance of electricity flow decreased 4.9%.

2006: the average electricity sale tariff rose 40% year on year as it included costs for 2005 fixed asset revaluation (depreciation, net worth tax).

Section 4. Economics and finances

4.1. The Company's financial and economic performance in 2006

Key performance indicators of JSC Votkinskaya HPP, thous RUB				
Indicators	As of 31.12.2005	As of 31.12.2006	Difference	
			thous RUB	%
Proceeds from sale of goods, products, works and services	796,767	797,926	1,159	0.15
Prime cost of products, works, and services sold	586,854	600,997	14,143	2.41
Business and administrative expenses	0	0	0	0.00
Operating profit	209,913	196,929	-12,984	-6.19
Other revenues	285,682	10,989	-274,693	-96.15
Other expenses	298,408	23,810	-274,598	-92.02
Pre-tax profit	197,187	184,108	-13,079	-6.63
Net profit	116,435	117,148	713	0.61

The figures cited in the table suggest the following conclusions:

- Sales in the reporting year remained at the previous level of 797,926,000 rubles;
- The prime cost of products has slightly increased largely due to the inclusion of net worth tax in the costs in compliance with accounting standards (tax inclusion in operating expenses from 2005);
- Under the Company's accounting policy, business and administrative expenses are included in the prime cost of products;
- Operating profit decreased 6.2% year on year due to growth in the prime cost of products, with sales remaining at the previous level;
- Other revenues and expenses fell sharply, by 96% and 92%, respectively, largely due to structural changes in balance sheet assets and liabilities and the inclusion of net worth tax into the prime cost of products;
- As a result, the Company's net profit grew by 713,000 rubles to 117,148,000 rubles at the end of the reporting period.

4.2. The Company's financial statements for 2006. Analytical balance sheet. Analysis of assets and liabilities structure. Net assets calculation

The Company's annual financial statements for the reporting period (summary accounting balance sheet and profit and loss statement) are given in Appendix No. 1.

To analyze the Company's balance sheet an analytical balance sheet has been compiled, where assets and liabilities are grouped by economic criteria.

Analytical balance sheet of JSC Votkinskaya HPP for 2006, thous RUB				
Item	As of 31.12.2005	As of 31.12.2006	Change thous RUB	%
Assets				
<i>I. Non-current assets</i>				
Intangible assets	0	0	0	0
Fixed assets	2,664,324	2,701,586	37,262	1.40
Investment in non-current assets	109,304	117,463	8,159	7.46
Long-term financial investment	0	0	0	0
Deferred income tax assets	5,244	0	-5,244	-100.00
SUBTOTAL for Section I	2,778,872	2,819,049	40,177	1.45
<i>II. Current assets</i>				
Inventories	22,188	34,058	11,870	53.50
Value added tax on acquired assets	33,605	5,893	-27,712	-82.46
Accounts receivable with payments due over 12 months from the reporting date	0	0	0	0
Accounts receivable with payments due within 12 months from the reporting date	133,257	227,313	94,056	70.58
Short-term financial investment	0	56,000	56,000	100.00
Cash	9,495	22,577	13,082	137.78
SUBTOTAL for Section II	198,545	345,841	147,296	74.19
TOTAL	2,977,417	3,164,890	187,473	6.30
Liabilities				
<i>III. Capital and reserves</i>				
Authorized capital	448,681	448,681	0	0
Additional capital	2,163,152	2,162,977	-175	-0.01
Reserve capital	19,034	22,434	3,400	17.86
Retained profit (loss) of past years	234,598	200,419	-34,179	-14.57
Retained profit (loss) of reporting period	0	117,148	117,148	100.00
Subtotal for Section III	2,865,465	2,951,659	86,194	3.01
<i>IV. Non-current liabilities</i>				
Borrowings and loans	0	91,049	91,049	100.00
Other non-current liabilities	3408	4,002	594	17.43
SUBTOTAL for Section IV	3,408	95,051	91,643	2,689.06
<i>V. Current liabilities</i>				
Borrowings and loans	0	50,067	50,067	100.00
Accounts payable	52,115	66,213	14,098	27.05
Arrears of income due to founders	56,429	1900	-54,529	-96.63
Deferred income	0	0	0	0
Other current liabilities	0	0	0	0
SUBTOTAL for Section V	108,544	118,180	9,636	8.88
TOTAL	2,977,417	3,164,890	187,473	6.30

Over the reporting period, the Company's assets has registered a growth in inventories, which increased by 54% or by 11,870,000 rubles while cash grew by 138%, or by 13,082,000 rubles. In 2006, the Company placed freely available funds on deposit accounts to derive income. The Company placed a total of 176,000,000 rubles in 2006 and debited 120,000,000 rubles from its account throughout the year, with the balance totaling 56,000,000 rubles at the end of the reporting period. Income derived from the placement of freely available funds on deposit accounts equaled 353,800 rubles.

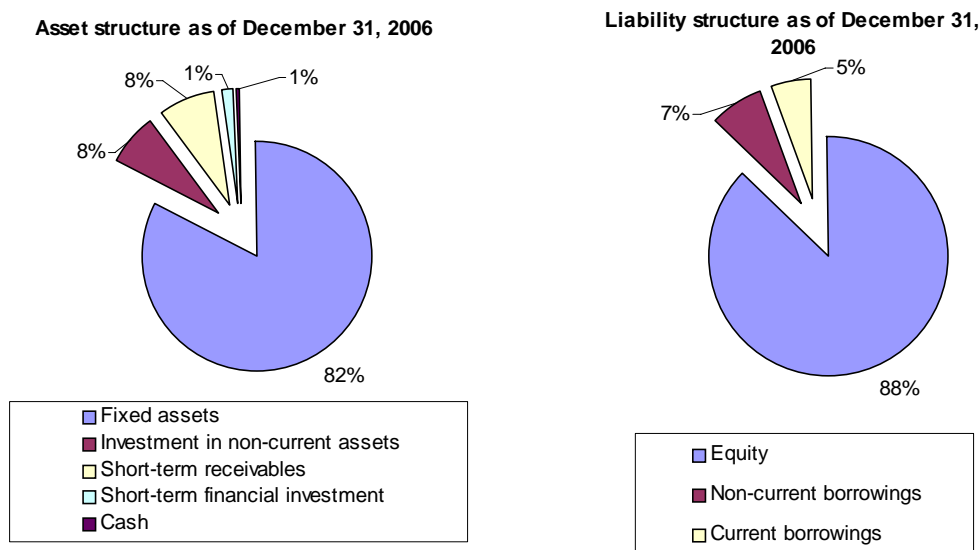
The reasons for a considerable increase in the Company's short-term receivables in the reporting period (by 71% or by 94,056,000 rubles) will be examined during the analysis of the Company's business activity.

The Company's balance sheet total increased by 6.3%, or by 187,473,000 rubles, due to the above changes.

The Company's liabilities registered outstanding balances on borrowings and loans. To implement its program of equipment upgrading and rehabilitation in 2006, the Company took out a short-term loan of 40,500,000 rubles and a long-term loan of 39,000,000 rubles. The Company also received a long-maturity loan of 50,000,000 rubles for the purposes of covering cash shortage and financing operating expenses.

Accounts payable increased by 27%, or by 14,098,000 rubles. The payables structure was dominated by the arrears to the budget (34%, all current debts), debts to suppliers and contractors (36%) and advance payments received.

In the reporting period, the Company repaid the arrears of income due to founders totaling 54,529,000 rubles.



The Company's balance sheet structure did not change considerably in 2006. The Company's equity remained the main source of funds, although its share declined by 3% to 93% in 2006.

The Company invested most of its financial resources in non-current assets whose share decreased by 4% to 89% of the entire amount of assets in the reporting period.

The asset structure was dominated by fixed assets (85%) whose wear and tear stands at about 69%. The Company is making active efforts to acquire, replace and repair machinery and equipment by increasing investment in fixed and non-current assets, inventories (spare parts) and taking out long-term loans for investment project financing.

The equity to debt ratio is 93% to 7%, and the ratio of short-term and long-term borrowings is 55% to 45%, which is evidence of the Company's stable financial position and boosting economic potential.

The value of the Company's net assets is calculated in accordance with Regulation No. 10n, 03-6/pz of January 29, 2003 "On Endorsing the Procedure for Evaluating Net Assets of Joint Stock Companies" issued by the Russian Finance Ministry and the Federal Commission for Securities Market.

Calculation of JSC Votkinskaya HPP net assets, thous RUB		
Item	31.12.2005	31.12.2006
ASSETS		
1. Intangible assets	0	0
2. Fixed assets	2,664,324	2,701,586
3. Construction in progress	109,304	117,463
4. Income-bearing investment in tangible assets	0,	0,
5. Short-term and long-term financial investment	0	56,000
6. Other non-current assets	5,244	0
7. Inventories	22,188	34,058
8. VAT on acquired assets	33,605	5,893
9. Accounts receivable	133,257	227,313
10. Cash	9,495	22,577
11. Other current assets	0	0
12. Total assets included in calculation (Items 1-11)	2,977,417	3,164,890
LIABILITIES		
13. Long-term borrowings and loans	0	91,049
14. Other long-term liabilities	3408	4002
15. Short-term borrowings and loans	0	50,067
16. Accounts payable	52,115	66,213
17. Arrears of income due to participants (founders)	56,429	1,900
18. Provisions for future expenses	0	0
19. Other current liabilities	0	0
20. Total liabilities included in calculation (Items 13-19)	111,952	213,231
21. Net asset value (Item 20 – Item 12)	2,865,465	2,951,659

The value of the Company's net assets grew by 86,194,000 rubles to 2,951,659,000 rubles in 2006.

4.3. Indicators of the Company's liquidity, profitability, financial stability and business activity in the reporting period

Analytical financial ratios calculated on the basis of the Company's accounting records for the past two years make it possible to compare the Company's performance in the reporting period with those in previous years.

JSC Votkinskaya HPP analytical ratios		
Indicator	As of 31.12.2005	As of 31.12.2006
Liquidity and financial stability indicators,%		
Current ratio	1.83	2.93
Quick ratio	1.32	2.59
Cash ratio	0.09	0.66
Equity ratio	0.96	0.93
Financial stability index	0.96	0.96
Business activity (turnover) indicators,%		
Asset turnover ratio	0.27	0.26
Receivables turnover ratio	6.85	4.43
Average collection period for receivables, days	53	81
Payables turnover ratio	8.48	2.54
Average payables period, days	42	142
Profitability indicators,%		
Return on sales	26.35	24.68
Production profitability	35.77	32.77
Return on assets	3.91	3.81
Return on equity (ROE)	4.06	4.03
Rate of return	19.84	19.49

Liquidity and financial stability indicators

Compared with previous reporting periods, all quick ratios were observed to grow in the period under review due to a considerable increase in the balance of the Company's settlement account (the minimum balance is required to include funds to return deposit payments to tender bidders) and short-term financial investment, confirming the Company's complete solvency.

The equity (financial independence) ratio shows the proportion of shareholders' equity in the Company's total capital. This ratio exceeds statutory requirements: there is more equity than borrowed funds and, therefore, the Company continues to finance most of its assets with shareholders' funds.

The financial stability indicator is at the level of 96%, suggesting that actually all of the Company's assets are financed through stable sources: shareholders' equity and long-term borrowings.

Business activity (turnover) indicators

Accounts receivable were expected to grow at 10% of sales in 2006, with the repayment period averaging 30 days. However, the actual figures of settlements with debtors slightly deteriorated in 2006 compared with the previous year: the turnover ratio fell from 6.85 to 4.43 turnovers per annum, the average period of receivables collection increased by 29 days to 81 days and receivables grew 71%. This witness a lower percentage of payments made by Territorial Generating Company No. 9 under the contracts of power equipment lease and operation and a lower percentage of advances issued under the contracts.

At the same time, payables tended to grow, the turnover ratio declined from 8.48 to 2.54 turnovers per annum and the average repayment period increased by 100 days to 141 days largely due to longer-term contracts with suppliers (contractors).

A comparison of receivables and payables at the end of the reporting period suggests the following conclusions:

- The period for repayment of accounts payable is 60 days longer than that for receivables collection. Therefore, the period, during which the Company can use "free-of-charge" funds and compensate for the shortfall of sales proceeds, is longer. These factors have a positive effect on the Company's cash balance;
- Receivables grow considerably faster than payables. This means that payables cannot compensate for the entire amount of receivables, even despite their lower turnover. Therefore, additional funds have to be raised to cover the cash deficit;
- The asset turnover ratio, which measures the efficiency of asset utilization and shows the volume of sales per every ruble invested in business, tended to decline slightly. As a result, the Company has to increase prices of its products and keep the level of payables unchanged to maintain the asset turnover ratio at the current level.

Profitability indicators

The return on sales decreased 2% and production profitability declined 3% due to growth in the prime cost of products.

The return on equity remained unchanged.

Analysis of taxes and interest payments impact on the overall profitability level showed that the rate of return increase 3% on average, if profit before tax and interest was used for calculation. Therefore, obligatory tax and interest payments do not affect considerably the general profitability level.

A conclusion can be drawn from the above data that all profitability indicators have not changed over the reporting period and are higher than the minimum target figures. These data witness to the stable level of the Company's rate of return indicators registered in 2006.

4.4. Profit distribution and dividend policy

Principles of the dividend policy

The Company's dividend policy is based on the balance of interests between the Company and its shareholders, on its higher investment appeal, respect for and observance of the shareholders' rights as stipulated in effective Russian Federation law, the Company's Articles of Association and in-house documents.

The basic principles of the Company's dividend policy include:

- Achieving the targets approved by the Company's governing bodies for dividend assessment and dividend payment to the Company's shareholders;
- Achieving Key Performance Indicators and fulfilling business plans approved by the Company's governing bodies;
- Maintaining the required level of financial and technical condition and providing for the Company's future development;
- Raising the Company's market capitalization.

The dividends are paid out proceeding from the amount of net profit received for the first quarter, the first six months, the first nine months and (or) the financial year and depending on the requirements of the Company's further development.

The Company may decide on paying out dividends, but it is not obliged to do so.

The Company must pay the declared dividends on shares in a procedure and within the time limits defined by the Company's Articles of Association or by the general meeting of shareholders. The Company shall be liable to its shareholders for failure to fulfill this obligation under effective Russian Federation law.

Dividends assessed by JSC Votkinskaya HPP			
Dividends	2004 (for 2003)	2005 (for 2004)	2006 (for 2005)
Total (thous RUB), including:	44,868	48,544	85,365
On ordinary shares			
Total (thous RUB)	36,191	31,523	68,857
per share (RUB)	0.1000	0.0871	0.1903
On preferred shares			
Total (thous RUB)	8,677	17,021	16,508
per share (RUB)	0.1000	0.1962	0.1903

Report on payment of dividends declared in 2006		
Reporting period for dividend payment	2005	
Category (type) of shares	Ordinary	Preferred Type A
Total amount of declared dividends:	24,968,115 rubles	5,985,953 rubles
Amount of declared dividends per share	0.068989 rubles	0.068989 rubles
Time allowed for payment of declared dividends	Within a period of 60 days following passing the resolution on dividend payment	
Total amount of paid-out dividends	24,947,430 rubles	5,961,210 rubles
Reasons for non-payment or partial payment of declared dividends	Incorrect, incomplete or outdated information on shareholders' bank details and postal addresses	

No decision on the payment of interim dividends for the first nine months of the year has been taken.

Section 5. Investment and innovations

In 2006, the investment policy of JSC Votkinskaya HPP was aimed at keeping its equipment at a high level of reliability, raising the hydropower plant's productivity and introducing new technologies.

The total volume of investment utilized by JSC Votkinskaya HPP equaled 241.922 million rubles in 2006. In current prices, investment grew 7.7% in 2006 year on year. Investment in new construction projects increased 54% as compared with 2005 and totaled 6,583 million rubles.

The Company financed its 2006 investment program out of equity (depreciation) and borrowed funds. The total amount of funds that went to finance the Company's 2006 investment program stood at 275.893 million rubles.

The structure of investment financing in 2006 was as follows:

- Payment for equipment supplied and works fulfilled – 239,679 million rubles;
- Advance payments – 21.778 million rubles;
- Repayment of payables – 14.436 million rubles.

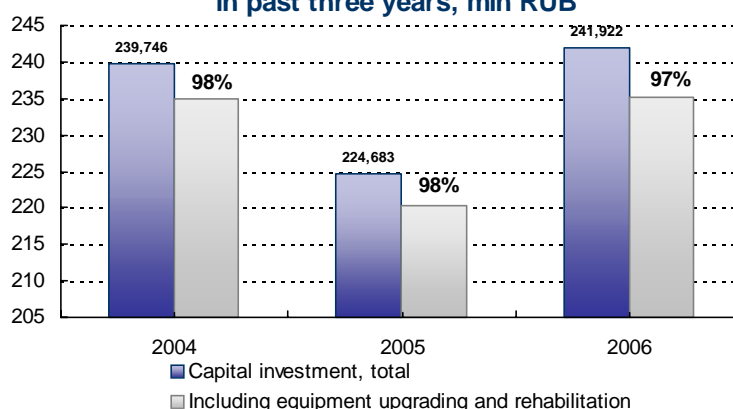
The Company raised 79.5 million rubles in loans for investment projects in 2006.

JSC Votkinskaya HPP planned to utilize 221,848 million rubles under its investment program in 2006. Its fulfillment was 109% in the reporting year (241,922 million rubles).

Investment utilization in past three years is shown in the table and figure below.

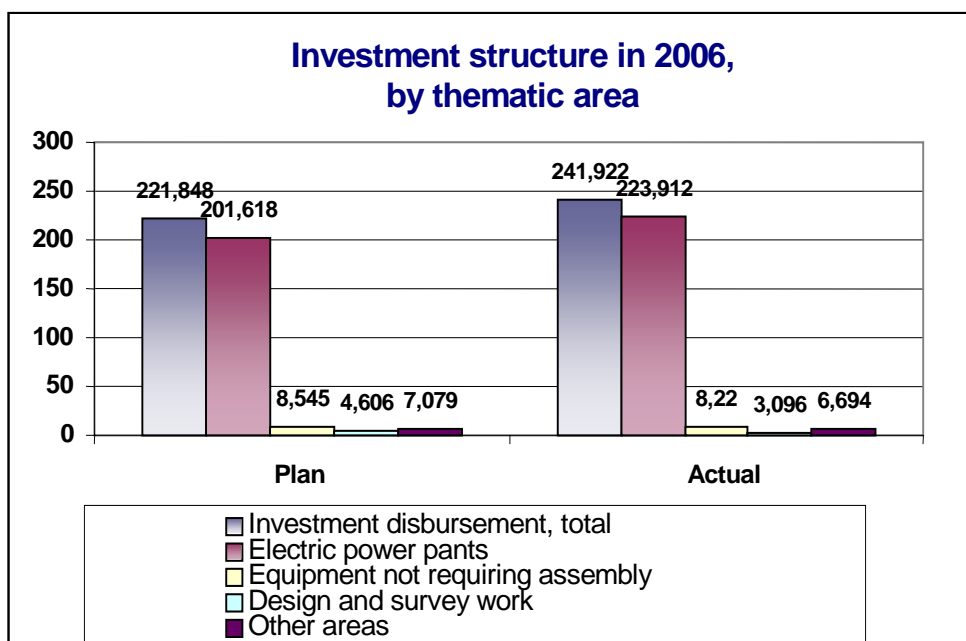
No.	Indicator	2004		2005		2006	
		mIn RUB	%	mIn RUB	%	mIn RUB	%
1	Investment, total (less VAT)	239.746	100	224.683	100.0	241.922	100
1.1.	Including equipment upgrading and rehabilitation	235.007	98	220.347	98.07	235.339	97.23
1.2.	New construction projects	4.641	2	4.336	1.93	6.583	2.77
1.3.	Nonproductive assets	0.098		-		-	

**JSC Votkinskaya HPP investment dynamics
in past three years, mIn RUB**



Sources of investment program financing in 2006		
Investment program	Financing source	Financing volume, mIn RUB
Equipment upgrading and rehabilitation	Depreciation	193.836
	borrowed funds	41.503
New construction	borrowed funds	6.583

JSC Votkinskaya HPP's investment structure in 2006



JSC Votkinskaya HPP's investment plans for 2007 and beyond

The Company's investment program for 2007 sets aside 238.745 million rubles for the most important measures required to implement promising investment projects in future periods:

- replacement of generator circuit-breaker VV-15 with a generator gas-insulated system at hydropower units No. 7, 8 – 25.110 million rubles;
- replacement of oil pressure installation MNU 36/1-25-30-3 at hydropower unit No. 7 – 17.714 million rubles;
- replacement of 0.4 kV SN power boards at hydropower units No. 7,8,3,4,2,1,10 – 8.541 million rubles;
- replacement of 220, 500 kV lead-ins with solid insulation lead-ins for transformers 2,3 AT – 12.800 million rubles;
- modernization of the hydropower unit's automatic control system, with the replacement of relay protection and automatic equipment, switchboard automatics, electrohydraulic control pillars at hydropower units 7, 8 – 29.016 million rubles;
- modernization of telecontrol systems– 17.226 million rubles;
- establishment of the fiber-optic communication line: Votkinskaya HPP – Udmurtia regional dispatch administration – trunk communication technical center TUMS-3 – TTC (TransTeleCom) – 39.220 million rubles;
- introduction of an automated control system (ERP) – 28.592 million rubles.

Section 6. Social responsibility

6.1. Personnel and social policy

Principles and goals

JSC Votkinskaya HPP's personnel policy aims at providing the Company with highly skilled specialists and creating a close-knit team of professionals capable of solving current and strategic tasks.

Our personnel policy is based on the understanding that human resources are the main asset. The Company seeks to ensure that its employees should see the results of their work as a contribution to the Company's development and perceive their personal labor achievements inseparably from the Company's achievements.

The Company focuses on improving employee motivation, and creating a system of financial and moral incentives and social protection for its personnel.

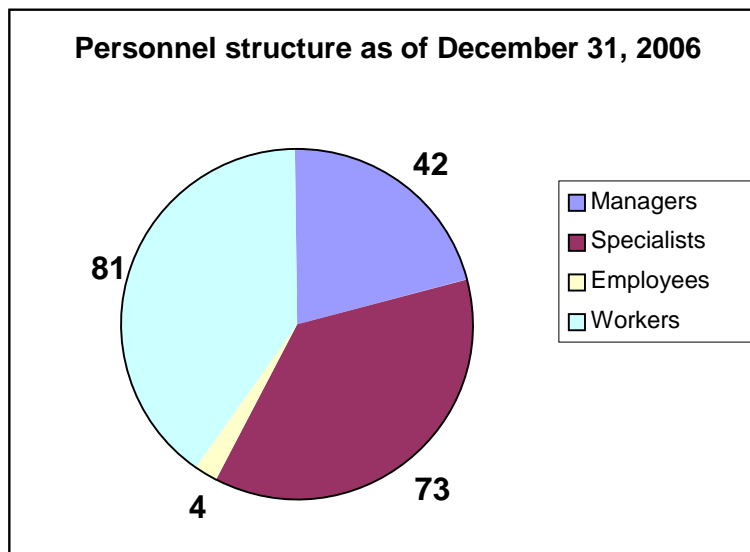
In 2006, JSC Votkinskaya HPP dealt with the following main tasks of its personnel policy:

- drafting a uniform policy of Company HR management;
- forming an optimal organizational structure responding to the Company's strategic goals;
- focusing on vestibule training;
- ensuring high job quality, enhanced performance and good labor conditions (an enabling working environment and meaningful work);
- forming an optimal system of labor motivation;
- employee preparation, adaptation and accommodation to changes going on in the Company;
- implementing social programs aimed at stimulating personnel to adopt benefit and insurance schemes in accordance with the Company's business strategy (occupational pension plans, voluntary medical insurance, etc.)

Personnel structure

In 2006, the Company's payroll averaged 197 employees, all of whom were operational personnel.

As of December 31, 2006, there were 200 employees on its payroll. The personnel structure by category is given in the figure below.



Forming labor reserve. Personnel training and development

JSC Votkinskaya HPP's personnel training and development policy focuses on promoting active, promising and talented employees and creating conditions for personnel to upgrade their skills and realize their creative potential in work to the maximum.

Personnel training and development embraces the following areas:

No.	Personnel, category	Training areas	Number of persons trained since start of year	
			Plan	Actual
1	Managers	Total, including the following areas:	15	20
		<i>Industrial safety</i>	8	12
		<i>management</i>	1	6
		<i>economics</i>	2	1
		<i>finances</i>	3	0
		<i>law</i>	1	1
2	Specialists, employees	Total, including the following areas:	45	48
		<i>industrial safety</i>	18	16
		<i>economics</i>	6	3
		<i>finances</i>	0	2
		<i>law</i>	2	4
		<i>equipment and technology</i>	18	23
		<i>information technology</i>	1	0
3	Workers	Total, including the following areas:	55	53
		<i>Rostekhnadzor job mix</i>	12	12
		<i>occupational safety and health</i>	7	8
		<i>advanced training</i>	32	32
		<i>higher education</i>	4	1
	TOTAL:		115	121

In the context of its personnel development policy the Company invests heavily in personnel training at advanced training courses, participation in workshops and studies by correspondence at higher and secondary educational institutions. The Company spent a total of 1,300,000 rubles on personnel training in 2006.

Improving the system of personnel motivation

Personnel motivation is a major component of the Company's personnel policy. The Company carried out the following measures in this area in 2006:

(a) *improvement of the labor remuneration system:*

The Company developed an optimal system of labor motivation.

(b) *provision of social benefit:*

In 2006, the Company adopted a collective bargaining agreement for 2006-2008, which offers the Company's employees the following benefits and guarantees: occupational pension schemes and medical insurance, including provision of grants at birth of one or more children, incapacitated or disabled employee care allowance, and also severance pays and paid leaves. The agreement also offers discounts, lump-sum remuneration and other compensation payments to Company employees in accordance with personnel categories.

Pension scheme

The Company's occupational pension scheme is designed to form a single system of nonstate retirement benefits, provide a comfortable lifestyle to the Company's retired personnel, and create conditions for solving effectively labor issues related to the hire, retention and motivation of employees.

The Company's occupational pension scheme offers a differentiated approach to employees based on their labor contribution and record of work, with account taken of government and departmental awards.

The pension scheme's goals can be achieved by way of solving the following tasks:

- introducing, not later than 2007, a pension parity plan for all categories of employees;
- using tax benefits provided for by legislation in financing the occupational pension scheme and rationalizing funds spent on making payments to retiring and retired personnel;
- optimizing the Company payroll, rejuvenating the work team, replacing human resources, and raising labor productivity.

In 2006, the Company made contributions to the Non-State Pension Fund of the Electric Power Sector through production costs totaling 9% of payroll.

6.2. Health, safety and social issues

An electric power plant is always a hazard zone. Therefore, JSC Votkinskaya HPP has always focused on health and safety issues.

The Company implements plant and equipment repair and upgrading programs to provide for the reliable operation of power equipment, buildings and structures. It spent 104,094,000 and 241,922,000 rubles on its equipment repair and upgrading programs, respectively, in 2006. Also in 2006, the Company carried out an expert review of equipment safety at its hazardous production facilities.

In the reporting year, the Company organized pre-examination training for 121 employees, including in such areas as labor safety, equipment and technology, and information technologies, to enhance the occupational safety of its personnel.

No breaches of technical standards, emergencies, accidents or instances of occupational disease were registered at the Company's production facilities in the reporting year. The Company's labor safety expenses totaled 1,157,700 rubles in 2006.

6.3. Environmental protection

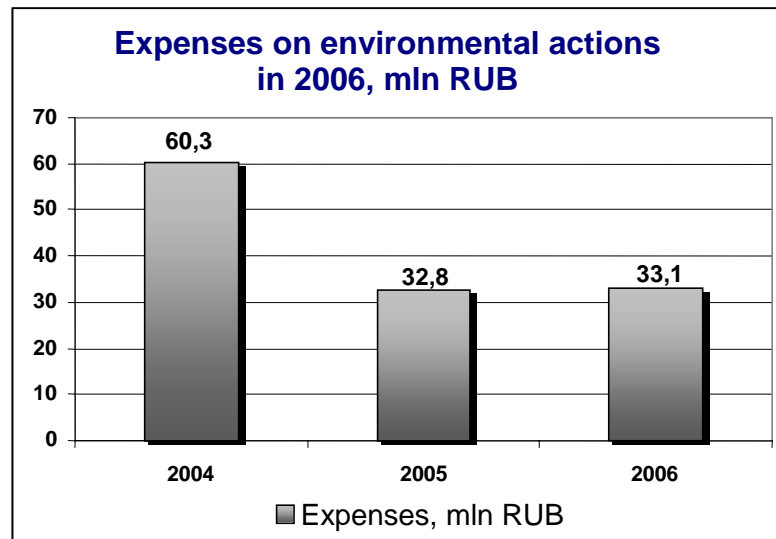
Environmental protection in the region of its operation is a priority for JSC Votkinskaya HPP.

Therefore, the Company implemented in full its 2006 environmental action plan, including the following measures:

- HPP headrace, afterbay and waste water quality control in compliance with the water sampling schedule;
- Current repairs of waterproofing of the transformer platform's span;
- Capital and current repairs of waterworks;
- Capital repairs of defrosted concrete of the piers and of the head wall of the afterbay;
- Capital repairs of slopes of the spillway canal's left bank;
- Current repairs of upper waterproofing of the HPP's head wall in the area of variable water level;
- Protective measures in the area of the afterbay of plain earth dam No. 2 in the vicinity of station PK 40-44;
- Capital repairs of the head drainage system in the gallery of the HPP's building;

- Modernization of the spillway ditch of plain earth dam No. 3;
- Replacement of 10-220 kV lead-ins with solid insulation lead-ins;
- Modernization and replacement of power equipment of the outdoor switchgear ORU-220.

The expenses on environmental actions are given in the figure below.



6.4. Charitable programs

In 2006, JSC RusHydro drafted and adopted documents defining the main principles and areas of charitable activities for the holding company as a whole, including JSC Votkinskaya HPP:

- The Concept of Charitable and Sponsor Activities;
- The Statute of Charitable and Sponsor Activities;
- The Regulations for and Composition of the Commission for Charitable and Sponsor Activities.

The main goals of JSC Votkinskaya HPP's charitable and sponsor activities are as follows:

- implementing programs and projects aimed at improving living standards in the country, including in the area of education, healthcare, science, culture and sports, and aid to the poor;
- creating and promoting the Company's image contributing to the attainment of its goals;
- forming the Company's image as a socially responsible business entity and a hub of both economic and public life;
- securing public support for RES development through better public outreach campaigns.

JSC Votkinskaya HPP implements its sponsor and charitable programs based on RF legislation, its Articles of Association, the Concept of Charitable Activities for the RusHydro Holding Company, and the following principles:

- transition from one-off donations to a policy of comprehensive social responsibility;
- transparency and efficiency of the use of funds allocated for the above goals.

The Company carries out its charitable and sponsor activities in the following main areas:

- provision of aid to the poor, disabled and pensioners largely through charitable foundations, organizations and institutions;
- provision of aid to energy sector veterans and merited workers;
- provision of aid to child organizations and institutions;
- provision of aid to medical establishments and healthcare organizations;

- assistance in restoring historical and architectural monuments in Russia, developing culture, education, science and sports.

In implementing these activities, the Company does not provide assistance and support to commercial entities, organizations and representatives of legislative, judicial and executive power or to political parties and movements. Decisions on charitable programs are made by the Company's Board of Directors in compliance with the Company's Articles of Association.

Major charitable activities in 2006		
Charitable activities	Description of charitable action, charitable event	Amount, rubles
Assistance in restoring Russian historical and architectural monuments, developing culture, education, science and sports	Financing of the celebrations of the 50-th anniversary of the town of Chaikovsky (Chaikovsky local community charitable foundation)	70,000
Assistance in restoring Russian historical and architectural monuments, developing culture, education, science and sports	Financing of urban events (Chaikovsky local community charitable foundation)	46,566
Aid to energy sector veterans and merited workers		60,000
Assistance in restoring Russian historical and architectural monuments, developing culture, education, science and sports	Holding a tender for social projects to mark 45 years of Votkinskaya HPP (Chaikovsky local community charitable foundation)	140,000
Total, rubles	x	316,566

6.5. Participation in nonprofit organizations

Nonprofit organization, full corporate name	Area of nonprofit organization's activity
Non-commercial partnership Hydroenergy of Russia	Raising the efficiency of operation of hydropower facilities and the use of Russia's hydropower resources
Noncommercial partnership INVEP	Assistance in raising the efficiency of financing R&D in the field of electricity generation, transmission, distribution and sale. Obtaining information on the world market about final R&D products and ongoing developments in the electric power sector. Introducing advanced technologies
Russian association of energy sector employers (RaEI Association)	Assisting to business development in the electric power sector by representing and protecting the interests of employers in social and labor, economic and other spheres. Coordinating relations with trade unions, government agencies and local government bodies. Drafting and conducting coordinated socially responsible policies of the

	Association's members.
Unified Electric Power Complex Corporation	Preparing and coordinating long-term forecasts for the electric power sector's development, targeted comprehensive scientific and technical, economic and social programs, including measures to create and provide for the introduction of new technologies and equipment for the fuel and energy complex.
Occupational Pension Fund of the Electric Power Sector	Management of retirement savings

Reference information for shareholders

General information

The Company's full corporate name in the Russian language: *Открытое акционерное общество "Воткинская ГЭС"*

The Company's shortened corporate name in the Russian language: *ОАО "Воткинская ГЭС"*

The Company's corporate name in the English language: *JSC Votkinskaya HPP*.

Location: *Russian Federation, Perm Territory, town of Chaikovsky*

Postal address: *617761, Russian Federation, Perm Territory, town of Chaikovsky, JSC Votkinskaya HPP*

Bank details: *KPP 592001001*

Settlement acc. 40702810300180000091 with Vneshtorgbank, Moscow

Correspondent acc. 30101810700000000187

with OPERU at Moscow GTU of the Bank of Russia

BIK 044525187

Information on the Company's state registration:

Date of state registration: *03.03.1993*

State registration agency: *Administration of the town of Chaikovsky, Perm Territory*

State registration number: *1025902029867*

Taxpayer individual number (INN): *5920001050*

Contacts

Tel.: *(34241) 7-03-59*, fax: *(34241) 7-03-02*

Website: www.votges.ru

E-mail: office@votges.vohec.ru

Sole executive body

Full corporate name in the Russian language: *Открытое акционерное общество "Управляющая компания ГидроОГК"*

Shortened corporate name: *ОАО "УК ГидроОГК"*

Full corporate name in the English language: *JSC RusHydro Management Company*

The management company's shortened name in the English language: *RusHydro MC*

Location: *Russian Federation, Moscow, 8a Vernadskogo prospekt*

Postal address: *119311, Moscow, 8a Vernadskogo prospekt*

Contact telephone: *(495) 540-30-12, 540-30-13*

Fax: *(495) 540-30-14*

E-mail: office@gidroogk.ru

Website: www.vohec.ru; www.gidroogk.ru/invest/investmc;

RusHydro MC Director General – Sinyugin, Vyacheslav Yurievich

Deputy Director General – Buss, Vladimir Alexandrovich

Information about the auditor

Full corporate name: *RSM Top-Audit Limited Liability Company*

Shortened corporate name: *RSM T-A LLC*.

Type of activity: *auditing services*

Location: *119017 Moscow, 54 ul. B. Ordynka, bldg 2*

Postal address: *119017 Moscow, 54 ul. B. Ordynka, bldg 2*

INN: *7722020834*

License No. *E 004827*; Date of issue: *01.08.2003*; Validity: *expires 01.08.2008*.

License issuing agency: *RF Ministry of Finance*

Information about the Company's registrar

Full corporate name: *Open Joint Stock Company Central Moscow Depositary*

Shortened corporate name: *JSC Central Moscow Depositary, JSC CMD;*

Location: *107078, Moscow, 3 Orlikov per., bldg B*

Postal address: *105082, Moscow, 34 ul. B. Pochtovaya, bldg 8*

Tel.: (495) 221-1333, Fax: (495) 221-1383

E-mail: mcdepo@dol.ru

License:

License No. *10-000-1-00255* Date of issue: *13.09.2002*; Validity: *indefinite*

License issuing agency: *Federal Securities Market Commission*

The register of registered securities has been kept by the registrar since: *30.09.1999*.

Information about RusHydro MC's special division for relations with the mass media

RusHydro MC Department for Targeted Communications

Location: *Russian Federation, Moscow, 8a Vernadskogo prospekt*

Telephone, fax: (495) 540-30-12

E-mail: druz@gidroogk.ru

Website: www.gidroogk.ru

Information about RusHydro MC's special division for relations with shareholders

RusHydro MC Department for Corporate Governance

Location: *Russian Federation, Moscow, 8a Vernadskogo prospekt*

Telephone, fax: (495) 540-30-12

E-mail: smirnovauv@gidroogk.ru

Annex 1. Short form of balance sheet and profit and loss account

The Company's balance sheet for 2006

	1.01.2006 thous RUB	31.12.2006 thous RUB
ASSETS	2,977,417	3,164,890
I. NON-CURRENT ASSETS		
Intangible assets		
Fixed assets	2,664,324	2,701,586
Construction in progress	109,304	117,463
Income-bearing investment in physical assets		
Long-term financial investments		
Deferred income tax assets	5,244	0
Other non-current assets		
II. CURRENT ASSETS		
Inventories	22,188	34,058
Value added tax on acquired assets	33,605	5,893
Accounts receivable (payments on which are expected over 12 months from reporting date)		
Accounts receivable (payments on which are expected within 12 months from reporting date)	133,257	227,313
Short-term financial investments	0	56,000
Cash	9,495	22,577
Other current assets		
LIABILITIES	2,977,417	3,164,890
III. CAPITAL AND RESERVES		
Authorized capital	448,681	448,681
Treasury stock		
Additional capital	2,163,152	2,162,977
Reserve capital	19,034	22,434
Target financing		
Retained earnings of past years	234,598	200,419
Retained earnings of reporting year		117,148
IV. NON-CURRENT LIABILITIES		
Long-term borrowings and loans		91,049
Deferred income tax liabilities	2,713	4,002
Other non-current liabilities	695	0

V. CURRENT LIABILITIES		
Short-term borrowings and loans		50,067
Accounts payable	52,115	66,213
Arrears of income due to participants (founders)	56,429	1,900
Deferred income		
Provisions for future expenses		
Other current liabilities		

Company's profit and loss statement for 2006

	2005	2006
	thous RUB	thous RUB
Income and expense from ordinary activities		
(Net) proceeds from sale of goods, products, works and services (less value added tax, excise duties and similar obligatory payments)	796,767	797,926
Prime cost of goods, products, works and services	586,854	600,997
Gross profit	209,913	196,929
Business expense		
Administrative expenses		
Operating profit	209,913	196,929
Interest income	327	354
Interest expense	6	788
Income from stake in other companies		
Other income	285,355	10,635
Other expense	298,402	23,022
Pre-tax profit	197,187	184,108
Profit tax and other similar obligatory payments	80,752	66,960
Profit from ordinary activities		
Net earnings (retained earnings) of reporting period	116,435	117,148

Annex 2. Auditor's report

Auditor's report on financial statements To shareholders of Open Joint Stock Company Votkinskaya HPP

Auditor:

RSM Top-Audit limited liability company

Legal address: 111024, Moscow, 5 shosse Entuziastov, bldg 4

Postal address: 119017 Moscow, 54 ul. B. Ordynka, bldg 2

Telephone: (495) 363-2848, fax: 981-4121

INN: 7722020834

State registration certificate No. 360.640 of April 2, 1992, issued by the Moscow Registration Chamber

Auditing license No. E 004827 issued pursuant to Order No. 238 of the Russian Federation Finance Ministry dated August 1, 2003

The license is valid for five years since the above date

License No. B 328318 of August 18, 2003, issued by the Russian Federal Security Service Department for Moscow and the Moscow Region and valid until December 29, 2007

RSM Top-Audit LLC is a member of the following organizations:

- the Audit Chamber of Russia non-profit partnership
- the Institute of Professional Auditors

Audit target:

Open Joint Stock Company Votkinskaya HPP (shortened name: JSC Votkinskaya HPP)

Location: 617761, Russian Federation, Perm Territory, town of Chaikovsky

Basic state registration number 1055902029867 (certificate series 59 No. 001317051), date of state registration is March 3, 1993.

We have audited the financial statements of JSC Votkinskaya HPP for the period from January 1 to December 31, 2006.

The financial statements of JSC Votkinskaya HPP include:

An accounting balance sheet;

A profit and loss statement;

Annexes to the accounting balance sheet and the profit and loss statement;

Explanatory notes.

These financial statements are the responsibility of the executive body of JSC Votkinskaya HPP.

Our responsibility is to express an opinion based on our audit about whether these financial statements present fairly in all material respects the financial position of the Company in conformity with the accounting standards accepted in the Russian Federation.

We conducted our audit in compliance with:

- Federal Law on Auditing;
- Federal auditing principles (standards) as endorsed by RF Government Resolution No. 696 of September 23, 2002;
- Internal auditing principles (standards) of the accredited professional association Audit Chamber of Russia;
- In-house auditing principles (standards) of RSM Top-Audit LLC;
- Regulatory acts issued by the authority regulating the operation of the entity being audited.

We planned and conducted the audit to obtain reasonable assurance about whether these financial statements are free of material misstatements.

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used, reporting standards, and significant estimates made by the management of the entity being audited, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion about whether these financial statements present fairly in all material respects the financial position of the Company in conformity with the accounting principles accepted in the Russian Federation.

In our opinion, the financial statements of JSC Votkinskaya HPP present fairly, in all material respects, its financial position as of December 31, 2006 and the results of its financial and economic operations for the period from January 1 to December 31, 2006, inclusive, in conformity with the accounting principles accepted in the Russian Federation.

February 15, 2007

E.Z. Shokhor
Deputy Director General for Audit

E.S. Smirnova
Audit leader

Auditor's qualification certificate No. K 026272,
authorizing to conduct general audits,
issued in accordance with the Finance Ministry's order
on August 21, 2006

Annex 3. Statement by the Auditing Commission (information unavailable)

Annex 4.

Composition of the Company's Board of Directors in the 2005/2006 corporate year

(elected by the annual general meeting of the Company's shareholders on June 15, 2005, minutes of June 20, 2005)

Chairperson of the Board of Directors

Smirnova Yulia Vsevolodovna

Year of birth: 1978

Position: Head of RusHydro Corporate Governance Department, Head of Corporate Governance Department, RusHydro Management Company

Chabak Anatoly Antonovich

Year of birth: 1966

Position: Executive Director, AG Capital Investment Group

Bandurin, Garald Ivanovich

Year of birth: 1967

Position: Director for Information Technologies, RusHydro MC

Volkov, Maxim Leonidovich

Year of birth: 1982

Position: Section Head Department for Corporate Governance and Shareholder Relations, Corporate Center of JSC RAO UES of Russia

Dubovitskaya, Yelena Anatolyevna (independent director)

Year of birth: 1981

Position: Adviser, Institute of Professional Directors Foundation

Flegontov, Vladimir Danilovich (independent director)

Year of birth: 1966

Position: Adviser, Institute of Professional Directors Foundation

Shulin, Maxim Igorevich (independent director)

Position: Adviser, Institute of Professional Directors Foundation

The overall amount of remuneration paid to the above Board of Directors in 2006 totaled 378,275 rubles