

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

Volzhsky
June 21, 2007

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JSC Volzhskaya HPP in figures

Indicators	Unit of measurement	2004	2005	2006
Installed capacity	MW	2,541	2,541	2,541
Electricity generation	mln kWh	13,016	12,853	11,306.9
Effective electricity supply	mln kWh	12,803	12,652	11,060.6
Average payroll	persons	287	287	282
Revenues	mln RUB	2,259.11	2,387.6	2,539.3
Net profit	mln RUB	523.9	604.4	172
Dividends per ordinary share*	RUB	0.0208	0.0695	0.1956
Dividends per preferred share*	RUB	0.0208	0.0695	0.1956
Capitalization	RUB	10,198,321,704.4	19,507,514,419.58	29,284,749,519.57
Capitalization to installed capacity ratio	thous RUB/MW/ thous USD/MW/	4,013.5/ 144.64	7 77.1/ 266.73	11,524.89 /437.69

General information about the Company. Position in the sector

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

Volzhskaya HPP is the biggest hydropower plant in Europe and in the Volga-Kama cascade and actively participates in resolving the region's problems involved in harnessing the hydroresources of the Volga basin and rehabilitating its hydropower facilities.

The hydropower plant was built in the middle of the last century in the lower reaches of the Volga River to the north of the city of Volgograd.

The startup of the power plant played a decisive role in the electric power supply to the Lower Volga area and Donbas by linking major power grids of central and southern Russia and the Volga area into a unified energy system of the European part of the country. The main function of the power plant is factoring the peak loads on the Unified Energy System of Russia and regulating the water flow to ensure a deep-water route and uninterrupted operation of the water intake facilities of the cities and towns along the entire Lower Volga from Saratov to Astrakhan.

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

In 2006, the General Meeting of Company Shareholders passed a resolution on payment of interim dividends for the first 9 months of 2006 in the amount of 0.1956 per ordinary share and 0.1956 per preferred share.

2006 Highlights

January	A 25% increase in output to compensate for enhanced power consumption caused by exceptionally low temperatures
February	Approval of a new collective bargaining agreement for a period of 3 years by a conference of HPP employees
March	Recommissioning of 115 MW turbogenerator unit No. 19
April	Conclusion of an agreement with the administration of the Volzhsky urban district on interaction during the spring high-water
June	Annual General Meeting of Shareholders reviews 2005 performance
September	Signing of an agreement on socioeconomic cooperation between the Federal Hydrogenerating Company and the Administration of the Volgograd Region
September	45th anniversary of the Volzhskaya HPP
October	First summer Olympics of personnel of JSC RusHydro Management Company and the companies it manages
October	Visit by an official delegation of the Czech Republic within the framework of a cultural program for visits by foreign representatives to the Volgograd Region on the occasion of their participation in the First International Business Forum "Czech Republic – Southern Federal District"
October	Certificate of operational readiness received for the fall/winter season of 2006-2007

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 Volzhskaya 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 Volzhskaya 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 Volzhskaya 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 Volzhskaya HPP attained key economic efficiency indicators set by its Board of Directors generating 11,306.9 million kWh of electricity, including 11,060.6 million kWh of effective electricity supply. Sales revenues amounted to 2,539.3 million rubles and net profits to 172 million rubles, respectively.

The value of the Company's ordinary shares grew 145% and the value of its preferred stock climbed 151% 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 Volzhskaya 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 Volzhskaya 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 Volzhskaya 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 Volzhskaya HPP as a leader of the Volga area power sector.

N.A. Kreneva
Chairperson of the Board of Directors
JSC Volzhskaya 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 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 enabling the Company's integration 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. 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.

Political risks

Major political risks for the Company are associated with state regulation of tariffs, especially the possibility of tariffs being approved that are not appropriate to the Company's costs. In order to manage these risks, the unified sales service of JSC RusHydro seeks to elaborate tariff and balance policies best suited to its sales operations. As the electric power market is liberalized, these risks will shrink.

Regional risks

Basic regional risks have no direct effect on the Company's activities because since October 1, 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, the Company ceased selling electricity on all electricity (capacity) markets, and JSC RusHydro assumed all regional electricity sale risks.

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.

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

On October 1, 2006, the Company signed contracts on the lease of power equipment and contracts on the provision of services to maintain, operate and repair equipment with JSC RusHydro. Since the lease of power equipment to JSC RusHydro, the Company ceased selling electricity on all electricity (capacity) markets, and JSC RusHydro assumed all market electricity sales risks.

Credit risks

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 JSC RusHydro.

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 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 Volzhskaya 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.

Energy sector 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 proper 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 Volzhskaya 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 investors 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 Volzhskaya 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 Volzhskaya HPP to increase the Company's information transparency. The Statute defines the rules for 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 gives a list of information and documents to be disclosed by the Company at its discretion. This list 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, the 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 45% 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 operations.

The general meeting of shareholders

The general meeting of shareholders is the Company's supreme management body that 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 the Company's management.

Major decisions passed by the general meeting of shareholders

In 2006, two general meetings of shareholders were held (the general meeting of shareholders on October 30, 2006 was deemed invalid for lack of quorum).

The annual general meeting of shareholders held on June 23, 2006 approved the Company's 2005 annual report, annual financial statements and profit and loss statement, decided on dividend payment, elected the Company's Board of Directors and Auditing Commission, endorsed the Company's Independent Auditor, approved contracts that were related party transactions, and amended the Company's Articles of Association.

The general meeting of shareholders dated December 25, 2006 decided on dividend payment for 9 months of 2006.

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 of the procedure for convening and holding sessions of the Volzhskaya HPP Board of Directors as approved by an annual general meeting of shareholders (minutes dated May 20, 2002).

In the reporting year, the Board of Directors held 20 sessions to consider 86 issues.

The Board of Directors passed decisions on the Company's charitable activities, regularly reviewed reports on the fulfillment of the Company's plans and programs for 2006, and approved participation by the Company in the nonprofit organization NP INVEL.

In particular, the Board of Directors approved:

- The Code of the Company's Corporate Governance;
- The Statute of the Company's Information Policy;

- The Company's business plan for 2006;
- The Company's key performance indicators (KPI) for 2006;
- 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 for 2006;
- The Company's equipment upgrading and rehabilitation program for 2006;
- The Company's insurance program for 2006;
- The Company's annual integrated procurement program for 2006.

During the reporting year, the Board of Directors approved 13 related party transactions, including one supplementary agreement to an existing agreement.

On the initiative of the Board of Directors, two extraordinary general meetings of shareholders were held to pay out (declare) dividends for the first 9 months of 2006 and to approve contracts involving related party deals.

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

Composition of the Board of Directors

(elected by the annual general meeting of shareholders on June 23, 2006, minutes dated June 29, 2006)

Chairperson of the Board of Directors

Kreneva, Nadezhda Anatolyevna

Year of birth: 1962

Position: Business Director of JSC RusHydro, Head of Financial and Business Planning Department of JSC RusHydro Management Company

Shtykov, Dmitry Viktorovich (independent director)

Year of birth: 1976

Position: Director of the Institute of Professional Directors Foundation

Yeremeyev, Maxim Alexandrovich (independent director)

Year of birth: 1974

Position: Adviser at the Institute of Professional Directors Foundation

Kachai, Alexei Romanovich

Year of birth: 1977

Position: Deputy Head of Strategy Department, Reform Management Center of JSC RAO UES of Russia

Smirnova, Yuliya Vsevolodovna

Year of birth: 1978

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

Poyarkov, Ivan Sergeyevich (independent director)

Year of birth: 1976

Position: Senior Deputy General Director of 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 Volzhskaya HPP Board of Directors (as approved by the June 23, 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 session, 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 members of the Board of Directors in 2006 amounted to 3,820,228.07 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 the annual general meeting of JSC Volzhskaya HPP shareholders on May 25, 2001 (minutes No. 1);
- Agreement No. 3/1 dated December 10, 2002 on the transfer of powers of JSC Volzhskaya 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 the 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
Chairperson of the RusHydro Management Board
General Director of JSC RusHydro MC

The management company is paid remuneration in compliance with Agreement No. 3/1 dated December 10, 2002 on the transfer of powers of the Volzhskaya 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 35,408,427 rubles (VAT excluded).

In 2006, the Management Company was paid compensation for expenses totaling 100,777,832 rubles (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 Volzhskaya HPP, as approved by the general meeting of shareholders, minutes dated May 24, 2001.

Composition of the Volzhskaya HPP Auditing Commission

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

Gorbunov, Alexei Gennadyevich (Commission Chairperson)

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

Gataulin, Denis Vladislavovich

Head of the corporate audit and financial control division of the Capital Management and Control Department of JSC RusHydro Management Company

Grishayev, Nikolai Alexeyevich

Senior expert of the corporate standards and methodology section of the Corporate Governance and Shareholder Relations Department of the Corporate Center of JSC RAO UES of Russia

Pushkaryov, Vadim Sergeyevich

Deputy Head of the Corporate Governance Department of JSC RusHydro Management Company.

Karaseva, Nadezhda Ananyevna

Chief Accountant of JSC Nizhegorodskaya HPP.

In compliance with the Statute of Paying Remuneration and Compensation to Members of the Volzhskaya HPP Auditing Commission (as approved by the annual general meeting of shareholders, minutes dated May 20, 2002), members of the Auditing Commission of the Issuer 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

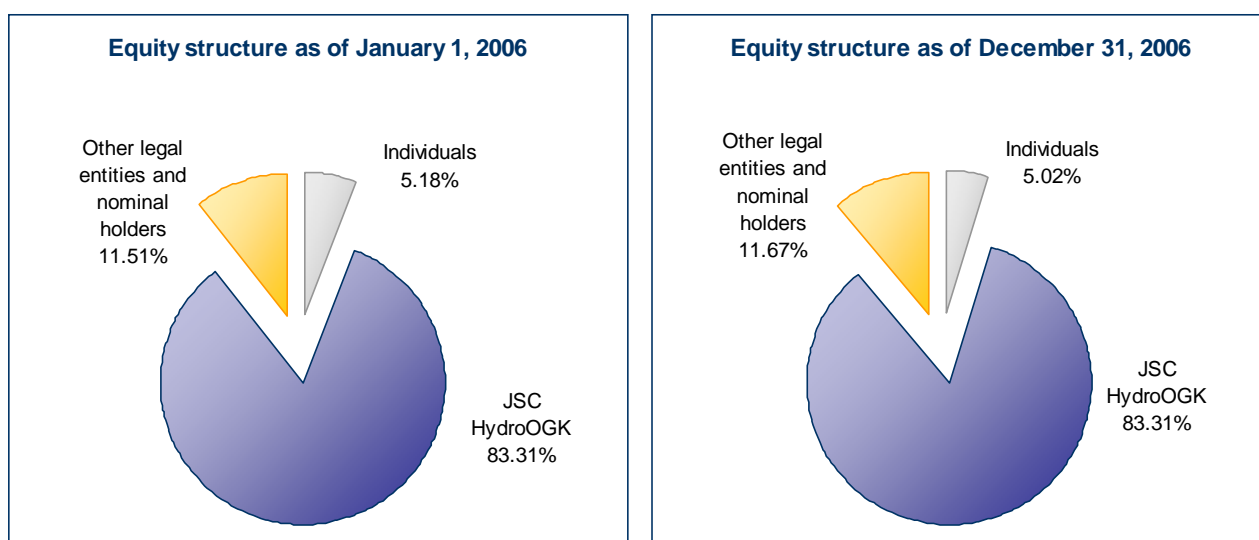
As of December 31, 2006, the authorized capital of JSC Volzhskaya HPP equaled 2,936,200,500 (Two billion nine hundred and thirty-six million two hundred thousand five hundred) rubles.

Authorized capital structure by category of shares	
Share category (type)	Registered ordinary shares
Total outstanding shares	2,831,346,000 (Two billion eight hundred and thirty-one million three hundred and forty-six thousand) shares
Nominal value of 1 share	1 (one) ruble
Total nominal value	2,831,346,000 (Two billion eight hundred and thirty-one million three hundred and forty-six thousand) rubles

Share category (type)	Preferred shares
Total outstanding shares	104,854,500 (One hundred and four million eight hundred and fifty-four thousand five hundred) shares
Nominal value of 1 share	1 (one) ruble
Total nominal value	104,854,500 (One hundred and four million eight hundred and fifty-four thousand five hundred) rubles

Data on the issues of the Company's securities are given in Annex No. 7.

2.5. Equity structure



As of December 31, 2006, there were 336 persons registered in the register of JSC Volzhskaya HPP shareholders, including 10 nominal holders.

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

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

The ordinary and preferred registered shares of JSC Volzhskaya 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.

JSC RTS Stock Exchange trading results for the period from January 1 to December 31, 2006

	Ordinary	Preferred
Price per share as of start of period, RUB	6.92	5.56
Price per share as of end of period, RUB	10.03	8.41
Price change per share	144.94%	151.26%
Capitalization as of start of period, RUB	19,528,693,160.9	583,434,554.54
Capitalization as of end of period, RUB	28,402,732,339.38	882,017,180.19
Capitalization to installed capacity ratio as of end of period, thous RUB/MW/ thous USD/MW	11,524.89,/437.69	

Due to reorganization of the RTS Stock Exchange Non-Profit Partnership, trading on the classic market was transferred to the RTS Stock Exchange from January 1, 2007. As a result, the ordinary and preferred shares of JSC Volzhskaya HPP are traded only on the 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 website: www.rts.ru.

2.7. Corporate governance of SDCs

Corporate governance of subsidiaries and dependent companies (SDCs) is carried out in accordance with the Procedure for interaction between JSC Volzhskaya HPP and companies in which JSC Volzhskaya HPP holds shares (ownership interests), as approved by the Board of Directors of the Company on September 30, 2002, minutes No. 8.

In accordance with article 15.1 of the Articles of Association of the Company, the Board of Directors of JSC Volzhskaya HPP determines the position of the Company (representatives of the Company) on the following agenda items for general meetings of shareholders and sessions of the Boards of Directors of subsidiaries and dependent companies:

- determination of the agenda for the general meeting of SDC shareholders (participants);
- reorganization or liquidation of SDCs;
- determination of the numerical strength of the SDC Boards of Directors, nomination and election of their members and early termination of their powers;
- determination of the number, nominal value, category (type) of declared SDC shares and the rights granted by these shares;
- increasing SDC authorized capital by raising the nominal value of their shares or placing additional shares;
- placement of SDC securities convertible into ordinary shares;
- splitting or consolidating SDC shares;
- approval of large-scale transactions concluded by SDC s;
- participation by SDCs in other organizations;
- making amendments to the constituent documents of SDCs;
- other issues.

Subsidiaries and dependent companies of JSC Volzhskaya HPP

Name of SDC (location)	Core business of SDC	Ownership interest of the Company in authorized capital (value of the stake in nominal terms), % (rubles)	Income of the Company from participation in SDC in 2006	Sole executive body
JSC Turboremont VKK, 1a Pr. Lenina, Volzhsky, Volgograd Region, 404130	Repair, upgrading and rehabilitation of mechanical and electrical equipment of electric power plants and industrial facilities	150,000 rubles, 100%	-	General Director – Gorin, Nikolai Mikhailovich

Section 3. Production and sales

3.1. Key performance indicators

Electricity generation and supply by JSC Volzhskaya HPP in 2004-2006

Electricity generation and supply by JSC Volzhskaya HPP in 2004-2006					
No.	Indicator	Unit of measurement	2004	2005	2006
1	Installed capacity	MW	2,541.0	2,541.0	2,541.0
2	Available capacity	MW	2,507.3	2,489.7	2,534.6
3	Operating capacity	MW	2,149.4	2,106.3	2,118.1
4	Power-plant capacity consumption	MW	25.1	23.8	28.7
5	Net power flow	MW	-1,783.4	-1,669.8	-1,488.3
6	Electricity generation, total	mIn kWh	13,016.3	12,853.7	11,306.9
7	Power-plant electricity consumption, total:	mIn kWh	80.6	79.6	72.4
7.1.	for electricity production	mIn kWh	77.1	76.1	68.4
7.2.	as % of electricity generation	%	0.59	0.59	0.60
8	Busbar electricity output	mIn kWh	12,939.2	12,777.6	11,238.5
9	Electricity consumption for intra-grid losses	mIn kWh	132.5	122.0	174.0
9.1.	as % of busbar electricity output	%	1.02	0.95	1.55
10	Electricity supply (net flow)	mIn kWh	12,803.2	12,652.1	11,060.6
11	including to wholesale electricity market	mIn kWh	12,801	12,650.6	11,058.0

3.2. Electricity sales

Changes in electricity commercial output and sale in 2006

Electricity commercial output and sale by JSC Volzhskaya HPP in 2006		
Month	Electricity supply plan (contractual volume), thous kWh	Actual supply, thous kWh
January	890,000	785,925
February	825,000	673,893
March	928,000	712,670
April	1,187,000	758,737
May	1,527,000	1,805,478
June	1,279,000	1,163,316
July	1,081,000	887,745
August	930,000	795,678
September	870,000	758,495
October	881,000	792,757
November	903,000	816,041
December	927,000	1,098,944
Total	12,228,000	11,049,680

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 Volzhskaya HPP tariffs by date of tariff introduction

Date of tariff endorsement	Electricity tariff thous RUB kWh	Capacity tariff thous RUB kWh
25.07.2000 (Resolution No. 38/3, introduced from 15.08.2000)	2.32	14,204
25.12.2002 (Resolution No. 98-e/2, introduced from 01.01.2003)	6..37	43,317
24.12.003 (Resolution No. 108-e/ 20, 108-e/10, introduced from 01.01.2004 and from 01.07.2007)	From 01.01.2004 – 20.31 From 01.07.2004 – 21..51	From 01.01.2004 – 38,492 From 01.07.2004 – 40,858
30.11.2004 (Order No. 211-e/3), introduced from 01.01.2005)	12.45	48,672..25
03.12.2005 (Order No. 572-e/5, introduced from 01.01.2006)	12.7	42,401..25

Therefore, from 2000 to 2006, the electricity tariff rate rose 450% and the capacity tariff rate climbed 200%. At the same time, in 2002, electricity and capacity tariffs were unchanged and stayed at the level approved by Resolution No. 40/5 of June 27, 2001 adopted by the Federal Energy Commission of Russia, and in

2004, electricity and capacity tariff rates were set for six-month periods (electricity tariff rate grew 6% and capacity tariff rate increased 6.1% in the second half of 2004 compared with the first half of 2004).

2005: the average electricity sale tariff fell 7% year on year, against a minor increase in required gross returns of +0.1%, while the balance of electricity flow rose by 7.6%.

2006: the average electricity sale tariff changed only slightly over 2005 by +1.0% (against a drop in the electric power tariff by 2%, an increase in the capacity tariff by 14.8%), while the increase in the required gross returns amounted to 13%.

Section 4. Economics and finances

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

Key performance indicators of JSC Volzhskaya 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	2,387,616	2,539,270	151,654	6
Prime cost of products, works, and services sold	1,575,221	1,691,457	116,236	7
Operating profit	812,395	847,813	35,418	4
Other revenues	739,124	292,103	-447,021	-60
Other expenses	770,777	777,976	7,199	1
Pre-tax profit	780,742	361,940	-418,802	-54
Net profit	604,419	172,001	-432,418	-72

The figures cited in the table suggest the following conclusions:

- in the reporting year, the sale of commercial products grew by 6% to total 2,539,270,000 rubles. The reason for the increase was a 1% rise in electricity tariffs in 2006 compared with 2005;
- the growth rate of prime cost is not significant and comparable with that of sales proceeds;
- changes in other income and costs expense items are primarily due to a reduction in the turnover of securities operations;
- as a result, the Company's net profit fell over the year by 432,418,000 rubles and amounted to 172,001,000 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. Net assets calculation

The Company's annual financial statements for the reporting period (short forms of the balance sheet and profit and loss statement) are given in Annex 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 Volzhskaya 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	10,475,966	10,578,067	102,101	0.97
Investment in non-current assets	611,957	982,381	370,424	60.53
Long-term financial investment	150	150	0	0.00
Deferred income tax assets	19	0	-19	-100.00
SUBTOTAL for Section I	11,088,092	11,560,598	472,506	4.26
<i>II. Current assets</i>				
Inventories	62,237	59,603	-2,634	-4.23
Value added tax on acquired assets	132,232	47,329	-84,903	-64.21
Accounts receivable with payments due over 12 months from the reporting date	182,880	205,273	22,393	12.24
Accounts receivable with payments due within 12 months from the reporting date	826,933	1,029,594	202,661	24.51
Short-term financial investment	0	163,000	163,000	100.00
Cash	19,260	85,718	66,458	345.06
SUBTOTAL for Section II	1,223,542	1,590,517	366,975	29.99
TOTAL	12,311,634	13,151,115	839,481	6.82
Liabilities				
<i>III. Capital and reserves</i>				
Authorized capital	2,936,201	2,936,201	0	0.00
Additional capital	8,431,069	8,389,295	-41,774	-0.50
Reserve capital	37,413	67,635	30,222	80.78
Retained profit (loss) of past years	148,998	-6,863	-155,861	-104.61
Retained profit (loss) of reporting period	0	85,736	85,736	100.00
Subtotal for Section III	11,553,681	11,472,004	-81,677	-0.71
<i>IV. Non-current liabilities</i>				
Borrowings and loans	0	960,365	960,365	100.00
Other non-current liabilities	18	1,229	1,211	6,727
SUBTOTAL for Section IV	18	961,594	961,576	5,342,088
<i>V. Current liabilities</i>				
Borrowings and loans	119,985	0	-119,985	-100.00
Accounts payable	364,495	635,851	271,356	74.45
Arrears of income due to founders	273,455	81,666	-191,789	-70.14
Deferred income			0	0.00
Other current liabilities			0	0.00
SUBTOTAL for Section V	757,935	717,517	-40,418	-5.33
TOTAL	12,311,634	13,151,115	839,481	6.82

Over the reporting period, an increase was registered in the “investment in non-current assets” item (by 61% or 370,424,000 rubles) while the “cash” item grew by 345% or by 66,458,000 rubles. In 2006, the Company placed freely available funds on deposit accounts to derive income. The Company placed a total of 1,333,000,000 rubles in 2006 and debited 1,170,000,000 rubles from its account throughout the year, with the balance totaling 163,000,000 rubles at the end of the reporting period. Income derived from the placement of freely available funds on deposit accounts equaled 2,785,000 rubles.

The reasons for an increase in the Company’s long-term and short-term receivables in the reporting period (by 12% and 25%, respectively) will be examined during the analysis of the Company’s business activity.

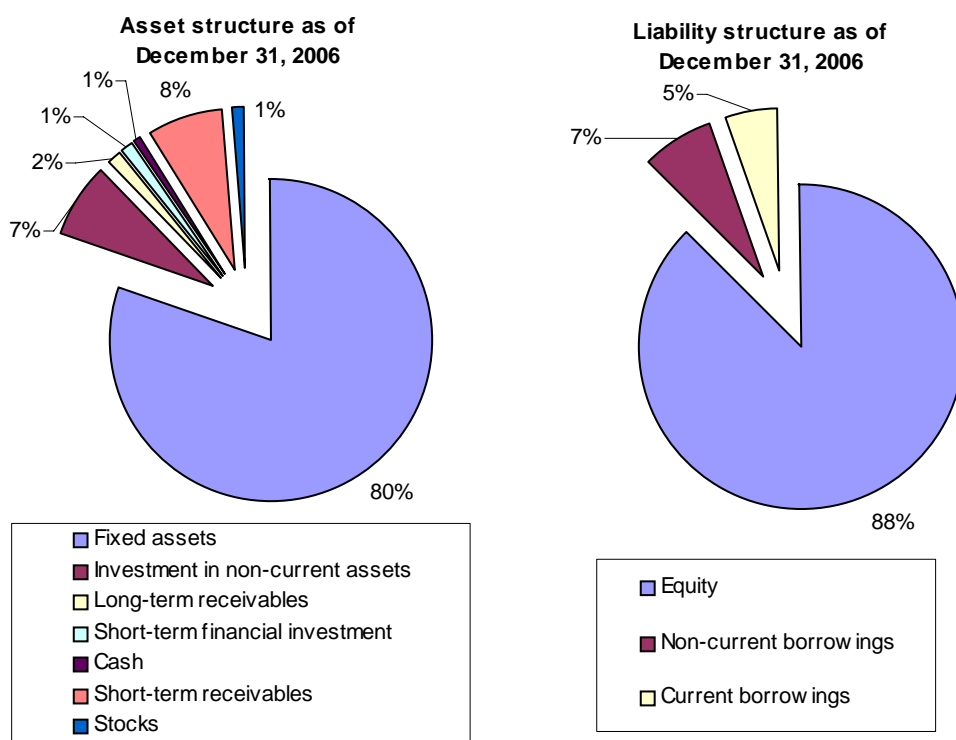
The Company’s balance sheet total increased by 6.8%, or by 839,481,000 rubles, due to the above changes.

The Company’s liabilities registered outstanding balances on the “Borrowings and loans” item. To implement its program of equipment upgrading and rehabilitation in 2006, the Company took out long-term loans of 911,000,000 rubles. In the first quarter, the Company also received a credit of 70,000,000 rubles to cover cash shortages and finance operating expenses.

During the first quarter of the reporting period, short-term credits of 189,985,000 rubles were redeemed (including a credit balance carried over from 2005).

Accounts payable increased by 74%, or by 271,356,000 rubles. The payables structure was dominated by the arrears to the budget (23.8%, all current debts), debts to suppliers and contractors (42.2%) and advance payments received.

In the reporting period, the Company repaid the arrears of income due to founders totaling 191,789,000 rubles.



The Company’s balance sheet structure did not change considerably in 2006. Equity remained the main source of the Company’s funds, although its share declined by 6% to constitute 88% in 2006.

The Company invested most of its financial resources in non-current assets whose share decreased by 2% in the reporting period to make up 87% of the entire amount of assets.

The asset structure was dominated by fixed assets (80%). The Company is actively acquiring, replacing and repairing machinery and equipment by increasing investment in fixed and non-current assets, and takes out long-term loans for investment project financing.

The Company's equity to debt ratio is 87% to 13%, and the ratio of short-term and long-term borrowings is 43% to 57%, 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 Securities Market Commission.

Calculation of JSC Volzhskaya HPP net assets, thous RUB		
Item	31.12.2005	31.12.2006
ASSETS		
1. Intangible assets	0	0
2. Fixed assets	10,475,966	10,578,067
3. Construction in progress	611,957	982,381
4. Income-bearing investment in tangible assets	0	0
5. Short-term and long-term financial investment	150	163,150
6. Other non-current assets	19	0
7. Inventories	62,237	59,603
8. VAT on acquired assets	132,232	47,329
9. Accounts receivable	1,009,813	1,234,867
10. Cash	19,260	85,718
11. Other current assets	0,	0
12. Total assets included (Items 1-11)	12,311,634	13,151,115
LIABILITIES		
13. Long-term borrowings and loans	0	960,365
14. Other long-term liabilities	18	1229
15. Short-term borrowings and loans	119,985	0
16. Accounts payable	364,495	635,851
17. Arrears of income due to participants (founders)	273,455	81,666
18. Provisions for future expenses	0	0
19. Other current liabilities	0	0
20. Total liabilities included in calculation (Items 13-19)	757,953	1,679,111
21. Net asset value (Item 20 – Item 12)	11,553,681	11,472,004

The value of the Company's net assets fell by 81,677,000 rubles to 11,472,004,000 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 Volzhskaya HPP analytical ratios		
Indicator	As of 31.12.2005	As of 31.12.2006
Liquidity and financial stability indicators		
Current ratio (from 1 to 2.5)	1.61	2.22
Quick ratio (from 0.8 to 1.5)	1.36	2.07
Cash ratio (from 0.2 to 0.8)	0.03	0.35
Equity ratio (>0.5)	0.94	0.87
Financial stability index (>0.8-0.9)	0.94	0.95
Business activity (turnover) indicators		
Asset turnover ratio	0.20	0.20
Receivables turnover ratio	2.70	2.26
Average collection period for receivables, days	133	159
Payables turnover ratio	4.18	3.38
Average payables period, days	86.07	106.5
Profitability indicators, %		
Return on sales (15.4%)	34.03	33.39
Production profitability (18.2%)	51.57	50.12
Return on assets (0.72%)	4.97	1.35
Return on equity (ROE) (0.79%)	5.23	1.49
Rate of return	25.31	6.77

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. All the ratios are within the set standard limits, which testified to effective use of the Company's assets.

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 95%, suggesting that actually all of the Company's assets are financed through stable sources: shareholders' equity and long-term borrowings.

Business activity (turnover) indicators

The actual figures of settlements with debtors slightly deteriorated in 2006 compared with the previous year: the turnover ratio fell from 2.70 to 2.26 turnovers per annum, the average period of receivables collection increased by 26 days to 159 days and receivables grew 22%. This witnesses an increase in the volume of sales on credit and of advances issued under the contracts.

The share of long-term receivables within the structure of receivables in general stood at 17% at the end of 2006 and is tending to fall. The overall increase in the Company's receivables by 22% (or

225,054,000 rubles) occurred as a consequence of a growth in short-term receivables by 25% (or 202,661,000 rubles) and in long-term receivables by 12% (or 22,393,000 rubles).

At the same time, payables considerably grew (by 74%), the turnover ratio declined from 4.18 to 3.38 turnovers per annum and the average repayment period increased by 20 days to 107 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 53 days longer than that for receivables collection. This means that payables cannot compensate for the entire amount of receivables and additional funds have to be raised to cover the cash deficit;
- The growth rate of the relative and absolute payables indicators is faster than similar receivables figures. It may be assumed that, if these dynamics are maintained, it will be possible in the future to balance the sum of funds diverted for receivables by increasing the term and amount of commercial credits extended to the Company by suppliers and contractors;
- The asset turnover ratio remained at the same level as in the previous year.

Profitability indicators

A minor drop in the return on sales and production profitability was due to growth in the prime cost of products.

The return on equity and assets fell.

Analysis of taxes and interest payments impact on the overall profitability level showed that the rate of return increased 2% on average, if profit before tax and interest was used for calculation. Therefore, obligatory tax and interest payments do not affect considerably the overall profitability level.

Generally, a conclusion can be drawn that, in spite of a small drop in all profitability indicators in the reporting period, the values as of December 31, 2006 are higher than the minimum target figures.¹ These data witness to a 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.

¹ The target profitability indicators are given in the table Analytical ratios of JSC Volzhskaya HPP in brackets in the section "Profitability indicators".

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 Volzhskaya HPP			
Dividends	2004 (for 2003)	2005 (for 2004)	2006 (for 2005)
Total (thous RUB), including:	61,073	204,121	574,198
On ordinary shares			
Total (thous RUB)	58,892	196,839	553,693
per share (RUB)	0.0208	0.0695	0.1956
On preferred shares			
Total (thous RUB)	2,181	7,282	20,505
per share (RUB)	0.0208	0.0695	0.1956

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:	161,434,736 rubles	5,978,485 rubles
Amount of declared dividends per share	0.57017 rubles	0.57017 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	161,098,619 rubles	5,721,266 rubles
Reasons for non-payment or partial payment of declared dividends	Incorrect, incomplete or outdated information on shareholders' bank details and postal addresses	

Reporting period for which dividends on shares were paid out	9 months of 2006	
Category (type) of shares	Ordinary	Preferred Type A
Total amount of declared dividends:	83,183,246 rubles	3,081,562 rubles
Declared dividends per share	0.0293794 rubles	0.0293794 rubles
Time allowed for payment of declared dividends	Within a period of 60 days following passing the resolution on dividend payment	
Total dividends paid out	83,053,928 rubles	2,826,476 rubles
Reasons for non-payment or partial payment of declared dividends	Incorrect, incomplete or outdated information on shareholders' bank details and postal addresses	

Section 5. Investment and innovations

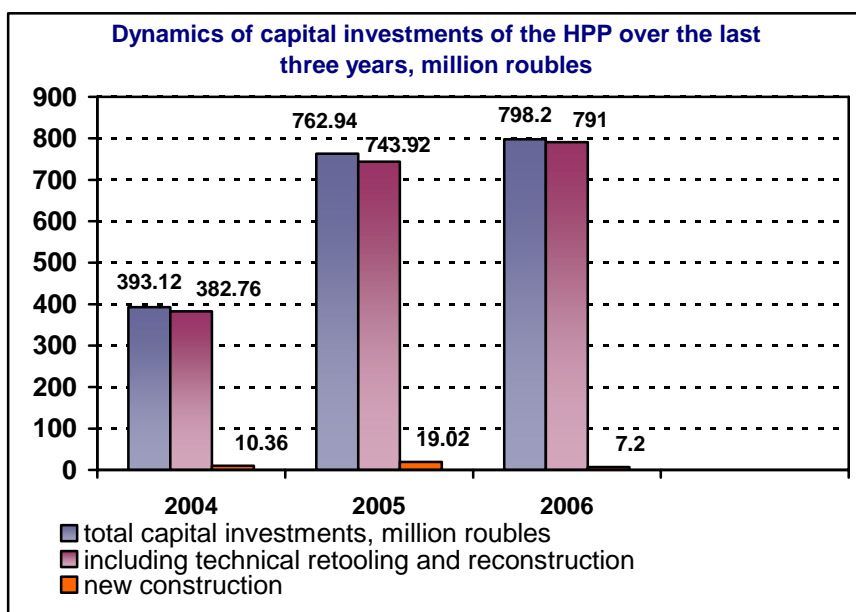
In 2006, the investment policy of JSC Volzhskaya HPP was aimed at keeping its equipment at a high level of reliability, raising the hydropower plant's productivity and introducing new technologies.

The total amount of investment utilized by JSC Volzhskaya HPP equaled 798.200 million rubles in 2006. In current prices, investment grew 46% in 2006 year on year. Investment in new construction projects fell considerably (96% as compared with 2005) and totaled 7.6 million rubles.

The Company financed its 2006 investment program out of equity (depreciation) and borrowed funds that went to finance equipment upgrading and rehabilitation in the amount of 798.154 million rubles.

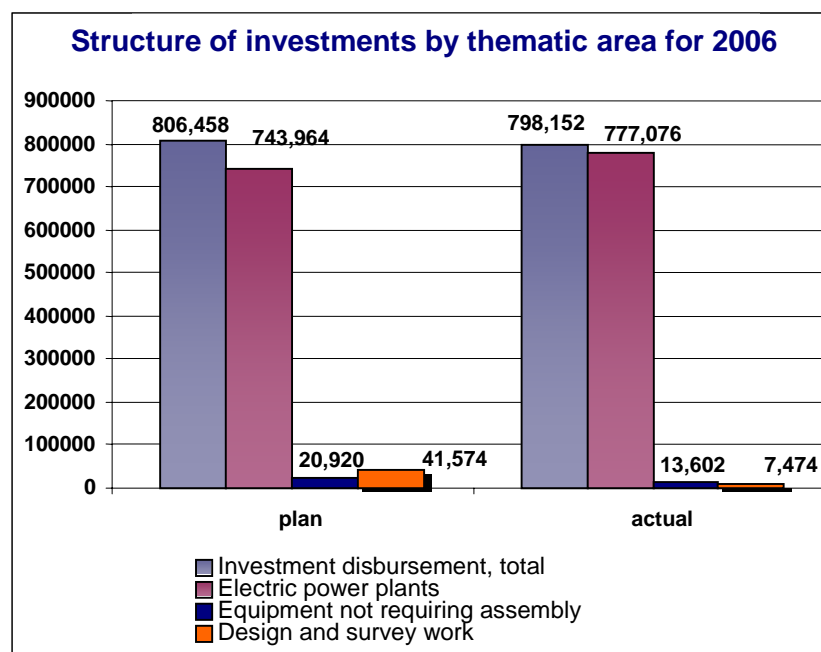
JSC Volzhskaya HPP planned to utilize 806.892 million rubles under its investment program in 2006. Its fulfillment was 798.154 million rubles, constituting only a 1% divergence from the plan.

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



Investment program	Financing source	Financing volume
Total investment utilization:		798.154
Equipment upgrading and rehabilitation		790.576
New construction		7.578
Including by source of financing:		
	Depreciation	571.083
	Borrowed funds	227.071

Investments utilization by thematic area of JSC Volzhskaya HPP is shown in the figure below:



The sum 798,152,000 rubles (VAT excluded) of investment disbursement in 2006 was distributed by the key projects as follows:

- Reconstruction of the rotor. Actual investment – 4,023,000 rubles (82%), plan – 4,911,000 rubles.
- Replacement of hydrogenerators' excitation system. (Actual investment – 35,392,000 rubles, plan – 26,340,000 rubles). The planned figure was exceeded due to price indexation in accordance with the agreement.
- Reconstruction of the 220 KW outdoor switchgear. Actual investment – 59,275,000 rubles, plan – 55,164,000 rubles.
- Replacement of electrical engineering equipment for the HPP's own needs. Actual investment – 71,402,000 rubles, plan – 73 775,000 rubles.
- Reconstruction of the overhead facilities of the HPP. Replacement of equipment. Actual investment – 124,156,000 rubles, plan – 119,326,000 rubles.
- Central controlling station. Actual investment – 700,000 rubles, plan – 1,600,000 rubles.
- Replacement of the electric shielding of the generators with microprocessor complexes. Actual investment – 1,298,000 rubles, plan – 1,298,000 rubles.
- Engineering components of the HPP physical security systems. Actual investment – 31,347,000 rubles, plan – 31,023,000 rubles,
- Automated commercial and technical electric power metering systems. Actual investment – 7,792,000 rubles, plan – 9,781,000 rubles

Investment plans for 2007 and beyond

A long-term program has been drawn up for equipment upgrading and rehabilitation, since current data indicate that wear and tear of the main equipment has now reached 80%, while relay protection and automatic equipment is both worn out and obsolete, so it does not fulfill its key purpose of localizing and preventing off-normal and emergency equipment operating modes. It is planned to do all the reconstruction work at the HPP before the end of 2020. This program determines both the time schedule for and the volume of equipment upgrading to replace the entire complex of the main electric engineering and hydromechanical equipment, as well as the HPP control systems.

Concept of the JSC Volzhskaya HPP investment program with respect to equipment upgrading and rehabilitation for 2007

The majority of the work planned under the equipment upgrading and rehabilitation program for 2007 is designed to ensure systems reliability.

Key tasks:

- creating an electric power company, efficiently functioning under market conditions;
- raising the reliability, safety and effectiveness of equipment, buildings and structures operation;
- replacing all generating and main electrical engineering equipment beyond its service life;
- introducing diagnostics systems, creating new and adapting existing expert systems for assessing equipment status;
- changing the philosophy of maintaining equipment in a working conditions by transferring from a scheduled maintenance system to repair programs;
- increasing the safety of hydraulic works operation;
- introducing comprehensive automation of all technological processes and creating a unified hydropower plant control system based on microprocessor technology, modern software that use optimization algorithms to control power equipment.

The program envisages technical upgrading and rehabilitation of the following groups of equipment:

- hydroturbine, hydromechanical and auxiliary equipment;
- electrical equipment;
- automatic process control system, relay protection and automatic equipment, and automatic protective devices;
- dispatch and technical control equipment, security systems;
- hydroengineering equipment, production buildings and structures;
- automated control systems and telecommunications systems.

Most of work planned for 2007 is intended to cut specific costs and financial losses. This effect is to be achieved by replacing outdated equipment with new equipment requiring less servicing.

Section 6. Social responsibility

6.1. Personnel and social policy

JSC Volzhskaya HPP puts great emphasis on its social policy. Its goal is to create the most comfortable conditions for efficient work of the personnel, subject to environmental and industrial safety standards.

The effective social safety net facilitates recruitment of qualified experts, reduces staff turnover and constitutes the basis of successful production activities.

JSC Volzhskaya 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.

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 Volzhskaya HPP dealt with the following main tasks of its personnel policy:

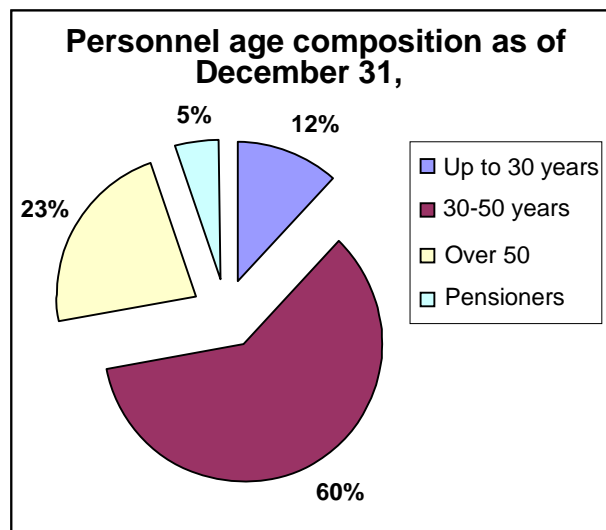
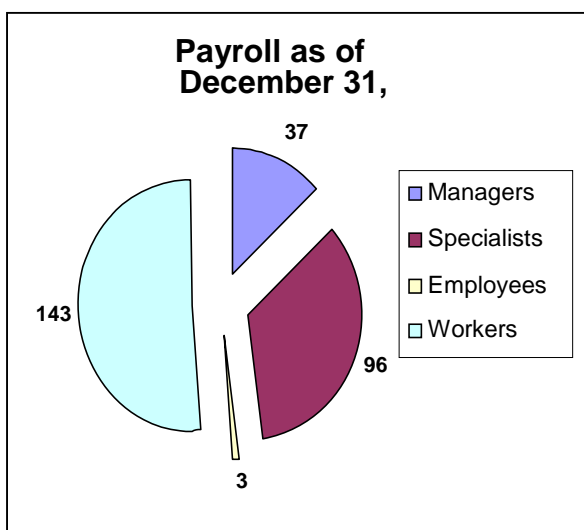
- drafting a uniform policy of Company HR management;
- forming an optimal organizational structure responding to the Company's strategic goals;
- focusing on vestibule training;

- ensuring high job quality and good labor conditions (an enabling working environment, meaningful work, etc.);
- 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).

The chief objective of the personnel policy is to attain the Company's strategic goals through optimal use of human resources.

Personnel structure

In 2006, the Company's payroll averaged 282 employees, all of whom were operational personnel. Employees of different age categories work for the Company. The numbers and age composition of the Company's employees are given in the figures:



Forming labor reserve.

Personnel training and development

JSC Volzhskaya HPP's personnel training and development policy focuses on upgrading the skills of active, promising and talented employees and creating conditions for personnel to fully realize their creative potential in work.

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. Managers, specialists and other employees are selected only on a competitive basis, in accordance with the regulations on competitive selection of personnel in the Company.

Improving the system of personnel motivation

Personnel motivation is a major component of the Company's personnel policy. In 2006, a collective bargaining agreement was concluded between the employer (JSC Volzhskaya HPP) and its employees, based on the following key principles:

- equality and consideration of and respect for the interests of the parties;
- observance of the legislation;

- freedom of choice in discussing labor-related issues;
- voluntary assumption of obligations by the parties;
- mandatory implementation of the collective bargaining agreement and control thereof;
- responsibility of the parties.

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 the Company's personnel in accordance with its personnel categories.

Pension scheme

In 2006, implementation of occupational pension scheme at JSC Volzhskaya HPP continued to develop.

The Board of Directors of JSC Volzhskaya HPP approved the Program for occupational pension scheme for employees of JSC Volzhskaya HPP, which was drawn up in accordance with the Strategy for occupational pension scheme for employees of the RAO UES of Russia Holding Company.

The program is designed to form a single system of occupational pension scheme, provide a comfortable lifestyle to the Company's retired personnel (the level of a retirees remuneration should be at least 40% of the former wage), 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 can be implemented by way of solving the following tasks:

- introducing, from 2006, 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, pension accruals of the Company were recorded on the basis of aggregate and personal accounting. They were financed out of production costs at a rate of 9% of the Company's wage fund.

6.2. Health, safety and social issues

An electric power plant is always a hazard zone. Therefore, JSC Volzhskaya 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. The Company spent 351,951,000 and 806,500,000 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 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 2,411,500 rubles in 2006.

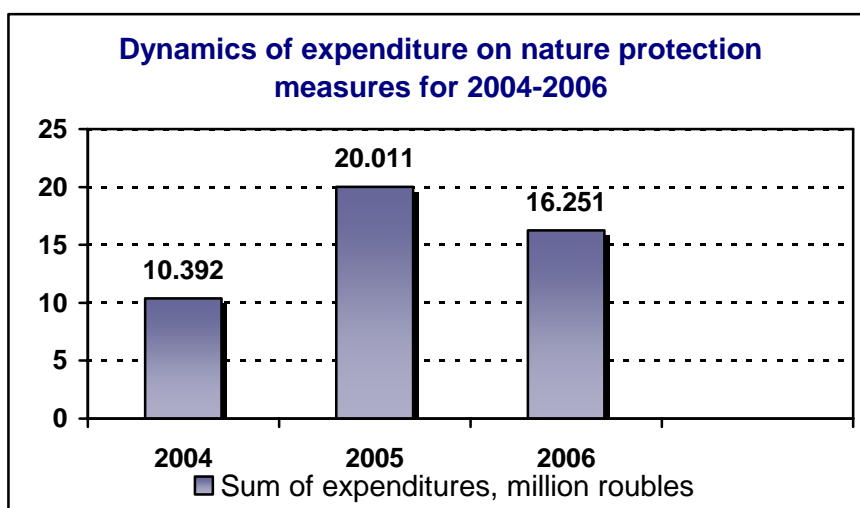
6.3. Environmental protection

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

During 2006, the Company carried out the following environmental actions:

- construction was completed of purification installations under the project entitled “Purification of rain water run-off from the territory of the power plant using a mobile installation”. Start-up of the installations is planned for 2007.
- Bank protection hydroengineering work was carried out to repair the supports for the left bank of the Volga River, resulting in shoring up of 0.6 km of bank.

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 Volzhskaya 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 Volzhskaya 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 Volzhskaya 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.

Charitable assistance is rendered to individuals predominantly through charitable organizations and institutions on the basis of applications and documents submitted by the latter in confirmation of the need to provide such assistance to the given individual.

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
Aid to energy sector veterans and merited workers	Participation in events dedicated to the 100th birthday of A.P. Alexandrov (Volzhsky town council of war, labor and armed forces veterans)	30,000
Assistance in restoring Russian historical and architectural monuments, developing culture, education, science and sports	Financing of work to create and start up a public law information and library center under the law faculty of St. Petersburg State University.	900,000
Provision of assistance to power industry veterans and merited workers of the industry.		1,014,473
Total, rubles	x	1,944,473

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 to Partnership members in raising the efficiency of financing R&D in the field of electricity generation, transmission, distribution and sale. Assistance to Partnership members in obtaining information on the world market about final R&D products and ongoing developments in the electric power sector. Introducing advanced technologies and technological solutions raising the efficiency of their operations
Russian association of energy sector employers (RaEI Association)	Assistance to business development in the electric power sector by representing and protecting the interests of employers in social and labor, economic and other spheres, in relations with trade unions, government agencies and local government bodies, in drafting and conducting coordinated socially responsible policies of the organizations that are 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 "Волжская ГЭС"*

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

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

Location: *Russian Federation, Volgograd Region, town of Volzhsky, 1a Prospekt Lenina, JSC Volzhskaya HPP*

Postal address: *404130, Volgograd Region, town of Volzhsky, 1a Prospekt Lenina, JSC Volzhskaya HPP*

Bank details: *KPP 345250001*

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: *15.02.1993*

State registration agency: *Administration of the town of Volzhsky, Volgograd Region*

State registration number: *11023402009806*

Taxpayer individual number (INN): *3435000386*

Contacts

Tel.: *(8443) 42-03-59, 42-03-43, факс: (8443) 41-06-13*

Website: www.vohec.ru

E-mail: office@vges.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 Yuryevich*

Deputy Director General – *Odintsova, Lyudmila Viktorovna*

Information about the auditor

Full corporate name: *Joint Stock Auditor Firm Auditinform Closed Joint Stock Company*

Shortened corporate name: *JSAF Auditinform CJSC*

Type of activity: *auditing services*

Location: *4 Yaroslavskaya St., Moscow*

Postal address: *P.O. 150, 20 Novaya Basmannaya St., Moscow, 107078*

INN: *7717025530*

License No. *E 003505*; date of issue: *04.03.2003*; validity: *expires 04.03.2008*.

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: *15.05.2000*.

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. Summary of balance sheet and profit and loss account

The Company's balance sheet

	1.01.2006	31.12.2006
	thous RUB	thous RUB
ASSETS	12,311,634	13,151,115
I. NON-CURRENT ASSETS		
Intangible assets	–	–
Fixed assets	10,475,966	10,578,067
Construction in progress	611,957	982,381
Income-bearing investment in physical assets	–	–
Long-term financial investments	150	150
Deferred income tax assets	19	–
Other non-current assets	–	–
II. CURRENT ASSETS		
Inventories	62,237	59,603
Value added tax on acquired assets	132,232	47,329
Accounts receivable (payments on which are expected over 12 months from reporting date)	182,880	205,273
Accounts receivable (payments on which are expected within 12 months from reporting date)	826,933	1,029,594
Short-term financial investments	–	163,000
Cash	19,260	85,718
Other current assets	–	–
LIABILITIES	12,311,634	13,151,115
III. CAPITAL AND RESERVES		
Authorized capital	2,936,201	2,936,201
Treasury stock	–	–
Additional capital	8,431,069	8,389,295
Reserve capital	37,413	67,635
Target financing	–	–
Retained earnings of past years	148,998	(6,863)
Retained earnings of reporting year	–	85,736
IV. NON-CURRENT LIABILITIES		
Long-term borrowings and loans	–	960,365
Deferred income tax liabilities	–	1,229

Other non-current liabilities	18	–
V. CURRENT LIABILITIES		
Short-term borrowings and loans	119,985	–
Accounts payable	364,495	635,851
Arrears of income due to participants (founders)	273,455	81,666
Deferred income	–	–
Provisions for future expenses	–	–
Other current liabilities		

Company's profit and loss statement

	2005	2006
	thous RUB	thous RUB
(Net) proceeds from sale of goods, products, works and services (less value added tax, excise duties and similar obligatory payments)	2,387,616	2,539,270
Prime cost of goods, products, works and services	(1,575,221)	(1,691,268)
Gross profit	812,395	848,002
Business expense	–	(189)
Administrative expenses	–	–
Operating profit	812,395	847,813
Interest income	1,829	2,785
Interest expense	(929)	(52,018)
Income from stake in other companies	2,578	–
Other income	734,717	289,318
Other expense	769,848	(725,958)
Pre-tax profit	780,742	361,940
Profit tax and other similar obligatory payments	(176,323)	(189,939)
Profit from ordinary activities	604,419	172,001
Net earnings (retained earnings) of reporting period	604,419	172,001

Annex 2. Auditor's report

Auditor's report on financial (accounting) statements JSC Volzhskaya HPP

Auditor:

Name: *Joint Stock Auditor Firm Auditinform Closed Joint Stock Company*

Location: 129164, Moscow, 4 Yaroslavskaya St.

State registration: certificate No. 272.502 of September 30, 1992, re-registered on November 11, 1996

Auditing license: No. E 003505 issued pursuant to Order No. 60 of the Russian Federation Finance Ministry dated March 4, 2003, term of validity 5 years.

Member of the Moscow Audit Chamber

Audit target:

Open Joint Stock Company Volzhskaya HPP

Location: 404130, Russian Federation, Volgograd Region, town of Volzhsky, 1a Prospekt Lenina

State registration: Certificate of entry in the Unified State Register of Legal Entities under the basic state registration number 1023402009806 dated November 15, 2002.

1. We have audited the financial (accounting) statements of JSC Volzhskaya HPP for the period from January 1 to December 31, 2006, inclusive.

The financial (accounting) statements of JSC Volzhskaya HPP include:

- An accounting balance sheet;
- A profit and loss statement;
- Statement on changes in stockholders' equity;
- Cash flow statement;
- Annex to the accounting balance sheet;
- Explanatory notes.

2. These financial statements are the responsibility of the executive body of JSC Volzhskaya 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.

3. We conducted our audit in compliance with Federal Law No. 119-FZ of August 7, 2001 on Auditing; Federal auditing principles (standards) as endorsed by RF Government Resolution No. 696 of September 23, 2002; Internal auditing principles (standards) of the Moscow Audit Chamber and auditing principles (standards) of JSAP Auditinform CJSC.

4. We planned and conducted the audit to obtain reasonable assurance about whether these financial (accounting) statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial (accounting) statements. The audit also included assessing the compliance with 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 (accounting) statement presentation. We believe that our audit provides a reasonable basis for our opinion about whether these financial (accounting) statements present fairly the financial position of the Company in conformity with the accounting principles accepted in the Russian Federation.

5. In our opinion, the financial (accounting) statements of JSC Volzhskaya HPP for the period from January 1, 2006 to December 31, 2006 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 financial (accounting) principles accepted in the Russian Federation as envisaged by Federal Law No. 129-FZ of November 21, 1996 on Accounting, the

Regulations on Maintaining Financial Accounts and on Financial Reporting in the Russian Federation, approved by Order No. 34n of July 29, 1998 of the RF Finance Ministry, the regulations on accounting "Reporting of Organizations (PBU 4/99)", approved by Order No. 43n of July 6, 1999 of the RF Finance Ministry, Order No. 667n of June 22, 2003 of the RF Finance Ministry on the Forms for Financial Reporting of Organizations.

Appendix: Financial reporting on 66 pages.

March 21, 2007

Borisov, Vyacheslav Mikhailovich
General Director JSAF AUDITINFORM CJSC

Skvortsova, Natalya Nikolayevna
Audit leader

(Qualification certificate in the sphere of General Audit
No. K 008167, dated November 12, 2003, validity: indefinite)

Annex 3. Statement by the Auditing Commission

Statement by the Auditing Commission of JSC Volzhskaya HPP for 2006

Town of Volzhsky

March 16, 2007

In accordance with a resolution of the Auditing Commission, the Commission consisting of:

Chairperson of the Auditing Commission A.G. Gorbunov – Senior expert at the Internal Audit Department of JSC RAO UES of Russia

Members of the Commission:

N.A. Grishayev – Senior expert of the Department for corporate governance and interaction with shareholders of the Corporate Center of JSC RAO UES of Russia

D.V. Gataulin – Head of section for corporate audit and financial control of JSC RusHydro Management Company

N.A. Karasyova – Chief Accountant of JSC Nizhegorodskaya HPP

V.S. Pushkaryov – Deputy Head of the Department for corporate governance of JSC RusHydro Management Company

has performed an audit of the financial and business activities of JSC Volzhskaya HPP for 2006.

The Auditor of JSC Volzhskaya HPP – Joint Stock Auditor Firm Auditinform Closed Joint Stock Company, selected by resolution of the general meeting of shareholders (Minutes dated June 29, 2006), performed an audit of the financial reporting of the Company for the period from January 1, 2006 to December 31, 2006 (auditor's opinion No. 208/06-05 dated March 21, 2007). In the Auditor's opinion, the financial reporting of JSC Volzhskaya HPP accurately reflects in all material respects the financial position as of December 31, 2006 and the results of the financial and business activities for the period from January 1, 2006 to December 31, 2006, inclusive, in accordance with the requirements of the legislation of the Russian Federation governing compilation of financial reports.

The audit of the source documents provided was carried out on a sample basis.

Over 2006, the Company received revenues from the sale of goods, work and services in the amount of 2,539 million rubles, including with respect to electric power – 2,088 million rubles. The prime costs of the goods, work and services sold amounted to 1,691 million rubles and the sales profit obtained for the reporting period amounted to 848 million rubles.

Other costs exceeded other incomes and interest receivable by 485.9 million rubles, totaling 777.9 million rubles.

Other costs were planned for 2006 in the amount of 396.1 million rubles, while actual costs amounted to 777.9 million rubles.

Over 2006, the Company received a net profit in the amount of 172 million rubles or 186% of the planned figure.

The balance sheet value of the Company's assets as of December 31, 2006 amounted to 11,560.6 million rubles and the Company's net assets value as of the same date stood at 11,472.0 million rubles.

The Company's solvency and liquidity as of January 1, 2007 are characterized by the following data:

- the equity ratio stood at 0.87, which is higher/lower than the recommended figure (0.8);
- the cash ratio amounted to 0.347, which is higher/lower than the recommended figure (0.25);
- the quick ratio was 1.782, which is higher/lower than the recommended figure (2);
- the current ratio was 2.217, which is higher/lower than the recommended figure (2).

The ratio of receivables to payables of the HPP amounted, at the end of the year, to 1.94.

As of January 1, 2007, the total sum of receivables compared with the beginning of the year had risen by 226 million rubles to reach 1, 235 million rubles, including: agents for selling electric power on the wholesale market – 366 million rubles; other receivables – 869 million rubles.

As of January 1, 2007, the total sum of payables compared with the beginning of the year had risen by 271 million rubles to reach 636 million rubles, including: construction organizations – 189 million rubles; repair organizations – 13 million rubles; other suppliers and contractors – 428.5 million rubles; salaries – 5.5 million rubles, and so on.

On the basis of the audit performed and in consideration of the Company Auditor's opinion, the Auditing Commission has sufficient grounds for asserting the accuracy of the data contained in the Company's annual report and annual financial statements.

Chairperson of the Auditing Commission

A.G. Gorbunov

(signature)

JVC Volzhskaya HPP