




# OGK-1 TIMES

 ANNUAL REPORT 2007

## **OGK-1 is in the lead**

on rates of growth and efficiency  
of use of new rules of work  
in the market.

## **Our strategy**

is directed for construction  
new energy plants in five regions  
of Russia

## **Results of 2007**

We are ready to become the largest  
and most effective thermal  
generating company of Russia

[www.ogk1.com](http://www.ogk1.com)

OJSC «The first generating company of the wholesale market of the electric power»

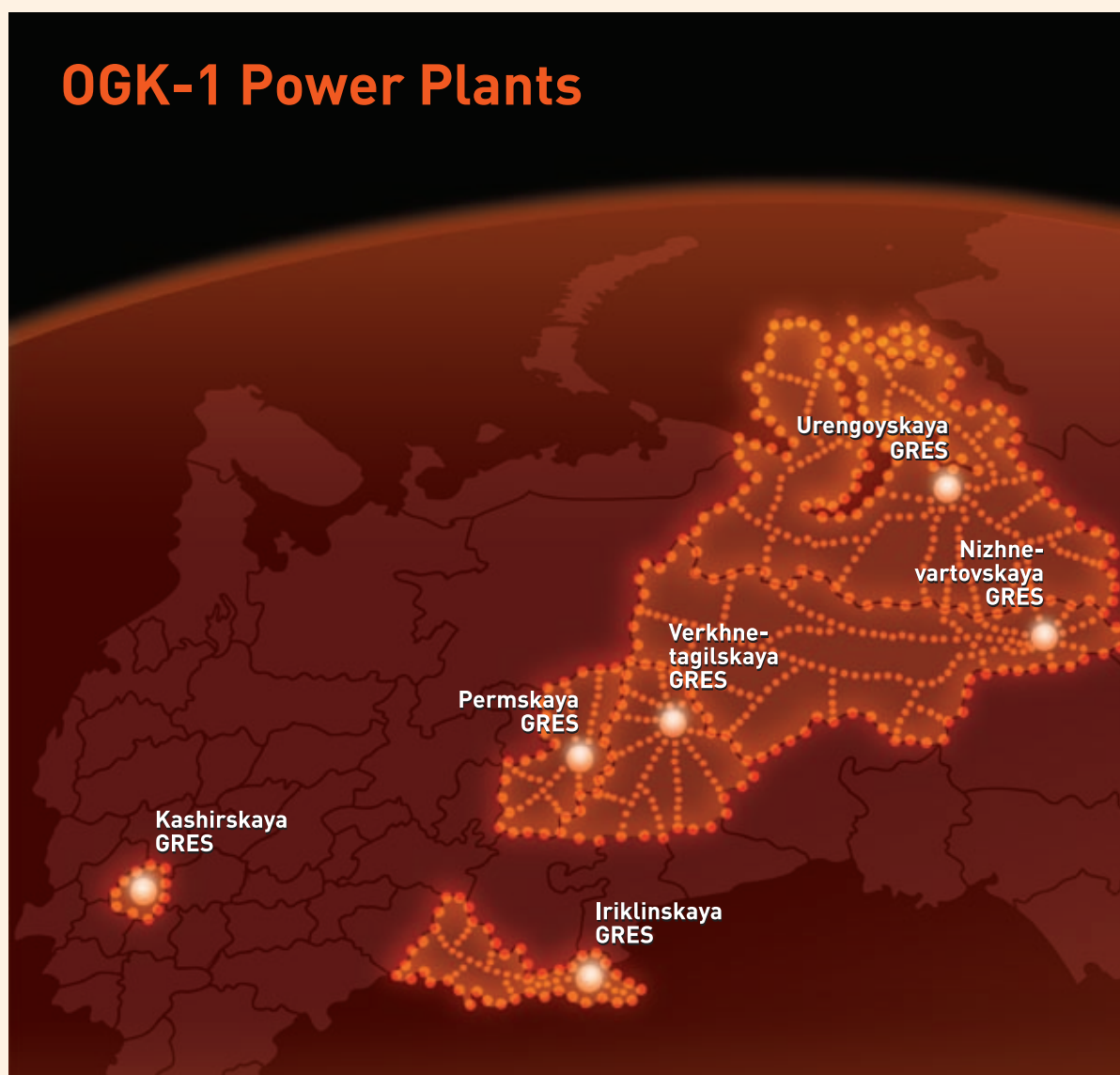
ANNUAL REPORT. 2007







## OGK-1 Power Plants



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# Letter to Shareholders from the Chairman of the Board of Directors

Dear Shareholders,  
The year 2007 abounded with corporate events that required joint work from the Board of Directors and management. The main corporate decisions were related to the implementation of the OGK-1 investment program, one of the largest in the Russian energy sector

Ensuring reliability by implementing investment projects is one of the priorities for OGK-1 development, determined by the Board of Directors. We approved the key indicators of five investment projects implemented by the Company. As the Chairman of the Board of Directors, I understand that every decision of this kind is a huge construction project that involves thousands of people. These major and carefully considered decisions determine the Company's development for the next five years. The Board of Directors approved several major transactions aimed at implementing the Company's investment program, for instance, the performance by the general contractor of a package of works to construct and commission the Unit 3 startup facility at Kashirskaya

## We approved the key indicators of five investment projects implemented by the company

GRES on a turnkey basis.

During 2007, the Company's Board of Directors held fifty meetings. The Board of Directors of OGK-1 is composed of 11 members who are in charge of ensuring efficient decision making in the shareholders' interests.

The Board of Directors focused on the discussion and approval of all construction project phases for Unit 3 at Nizhnevar-tovskaya GRES, jointly implemented by OGK-1 and TNK-BP. The project aims to establish a joint venture with the local principal gas supplier. Although we

greatly value the innovative elements of this project in using associated gas and applying international experience in the legal and financial support of a joint project, nevertheless, we have made a thorough analysis of the whole project and approved key management decisions.

In order to make the corporate governance system more efficient, improve the best practices-based internal control sys-

## The shareholders approved the corporate decisions concerning the Company's liabilities to implement the investment program

tem, and enhance the transparency of key business processes, we launched a number of projects: development of a budgeting system in accordance with international standards, development of an internal audit system, development of an internal control system, and development of a tax planning and optimization system. The Company approved the «OGK-1 Risk Management Policy».

The formation of two Board of Directors committees – Audit Committee and Human Resources and Remuneration Committee – shows that the Company made substantial progress toward improved corporate governance quality, accountability and transparency in management decision-making. This also contributes to the investor community's increased confidence in the Company.

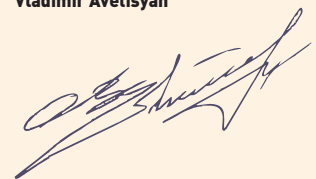
In 2007 the Company held six General Meetings of Shareholders, which made significant decisions about the Company's participation in the final phase of the restructuring of RAO «UES of Russia». The shareholders approved the corporate decisions concerning the Company's liabilities to implement the investment program, as well as the very important decisions concerning the establishment of a joint venture with TNK-BP aimed at the construction of an 800 MW power unit at Nizhnevar-tovskaya GRES.



The past year, which was the first year of the united generation company and the operations of its six branches, turned out to be a difficult one for the management team. On completion of the Company's integration process, the OGK-1 team began to implement large-scale projects for the construction of new generation facilities, deployment and operations in the new energy market, and higher efficiency of the existing power units. I would like to remind you that the most important task for power engineers has been and is to ensure reliable energy and heat supply for customers. I can report that OGK-1 managers

have succeeded in fulfilling all their tasks. I believe that both existing and future OGK-1 shareholders will be able to appreciate the potential of the Company and its management. I am sure that OGK-1 executives will continue to act in the shareholders' interests and for the benefit of the development of the Russian energy sector.

**Chairman of the Board of Directors «First Power Generating Company on the Wholesale Energy Market» (OGK-1)**  
**Vladimir Avetisyan**



**The OGK-1 team began to implement large-scale projects for the construction of new generation facilities and higher efficiency of the existing power units**

the scope of work and monitor implementation of recommendations to working out recommendations to external audit issues with are submitted to the General Meeting of Shareholders quarterly.

**WS**

**Agency assigned credit rating (stable) to Ba3 to OGK-1**

September 2007 Moody's International assigned credit rating Ba3 to OGK-1. At the same time Moody's assigned a credit rating Aa3.ru to the company. OGK-1's ratings reflect support

from the government and direct shareholders in the company.

OGK-1 is one of Russia's first wholesale generating companies resulting from the industry reform to be assigned an international credit rating.

The Agency has positively assessed market positions of OGK-1 within the united energy systems of the Central Russia and Urals and a relatively low debt burden, which allows the Company to plan certain additional debt without affecting its ratings.

OGK-1's General Director Vladimir Khlebnikov said: «Undoubtedly, this is a success that enables OGK-1 to enter international debt capital markets at competitive prices».

**First Audit Committee formed by OGK-1**

On 20 July 2007 the Board of Directors of OGK-1 established an Audit Committee for the first time in the company's history. The Committee's goal is to develop and submit audit and reporting related

recommendations to the Board of Directors.

The Committee is to ensure efficient operation of the Board of Directors with regard to external audit. The Committee will prepare advice on candidates, define the scope of work and remuneration of external auditors, prepare the terms and monitor implementation of the respective competitive selection process.

In addition to working out recommendations, the Committee will review and discuss essential external audit issues with the audit service supplier, assess its

opinions before they are submitted to the General Meeting of Shareholders.

The Committee will also review quarterly and annual financial statements and the company's annual report for compliance with the International Financial Reporting Standards, Russian Accounting Standards and other regulatory documents.

"This [establishment of the Audit Committee] is a milestone", says OGK-1's General Director Vladimir Khlebnikov. "The Committee will facilitate our efficient operation in the best

interests of shareholders, faster development, better risk management. We have always been open and honest. I am convinced that it is an important step towards the way to a better governance structure.

**OGK-1 exceeds last year's results**

Output of First Generating Company power plants for months of 2007 45,231.3 million

**OGK-1 passes 50 billion kWh threshold**

2007 OGK-1 broke an output record: 4.6 billion kWh, which represents a 6% growth year-on-year. Productive over 12 months 2007 increased by 6% to 0.9 billion kWh. Day-market (DAM) sales reached 23,542.53 million rubles.

Uralinskaya GRES and Krasnoyarskaya GRES shared first place for 2007 output, which increased 10% year-on-year. Irtyshskaya GRES and Krasnoyarskaya GRES increased their year-on-year performance by 9.8% and 10.2% respectively.

# 1 | Company Overview

**OGK-1's power sales grew by 18.6%**

In December 2007 OGK-1's power plants sold 4,627.3 million kWh for 3,546.9 million rubles in the wholesale electricity market, which represents an 18.6% growth in sales year-on-year.

Supplies under long-term agreements 4,030 million kWh. The scope of operations in the wholesale electricity market sold in the day-ahead market and 124.1 million kWh. Balancing market obligations to cover

OGK-1 CEO Vladimir Khlebnikov and Chairman of RAO "UES of Russia" Anatoly Chubais



**OGK-1 will develop corporate information management system**

2007 - OGK-1 has completed development of Corporate Information Management System (CIMS). The Company has established an Information Technologies Committee to implement this project. In the first stage the company is planning to create an IT Development Strategy of OGK-1 to be completed before December 2007. The company's business processes and information systems will be audited in the scope of the project, information system architecture and platform will be defined. The project will result in a plan of implementation of a CIMS, rationale and financial

... Total elec-  
 ment have been authorized  
 to work out project param-  
 eters and represent the RAO  
 UES board of directors.  
 "Completion of this pro-  
 ject will help set an important  
 precedent as the first direct  
 investment in the Russian  
 power industry to be carried  
 out by project financing. The  
 ruling by the board of direc-  
 tors is a turning moment in

... State Regional Power Plant,"  
 said WGC-1 General Direc-  
 tor Vladimir Khlebnikov.  
 "We've come the decision  
 and understand that what  
 lies ahead is a lot of work:  
 narrowing down project pa-  
 rameters, making technical  
 decisions and choosing pro-  
 fessional contractors."  
 Construction of the new  
 block will permit a reli-

... in Iyumen Oblast in face of  
 increasing power consump-  
 tion (growth registered 10%  
 in January 2006 and 7% in  
 January 2007 as compared  
 to the previous year) and ex-  
 pected shortages in regional  
 capacity.  
 New high-tech steam-  
 to-gas equipment to be in-  
 stalled at the block will pro-  
 vide a efficiency of no less

... ordinary steam-to-gas equip-  
 ment—as well as save up to  
 25% on fuel, as well as re-  
 duce atmospheric emissions  
 by a third.  
 The WGC-1 investment  
 program includes the con-  
 struction of a third 800 MW  
 block passed on PGU-800  
 technology at Nizhnevar-  
 tovsкая State Regional  
 Power Plant to be finished

... company, is going to  
 over 3000 MW of the new  
 capacity. Last week of the  
 of directors approved in-  
 vestment projects aimed at  
 construction of new power  
 – they are seen as a ke-  
 y objective of the company  
 activities.  
 The realization of the  
 investment program will  
 increase the operating ca-  
 pacity of OGK-1 to over 1  
 MW.

**Power  
 trading  
 by  
 more  
 billion  
 for Q1**

... 007 OGK-1  
 sold 11 119,43  
 8 876,5 mln.  
 ... 007 OGK-1  
 mln. kWh on  
 New Wholesale  
 (Power) Market.  
 was 3 018,03

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 rket – 165  
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 32,8 mln.  
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 's final stage.  
 e risk  
 department  
 er report  
 vision of an  
 k management



**Director of Permskaya GRES  
 (OGK-1 subsidiary)  
 Leonid Sokolov**

... Three new power un-  
 the Urals – two 800 MW  
 with supercharged boiler  
 a 330 MW coal-fired unit  
 ing circulating fluidized  
 technology – are expect-  
 start operation in 2010.  
 other 800 MW superch-  
 unit will follow in 2012.  
 The program also in-  
 renewal of the 330 MW  
 power unit at Kashira  
 power plant.  
 OGK-1 has been sele-  
 equipment and natura-  
 suppliers for the two  
 800 MW unit at Perm  
 power plant. The proj-  
 going to be a turnkey pr-  
 and relevant tender p-  
 dures for a general con-  
 are about to start. For  
 other 800 MW unit at  
 nevar-tovskaya power  
 the scope of work is  
 developed.  
 For the 330 MW  
 based on circulating  
 idized-bed technology  
 Verkhne-Tagil'skaya p-  
 plant the feasibility stud-  
 been developed.





## Letter to Shareholders from the Chief Executive Officer



Dear Shareholders, I am pleased to provide you with this annual corporate report of Russia's largest heat generating company operating on the wholesale energy market, OGK-1

The year 2007 was the first full year of operations of OGK-1 as a united generation company with six thermal power plants (GRES) as its production branches. We made the transition from the unification of business processes and the formation of unified managerial tools to the deployment of the united company's potential and the implementation of corporate strategy. Today we are able to present the consolidated production and financial results to our shareholders.

Electricity generated by OGK-1 totaled more than 50 billion kWh. The 6% generation growth is due to the overall energy consumption surge in the country and to the more efficient use of the power plants' equipment.

### It was the first year of the new market model in the Russian energy sector

The consolidated revenue in accordance with IFRS amounted to 44,891 million rubles, which is a 49.3% increase over 2006, including revenue from resold electricity bought on the spot market for securing obligations under regulated contracts in the amount of 19,512 million kWh. OGK-1's net profit for 2007 amounted to 1,966 million rubles.

The key objective of the Company's activity is to substantially increase shareholder value in the mid term. The Company's market capitalization at the end of 2007 was 124.3 billion rubles.

In 2007, the sector passed through drastic changes: the assets spun off from RAO UES of Russia were replaced by private power companies; the sector saw the arrival of foreign investments, the long-term fuel supply strategy was determined, and distinc-

tive guidelines for liberalization of the power market were set.

It was the first year of the new market model in the Russian energy sector. The Company is a leader in terms of the rates and efficient use of the new operation rules on the heat and electricity market.

The revenue from electricity and capacity sales totaled 43,842.4 million rubles and increased by 52.2% compared to the 2006 consolidated revenue, including revenue from resold electricity purchased on the spot market for securing the obligations under regulated contracts in the amount of 19,512 million kWh.

2007 was marked by the Company with the implementation of the investment program, as well as the construction of new power units at five GRES plants. The necessity to ensure a sustainable and reliable power supply in the context of increasing power shortage means that the construction and commissioning of new power units is the Company's key task.

At Kashirskaya GRES, construction has reached its final stage. During the last year primary equipment was installed. The Company's management has decided to construct a new power unit in the permafrost area at Urengoyanskaya GRES with commissioning to be completed ahead of schedule. We selected equipment and conducted negotiations. The construction of accommodation for workers in the form of a trailer town, as well as the construction of auxiliary facilities is underway on the site. The construction technology was chosen for Verkhnetagil'skaya GRES; a 330 MW gas unit will be constructed there by 2010. We selected the optimum option in terms of fuel supply and environment protection. At Permskaya GRES, we selected main contractors for the construction of Unit 4.

The construction of a new power unit at Nizhnevartovskaya GRES is implemented under an agreement with our project partner, the international company TNK-BP. This is an unprecedented project for Russia. It contains two key innovations: large-scale use of associ-

ated gas and implementation of a project financing model. The new power unit will use associated gas supplied from TNK-BP deposits located near Nizhnevartovskaya GRES. The joint construction will be financed through a project financing model new to the Russian energy sector. When completed, this project will allow the Company and its management skills to be raised to international level.

The implementation of a large-scale investment program will allow the Company to have more than 2,500 MW of new capacity before 2012 in the Russian regions with the fastest growth rate. The commissioning of power units will help reverse equipment obsolescence and will give a new impetus to OGK-1 development.

Since the date of the Company's foundation, its management has tried to stick to the world's best governance practices. 2007 has contributed greatly to corporate governance development: we formed the Audit Committee and Human Resources and Remuneration Committee. The Company was given an international credit rating of Ba3 by Moody's, one of the highest in the sector. The Russian Union of Industrialists and Entrepreneurs and Moscow Interbank Curren-

### The implementation of a large-scale investment program will allow the Company to have more than 2,500 MW of new capacity before 2012 in the Russian regions with the fastest growth rate

cyExchange declared OGK-1 the «Best Company-Issuer 2007».

2007 clearly revealed our competitive advantages. These include an advantageous geographical location and strong market position, efficient production assets and attractive investment platform, as well as a clear corporate strategy. This was the year that we set the Company's development priorities. OGK-1 is a production company; therefore, our top priority

# Letters to Shareholders



is the implementation of a production strategy aimed at enhancing the efficient use of the generating assets'. The OGK-1 investment strategy is aimed at the implementation of the largest program to construct new power capacity in five regions of Russia. In addition, we need considerable growth in operating profit. We operate on the market, and the implementation of a marketing strategy should therefore increase the Company's revenue. A strategy to establish efficient shareholder and investor relations will ensure our activities as a public company evaluated by the stock market. The synergetic effect of the simultaneous use of these strategies will become a platform for accomplishing the Company's mission: providing high business profitability for shareholders, client confidence, a spotless reputation amongst its partners, and an attractive image of the Company as an employer.

## 2007 clearly revealed our competitive advantages

The 2007 results allow us to say that we have accumulated considerable experience in coping with very difficult production and management tasks and we are ready to become the largest and the most efficient wholesale generating company in Russia.

**General Director  
First Power-Generating  
Company on the Wholesale  
Energy Market (OGK-1)  
Vladimir Khlebnikov**

## 2007 Key Figures

### Production figures

Installed capacity, MW	9,531
Electricity generation, million kWh	50,075
Heat supply, thousand GCal	1,347
Utilization rate, %	60%
Specific consumption of fuel equivalent, g/kWh	329.8
Staff on the payroll, persons	6,362

### Financial figures (in accordance with the IFRS)

Revenue, million rubles	44,891
Operating profit, million rubles	2,965
Profit before tax, million rubles	2,748
Net profit, million rubles	1,966
EBIT return on sales, %	6.60%
EBITDA return on sales, %	9.92%
Return on assets, %	5.85%
Short-term liabilities, million rubles	6,963
Long-term liabilities, million rubles	3,858

## News

### First Audit Committee formed by OGK-1

On 20 July 2007 the Board of Directors of OGK-1 established an Audit Committee for the first time in the company's history.

The Committee's goal is to develop and submit audit and reporting related recommendations to the Board of Directors. The Committee is to ensure efficient operation of the Board of Directors with regard to external audit. The Committee will prepare advice on candidates, define the scope of work and remuneration of external auditors, prepare the terms and monitor implementation of the respective competitive selection process.

In addition to working out recommendations, the Committee will review and discuss essential external audit issues with the audit service supplier, assess its opinions before they are submitted to the General Meeting of Shareholders.

The Committee will also review quarterly and annual financial statements and the company's annual report for compliance with the International Financial Reporting Standards, Russian Accounting Standards and other regulatory documents.

«This [establishment of the Audit Committee] is a milestone», says OGK-1's General Director Vladimir Khlebnikov. «The Committee will facilitate our efficient operation in the best interests of shareholders, faster development and better risk

management. We have always focussed on maximum business openness and transparency. I am convinced that this step is an important milestone on the way to a better corporate governance structure.

### OGK-1 passes the 50 billion kWh threshold

In 2007 OGK-1 broke its own output record: 50,074.6 million kWh, which represents a 6% growth year-on-year. Productive supply over 12 months 2007 also increased by 6% to 47,760.9 million kWh. Day-ahead market (DAM) sales reached 23,542.53 million kWh. Irikliinskaya GRES and Permskaya GRES shared the first place for 2007 output, which increased by 11% year-on-year. Urengoykaya GRES and Verkhnetagilskaya GRES exceeded their year-on-year performance by 9.8% and 7%, respectively.

### Permskaya GRES has completed another stage of upgrading its Unit 1

Permskaya GRES has completed another stage of upgrading its Unit 1. Based on the results of tests, the power plant obtained Compliance Certificate No. 11 certifying that Unit 1 meets the requirements of the standard "Requirements to participation of generating units in rated primary and automatic secondary frequency regulation" by System Operator - Centralized Dispatching Administration (SO - CDA).





# 1. Company Overview

«First Power Generating Company on the Wholesale Energy Market» is a joint stock company established on March 23, 2005, as a result of the Russian power industry reform.

The OGK-1 configuration was determined by the Russian Government, aimed at creating equal starting conditions for the activities of generating companies and preventing any individual company dominating the wholesale energy market. OGK-1's target structure was formed gradually by contributing Verkhnetagil'skaya GRES property to the authorized capital and taking over the remaining power plants. By September 29, 2006, the Company completed the formation

**The Company's core activity is the generation and wholesale of electricity**

of its target structure in order to become a united operating company, and reorganizing the power plants that it had to take over as its branches.

The Company's core activity is the generation and wholesale of electricity. The Company also supplies a small amount of heat to customers located near the power plants.

The Company's production assets include six condensation power plants (GRES). OGK-1 is the largest wholesale generating company, with 9,531 MW of installed capacity.

## OGK-1

### Headquarters

Verkhnetagil'skaya  
GRES

Permskaya  
GRES

Urengoy'skaya  
GRES

Irkutskaya  
GRES

Kashir'skaya  
GRES

Nizhnevartov'skaya  
GRES



## News

### Moody's International Agency assigned Ba3 credit rating (stable) to OGK-1

On 10 September 2007 Moody's International Agency assigned international credit rating Ba3 to OGK-1. At the same time Moody's Interfax assigned a domestic Russian national credit rating Aa3.ru to the company. OGK-1's ratings reflect support from the government and direct shareholders in the company. OGK-1 is one of Russia's first wholesale generating companies resulting from the industry reform to be assigned an international credit rating. The Agency has positively assessed market positions of OGK-1 within the united energy systems of the Central Russia and Urals and a relatively low debt burden, which allows the Company to raise certain additional debt without affecting its ratings. OGK-1's General Director Vladimir Khlebnikov said: «Undoubtedly, this is a success that enables OGK-1 to enter international debt capital markets at competitive prices».

### OGK-1's power sales grew by 18.6%

In December 2007 OGK-1's power plants sold 4,627.3 million kWh for 3,546.9 million rubles in the wholesale electricity market, which represents an 18.6% growth in sales year-on-year.

Supplies under regulated agreements amounted to 4,030 million kWh. In the scope of operation in the wholesale electricity market 2,439.7 million kWh were sold in the day-ahead market, and 124.1 million kWh in the balancing market. To meet its obligations to consumers, the Company purchased 1,760.7 million kWh in the day-ahead market and 197 million kWh in the balancing market.

In 2007 OGK-1 sold a total of 47,774.7 million kWh in the New Wholesale Electricity (Capacity) Market (NOREM) for 38,040.2 million rubles.

### OGK-1" will develop a Corporate Information Management System

31/07/07 – OGK-1 has launched development of a Corporate Information Management System (CIMS). The Company established an Information Technologies Committee to implement this project.

At the first stage the company is planning to prepare an IT Development Strategy of OGK-1 to be completed before December 2007. The company's business processes and existing information systems will be audited in the scope of the project, and information system architecture and platform will be defined. The project will result in a plan of building a CIMS, rationale for time and financial resources, proposals regarding information and organizational structure, terms of reference for the CIMS and technical specifications for its subsystems. Vladimir Khlebnikov said: "Project management issues are currently of great importance, especially in power industry. Our new system will allow streamlining business processes, which will increase efficiency of the Company's purchasing, logistics, maintenance and new capacity construction". Competitive selection of contractors to implement the project is planned to be finished in early September. A pilot zone power plant for the system to be rolled out will be named in early December.

### First Power-Generating Company is completing its two billion maintenance campaign

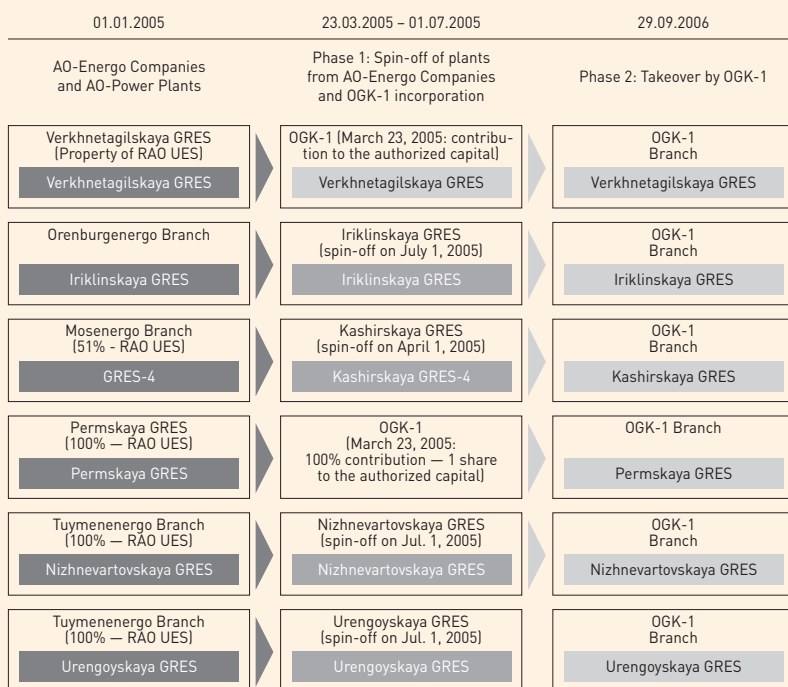
October 2007 - First Power-Generating Company on the Wholesale Energy Market is completing its 2007 maintenance campaign, with this year campaign budget amounting to almost 2 bil-

see page 6 >

# Company Overview



## OGK-1 Reform Chart

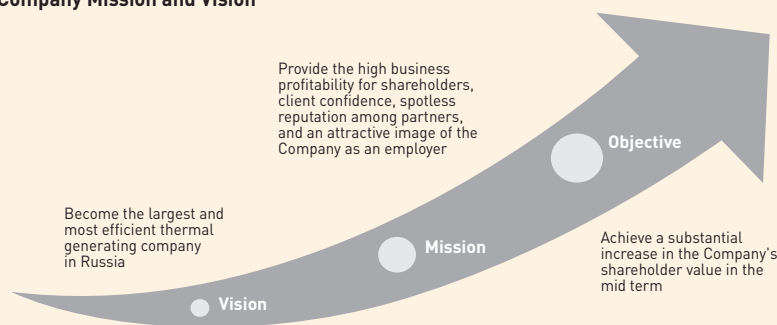


## The Company is distinguished by the advantageous geographical location of its production assets

The Company is distinguished by the advantageous geographical location of its production assets in economically developed Russian regions with high energy consumption rates and well-developed infrastructure. In accordance with the federal division, the Company's power plants are located in five regions which form part of the Central, Urals and Volga Federal Districts. In accordance with the division of Russia into power systems, the Company's production assets are included in the Integrated Power Systems (IPS) of the Central and Urals District. Five out of the Company's six power plants are located in the Urals IPS. Both power systems belong to the first price zone of the Wholesale Electricity and Capacity Market (OREM).



## Company Mission and Vision



## News

### < continued from page 5

lion rubles. Almost 400 million rubles are planned to be spent for overhauls in 2007. In mid-August Permskaya GRES completed maintenance of key equipment. Its 2007 maintenance campaign budget totaled around 380 million rubles, with over 70 million rubles disbursed for heavy maintenance of Unit 2.

### First Power-Generating Company chose the Bank of Moscow as special account manager

On 31 October 2007 the Board of Directors of OGK-1 appointed the Bank of Moscow

a special account manager. A special account is a mechanism allowing the generating companies to monitor implementation of the investment programs after ownership change.

### Over 5 months OGK-1 disbursed almost 600,000 thousand rubles for maintenance purposes

A maintenance campaign is currently at its height at the power plants of OGK-1. OGK-1 spent 582,910 thousand rubles for maintenance purposes for the first 5 months of 2007 alone, while the key maintenance is still ahead. If added up, all days of

maintenance run this summer at all power plants will exceed one year! Ensuring reliable operation of power plant equipment requires that much time.

New operation rules for the wholesale electricity/capacity market have entered into force since 1 September 2006. The industry has switched to regulated agreements between buyers and generating companies, and the day-ahead market (DAM) has been launched.

For the first year alone of operation in the new electricity market Nizhnevartovskaya GRES sold almost 10 billion kWh of electricity under regulated agreements for around 3 billion rubles, and over 4.5 billion kWh of electricity for

around 2.5 billion rubles in the day-ahead market. 121.5 million kWh of electricity were sold over this period in the balancing market for 51 million rubles.

### OGK-1 has reported its performance figures for the 9 months of 2007

Over 9 months 2007 OGK-1's power plants produced 35,765.49 million kWh, with productive heat supply amounting to 627.919 thousand Gcal. Specific consumption of fuel equivalent for supplied electricity reached 330.30 g/kWh. Specific consumption of fuel equivalent for supplied heat reached 169.30 g/kWh.

...bles, which is 708 mil-  
...bles more than for the  
...period in 2006.

...r the nine months  
...1 30 September 2007,  
...1 Group allocated 2 280  
...n roubles to investment  
...cies, which is 1 396 mil-  
...bles more than for the  
...period of 2006.

...e interim combined  
...consolidated finan-  
...statements for the nine  
...s ended 30 September  
...were reviewed by JSC  
...WaterhouseCoopers Au-  
...ppointed the auditor of  
...1 by the Annual General  
...holders' Meeting of 22  
...2007.

...e interim combined  
...consolidated financial  
...ments of OGK-1 Group  
...formance with IFRS for  
...ine months ended 30  
...mber 2007, are avail-  
...on the OGK-1 website,  
...the following link

...C OGK-1, a subsidiary  
...OUES of Russia, issues  
...interim combined and  
...lidated financial state-  
...s for the 9 months ended  
...ctober 2007, prepared  
...formance with the inter-  
...nal financial reporting  
...ards. The interim re-  
...overs 9 months due to  
...orthcoming sale of ad-  
...ial shares to a strategic  
...or, which is set for the  
...ning of the next year.

...e output of the compa-  
...nerating six power plants  
...e nine months of 2007  
...85 764 million kWh,  
...is 1.6% more than for  
...e months of 2006.

...e OGK-1 Group revenue  
...e nine months of 2007 is  
...5 million roubles, which  
...073 million roubles  
...more, as compared to  
...e period of 2006.

...GK-1 Group profit for  
...ine months ended 30  
...mber 2007, is 1 109 mil-  
...bles.

WS

## **Kashirskaya GRES completed maintenance of the pipeline**

...August the heat  
...engineering network  
...tment of Kashirskaya  
... (branch of OGK-1)  
...leted maintenance  
...at Kashira-2's upper  
...heat pipeline. In the  
...e of maintenance, the  
...bers replaced 1,400  
...s of different diameter  
...which exceeds the  
...ed amount almost  
...old, and overhauled

...E ON OGK1.COM

...n get new press-  
...s and another  
...sation on our site  
...ogk1.com/docs



Deputy CEO, Chief Engineer Roman Milyaev

# 3 | Production Activity

**First Power-Generating Company is completing a two billion maintenance campaign**

...First Power-Generating  
...Company on the Wholesale  
...Energy Market (OGK-1) is  
...completing its 2007 mainte-  
...nance campaign, with this

...year budget of the campaign  
...totaling almost 2 billion ru-  
...bles. The Company is plan-  
...ning to disburse almost 400  
...million rubles for overhauls  
...in 2007. Permskaya GRES,  
...Kashirskaya GRES and Uren-  
...goyskaya GRES have already  
...completed the maintenance  
...campaign.

...On 17 October Iriklins-

...kaya GRES launched its last  
...maintenance in the scope of  
...2007 program. This year the  
...maintenance campaign bud-  
...get at the power plant will  
...exceed 285 million rubles.  
...Verkhnetagil'skaya GRES  
...continues overhauling its  
...Power Unit 10 and Boiler Unit  
...13, and routine maintenance  
...of its Power Unit 9 and Boiler

...Unit No. 9.

...Permskaya GRES has  
...completed another stage of  
...upgrading its Unit 1. Based  
...on the results of tests, the  
...power plant obtained Com-  
...pliance Certificate No. 11 cer-  
...tifying that Unit 1 meets the  
...requirements of the standard  
...“Requirements to participa-  
...tion of generating units in

**Permskaya  
GRES has  
completed  
another  
stage of  
upgrading  
Unit 1**

...Permskaya GRES  
...completed another  
...upgrading its Unit 1.  
...on the results of tests,  
...the power plant ob-  
...tained Compliance  
...Certificate No. 11  
...certifying that Unit 1  
...meets the require-  
...ments of the stan-  
...dard “Requirements  
...to participation of  
...generating units in  
...primary and au-  
...secondary frequen-  
...cy regulation” by  
...Operator – Central  
...Dispatching Ad-  
...ministration (SO – CDA).

**Iriklinskaya  
GRES obtained  
a winter  
serviceability  
certificate**

...Today, on 17 Novem-  
...ber, the Director of Iriklins-  
...kaya GRES R.E. Rakh-  
...lin formally received  
...the Certificate of  
...Plant Serviceability  
...Certificate for the  
...winter period of  
...2007. From 22 Octo-  
...ber, the power plant  
...will be operated  
...by an interdepartmen-  
...tal committee for  
...during the upgrad-  
...ing works. The Com-  
...pliance Certificate  
...confirmed that the  
...power plant met all  
...requirements to  
...withstand peak  
...loads during winter

**All as planned**

...In July 2007 Perms-  
...kaya GRES met 100%  
...of its production plan  
...by producing 1.1  
...million kWh of  
...electricity. The entire  
...output demanded  
...and the wholesale  
...market. These  
...results were achieved  
...because that only two  
...power units were  
...operational. Unit 2  
...had been under  
...running maintenance  
...since 9 July. The  
...power plant followed  
...the operational  
...schedules.

**OGK-1  
breaking  
records**

...The July 2007



power plants since the beginning of the year reached 7,669.7 million kWh, with productive of power totaling 7,2 million kWh. OGK-1's plants also supplied thousand Gcal of heat. Sales in the day-ahead market since the beginning of the year reached 4 million kWh.

In February OGK-1 power plants produced 3,667 million kWh, with productive supply of electricity amounting to 3,488.6 million kWh. Power plants also supplied 179.92 thousand Gcal of heat over the month, sold 2,067.7 million kWh in the day-ahead market.

in accordance with the JSC "OGK-1" will be the wholesale market power produced generating equipment, "CFR" will purchase capacity. Signing a contract to provide capacity in the wholesale energy market is an indispensable condition to complete the issue. "OGK-1" additional shares also have another considerable - the alienation of Nizhnevartovskaya shares with the following conditions: Way of Alienation - to establish a Company in accordance with the legislation of the foreign Republic of Cyprus and the British Virgin Islands, providing 100% of the capital.

Subject: JSC «OGK-1» offers 5,806,456,876 shares of eight hundred and four hundred fifty and eight hundred and six (six) ordinary non-voting shares of JSC "Nizhnevartovskaya GRES" with a face value of 1 (one) Euro per share to purchase shares of NVG Ltd. The NVG Ltd. amounts to 100% of the capital of JSC "Nizhnevartovskaya GRES"; JSC "OGK-1" will become the owner of 10,000 shares of NVG Ltd. with the face value of 1 Euro per share, which amounts to 100% of the NVG Ltd. equity capital. Deal Value - 5,806,456,876 Euro. The value of one share of NVG Ltd. at the establishment of NVG Ltd. amounts to 580,645,687.8285452 Euro. The value of 10,000 shares at the establishment amounts to 5,806,456,878.285452 Euro.

### Over 5 months OGK-1 disbursed almost 600,000 thousand rubles for maintenance purposes

OGK-1 spent 582,910 thousand rubles for maintenance purposes for the first 5 months of 2007 alone, while the key maintenance is still ahead. If added up, all days of maintenance done this summer at all power plants will exceed one year! Ensuring reliable operation of power plant equipment requires that much time.

### OGK-1: Trading Results on Gas Exchange

On March 15, 2007 OGK-1 participated in trading on the gas exchange for gas delivery in April 25, 2007. It had been planned to purchase gas for Kashirskaya and Irikliinskaya power plants - for March. As the result, OGK-1 purchased 10 mln square meters of gas for Kashirskaya power plant.

"The volume of gas purchased for Kashirskaya power plant is sufficient to meet the mandatory commitment to the consumers. Besides, it will substitute for the more expensive fuel oil", says Alexey Mintyukov, OGK-1 Commercial director, a member of OGK-1 Executive board.

Gas for Irikliinskaya power plant was not purchased, because its price was higher than the estimated price on the spot market for the electricity generated using this gas.

Demand and supply have significantly decreased, but the prices keep on the same level as in March (for Nadym compressor plant there is an



Director of Kashirskaya GRES (OGK-1 subsidiary) Semen Serebriansky

## OGK-1 is completing its maintenance campaign

Permskaya GRES has completed all principal maintenance projects, with engineering maintenance and planned repairs of auxiliary

be completed by mid-October. Kashirskaya GRES completed running maintenance of its Unit 1 on 23 August, exactly as planned. Permskaya GRES

power plant obtained Compliance Certificate No. 11 certifying that Unit 1 meets the requirements of the standard. Permskaya GRES met 100% of the plan by producing 1,095.5 million kWh of electricity. The entire output was demanded and sold in the wholesale electricity market. These results

### News

#### OGK-1 passes the 50 billion kWh threshold

In 2007 OGK-1 broke its own output record: 50,074.6 million kWh,

also increased by 6% to 47,760.9 million kWh. Day-ahead market (DAM) sales reached 23,542 million kWh. July proved to be the most productive month for the Company. This month's output of the Company exceeded the performance of this year



## 2. Key Events in 2007

### March

On March 20, the Collective Agreement for 2007–2008 was signed. This agreement regulates labor relations within OGK-1 and provides for additional benefits, guarantees and compensation for the Company's employees.

### April

OGK-1 won the title of «Socially Responsible Organization of the Electric Power Industry in the Area of Personnel Relations» in the contest held by the «All-Russian Branch Association of Electric Power Industry Employers» (RaEl Association), and took first place in the nominations for «Best Generating Organization of the Electric Power Industry in the Area of Social and Labor Relations» based on the 2006 performance results.

### June

At a public hearing on July 9, 2006 OGK-1 presented its 2006 Sustainable Development Report prepared in accordance with the GRI international recommendations, version 3. On June 22, OGK-1 held its Annual General Meeting of Shareholders. The Company's

shareholders decided to pay the dividends for the 1st quarter of 2007, approved the Company's Annual Report, and elected new members of the Board of Directors and the Internal Audit Commission.

### July

On July 10, MICEX Directors decided to include the OGK-1 registered ordinary shares on Quotation List «I» (ticker symbol: OGK1).

### August

On August 13, OGK-1 began to develop the Corporate Management Information System (CMIS).

On August 29, the RTS Stock Exchange resumed trading of OGK-1 registered ordinary shares as «securities admitted to trading but not included on quotation lists.»

### September

On September 10, Moody's gave OGK-1 a credit rating of Ba3 (global corporate) and a credit rating of Aa3.ru (national scale).

On September 11, the Company selected The Bank of New York for its GDR program.

On September 28, TNK-BP and OGK-1 signed an agreement for the joint development of an investment project to construct an 800 MW CCGT unit at Nizhnevartovskaya GRES.

### October

On October 31, the OGK-1 Board of Directors approved the material conditions to the investment projects, which, upon completion, will enable more than 2,500 MW of new generating capacity to be commissioned by 2012.

### November

On November 23, the Extraordinary General Meeting of Shareholders approved the Company's reorganization through a takeover of OGK-1 Holding, which will allow OGK-1 to spin off from RAO UES of Russia.

### December

On December 28, the Extraordinary General Meeting of Shareholders decided to increase the OGK-1 authorized capital by placing up to 22.5 billion additionally issued shares to finance the Company's investment program.

## News

### First Power-Generating Company is completing a two billion maintenance campaign

First Power-Generating Company on the Wholesale Energy Market (OGK-1) is completing its 2007 maintenance campaign, with this year budget of the campaign totaling almost 2 billion rubles. The Company is planning to disburse almost 400 million rubles for overhauls in 2007. Permskaya GRES, Kashirskaya GRES and Urengoykaya GRES have already completed the maintenance campaign.

On 17 October Irklinskaya GRES launched its last maintenance in the scope of 2007 program. This year the maintenance campaign budget at the power plant will exceed 285 million rubles. Verkhnetagilskaya GRES continues overhauling its Power Unit 10 and Boiler Unit 13, and routine maintenance of its Power Unit 9 and Boiler Unit No. 9.

### Kashirskaya GRES has completed maintenance of the heat pipeline

On 10 August the heat and engineering network department of Kashirskaya GRES (branch of OGK-1) completed maintenance work at Kashira-2's upper area heat pipeline. In the course of maintenance, the engineers replaced 1,400 meters of different diameter pipes, which exceeds the planned amount almost threefold, and overhauled three hundred twenty valving units.

The maintenance campaign was launched on 11 July, with continuous work, no days-off, during the entire light day, often in rain. Over ten machinery units and around seventy employees of various departments and services of the power plant were involved in the works. OGK-1 spent 16,320 thousand rubles for maintenance of the heat pipeline of Kashira.



# Production



## 3. Production Activity

### 3.1. Description of Generating Facilities

The production assets of First Power-Generating Company on the Wholesale Energy Market include six power plants (GRES) with 9,531 MW of total installed electric capacity

**Table 1. Description of OGK-1 generating assets**

Power Plant	Electric (Installed) Capacity, MW	Thermal Capacity, Gcal/h	Power Unit Commissioning Dates	Fuel
Kashirsкая GRES, Moscow Region	1,580	399	1967-1983	gas, coal
Verkhnetagil'skaya GRES, Sverdlovsk Region	1,497	480	1956-1964	gas, coal
Irklińska GRES, Orenburg Region	2,430	121	1970-1981	gas
Permskaya GRES, Perm Region	2,400	420	1986-1990	gas
Nizhnevartovskaya GRES, Khanty-Mansijsk Autonomous District	1,600	758	1993-2003	gas
Urengoy'skaya GRES, Yamalo-Nenets Autonomous District	24	410	1990-1992	gas



## News

### August sales of First Power-Generating Company exceeded 3 billion rubles

In August 2007 OGK-1's power plants sold 3,963.63 million kWh in the wholesale electricity market for 3,332.09 million rubles. 3,484.65 million kWh were supplied under regulated agreements. 1,591.45 million kWh were sold in the day-ahead market and 178.77 million kWh in the balancing market in the scope of operation in the wholesale electricity market. To meet its obligations to consumers, the Company purchased 1,124.26 million kWh in the day-ahead market, and 166.99 million kWh in the balancing market.

NOREM (New Wholesale Electricity (Capacity) Market) had its first anniversary on 1 September. Over the year OGK-1 sold 44,516 million kWh in the market and increased its revenue to 34,680 million rubles.

### OGK-1 is disclosing its performance figures for the 9 months 2007

A conference call with Nadezhda Mistyukova, OGK-1 Deputy General Director and Chief Financial Officer, will take place on 9 November. During the conference call she will present the Company's performance figures for 9 months of this year under RAS, and production results of the Company.



## 3.2. Key Production Figures

In 2007, the installed electric capacity of OGK-1 increased by 300 MW to 9,531 MW owing to Inter RAO UES's expired lease of Irikliinskaya GRES Unit 3

Over the last three years, working electric capacity has been stably on the rise. The most considerable growth compared to 2006 was shown by Irikliinskaya GRES (by 34.3%), Permskaya GRES (by 14.8%), and Verkhnetagilskaya GRES (by 14.7%).

**Table 2. OGK-1 installed and working electric capacity in 2005-2007, MW**

Power Plant	2005		2006		2007		2006 to 2007 Change in Working Electric Capacity, %
	Installed*	Working**	Installed*	Working**	Installed*	Working**	
Verkhnetagilskaya GRES	1,497	886	1,497	950	1,497	1,090	+14.7%
Irikliinskaya GRES	2,130	1,345	2,130	1,620	2,430	2,176	+34.3%
Kashirskaya GRES	1,580	1,310	1,580	1,307	1,580	1,393	+6.6%
Nizhneartovskaya GRES	1,600	1,254	1,600	1,433	1,600	1,414	-1.3%
Permskaya GRES	2,400	1,983	2,400	1,921	2,400	2,205	+14.8%
Urengoykaya GRES	24	19	24	21	24	22	+7.2%
OGK-1 total	9,231	6,797	9,231	7,252	9,531	8,300	+14.5%

\* Installed capacity is the highest active electric capacity at which a turbogenerator unit is able to operate continuously without being overloaded in accordance with the technical specifications or equipment certificate.

\*\* Working electric capacity is a value equal to the installed capacity minus the existing capacity constraints and the capacity of equipment decommissioned for repairs and for rehabilitation or modernization.

### Electricity Generation

Over the last three years, OGK-1 plants' electricity generation has been substantially on the rise. In 2007, the Company's generation exceeded 50 billion kWh. Last year, the highest generation growth was shown by Irikliinskaya GRES (11.3%), Permskaya GRES (11.1%), and Verkhnetagilskaya

### Over the last three years, OGK-1 plants' electricity generation has been substantially on the rise

kaya GRES (7.3%). The largest contribution to the Company's gross electricity generation was

made by Permskaya GRES, accounting for 28.5% of OGK-1's total production.

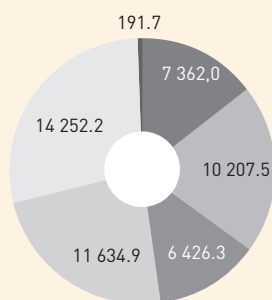
Based on the 2007 performance results, Kashirskaya GRES decreased its electricity production. The decrease at Kashirskaya GRES is due to the fact that Kashirskaya GRES has relatively high electricity production costs; therefore,

Kashirskaya GRES more often than the other OGK-1 power plants finds itself in the situation where the spot market prices are lower than the fuel cost necessary for the electricity generation. In such cases, it is more efficient to buy electricity on the spot market for securing the obligations under regulated contracts than to produce it.

**Table 3. Analysis of OGK-1 power plants' electricity generation in 2005-2007, million kWh**

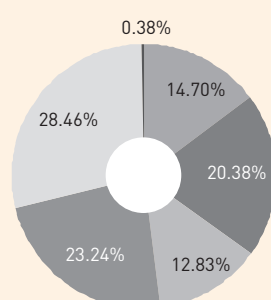
Power Plant	2005	2006	2007	2006 to 2007 Change, %
Verkhnetagilskaya GRES	6,609.38	6,862.76	7,361.99	+7.3%
Irikliinskaya GRES	8,599.14	9,168.92	10,207.46	+11.3%
Kashirskaya GRES-4	6,197.67	6,679.04	6,426.32	-3.8%
Nizhneartovskaya GRES	9,325.37	11,527.09	11,634.91	+0.9%
Permskaya GRES	12,862.5	12,833.32	14,252.21	+11.1%
Urengoykaya GRES	171.36	174.54	191.71	+9.8%
OGK-1 total	43,765	47,246	50,075	+6.0%

**Electricity generation by OGK-1 power plants in 2007 (million kWh)**



■ Verkhnetagilskaya GRES ■ Nizhneartovskaya GRES  
 ■ Irikliinskaya GRES ■ Permskaya GRES  
 ■ Kashirskaya GRES ■ Urengoykaya GRES

**Electricity generation by OGK-1 power plants in 2007 (%)**



■ Verkhnetagilskaya GRES ■ Nizhneartovskaya GRES  
 ■ Irikliinskaya GRES ■ Permskaya GRES  
 ■ Kashirskaya GRES ■ Urengoykaya GRES

In 2007 at OGK-1, with 6% growth in electricity generation, the major indicator of condensation power plants' fuel utilization efficiency—specific fuel consumption for electricity supply—was 329.8 g/kWh, which is 0.4 g/kWh lower than the 2006 figure and 0.6 g/kWh lower than the 2007 regulatory value of 330.4 g/kWh.

# Production



In 2007, the greatest beneficial effect on the Company's fuel utilization rate was produced by the Nizhneartovskaya GRES performance. Nizheartovskaya

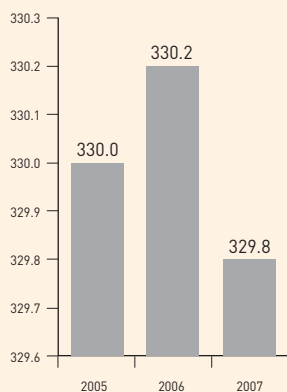
GRES reduced its specific fuel consumption for fuel by 2.3 g/kWh, compared to the previous year, against a regulatory value of 1.1 g/kWh. Irikliinskaya GRES

reduced its specific fuel consumption for fuel supply by 2.5 g/kWh, compared to the previous year, against a regulatory value of 1.5 g/kWh.

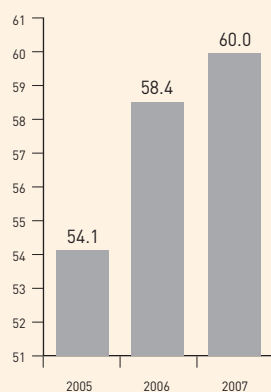
**Table 4. Specific consumption of fuel equivalent for supplied electricity, g/kWh**

Plant Name	2005	2006	2007	2006 to 2007 Change, %
Verkhnetagilskaya GRES	393.0	390.0	391.3	+0.33%
Irikliinskaya GRES	330.0	337.6	335.1	-0.74%
Kashirskaya GRES	346.3	347.5	352.1	+1.32%
Nizhneartovskaya GRES	306.8	305.7	303.4	-0.75%
Permskaya GRES	306.9	306.4	306.3	-0.03%
Urengoykaya GRES	438.8	437.0	434.6	-0.55%
Total for OGK-1	330.0	330.2	329.8	-0.12%

**Dynamics of specific consumption of fuel equivalent for supplied electricity, g/kWh**



**Dynamics of the installed capacity utilization rate for 3 years (%)**



The utilization rate increased from 58.4% to 60% in 2007. The maximum figures were achieved by Urengoykaya GRES and Nizhneartovskaya GRES, 91.2% and 83% respectively. The utilization rate rose at four power plants except Kashirskaya GRES, whose utilization rate declined by 1.9%.

Generation at Irikliinskaya GRES declined by 1.1% owing to the changed installed capac-

**The utilization rate increased from 58.4% to 60% in 2007**

ity after Inter RAO UES' lease of Unit 3 expired.

## Heat Generation

Heat is mostly supplied by OGK-1 to provide a heating load for centers of population near the power plants and this activity depends fully on climatic conditions.

In 2007, due to higher average annual temperatures, heat supply fell compared to the previous year at all of the power plants. The decline amounted to from 1.1% at Irikliinskaya GRES to 14.2% at Nizhneartovskaya GRES and was 9% at OGK-1 in total.

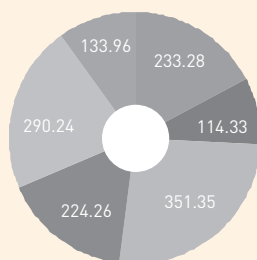
**Table 5. OGK-1 utilization rate analysis, 2005-2007, %**

Plant Name	2005	2006	2007	2006 to 2007 Change, %
Verkhnetagilskaya GRES	50.4	52.3	56.1	+3.8
Irikliinskaya GRES	46.1	49.1	48.0	-1.1
Kashirskaya GRES	44.8	48.3	46.4	-1.9
Nizhneartovskaya GRES	66.5	82.2	83.0	+0.8
Permskaya GRES	61.2	61.0	67.8	+6.8
Urengoykaya GRES	81.5	83.0	91.2	+8.2
OGK-1 total	54.1	58.4	60.0	+1.6

**Table 6. Analysis of OGK-1 power plants' heat supply from headers in 2005-2007, thousand Gcal**

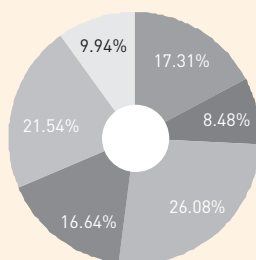
Plant Name	2005	2006	2007	2006 to 2007 Change, %
Verkhnetagilskaya GRES	240.70	250.30	233.28	-6.8%
Irikliinskaya GRES	122.61	115.62	114.33	-1.1%
Kashirskaya GRES-4	400.76	388.44	351.35	-9.5%
Nizhneartovskaya GRES	236.16	261.46	224.26	-14.2%
Permskaya GRES	307.68	313.41	290.24	-7.4%
Urengoykaya GRES	128.46	151.11	133.96	-11.4%
OGK-1 total	1,436.37	1,480.34	1,347.42	-9.0%

**Heat supply from OGK-1 power plants in 2007 (thousand Gcal)**

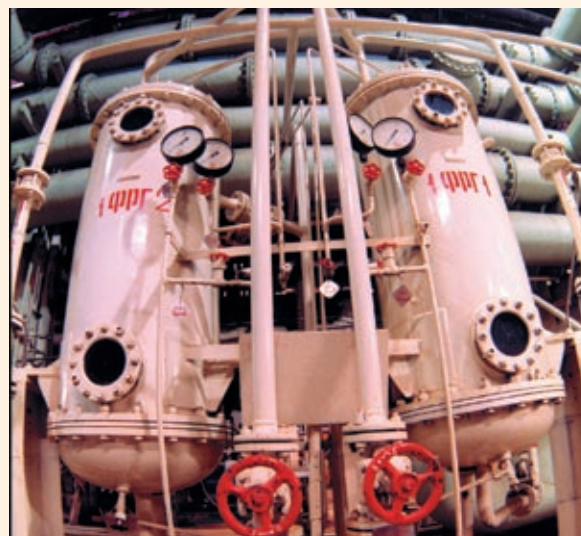


■ Verkhnetagilskaya GRES  
 ■ Irikliinskaya GRES  
 ■ Kashirskaya GRES  
 ■ Nizhneartovskaya GRES  
 ■ Permskaya GRES  
 ■ Urengoykaya GRES

**OGK-1 heat supply from headers in 2007 by power plant (%)**



■ Verkhnetagilskaya GRES  
 ■ Irikliinskaya GRES  
 ■ Kashirskaya GRES  
 ■ Nizhneartovskaya GRES  
 ■ Permskaya GRES  
 ■ Urengoykaya GRES





### 3.3. Repair Operations and Re-equipment



The Company's main activities related to the re-equipment and rehabilitation of power plants are as follows:

- extend the operating life of existing equipment;
- replace obsolete equipment with similar but modernized equipment;
- ensure the reliability and safety of equipment;
- replace or improve the existing equipment with the new equipment applying more advanced technologies of power production and transmission;
- create competitive advantages over other generating com-

**Expenses related to repairs of fixed assets in 2007 decreased by 837 million rubles compared to 2005, or 31.2%**

panies by renewing production technologies;

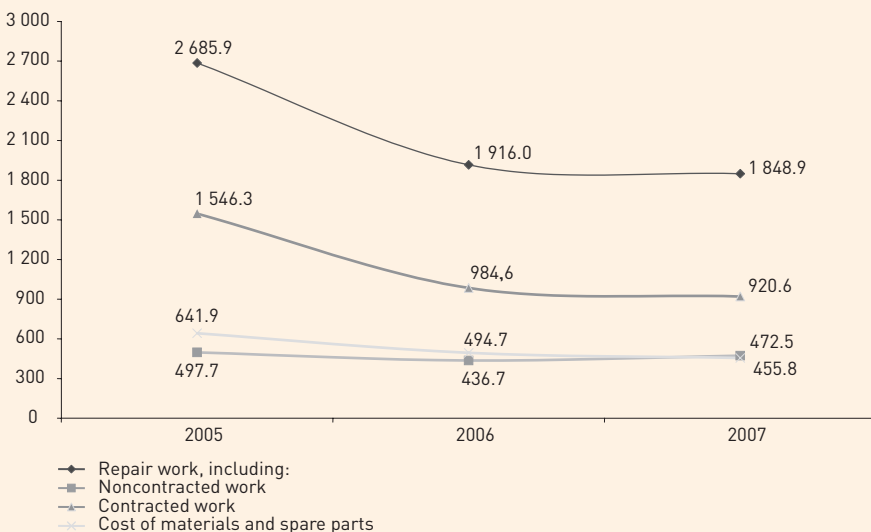
- reduce capital construction-in-progress and other costs.

Expenses related to repairs of fixed assets in 2007 decreased by 837 million rubles compared to 2005, or 31.2%. Moreover, it is noteworthy that the branches'

repair programs were implemented fully in 2007 and expenses on repair works were reduced owing to cost minimization, as well as to the systematic implementation of the following comprehensive measures:

- optimized repairs of primary equipment, taking into account its technical condition;
- partial off-schedule non-compliance prevention works included in the Re-equipment and Rehabilitation Program (RRP);
- cost and inventory management;
- procurement management.

Repair program implementation in 2005-2007 (in 2007 prices), million rubles



#### News

**In Q1 First Power-Generating Company earned over 8 billion rubles**

In Q1 2007 OGK-1's power plants sold 11,119.43 million kWh for 8,876.5 million rubles in the wholesale electricity market. In March 2007 OGK-1 sold 3,821.5 million kWh in the New Wholesale Electricity (Capacity) Market (NOREM), with the operating revenue amounting to 3,018.03 million rubles.

3,983.9 million kWh were supplied under regulated agreements. In the scope of operation in the wholesale electricity market, 2,247.02 million kWh were sold in the day-ahead market, with 165 million kWh sold in the balancing market. To meet its obligations to consumers, the Company purchased 2,132.8 million kWh in the day-ahead market and 441.7 million kWh in the balancing market.

**July sales of First Power-Generating Company exceeded 3 billion rubles**

In July 2007 power plants of OGK-1 sold 4,088.84 million kWh in the wholesale electricity market for 3,238.06 million rubles, which is the best sales of the Company in 2007.

3,508.17 million kWh were supplied under regulated agreements. In the scope of operation in the wholesale electricity market, 1,694.52 million kWh were sold in the day-ahead market, with 125.71 million kWh sold in the balancing market. To meet its obligations to consumers, the Company purchased 1,105.82 million kWh in the day-ahead market and 133.73 million kWh in the balancing market.

**OGK-1's electricity sales grew by 18.6% year-on-year**

In December 2007 OGK-1's power plants sold 4,627.3 million kWh for 3,546.9 million rubles in the wholesale electricity market achieving 18.6% growth year-on-year. In 2007 OGK-1 sold a total of 47,774.7 million kWh for 38,040.2 million rubles in the New Wholesale Electricity (Capacity) Market (NOREM).



incorporated into OGK-1  
ced 7669.7 mln kW-h.

year the power plants, incor-  
porated into OGK-1 produced

Electricity supplied to  
the consumers amounted to

329,940 GCal. Sales volume  
on the spot market since the

4228.91 mln kW-h.

In February, company

min kW-h and su-  
sumers with 3488

# OGK-1 steady development— our merit



Director of Nizhnevartovskaya GRES (OGK-1 subsidiary) Alexander Paschenko

defense and  
agency officers of  
Security Service  
Nizhnevartovskaya  
ran large-scale

accordance with the princi-  
pal defense and emergen-  
cy of the Nizhnevartovsk  
and Nizhnevartovskaya  
GRES, the power plant ran  
integrated civil de-  
mand emergency drills.  
On 23 November 2007  
holders of OGK-1 vot-  
ed the reorganization of

will be converted into OGK-1  
shares received by OGK-1  
as a result of the takeover of  
OGK-1 Holding, shares ac-  
quired and/or bought out by  
OGK-1 and/or in additional  
shares in OGK-1.

An Annual General Meet-  
ing of Shareholders of OGK-1  
was held on 22 June. The  
meeting had a quorum with  
92.98% shareholders, or  
41,512,635 thousand shares,  
present at the meeting at its  
opening. The General Meet-  
ing of Shareholders adopted  
a decision to pay dividends for

port on sustained develop-  
ment for 2006. The Public  
Hearings will take place on 19  
June 2007. We invite journal-  
ists and all who are interested  
in the subject to participate in  
the Hearings.

On 27 February 2008  
Head of the Risk Manage-  
ment Department of OGK-1  
Lyudmila Elkina submitted a  
report entitled "Building an  
Integrated Risk Management  
System in a Utility Company"  
at the IV annual conference  
"Risk Management in Utility  
Industry: Ensuring System





## 4. Power Sales

### 4.1. Principles Underlying the Company's Strategy on the Wholesale Electricity Market

On September 2006, the New Wholesale Electricity and Capacity Market (NOREM) was launched in the 1st and 2nd price zones. Moreover, the Free Trade Sector (FTS) was replaced by the Spot Market (SM) in the competitive segment of the wholesale electricity market and the Balancing Market (BM) – analogous to the deviations sector – appeared.

In the regulated sector, electricity and capacity are sold at regulated tariffs set by the Federal Tariff Service (FTS), while in the competitive sector (SM and BM) they are sold at competitive prices based on demand and supply.

The share of electricity sold annually by suppliers of the price zone at competitive prices is determined by Russian Government Resolution No. 205 of April 7, 2007. In 2007, this share averaged 7.6%, excluding the share of consumption by households. For 2008, this indicator is forecasted to reach 20.1%.

**At present, necessary measures are taken to enter into free bilateral contracts not only for electricity but also capacity supply**

Under the New Wholesale Electricity and Capacity Market (NOREM), power plant load is determined on the basis of correlation of market prices and bid prices, which

makes it possible to load own facilities when market prices exceed fuel costs or stop electricity generation when market prices do not cover fuel costs. The existing market model enables power companies to plan and control power plants load to a greater extent and to optimize their fuel mix.

At present, necessary measures are taken to enter into free bilateral contracts not only for electricity but also capacity supply. Pric-

**We anticipate that with further market liberalization the Company's profits will increase**

ing transparency is one of the main principles adhered to by OGK-1 when entering into free bilateral contracts.

In 2008, we expect that the System Operator will start a wider implementation of the technology of formalized selection of generation equipment configuration, which will make the equipment selection process more transparent and competitive.

It is also expected that 2008 will see the launch of the capacity market. We anticipate that with further market liberalization the Company's profits will increase. The liberalization will be instrumental in developing OGK-1's most efficient generation facilities.

In addition, OGK-1 is taking active steps to develop and implement new electricity

sector exchange instruments for hedging against price risks through purchase and sale of linked futures for electricity, capacity, and gas, as well as other financial derivatives.

In accordance with the «Supply and Fuel Strategy», developed in 2007, we are operating in the following directions:

- Define and update short-term and long-term supply development directions for
  - electricity, heat, capacity and other markets and their segments
  - regions of sales
  - groups of customers
  - products and services supply
  - pricing policy
- Improve the trading system on the basis of
  - best practices monitoring
  - development of own innovation solutions
- Ensure efficient interaction with other market players, for instance
  - System Operator
  - Regulating bodies
  - Grid companies, etc.
- Prepare market analysis, essential for operating activity and strategic planning, including
  - Short and long term forecast of demand, supply, electricity, heat, capacity and fuel prices, definition of energy deficit areas, etc.
  - Customer base analysis
  - Recommendations for potential business development directions.

## News

### OGK-1 will support the project «Ural Promyshlenniy – Ural Polyarniy»

24 April 2007: Yesterday RAO UES of Russia and Ural Promyshlenniy – Ural Polyarniy Corporation signed a cooperation agreement. RAO UES of Russia's contribution will be an integral part of implementing a super investment project aimed at development of abundant natural resources of the Polar and Near-Polar areas of the Urals.

First Power-Generating Company will play a special role in the project, as OGK-1 is already implementing a number of important investment projects in the North of the Urals Federal District, including construction of a new 800 MW CCGT unit at Nizhnevartovs-

kaya GRES and an 18 times capacity upgrade of Urengoykskaya GRES.

### The Board of Directors will discuss the investment program of OGK-1

An in-person meeting of the Board of Directors of OGK-1 will be held on 17 April to discuss implementation of the Company's investment program. The meeting will approve essential terms of construction of a coal-based power unit at Kashirskaya GRES, two PGU-800 CCGT units at Nizhnevartovskaya GRES, a CFB (circular fluidized-bed) coal-based unit at Verkhnetagilsk TPP and a fourth PGU-800 based unit at Permskaya GRES.





## 4.2. Key Power Sales Indicators

For OGK-1, power sales in the regulated segment increased by 7% compared to the same period in the previous year, while in the competitive segment they went up more than 2.5-fold compared to the same period of the previous year (inclusive of resale in SM). OGK-1's newest and most efficient power plants, Permskaya GRES and Nizhnevartovskaya GRES, accounted for the highest power sales results in the competi-

tive segment. In the 1st price zone, these two power plants have the most competitive electricity tariffs.

In 2007, the Company's electricity and capacity sales revenue went up by 52.2% compared to the same period of the previous year, primarily due to a significant increase in sales in the NOREM competitive segment – the growth accounted for 305%.

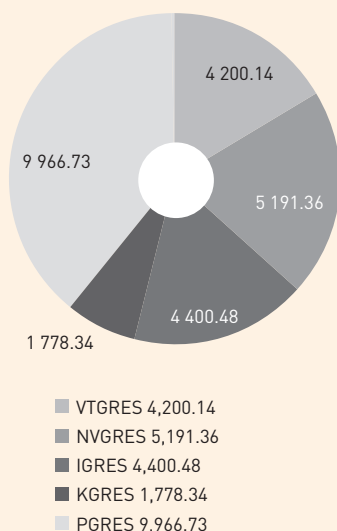
Such growth can be explained by NOREM's specific character. In SM, the OGK-1 power plants sold not only generated electricity but also electricity purchased to secure obligations under regulated contracts in SM.

In addition, the 2007 growth of revenue was due to an increase in regulated tariffs, which reached 9% for OGK-1.

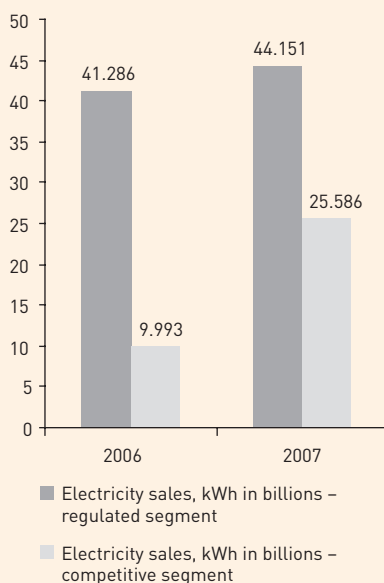
2007	Electricity sales, million kWh			Electricity sales, million rubles, inclusive of VAT			Total exclusive of VAT
	Regulated segment	Competitive segment	Total	Regulated segment	Competitive segment	Total	
Verkhnetagilskaya GRES	5,689.33	4,200.14	9,889.47	4,970.34	2,727.20	7,697.54	6,523.34
Iriklinskaya GRES	9,303.77	4,400.48	13,704.25	7,276.36	3,211.16	10,487.52	8,887.73
Kashirskaya GRES	6,590.83	1,778.34	8,369.17	7,735.46	1,491.37	9,226.83	7,819.34
Nizhnevartovskaya GRES	9,766.52	5,191.36	14,957.88	5,812.32	3,240.73	9,053.05	7,672.08
Permskaya GRES	12,666.75	9,966.73	22,633.48	8,240.88	6,528.34	14,769.22	12,516.29
Urengoyanskaya GRES	133.98	48.67	182.65	465.10	34.72	499.82	423.58
Total for OGK-1	44,151.18	25,585.72	69,736.90	34,500.46	17,233.52	51,733.98	43,842.36

\* Total sales inclusive of purchased electricity

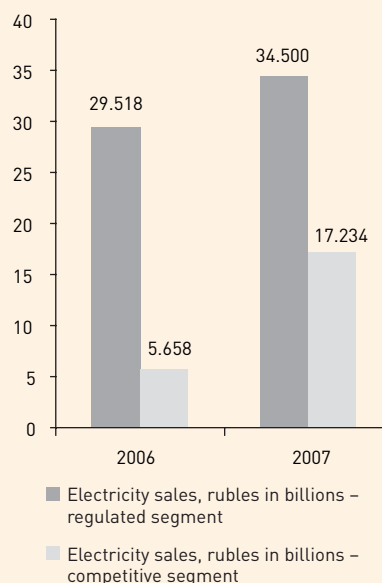
Electricity sales at competitive prices, 2007, million kWh



Electricity sales by WEM segment, kWh in billions



Electricity sales by sector, rubles in billions, inclusive of VAT



## News

### Performance of First Power-Generating Company in February 2007

Output of First Power-Generating Company's power plants since the beginning of the year reached 7,669.7 million kWh, with productive supply of power totaling 7,295.55 million

kWh. OGK-1's power plants also supplied 329.94 thousand Gcal of heat. Sales in the day-ahead market since the beginning of the year reached 4,228.91 million kWh. In February OGK-1's power plants produced 3,667 million kWh, with productive supply of electricity amounting to 3,488.6 million kWh. The pow-

er plants also supplied 179.92 thousand Gcal of heat over the month and sold 2,067.7 million kWh in the day-ahead market (DAM).

### Results of the BoD meeting of OGK-1

On 28 September the Board of Directors of OGK-1 prelimi-

narily approved the signing of an additional agreement with KVARTS – Zapadnaya Sibir, the general contractor for construction of a third power unit at Kashirskaya GRES. A 330 MW pulverized coal unit based on an asynchronous generator is planned to be commissioned in Q4 2008.

# Power Sales



## 4.3. Tariff Regulation

In accordance with the Russian Federation Law No. 41-FZ of April 14, 1995, «On State Regulation of Electric and Thermal Power Tariffs in the Russian Federation» and Russian Government Resolution No. 109 of February 26, 2004, «On Formation of Electric and Ther-

mal Power Prices in the Russian Federation,» electricity (capacity) tariffs are regulated by the Federal Tariff Service (FTS), which approves two-rate tariffs for each OGK-1 TPP:  
– electricity tariff rate based on productive supply of electricity;

– capacity tariff rate based on TPP installed capacity.

The tariffs for 2007 were set by FTS Order 484-e/5 of December 29, 2006.

The tariffs for 2006 were set by FTS Order 572-e/5 of December 3, 2005.

TPP	Regulated tariffs for 2006			Regulated tariffs for 2007			Growth of average supply tariff, %
	Electricity tariff, rubles/ thousand kWh	Capacity tariff, rubles/MW/ month	Average supply tariff, rubles/ thousand kWh	Electricity tariff, rubles/thousand kWh	Capacity tariff, rubles/MW/month	Average supply tariff, rubles/ thousand kWh	
Irkliinskaya GRES	396.41	53,580.70	556.90	494.58	54,967.80	656.99	17.97%
Permskaya GRES	353.49	76,153.14	516.56	369.75	81,437.71	543.58	5.23%
Nizhnevertovskaya GRES	244.67	120,232.98	455.33	271.05	120,439.28	490.29	7.68%
Kashirskaya GRES	565.4	115,674.77	987.12	706.29	102,297.90	983.84	-0.33%
Verkhnetagilskaya GRES	484.02	65,888.54	742.60	513.9	73,208.45	732.41	-1.37%
Urengoyanskaya GRES	-	-	3,052.80	322.85	1,327/172,51	2,988.67	-2.10%
TOTAL for OGK-1	373.76	86,923.26	598.42	442.08	86,538.77	652.04	8.96%

## 4.4. Fuel Supply

The main fuel for the Company is gas, accounting for 92% of the fuel mix according to the 2007 results

Besides gas, Kashirskaya GRES and Verkhnetagilskaya GRES use coal as the main fuel. Fuel oil is used as a backup fuel at Irkliinskaya GRES, Kashirskaya GRES, and Verkhnetagilskaya GRES.

The OGK-1 powers plants are supplied with gas at regulated tariffs approved by the Federal Tariff Service (limit gas) and at free market prices by independent gas suppliers and Gazprom's subsidiaries (commercial gas).

The gas demand that is not covered by Gazprom's limits is provided through commercial gas purchases from such independent suppliers as Uralsevergaz, NOVATEK, Gasenergoprom, and through the Mezhtregiongaz electronic trading system.

**The OGK-1 power plants are supplied with gas at regulated tariffs approved by the Federal Tariff Service (limit gas) and at free market prices**

In the past three years, gas limits have almost not changed for the OGK-1 powers plants. Nizhnevertovskaya GRES (100% of total gas supply for the TPP), Verkhnetagilskaya GRES (100% of to-

tal gas supply for the TPP), and Kashirskaya GRES (about 56.0% of total gas supply for the TPP) account for the largest amount of commercial gas supply.

Before April 2007, Nizhnevertovskaya GRES was supplied with gas by Sibur Holding. After Sibur Holding and TNK-BP es-

**In the past three years, gas limits have basically remained the same for the OGK-1 power plants**

established a joint venture on the basis of the Nizhnevertovsk and Belozersk gas processing plants, a new contract for gas supply to Nizhnevertovskaya GRES was resigned with TNK-BP, under which TNK-BP supplies dry stripped gas to Nizhnevertovskaya GRES.

Coal is used as the main fuel at Kashirskaya GRES and Verkhnetagilskaya GRES. In their 2007 fuel mix, coal accounted for 24.9% and 22.9% respectively. For OGK-1, the share of coal totaled 7.3% according to the 2007 results.

**Besides gas, Kashirskaya GRES and Verkhnetagilskaya GRES use coal as the main fuel**



## News

### OGK-1 selected an engineering agent

OGK-1 approved the choice of an engineering agent whose functions will be performed by Zarubezhenergoprojekt. The functions of the engineering agent will include monitoring of implementation of OGK-1's

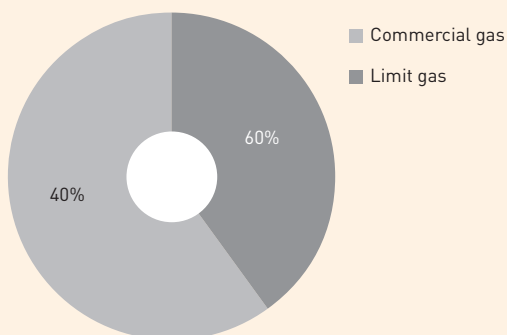
investment program and proper use of resources. An open competition procedure for the right to sign an agreement for provision of engineering agent services to support implementation of OGK-1's investment program was terminated on Friday, 10 August.



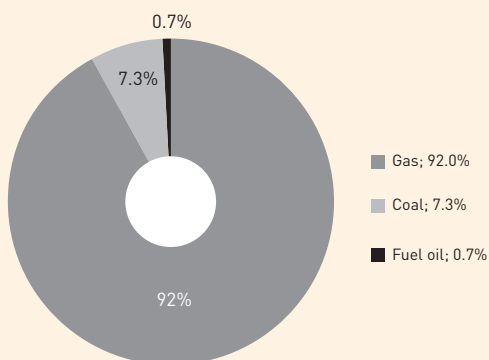
## Fuel Mix for OGK-1, 2007

TPP	Fuel, thousand tonnes of fuel equivalent	Coal			Fuel oil			Gas		
		Thousand tonnes of fuel equivalent	Thousand tonnes	% of fuel mix	Thousand tonnes of fuel equivalent	Thousand tonnes	% of fuel mix	Thousand tonnes of fuel equivalent	Million m <sup>3</sup>	% of fuel mix
Kashirskaya GRES	2,181.76	543.58	643.05	24.91	32.26	24.76	1.48	1,605.92	1,401.70	73.61
Verkhnetagilskaya GRES	2,704.34	618.92	1,053.19	22.89	5.54	4.07	0.20	2,079.88	1,822.25	76.91
Permskaya GRES	4,285.72	0.00	0.00	0.00	0.03	0.02	0.00	4,285.69	3,725.27	100.00
Nizhneartovskaya GRES	3,475.13	0.00	0.00	0.00	0.00	0.00	0.00	3,475.13	2,974.98	100.00
Irikhinskaya GRES	3,277.43	0.00	0.00	0.00	80.18	57.60	2.45	3,197.25	2,800.68	97.55
Urengoyskaya GRES	97.95	0.00	0.00	0.00	0.02	0.01	0.02	97.93	86.53	99.98
Total for OGK-1	16,022.33	1,162.50	1,696.24	7.25	118.03	86.46	0.74	14,741.80	12,811.41	92.01

## Gas Supply Structure, 2007



## Fuel Mix of OGK-1, 2007



## News

### TNK-BP and OGK-1 signed an Agreement for joint development of an investment project

Moscow, 28 September 2007. TNK-BP and OGK-1 signed a package of documents aimed at implementation of a joint investment project for construction of a new 800 MW CCGT unit at Nizhneartovskaya GRES. Specifically, the companies signed an Agreement for joint development of the project and key terms of shareholder agreements and power and gas supply agreements.

### Results of the BoD meeting of OGK-1

On 31 October 2007 the Board of Directors of OGK-1 adopted several key decisions on implementation of the investment program of OGK-1. In particular, the Board of Directors approved the deadline for commissioning a 330 MW coal-fired unit at Kashirskaya GRES in Q4 2008. Addition-

ally, the Board of Directors approved the timetable for implementation and financing of the investment project.

### First Power-Generating Company and TNK-BP signed a gas agreement

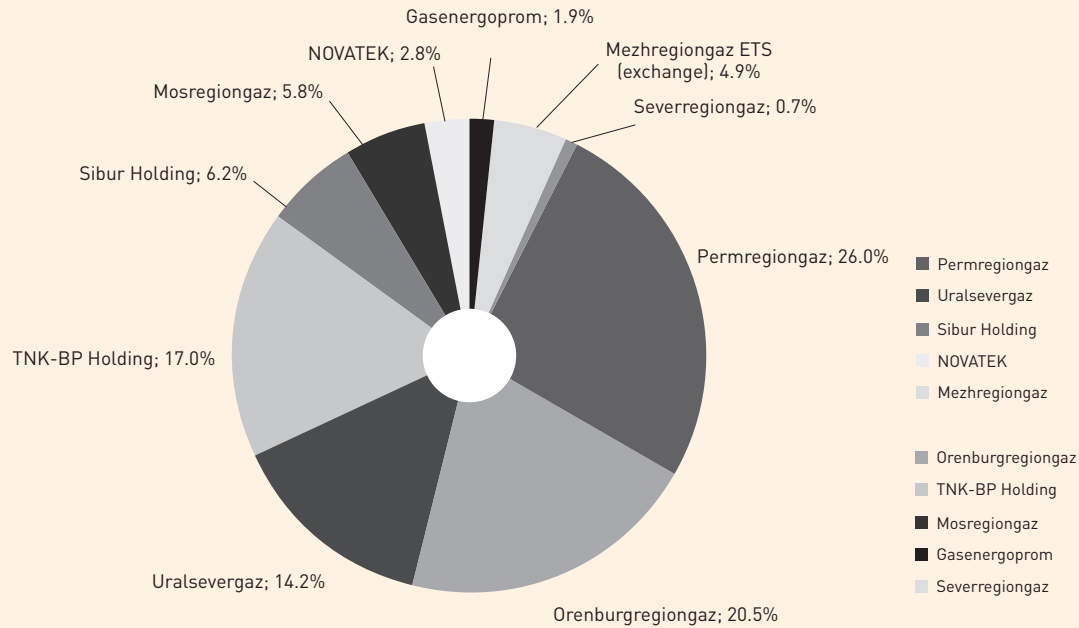
20.06.07 – OGK-1 and TNK-BP continue negotiating the establishment of a joint venture for joint construction of a third power unit at Nizhneartovskaya GRES.

Last year the companies signed a memorandum of intent that assumed joint participation of the companies in construction, creation of a joint venture, and potential power and gas supplies between the companies. Actual cooperation between the companies has already started. Since 1 April TNK-BP has launched supplies of fuel gas to the power plant. The oil company will supply 2 billion and 77 million cu m of fuel to the power plant from April to December.

# Power Sales



**Gas Supply Structure by Supplier, 2007**



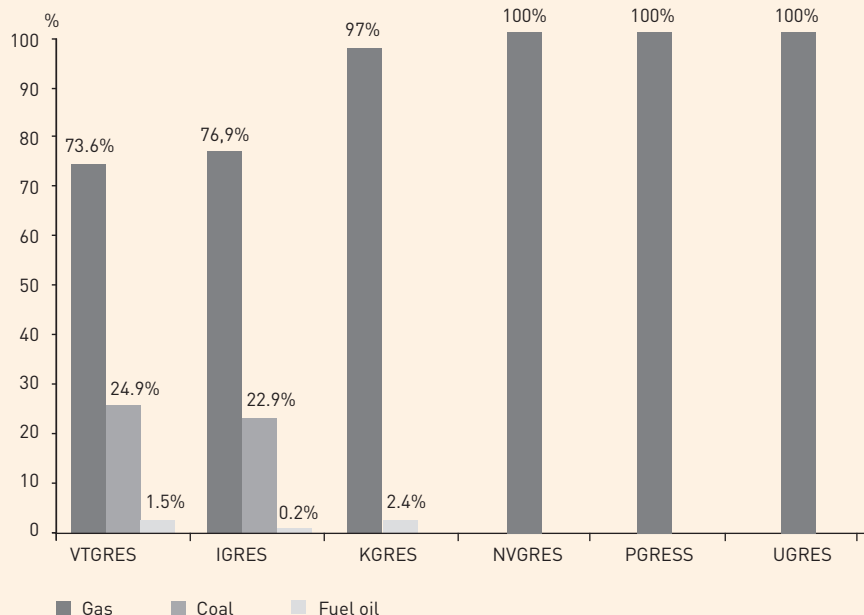
## News

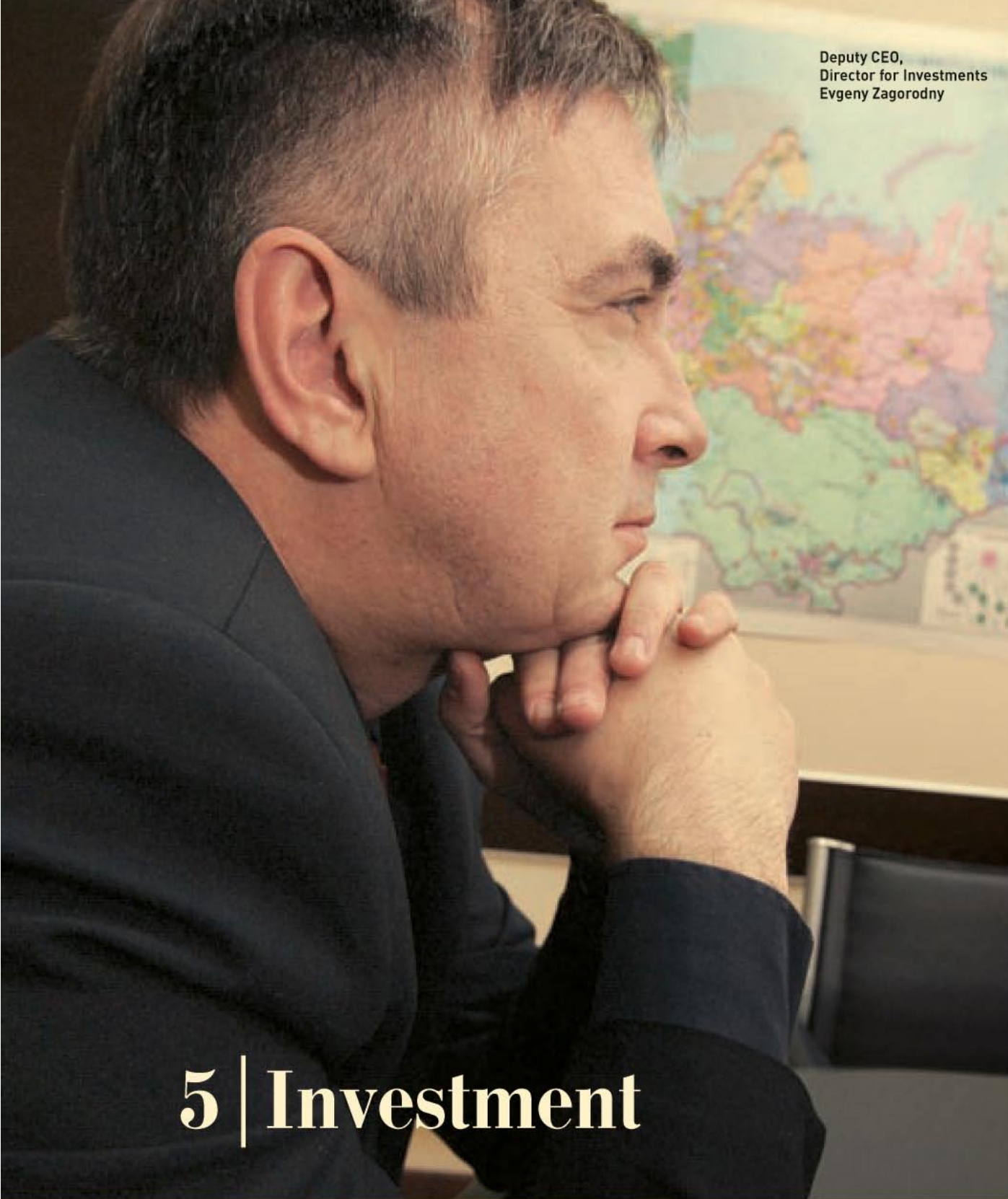
### **OGK-1 is publishing its IFRS interim combined and consolidated financial statements for the 9 months of 2007**

24 December 2007 – Moscow – OGK-1 is publishing its combined and consolidated financial statements for 9 months ended 30 September 2007 prepared under the International Financial Reporting Standards (IFRS). The Company has prepared its 9-month statements in connection with the upcoming primary capital offering to a strategic investor planned to take place early next year. Output of the Company, comprising six production branches, for 9 months 2007 reached 35,764 million kWh, which is 1.6% higher year-on-year. Operating revenue of OGK-1 Group for 9 months 2007 reached 32,545 million rubles, which represents a year-on-year growth by 12,073 million rubles (or 59%). OGK-1 Group's profit for 9 months ended 30 September 2007 totaled 1,109 million rubles.



**Fuel Mix by OGK-1 Subsidiary, 2007**





Deputy CEO,  
Director for Investments  
Evgeny Zagorodny

# 5 | Investment

WS  
-1 will support project "Uralnyshlenniy - Polyarniy"  
...м реализован-  
...бъект 24 April  
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First Power-Generating Company will play a special role in the project, as OGK-1 is already implementing a number of important investment projects in the North of the Urals Federal District, including construction of a new 800 MW CCGT unit at Nizhneartovskaya GRES and an 18 times capacity upgrade of Urengoyanskaya GRES.

**The Board of Directors will discuss the investment program of OGK-1**

on 17 April to discuss implementation of the Company's investment program. The meeting will approve essential terms of construction of a coal-based power unit at Kashirskaya GRES, two PGU-800 CCGT units at Nizhneartovskaya GRES, a CFB (circular fluidized-bed) coal-based unit at Verkhnetagilsk TPP and a fourth PGU-800 based unit at Permskaya GRES.

**OGK-1 selected an engineering agent**  
OGK-1 approved the choice of an engineering agent whose functions will be performed by

include monitoring of implementation of OGK-1's investment program and proper use of resources. An open competition procedure for the right to sign an agreement for provision of engineering agent services to support implementation of OGK-1's investment program was terminated on Friday, 10 August.

**TNK-BP and OGK-1 signed an Agreement for joint development of an investment project**

2TNK-BP and OGK-1 signed a package of documents

a new 800 MW CCGT unit at Nizhneartovskaya GRES. Specifically, the companies signed an Agreement for joint development of the project and key terms of shareholder agreements and power and gas supply agreements.

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director Vladimir  
ov, chairman of  
committee of  
Oleg Kovalev a  
chairman of Mos  
government, tra  
minister of Mos  
Petr Katsiva.  
The average  
growth of elect  
sumption in the  
power grid is 3.8  
than planned. T  
demands an urge  
and in December  
Power Generati  
ny on the Whole  
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construction of  
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largest power p  
region.  
"Block #3 w  
the driver of the  
dustry reform,"  
lev, Chairman of  
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said at the meet  
provide 330 MW  
al capacity, whi  
nificantly increa  
tainability of the  
supply for Mosco  
cow Oblast."  
Participants  
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the control room  
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In May 2006  
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started. In Nov  
the government  
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entered into an a  
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Construction project is at the top of the list in the agreement between Sverdlovsk government and Russia, signed in 2006. The agreement approved by the Russian Investment in January 2007. The main component of the agreement is the gas-turbine power plant tariff for

has been done so far? The project is already developed and the construction schedule is being finalized. We have launched an open tender for the development of the distribution scheme", says Levitov, Director of Verkhnetagilskaya power plant. The construction of the gas-turbine block is our main priority. We have summarized the resources to the project in Sverdlovsk region, a developing area in the country, and our task is to ensure electricity de-

OGK-1 plans to continue the development of the project proposal (pre-feasibility study) subject to already received tender. Another tender for the evaluation of environmental impact has been launched. A tender for a contractor is being

Verkhnetagilskaya power plant by Andrey Levitov is one of the key links in the development of the Middle Urals. Its capacity is 1497 MW. The plant is located in the Sverdlovsk region. It plays a very important role in the region's major enterprises and the regional government of Sverdlovsk region.

Block #12 at Verkhnetagilskaya power plant is planned to be commissioned in 2010. The new unit will use a contemporary fluidized-



Director of Urengoyanskaya GRES (OGK-1 subsidiary) Viktor Lauber

**An updated project of Verkhnetagilskaya GRES is approved by the Government of Sverdlovsk Region**

OGK-1 will build a new 330 MW gas power unit instead of the planned coal-fired facility.

This issue was reviewed at a meeting attended by Anatoly Chubais and chaired by Eduard Rossel on 25 December. The meeting was held to discuss implementation of the Agreement between the Government of the Sverdlovsk Region and RAO UES of Russia

on development of the utility system of the Middle Urals. As a result, a new working project for construction of a CCGT unit was adopted, as a more environment friendly and efficient technology as compared to the coal based one.

The regional government also provided its preliminary consent to increase gas supplies to two power unit projects of Verkhnetagilskaya GRES that are currently under development. Eduard Rossel and Anatoly Chubais noted that that

the Agreement signed ago is being implemented. The commissioning date and installed capacity of the new power unit at Verkhnetagilskaya GRES set out in the Agreement will remain as planned, the 330 MW unit will be launched in 2010.

relationships are and are an area of

**HOBOCTH**

**The Board of Directors will discuss the investment programme of OGK-1.** An in-person meeting of the Board of Directors will be held on 17 April to review implementation of the

were declared priority targets of the generating company. A five-year investment program of OGK-1 will be submitted to the Board of Directors for consideration.

**OGK-1 formed its first Audit Committee.** On 20 July

task of the Committee is to work out and submit audit and reporting related recommendations to the Board of Directors. The Committee will prepare recommendations regarding candidates, scope of work, and remuneration of external auditors, develop

**The Board of Directors of OGK-1 will hold its meeting on 28 September.** The Board of Directors of OGK-1 will hold its meeting on 28 September to discuss approval of the form and text of the notice on convening a meeting and voting bulletin, as well as to approve the

Additionally, the Board of Directors will need to make a decision on the buyout price of shares in OGK-1 to be bought out from shareholders who voted against reorganization of the Company or who did not participate in the voting. An Extraordinary Meeting



## 5. Investment

### 5.1. Scope and Structure of Capital Investments

The OGK-1 Investment Program is one of the largest in the sector. It provides for a fundamental strengthening of the Company's competitive positions in the medium-term perspective

The OGK-1 Investment Policy focuses on implementation of state-of-the-art electricity generation technologies used worldwide. This will enable the Company to qualitatively enhance the power supply capacity of its existing powers plants with maximal cost effectiveness of the implemented technologies and a minimal environmental impact.

In 2007, the measures taken under the Investment Program were aimed at maintaining and modernizing the main generation facilities for the purpose of reducing electricity and heat generation costs, replacing obsolete equipment, enhancing the Company's competitive capacity, and ensuring acceptable levels of investment efficiency.

The OGK-1 history has been marked with increasing investments in fixed assets of its powers plants. In 2005, investments grew by 51.78% as compared with 2004; in 2006–27.54% compared to the same period in the previous year; and in 2007–173.87% compared to the same period in the previous year.

The 2007 investment program financing reached 5,450,012 thousand rubles inclu-

**The largest share of investments in new construction fell on Urengoyskaya GRES (63.12% of total investments of the TPP) and Nizhneartovskaya GRES (50.96%)**

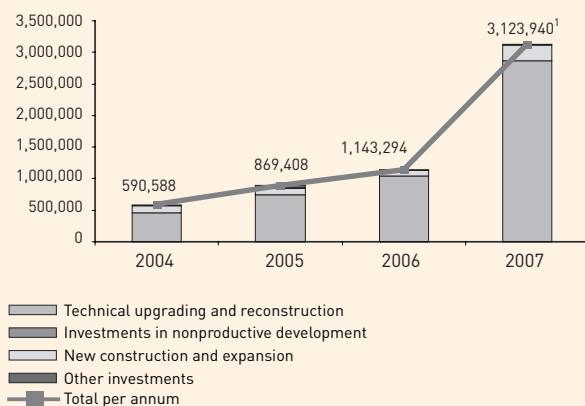
sive of VAT. The actual utilization of the capital investments accounted for 3,123,940<sup>1</sup> thousand rubles exclusive of VAT.

**The 2007 investment program financing reached 5,450,012 thousand rubles inclusive of VAT**

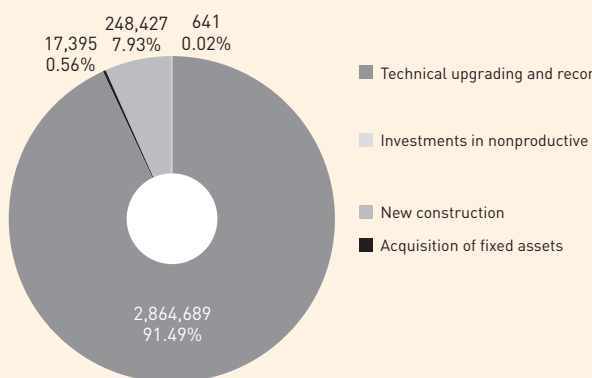
In 2007, the share of technical upgrading and reconstruction measures in the total utilization of capital investments reached 91% (2,864,689 thousand rubles exclusive of VAT), new construction – 8% (248,427 thousand rubles exclusive of VAT), acquisition of fixed assets – 1% (17,395 thousand rubles exclusive of VAT), and investments in nonproductive development – 0.02% (641 thousand rubles exclusive of VAT).

The share of technical upgrading and reconstruction of the operating powers plants in the total commissioning reached 94% (990,753 thousand rubles), new construction and expansion of the operating powers plants – 4% (37,464 thousand rubles), and acquisition of fixed assets – 2% (17,395 thousand rubles).

Changes in investments during 2004-2007, thousand rubles



Investment Targets, 2007, thousand rubles (VAT excluded)

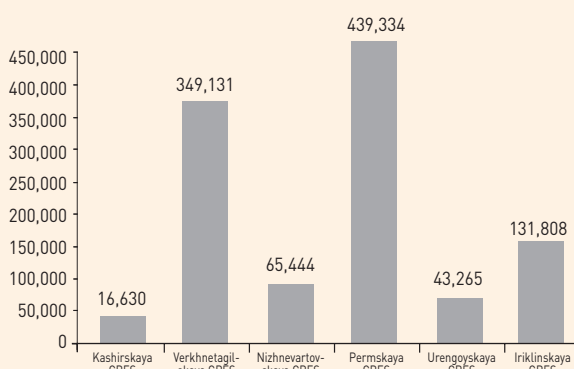


#### Fixed Assets Commissioning, 2007

The actual fixed asset commissioning by OGK-1 in 2007 was 1,045,612<sup>2</sup> thousand rubles (exclusive of VAT), including:

- 349,131 thousand rubles for Verkhnetagil'skaya GRES;
- 65,444 thousand rubles for Nizhneartovskaya GRES;
- 439,334 thousand rubles for Permskaya GRES;
- 43,265 thousand rubles for Urengoyskaya GRES;
- 131,808 thousand rubles for Irklinskaya GRES;
- 16,630 thousand rubles for Kashirskaya GRES.

Commissioning of Fixed Assets, 2007, thousand rubles



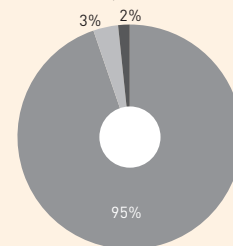
<sup>1</sup> This indicator is given in accordance with the RAS exclusive of equipment under installation.

<sup>2</sup> This indicator is given in accordance with the RAS exclusive of the Headquarters' commissioning.

# Investment



Structure of Capital Investments, 2007



■ Technical upgrading and reconstruction of the operating powers plants  
 ■ New construction and expansion of the operating powers plants  
 ■ Acquisition of fixed assets

## 5.2. Investment Financing Sources

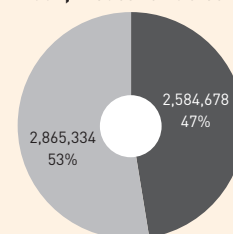
In 2007, investments were financed from the following sources:

– own funds – 2,865,334 thousand rubles inclusive of VAT;

– borrowed funds – 2,584,678 thousand rubles inclusive of VAT.

In 2008, it is planned to raise 47.8 billion rubles from the additional share issue to finance the investment program.

Investment Financing Source in 2007, thousand rubles



■ Borrowed funds  
 ■ Own funds

## 5.3. Short-Term Investment Targets and Objectives

In accordance with the decision of the OGK-1 Board of Directors meeting on October 31, 2007, it is planned to implement the following investment projects:

**The OGK-1 Investment Program is one of the largest in the sector**

### List of Generation Facilities to Commission at OGK-1

Description of Generation Facility	Type of fuel	Year of commissioning	Commissioned capacity, MW	IPS
Kashirskaya GRES (Unit 3)	coal	2008	330	Center
Permskaya GRES Unit 4 based on CCGT-800	gas	2010	800	Ural
Nizhneartovskaya GRES Unit 3 based on CCGT-800	dry stripped gas	2010	800	Ural
Nizhneartovskaya GRES Unit 4 based on CCGT-800	dry stripped gas	2012	800	Ural
Verkhnetagilskaya GRES Unit 12 based on CCGT-320-450	gas	2011	320-450	Ural
Urengoyanskaya GRES a power unit based on CCGT-450	gas	2xGT – 2009, CCGT – 2011	320-450	Ural

## News

### An Extraordinary General Meeting of Shareholders of OGK-1 was held on 23 November

44,643,192,918 votes, or 91.7% shares, took part in the EMS. 99.9% shares that participated in the voting voted for reorganization of OGK-1 through takeover of OGK-1 Holding created as a result of reorga-

nization of RAO UES of Russia through spin-off, and for approval of the Agreement for takeover of OGK-1 Holding by OGK-1.

As a result, of shares in OGK-1 Holding will be converted into OGK-1 shares received by OGK-1 as a result of the takeover of OGK-1 Holding, acquired and/or bought out by OGK-1 and/or in additional shares in OGK-1.





in the Moscow power grid is 3.8 times higher than planned. The situation demands an urgent response, and in December 2005 First Power Generating Company on the Wholesale Energy Market (OGK-1) started construction of Block #3 at Kashirskaya, the oldest and largest power plant in the region.

“Block #3 will become the driver of the power industry reform,” Oleg Kovalev, Chairman of State Duma committee of procedures, said at the meeting. “It will provide 330 MW of additional capacity, which will significantly increase the sustainability of the electricity supply for Moscow and Moscow Oblast.”

Participants at the briefing toured around the power plant, visiting the block under construction as well as the control room and boiler-and-turbine department.

In May 2006 the foun-

datation of the new block was started. In November 2006 the government of Moscow Oblast and RAO UES-Russia entered into an agreement to cooperate in implementing investment projects related to construction and modernization of the electricity facilities in Moscow Oblast.

The construction project was on the top of the list in the agreement between Sverdlov oblast government and RAO UES-Russia, signed in November 2006. The agreement was approved by the RAO-UES-Russia Investment committee in January 2007. An investment component of 60 million rubles is included into the power plant tariff for 2007.

“What’s been done so far? We have already developed the construction schedule and announced an open tender for the development of power distribu-



## July sales of First Power-Generating Company exceeded 3 billion rubles

In July 2007 power plants of OGK-1 sold 4,088.84 million kWh in the wholesale electricity market for 3,238.06 million rubles, which is the best sales of the Company in 2007.

3,508.17 million kWh were supplied under regulated agreements. In the scope of operation in the

balancing market. To meet its obligations to consumers, the Company purchased 1,105.82 million kWh in the day-ahead market and 133.73 million kWh in the balancing market. OGK-1 took part in the trading session at the gas exchange on 27 April 2007, with gas supply in the second

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# OGK-1 TIMES

 ANNUAL REPORT 2007

## OGK-1 is in the lead

on rates of growth and efficiency  
of use of new rules of work  
in the market

## Our strategy

is directed for construction  
new energy plants in five regions  
of Russia

## Results of 2007

We are ready to become the largest  
and most effective thermal  
generating company of Russia

[WWW.OGK1.COM](http://WWW.OGK1.COM)

OJSC «The first generating company of the wholesale market of the electric power»

## 6 | Corporate Governance

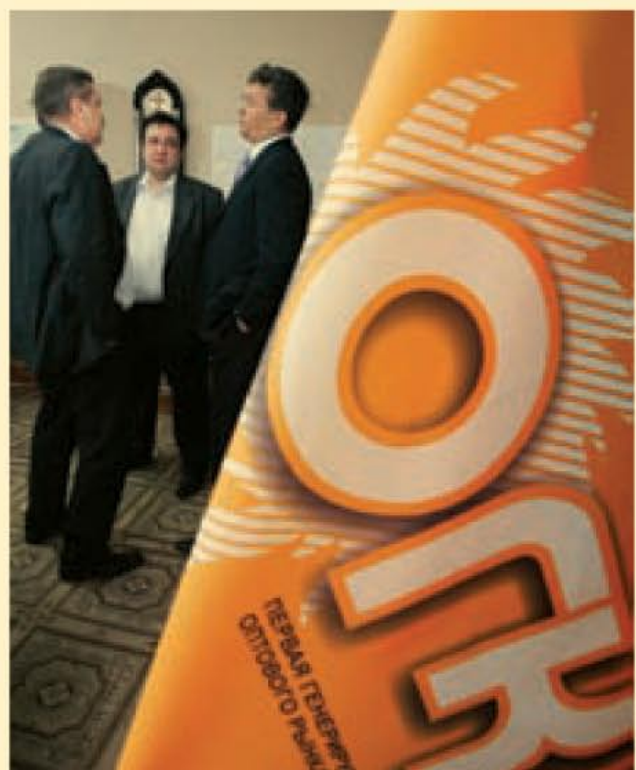


### News

#### Moody's International Agency assigned Ba3 credit rating (stable) to OGK-1

On 10 September 2007 Moody's International Agency assigned international credit rating Ba3 to OGK-1. At the same time Moody's Interfax assigned a domestic Russian national credit rating Aa3.ru to the company. OGK-1's ratings reflect support from the government and direct shareholders in the company.

OGK-1 is one of Russia's first wholesale





## 6. Corporate Governance

### 6.1. Corporate Governance Principles



For OGK-1, corporate governance means processes that provide corporate management and control, including relations between shareholders and the Company's Board of Directors and Company executive bodies, in the interests of the shareholders.

The Company regards corporate governance as a vehicle to enhance operational efficiency and reputation profile and reduce fundraising costs.

The OGK-1 corporate governance system is based on the following principles:

- Accountability

**The Company regards corporate governance as a vehicle to enhance operational efficiency and reputation profile and reduce fundraising costs**

The Board of Directors of the Company is accountable to all shareholders in accordance with the current legislation and performs the functions of a management body for developing corporate strategy and managing and supervising the activity of the Company's executive bodies.

- Justice

The Company commits itself to protect its shareholders' rights and ensure equality for all shareholders. The Board of Directors provides an efficient protection to all shareholders if their rights are violated.

- Transparency

The Company ensures timely disclosure of accurate information on all material facts related to its operations, including its financial situation, social and ecological indicators, operating results, shareholders and management structures, as well as free access to such information to all interested parties. The cor-

porate governance documents are available on the Company's website at [www.ogk1.com](http://www.ogk1.com) in the section «Shareholders and Investors».

**The Company ensures timely disclosure of accurate information**

- Responsibility

The Company acknowledges the rights of all interested parties as specified in actual legislation and seeks cooperation with such parties in order to develop and ensure its financial stability.

### 6.2. Corporate Governance Bodies

The Company management bodies, in accordance with the OGK-1 Articles of Association (Clause 9.1. of Article 9), are as follows:

- General Meeting of Shareholders;
- Board of Directors;
- Executive Board;
- General Director.

The supreme management body is the General Meeting of Shareholders (Clause 10.1 of Article 10 of the Articles of Association).

The OGK-1 Board of Directors as of December 31, 2007, was elected on June 22, 2007, by the General Meeting of Shareholders (Record w/o N° of July 5, 2007)

The Board of Directors comprises eleven members.

1. Vladimir Avetisyan, Chairman of the Board of Directors
2. Mikhail Lisyansky, Deputy Chairman of the Board of Directors
3. Yelena Ulanovskaya, Member of the Board of Directors
4. Sergey Sidorov, Member of the Board of Directors

5. Dmitry Akhanov, Member of the Board of Directors

6. Vladimir Khlebnikov, Member of the Board of Directors

7. Dmitry Shtykov, Member of the Board of Directors

8. Aleksander Nikitin, Member of the Board of Directors

9. Stanislav Neveynitsyn, Member of the Board of Directors

10. Grigory Kolykhanov-Lapovsky, Member of the Board of Directors

11. Yury Zhelyabovskiy, Member of the Board of Directors

# Corporate Governance



## Remunerations Paid to Members of the Boards of Directors, 2007

Name	Title	Period of office	Amount of remuneration (rubles)
Vladimir Avetisyan	Chairman of the Board of Directors	June 22, 2007 – December 31, 2007	1,492,380.00
Dmitry Akhanov	Deputy Chairman of the Board of Directors	April 21, 2006 – June 21, 2007 June 22, 2007 – December 31, 2007	1 712 646,23
Stanislav Vartanyan	Member of the Board of Directors	April 21, 2006 – June 21, 2007	506,250.03
Yury Zhelyabovskiy	Member of the Board of Directors	June 22, 2007 – December 31, 2007	735,855.00
Roman Kozlov	Member of the Board of Directors	April 21, 2006 – June 21, 2007	532,958.86
Grigory Kolykhanov-Lapovsky	Member of the Board of Directors	June 22, 2007 – December 31, 2007	1,036,995.00
Marina Kopyeva	Member of the Board of Directors	April 21, 2006 – June 21, 2007	685,881.02
Mikhail Lisiansky	Deputy Chairman of the Board of Directors	June 22, 2007 – December 31, 2007	994,185.00
Yury Makushin	Chairman of the Board of Directors	April 21, 2006 – June 21, 2007	817,144.46
Stanislav Neveynitsyn	Member of the Board of Directors	June 22, 2007 – December 31, 2007	864,285.00
Valery Nepsha	Member of the Board of Directors	April 21, 2006 – June 21, 2007	574,360.03
Aleksander Nikitin	Member of the Board of Directors	June 22, 2007 – December 31, 2007	952,110.00
Aleksey Semeyko	Member of the Board of Directors	April 21, 2006 – June 21, 2007	684,670.64
Sergey Sidorov	Member of the Board of Directors	April 21, 2006 – June 21, 2007 June 22, 2007 – December 31, 2007	1,583,435.03
Aleksey Tuzhilin	Member of the Board of Directors	April 21, 2006 – June 21, 2007	361,072.96
Yelena Ulanovskaya	Member of the Board of Directors	April 21, 2006 – June 21, 2007 June 22, 2007 – December 31, 2007	1,612,090.03
Vladimir Khlebnikov	Member of the Board of Directors	April 21, 2006 – June 21, 2007 June 22, 2007 – December 31, 2007	1,166,040.00
Dmitry Shtykov	Member of the Board of Directors	April 21, 2006 – June 21, 2007 June 22, 2007 – December 31, 2007	1,036,995.80
Total for OGK-1:			17,349,355.09

## OGK-1 Board of Directors

The amount of the remuneration for the members of the Board of Directors is set in accordance with the Agreement on remunerations and compensation for the Board of Directors

For participation in a meeting, a member of the Board of Directors is paid a remuneration that equals five minimal monthly rates of wage of a worker of the 1st category as specified in the rate agreement for the electricity industry of the Russian Federation with due account for indexation.

The amount of remuneration paid to the Chairman (Deputy Chairman) of the Board of Directors for each meeting where he acts as the Chairman of the Board of Directors is increased by 50%.

The Board of Directors members are paid remunerations in accordance with the Agreement on remunerations and compensation for the Board of Directors.

## Committees of the Board of Directors

### Reliability Committee of the Board of Directors

The Board of Directors took a decision to establish the Reliability Committee on November 30, 2005

The procedure for activity and meetings of the Reliability Committee of the OGK-1 Board of Directors is defined by the Regulations for the Reliability Committee of the Board of Directors.

The Committee's objectives are as follows:

To develop and submit to the OGK-1 Board of Directors recommendations for the following areas of activity of the Board of Directors:

- examination of investment programs and plans for equipment maintenance and modernization and for reconstruction of power facility buildings in terms of compliance with the requirements for integrated re-



liability and analyses of how such programs and plans are implemented;

- evaluation of adequacy and completeness of implementation of planned response measures related to emergencies and major technological violations;
- evaluation of the Committee's activity in terms of:
  - ensuring integrated reliability of equipment and facilities;
  - ensuring proper and safe conditions of the fixed assets and submission of the information on forecasted asset reliability risks;
  - analyzing risks associated with integrated reliability of the Company's power facilities and taking measures toward their minimization.

Members of the Reliability Committee as of December 31, 2007

- Roman Titov, Head of the Department for Investment and Technical Policy, Business Unit 2 of RAO «UES of Russia»;
- Nikolay Novikov, Chief Engineer – Inspector of TPP RP Centrenergotechnadzor;
- Roman Milyaev, Deputy General Director – Chief Engineer, OGK-1;





# Corporate Governance

- Alexey Mintyukov, Deputy General Director – Chief Commercial Officer, OGK-1;
- Nadezhda Mistyukova, Deputy General Director – Chief Financial Officer, OGK-1;
- Vasily Gantsev, Deputy Chief Engineer, OGK-1;
- Valentin Bragin, Head of Council for Technology, OGK-1.

The full text of the Regulations for the Reliability Committee of the Board of Directors is available on the Company's website at [www.ogk1.com](http://www.ogk1.com) in the section «Corporate Governance».

## Audit Committee of the Board of Directors

The Board of Directors took a decision to establish the Audit Committee on November 9, 2007

The procedure for activity and meetings of the Audit Committee of the OGK-1 Board of Directors is defined by the Regulations for Audit Committee of the OGK-1 Board of Directors.

The Committee's objective is to develop and submit recommendations related to the Company's auditing and accounting to the Board of Directors.

Members of the Audit Committee as of December 31, 2007

- Yury Zhelyabovskiy, Head of Department for Economic Planning and Financial Control, Business Unit 2 of RAO UES of Russia;
- Stanislav Neveynitsyn, Deputy General Director, Mezhrregionenergosbyt;

- Aleksandr Nikitin, Chief Financial Officer, INTER RAO UES JSC;
- Dmitry Shtykov, CEO, Institute of Professional Directors Fund.

The full text of the Regulations for the Audit Committee of the OGK-1 Board of Directors is available on the Company's website at [www.ogk1.com](http://www.ogk1.com) in the section «Corporate Governance».

## HR and Remunerations Committee

The Board of Directors took a decision to establish the HR and Remunerations Committee on November 9, 2007

The procedure for activity and meetings of the HR and Remunerations Committee of the OGK-1 Board of Directors is governed by the Regulations for the HR and Remunerations Committee of the Board of Directors.

The Committee's objective is to develop and submit to the OGK-1 Board of Directors recommendations for the following areas of activity of the Board of Directors:

- attracting qualified specialists to manage the Company;
- providing fair remunerations for the members of the Board of Directors, members of the Executive Board, and the person acting as the sole executive body of the Company;
- evaluating performance of the person acting as the sole executive body and members of the Executive Board of the Company.



Members of the HR and Remunerations Committee as of December 31, 2007

- Mikhail Lisiansky, Deputy Managing Director, Business Unit 2 of RAO «UES of Russia»;
- Yelena Yevseyenkova, Deputy Head of Department for Economic Planning and Financial Control, Business Unit 2 of RAO «UES of Russia»;
- Vladimir Khlebnikov, OGK-1 Chief Executive Officer, Chairman of the Executive Board;
- Dmitry Shtykov, CEO of Institute of Professional Directors Fund.

The full text of the Regulations for the HR and Remunerations Committee is available on the Company's website at [www.ogk1.com](http://www.ogk1.com) in the section «Corporate Governance».

## Executive Board

The Executive Board of OGK-1 is a collegial executive body of the Company. It manages current operations within the competence specified in the OGK-1 Articles of Association and decisions of the OGK-1 General Meeting of Shareholders and the Board of Directors

The Regulations for the OGK-1 Executive Board are ap-

proved by the OGK-1 General Meeting of Shareholders.

The full text of the Regulations is available on the Company's website at [www.ogk1.com](http://www.ogk1.com) in the section «Corporate Governance».

Members of the Executive Board as of December 31, 2007:

The Executive Board comprises 8 (eight) members.

Person acting as the sole executive body of the Issuer:

**Vladimir Khlebnikov,**  
OGK-1 Chief Executive Officer, Chairman of the Executive Board

He started his career in the electricity industry in 1997.

Previous positions: First Deputy Chairman of the Management Board, NP ATS (Administrator of Trading System of the Wholesale Power Market within the Unified Energy System); General Director of FOREM Contract and Settlement Center (from 2000).

Since March 2005: Chief Executive Officer, Chairman of the Executive Board, «First Power Generating Company One of the Wholesale Energy Market».

2003: Russian Government's Science and Technology Award for the contribution to the establishment of the wholesale energy market.

Educational background: two university degrees (energy and economics). Doctor of Eco-



# Corporate Governance



nomics. Subject of dissertation: «Formation and Development Prospects of the Competitive Electricity Market in Russia».

**Roman Milyaev,**  
Deputy CEO – Chief Engineer,  
member of the Executive Board

He started his career in the electricity industry in 1987.

1987: PRP «Tyumenenergoremont», his first position

2001–2005: Deputy Chief Engineer then Chief Engineer, Surgutskaya GRES-2.

2005: Executive Director, Permskaya GRES.

December 2006 – present: Deputy General Director – Chief Engineer, OGK-1.

Mr. Milyaev was awarded a Certificate of Honor by the Urals Power Management Company (2003) and received an honorary mention from the Ministry of Industry & Energy of Russia (2004).

Educational background: Energy Institute.

**Nadezhda Mistyukova,**  
Deputy CEO – Chief Financial  
Officer, member of the  
Executive Board

Previous positions: First Deputy General Director for Economic Issues, FOREM Contract and Settlement Center.

Since October 2006: Deputy General Director, Chief Financial Officer, OGK-1.

In 2004, Nadezhda Mistyukova was granted the Russian Government's Science and Technology Award.

Doctor of Economics. Subject of dissertation: «Methodological Foundation for the Formation and Functioning of the Russian Transnational Corporations».

In 2001 N. Mistyukova was granted an honorary mention from the Russian Ministry of Energy. In 2004 she was granted an honorary mention from the Ministry of Industry and Energy of the Russian Federation and from RAO «UES of Russia».

Educational background: two university degrees, in economy and international economy.



**Evgeny Zagorodny,**  
Deputy CEO – Director  
for Investments, member  
of the Executive Board

Experience in the electricity industry: 25 years.

In 1982, Mr. Zagorodny started his career at the USSR Ministry of Nuclear Energy as an engineer to be later promoted to the position of Deputy Chief Project Engineer.

2001–2003: Deputy Chairman, State Investment Corporation. Then he worked as the head of the Mosenergo Project at the Commercial Bank for Business Development «GUTA-BANK».

2004–2007: European Director, JSC «Foreign Economic Association «Techpromexport».



## News

### OGK-1's share price is growing

24 July 2007: yesterday OGK-1's share price grew by 5% at MICEX.

On 18 July MICEX resumed trading in uncertificated registered ordinary shares in OGK-1 listed in Quotation List «I» under «OGK-1» ticker code.

The Directorate of MICEX took the decision to include the share in Quotation List "I" on 10 July 2007. The Agreement on Including and Keeping Securities in MICEX Quotation List "I" was signed on 16 July 2007.

### OGK-1's share price is growing

31/01/07 – Yesterday MICEX set a new price benchmark for OGK-1's stocks. The maximum price per ordinary share in First Power-Generating Company with 1 ruble par value reached 3 rubles. Meanwhile, on 24 January RTS (classic market) saw the first 2 transactions with OGK-1's stocks for a total of US\$19.9k, at US\$0.095–0.1 per share.

On 30 November RTS and MICEX stock exchanges launched trading in the Company's ordinary stocks as non-listed securities. OGK-1's stocks are traded in MICEX and RTS stock exchanges under ticker code «OGKA».

### First Power-Generating Company started finalizing the results of competitive selection of a legal adviser

30.01.07 – OGK-1 closed admittance of corporate bids for participation in competitive negotiations for the right to sign agreements for legal support of an additional share issue. Bids for participation in competitive negotiations were submitted by important and well-known legal companies, both Russian and foreign. A total of 11 bids were submitted, including 7 from international legal companies and 4 from Russian ones.

### First Power-Generating Company has chosen a legal adviser

On 13 February the Competition Committee of OGK-1 chose Cleary Gottlieb Steen & Hamilton LLP as adviser for an additional share issue. The Board of Directors of OGK-1 will approve the appointment on 15 February. 11 Russian and foreign companies took part in the competitive process announced by the Company in January 2007.

### Public opinion appreciated the Sustained Development Report by OGK-1

OGK-1's Sustained Development Report was positively assessed by the participants of the Public Hearings held on

see page 23 >



# Corporate Governance

Since April 2007: Deputy General Director – Director for Investments, OGK-1.

Educational background: two university degrees, in electrical engineering and foreign affairs.

**Alexey Mintyukov,**  
Deputy CEO – Chief Commercial Officer, member of the Executive Board

He started his career in the electricity industry in 2000.

From 2001: Deputy General Director, «Independent Operator of the Electricity and Capacity Market» Ltd and JSC «UES Account Optimization Center».

2002–2004: Chief Financial Officer, Konakovskaya GRES.

2004–2005: General Director, NOREM.

2005: Deputy General Director – Director for Procurement, OGK-1.

October 2007: Deputy General Director – Chief Commercial Officer, OGK-1.

In 2003 Mr. Mintyukov was granted an honorary mention from the Ministry of Energy of the Russian Federation and in 2005 – from RAO «UES of Russia»

Holds a university diploma in electrical engineering.

**Natalya Belenko,**  
Deputy CEO – Director of Management, member of the Executive Board

1982–1993: research and education career.

1999–2004: consultant career.

2004–2005: Deputy Governor of the Tver Region.

Since April 2005: Director for Organizational Issues, OGK-1.

Holds a university diploma in social psychology, MBA degree in political and business communication. Doctor of History.



**Valentin Bragin,**  
Head of Council for Technology, member of the Executive Board

Experience in the energy industry: 37 years.

He started his career in 1969 at the Maintenance and Operation Directorate of Permenergo.

1976: joined Permskaya GRES team.

1998–2005: General Director, Permskaya GRES.

August 2005: Director for Investments, OGK-1.

Since January 2007: Head of Council for Technology.

Laureate of the 2001 State Prize of the Russian Federation in Science and Engineering (for designing several high-performance fire- and explosion-proof water-cooled turbogenerators for thermal and nuclear power plants). In 2000, Mr. Bragin was awarded the honorary title «Honored Power-Engi-

neering Specialist» by the Government of the Russian Federation.

Holds a diploma in heat power engineering.

**Roman Zorabyants,**  
Deputy CEO – Director for Development, member of the Executive Board

He started his career in the energy industry in 1999.

2001–2005: Head of Legal Department, FOREM Contract and Settlement Center.

Since June 2005: Director for Development, OGK-1.

In 2001 Mr. Zorabyants was granted an honorary mention from the Ministry of Industry and Energy of the Russian Federation. In 2003 he was awarded an honorary mention from RAO «UES of Russia», in 2004 – from the Ministry of Industry and Energy of the Russian Federation.

Holds a university diploma in law.

## News

< continued from page 22

19 June 2007. Participants noted that the format and coverage of information provided allow positive assessment of the company's commitment to responsible business management.

At yesterday's Public Hearings, OGK-1 presented its Report on sustained development of the company in 2006 prepared in compliance with international recommendations of GRI, version 3.

### An in absentia meeting of the Board of Directors of OGK-1 was held on 16 April

The Directors have unanimously adopted a decision to issue the Company's securi-

ties to be offered by converting registered ordinary shares in OGK-1 in shares with lower par value, and unanimously approved the Offering Memorandum of OGK-1. The above decision was taken based on the decision of the Extraordinary General Meeting of Shareholders to decrease the Company's registered capital dated 4 April 2007.

### OGK-1 is included in TOP 100 of a social and environmental rating

OGK-1 has entered Top 100 of the Russian rating of socially responsible companies for 2007 drafted by the International Socio-Ecological Union and «Independent Environmental Rating Agency» (ANO NERA).

The rating captures the level of transparency and overall environmental impact of the company. As to the latter, OGK-1 moved up to 62nd place from 64th in 2006.

All 6 branches of OGK-1 entered regional ratings. Urengoykaya GRES entered Top 10 in list of the Yamalo-Nenets Autonomous District, while Kashirskaya GRES and Permskaya GRES hit Top 20 in the lists of Moscow Region and Perm Territory, respectively. Verkhnetagilskaya GRES, Irikinskaya GRES and Nizhnevartovskaya GRES also won important places in TOP 100 on regional lists.

### OGK-1 awarded for social efficiency

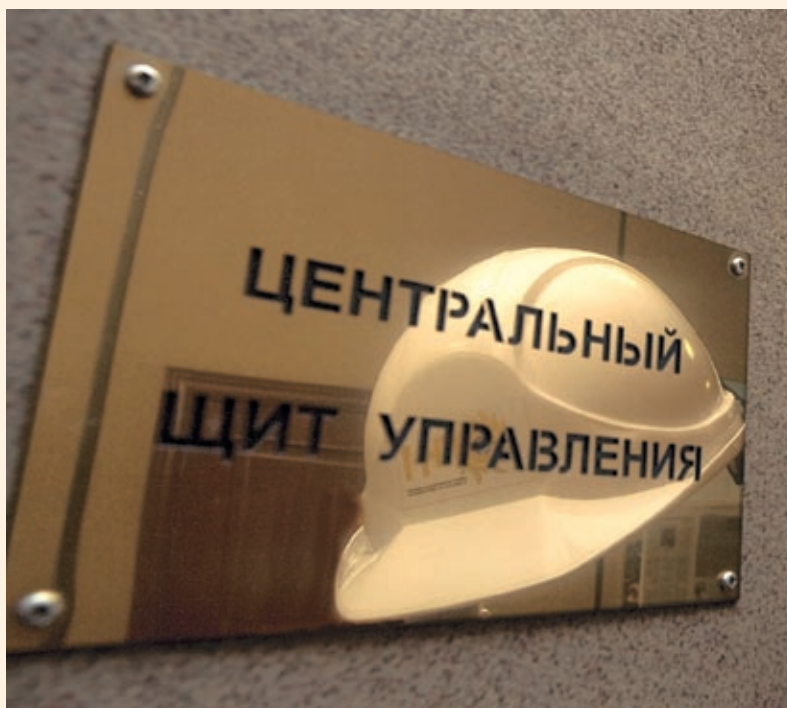
OGK-1 won an award of the Seventh All-Russia Contest

«Russian Organization of High Social Efficiency».

Yesterday, on 12 February, the company received a third prize diploma for «Payroll and Social Payments» at an award ceremony in the State Kremlin Palace. The contest board assessed candidates by analyzing numerous criteria: headcount, average monthly salary, training costs, social payments, including non-government pension benefits and voluntary health insurance.

The contest is organized by the Russian Ministry of Economic Development and Ministry of Health and Social Development and aimed at drawing attention to social issues and demonstrating high efficiency of social work using the example of the best organizations in the field.

# Corporate Governance



Members of the Internal Audit Commission, as of December 31, 2007:

**Chairman of the Internal Audit Commission:**

**Ludmila Matyunina,**  
First Deputy Head of the Internal Audit Department, Corporate Center of RAO «UES of Russia»

**Maxim Volkov,**

Head of Section of the Department for Corporate Governance and Shareholder Relations, Corporate Center of RAO «UES of Russia»

**Yelena Smirnova,**

Head of Section of the Department for Economic Planning and Financial Control, Business Unit 2 of RAO «UES of Russia»

**Ruslan Khalfin,**

Chief Expert of the Department for Logistics and Procurement, Business Unit 2 of RAO «UES of Russia»

**Viktor Borodayenko,**

Head of the Internal Audit Department, OGK-1

## Internal Audit Commission

In accordance with Clause 1.2. of the Regulations for the OGK-1 Internal Audit Commission, the Internal Audit Commission is a permanent internal audit body for regular auditing of financial and economic activity of the Company, its separate subdivisions, officers of the OGK-1 management bodies

and the business subdivisions of the OGK-1 Central Function in terms of their compliance with the laws of the Russian Federation and the OGK-1 Articles of Association and internal documents.

The full text of the Regulations for the OGK-1 Internal Audit Commission is available on the Company's website at [www.ogk1.com](http://www.ogk1.com) in the section «Corporate Governance».

## News

### Efficient relationships with shareholders and investors are a priority area of OGK-1

The Board of Directors of OGK-1 declared relationships with shareholders and investors in OGK-1 a priority area for the company. In late August OGK-1 will develop and submit to the Board of Directors for approval a yearly plan of measures aimed at reinforcing relationships with investors and shareholders in the Company. The document will capture the dates of the Company's stock offerings and will serve as the basis for the Company's operation in the coming year.

### First Power-Generating Company approved its Environment Policy

22 January, Moscow – the Board of Directors of OGK-1 declared conservancy and

higher environmental safety a priority area for the company. In the scope of the above decision the Board of Directors approved the Environmental Policy of OGK-1, Program for Implementation of Environmental Policy for 2008–2010 and Key Environmental Policy Targets until 2015.

### Training Centre of Nizhnevartovskaya GRES celebrates its anniversary

January 2007: Employees of the training centre «Professional» of Nizhnevartovskaya GRES celebrate its 20th anniversary. Over 30 thousand people were trained here over 20 years. The training centre is fitted with all necessary equipment required for education and training. Trainees are taught to overcome emergency situations in a power unit simulator. All power plant employees undergo annual exams to obtain access to work.




**Remunerations Paid to Members of the Internal Audit Commission of the Issuer, 2007:**

Members of the Internal Audit Commission OGK-1	Title	Reporting period, 2007 (rubles)
Ludmila Matyunina	Chairman of the Internal Audit Commission	199,050
Viktor Borodayenko	Member of the Internal Audit Commission	71,350
Yelena Smirnova	Member of the Internal Audit Commission	132,700
Irina Mikhno	Member of the Internal Audit Commission	132,700
Maxim Volkov	Member of the Internal Audit Commission	132,700

Total remunerations paid to the Internal Audit Commission members accounted for 668,500 rubles.

## 6.3. Subsidiaries and Affiliates

Name	Address	Telephone	Name of CEO	Board of Directors members
Open Joint-Stock Company «Directorate for Utility Vehicles»	618740, Russian Federation, Perm Region, Dobryanka, Prombaza (industrial base)	(34265) 93642	Nikolay Burakov	Georgy Danilyants, Yury Gusev, Anastasia Mazurkova, Galina Tishinskaya, Nikolay Burakov
Open Joint-Stock Company «Lukomoroye Sanatorium-Preventorium»	462803, Russian Federation, Orenburg Region, Novoorsky District, p. Energetik, 49	(3532) 32041	Nikolay Kirpichnikov	Rifat Rakhmatulin, Natalya Belenko, Nikolay Kirpichnikov, Irina Mitrofanova, Yelena Semyonova
Closed Joint-Stock Company «Nizhnevartovskaya GRES»	628634, Russian Federation, Tyumen Region, Khanty-Mansiysk Autonomous District, Izluchinsk Settlement, Promzona (Industrial Zone), Nizhnevartovskaya GRES	(3466) 285359	Aleksandr Pashchenko	Aleksandr Pashchenko, Aleksey Mintyukov, Aleksey Kachai, Mikhail Molchanov, Igor Voronov

## 6.4. Auditor

ZAO PricewaterhouseCoopers Audit was approved as the Company's Auditor for 2007 by the decision of the OGK-1 General Meeting of Shareholders (June 22, 2007)

Location: 115054, Moscow, Kosmodamianskaya Naberezhnaya, 52/5

Telephone: (495) 967 6000

Fax: (495) 967 6001

Website: [www.pwc.com](http://www.pwc.com)

License: Audit license No. E000376 of May 20, 2002, issued by the Ministry of Finance of the Russian Federation (valid until May 20, 2012).


**Actual Amount of Remuneration Paid to the Auditor, 2007 (accrued total)**

Actual amount of remuneration for 2007	Amount of remuneration, rubles
Audit of reports for 2006 in accordance with the IFRS	16,548,320
Audit of consolidated financial statements for 2006	4,012,000
Total for 2006	20,560,320
Audit of reports for 2007 in accordance with the IFRS (down payment)	5,900,000
Audit of reports for 2007 in accordance with the RAS (down payment)	2,891,000
Review of the reports for the 9 months of 2007 in accordance with the IFRS (down payment)	3,540,000
Total for 2007	12,331,000
Total for OGK-1:	32,891,320

## 6.5. Internal Audit and Control

### Internal Control

In order to reduce the probability of events, which might prevent the Company from achieving its objectives and can lead to losses (including losses caused by improper decisions, based on wrong judgments, human factor, conscious evasion of control), and acknowledging the high demand for ensuring the safety of shareholders' investment and for preserving the Company's assets, JSC «OGK-1» has launched projects to improve the Company's corporate governance, including projects on internal control, internal audit and risk management systems.

The internal control system is regarded as a means of improving the Company's operational efficiency and transparency, to avoid, define and fix essential errors in the process of operational activity, information collecting and processing.

The main principles of the Company's Internal Control System are the following: honesty, ethical norms and rules, competence, authority, trustworthiness and responsibility of the staff.

The internal control system is implemented at all levels of the Company's management, including its internal subdivisions, Internal Audit Commission, Board of Directors, Audit Committee and Internal Audit Department.

The Company's control activity is based on:

1. Clear distribution of powers and responsibilities of

the officials in charge of control procedures implementation.

The Company elaborated the «Corporate governance code of JSC «OGK-1» which was approved by the Board of Directors. The code defines the main principles of the corporate internal control system in order to find and fix essential mistakes and ensure a higher level of transparency of the Company's management. The code proves our constant readiness to follow the standards of proper corporate management.

2. Diversified access to information and powers to take decisions.

The information disclosure policy, which is performed by JSC «OGK-1» is aimed at ensuring maximum trust of shareholders, potential investors and counter-agents and other interested parties by means of providing the parties with sufficient information on the Company's activities to take well-balanced and reasonable decisions on the Company and its shares.

The «Regulation on information policy» defines the rules and approaches to information disclosure, and lists documents and information subject to disclosure to shareholders, creditors, potential investors and professional members of the stock market, state bodies and other parties concerned, as well as to the parties regulating the methods and terms of information disclosure and presentation.

In order to protect the rights and interests of the Company's shareholders, ensure economic and information security, and

define general rules of protection of information on the activity of JSC «OGK-1» the Board of Directors approved the «Regulation on insider information»

3. Authorization of all transactions in accordance with the regulations approved.

The Company's financial operational activity control is implemented on three levels:

- The planning stage envisions: preliminary control, which is aimed at evaluating the initial reasons for planning as well as methodological and essential conformity of the planning procedure.

- The stage of organization and management decisions implementation envisions constant control aimed at regulating the implementation of decisions taken in order to achieve the necessary results

- The final control stage is performed on completion of an activity, which is subject to control. This stage is aimed at obtaining information necessary for the management to plan / update analogical tasks in the future, and measuring the efficiency and ensuring adequate motivation of future auditors.

4. The distribution of control, implementation and decision-making tasks between the employees of the Company's various structural subdivisions.

The Company's organizational structure is incorporated in the Company's system of operational and financial activity and founded on the principles of the distribution of responsibilities between bodies and employees in charge of development,

### News

#### OGK-1 is the best generating company in social and labor relationships

April 2007: First Power-Generating Company won the contest "Socially Responsible Utility Organization in Staff Relationships Area" arranged by Association RaEl and won the first prize as "Best Generating Company in Social and Labour Relationships" for its 2006 performance.

27.04.07 - The Board of Directors of RAO UES of Russia approved the parameters of additional share issue by OGK-1. The proceeds from the issue will be used to finance implementation of the investment program of OGK-1, in particular, to finance construction of new capacities at Verkhnetagil'skaya GRES, complete construction of a power unit at Permskaya GRES, and construct a power unit at Kashirskaya GRES.

#### OGK-1 chose a depository bank

September 2007 - OGK-1 has finished a one-stage bidding procedure without preliminary qualification selection for the right to sign an agreement to provide depository bank services to support a potential stock issue by OGK-1 outside Russia. The preferred bidder is The Bank of New York.

#### Moody's International assigned Ba3 credit rating (stable) to OGK-1

On 10 September 2007 Moody's International assigned international credit rating Ba3 to OGK-1. At the same time Moody's Interfax assigned a domestic Russian national credit rating Aa3.ru to the company. OGK-1 is one of the first Russian wholesale generating companies that emerged as a result of the industry reform to be assigned an international credit rating.

#### The Board of Directors of OGK-1 approved bidders for an adviser mandate

On 26 January the Board of Directors of OGK-1 approved candidates to prepare and support an additional share issue as advisers. The potential advisers include ABN AMRO, Renaissance Capital and Alfa-Bank.





## News

### OGK-1 invites to Public Hearings

First Power-Generating Company will present its Report on sustained development for 2006. The Public Hearings will take place on 19 June 2007. We invite journalists and all who are interested in the subject to participate in the Hearings. On 27 February 2008 Head of the Risk Management Department of OGK-1 Lyudmila Elkina submitted a report entitled «Building an Integrated Risk Management System in a Utility Company» at the IV annual conference «Risk Management in Utility Industry: Ensuring System Reliability and Safety of Power Supply in the Context of Industry Management Structure, Issue «01.07.08» that was held at the President Hotel in Moscow. September 2007 – The Board of Directors of OGK-1 declared raising financial resources to investment projects in exchange for reduction in greenhouse gas emissions a priority goal of the Company. In this connection, OGK-1 will sign agreements with Energy Carbon Projects to prepare specialized engineering documentation for a number of investment projects.

### Civil defense and emergency officers of the Security Service of Nizhneartovskaya GRES ran large-scale drills

In accordance with the principal civil defense and emergency plan of the Nizhneartovsk District and Nizhneartovskaya GRES, the power plant ran scheduled integrated civil defense and emergency drills. On 23 November 2007 shareholders of OGK-1 voted for the reorganization of OGK-1 through its takeover of OGK-1 Holding. As a result, all shares in OGK-1 Holding will be converted into OGK-1 shares received by OGK-1 as a result of the takeover of OGK-1 Holding, shares acquired and/or bought out by OGK-1 and/or in additional shares in OGK-1. An Annual General Meeting of Shareholders of OGK-1 was held on 22 June. The meeting had a quorum with 92.98% shareholders, or 41,512,635 thousand shares, present at the meeting at its opening. The General Meeting of Shareholders adopted a decision to pay dividends for Q1 2007.

approval, implementation and evaluation of the efficiency of internal control procedures.

The Company is successfully incorporating internal control system, which envisions four levels Company operational activity control, which are the following:

- Strategic control, which ensures control of key efficiency performance data;
- Budget control, performed at the stage of the Company's budget development, which is aimed at conformity between planned and actual events;
- Operational control, which ensures that financial transactions correspond with agreements, requests and limits;
- Control and evaluation of the results of the Company's activity, which ensures decision-making on the basis of adequate management accounting.

An ASFK (Automatic System of Financial Control) was elaborated and successfully incorporated in Company in the framework of internal control system implementation.

The ASFK is a unique system, developed for JSC «OGK-1» on the basis of «1C: Predpriyatie 8».

In order to perform financial control, the ASFK provides computerized methods for the following control procedures: events implementation control, cash flow control, expenses control, procurement procedure control, control of electricity and power sales procedure, budget control, control of contractual responsibilities violations, control of payments and supplies in accordance with contracts, control of the proper data to enter.

Other functions of AFSK:

- Planning of income and expenditure, cash flow, purchasing activities and payments to counter-agents during any period per each item of the budget, CFO (center of financial responsibility), events, planning scenarios, agreements and projects;
- The Company's budget preparation (events program, investment projects budgets, income and expenditure budget, cash flow budget, purchase budget, balance forecast) and any other budgets;
- Preparing actual operational management reports
- Multi-level analysis of planned and actual data dynamics

### Procurement activity as a part of the controlling system

JSC «OGK-1» treat as a high priority the development and incorporation of the system of competitive and regulated non-competitive procurement of goods and services, aimed at improving the Company's transparency.

The Company's procurement activity is defined by the «Regulation on the procedure of the regulated procurement of goods and services», developed in accordance with articles 447–449 of the Civil Code and the principles of Russian Federal Law 94 «On placing orders to supply goods, implement works and render services» and which was approved by the Company's Board of Directors.

Regulation of the procurement procedure is applied in order to ensure targeted and efficient spending of funds, and

economically justified expenditure (prices should correspond with market prices). The regulation is based on the reasonable use of specialized methods in order to enforce market laws in each case of procurement, whilst maintaining, if possible, a reasonable level of competition among potential suppliers and ensuring extended internal control if impossible. The principle of procurement activity is the honest and reasonable choice of the most preferential proposals on the basis of a complex analysis of profit and costs.

OGK-1 uses electronic means of trading on «b2b-energo.ru» in order to increase efficiency of procurement activity.

The Company's Central Procurement Body is in charge of the implementation of these principles. The body controls and coordinates procurement activity, as well as permanent procurement commissions of the Company and its subsidiaries, which consider, evaluate and rate competitive proposals corresponding to demands, depending on their preferability.

### The procurement program as a key instrument of procurement management

The Company's Board of Directors approved the annual overall procurement program for 2007 and its updates in the interests of production programs for 2008.

In the period 2005 to 2007 the share of competitive procurement at «OGK-1» was raised significantly and today all important procurement contracts are concluded on a competitive



# Corporate Governance



basis. Production programs are produced with terms agreed in advance.

The Company carries out procurement activity to sign long-term contracts for fuel supply (coal, gas). The procurement activity is also performed in the framework of implementation of investment programs for building new capacity.

The dynamics of procurement activity is as follows (excluding capital construction procurement):

Meanwhile, the main type of procurement procedure is one-stage competition. Other types of procurement procedures are implemented in special situations in accordance with the «Regulation on the procedure of regulated procurement of goods and services». In the period 2005 to 2007 the share of open procedures at OGK-1 increased from 41% to 77.5%.

In the case that there is no competition for certain events and supplies (in monopoly economy sectors or in sectors with little competition) the procurement procedure is performed with one supplier. However the number of such procedures is declining.



## Procurement Efficiency Valuation

The economic effect of the organization and implementation of procurement procedures for the supply of materials, works and services on a competitive basis amounted to 557,422 thousand rubles in 2007 (or 5.87% of total procurement activity value).

## Internal Audit

The internal audit is an independent evaluation of the Company's internal control system functioning.

means, used to identify, evaluate and rate such information and prepare a report on the basis of the information, as well as special consideration of certain items of accounting, including detailed expertise of operations and remaining balance;

- control over the Company's property and its condition;
- control over internal control procedures and efficiency analysis of the internal control system;
- interaction with the Audit Commission and external auditors;

- ensuring sufficient credibility of the Company's financial information, accuracy and compliance with the procedures of the preparation of financial reports and the requirements of the Company's accounting;

- timely informing of the Executive body of any violations found in the Company's activity and submitting proposals to fix the violations, detected during the control procedures and monitoring; informing on drawbacks and submitting recommendations to increase management efficiency; analyzing and developing measures to increase efficiency of control procedures in the framework of the Company's business; evaluation of current standards, regulations and methods applied, approved by the Company;

- ensuring the accuracy of the Company's financial data subject to disclosure;

- internal control of subsidiaries and associated companies through Company representatives elected to the Audit Commission.

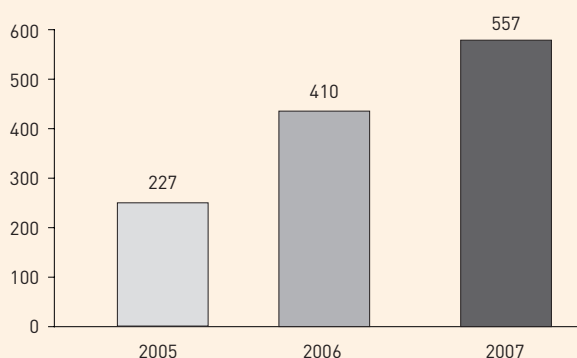
According to the Company's structure, the Department of internal audit is in charge of this task. The department was established in November 2005. The department of internal audit is directly controlled by the General Director of the Company. The internal audit department and the Audit Committee interact on the basis of the «Regulation of the Department of internal audit», approved by the Company's Board of Directors.

In order to implement this task the Department of internal audit performs the following functions:

- control over compliance of financial and operational activity of the Company and its subsidiaries with the requirements, set by means of regulating documents of the Company in order to protect its assets;

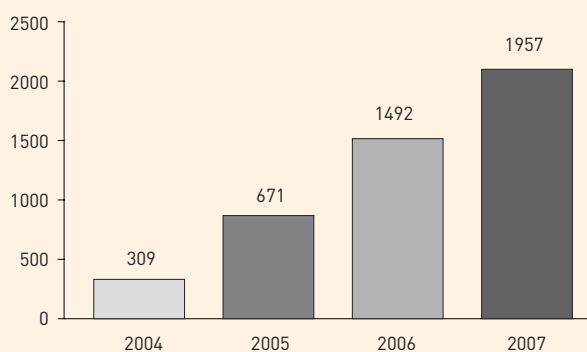
- control over accounting and operational information provided by the subdivisions of the Company's administration, subsidiaries and the Company's offices, including expertise of

**Economic Effect\*, million rubles**



\* Including procurement contracts for the construction of generating capacities.

**Amount of Regulated Competitive Procurement Contracts\***



\* Regulated procurement contracts, excluding generating capacity construction.





## 6.6. Risk Management

### Organization of the Risk Management Process

For the purpose of ensuring transparency and enhancing corporate governance in accordance with international standards, OGK-1 has developed the Integrated Risk Management System. The System provides for a process that begins with strategy and covers the Company's entire operations. This process is carried out by the Board of Directors, managers and other employees.

The OGK-1 risk management process is aimed at identifying events that may adversely affect the achievement of the Company's strategic and operational objectives, quantitative assessment of identified risks and implementation of integrated procedures for risk minimization and control. On the whole, the risk management process is designed to control corporate risks and give the senior management reasonable confidence in achievement of the Company's objectives.

The regulatory framework of the risk management process has been developed on the basis of the COSO document «Enterprise Risk Management – Integrated Framework» and is represented by the «OGK-1 Risk Management Policy» and the «OGK-1 Regulations for Risk Management», which, amongst other things, includes a description of the business process, document management, document formats and regulations for document exchange.

The corporate risk management structure is in line with the practices of international power companies and provides for a de-

centralized management structure: OGK-1's functional subdivisions responsible for specific operational areas deal with risk management issues related to their areas of activity.

Related to the above, subdivisions have been established. The Department for Risk Management has the following functions: to develop the concept, to create a corporate risk management system, to create a register of corporate risks and update it on a monthly basis, to calculate integral risks to the Company on the basis of the updated risk register, to develop recommendations for senior management with regard to acceptable levels of risks associated with the functional directions, to develop and submit recommendations concerning acceptable risk levels for the insurance program, and provide reports about current corporate risk status to the Executive Board and functional managers.

The Internal Audit Department has the following functions: to control implementation and efficiency of the procedures for internal control and risk management; to interact with the Internal Audit Commission and external auditors; to ensure adequate confidence with regard to reliability of the Company's financial records; to provide timely information to the Executive Board and General Director about identified violations and shortcomings; to make proposals and recommendations for elimination of violations and shortcomings; to develop measures to enhance efficiency of review procedures; to evaluate application of standards, regulations, and methods; to confirm reliability of financial account-

ing data; and to conduct internal audits in the subsidiaries and affiliates.

The Board of Directors, the Company management and employees are developing the Internal Control System aimed at ensuring adequate confidence in achievement of business objectives in the following areas: operational efficiency, reporting accuracy and compliance of operations with legal regulations.

### Description of Some of the Company's Risks

*External Regulation Risks.* OGK-1's activity is subject to continually changing political, legal, and social regulations, including market functioning rules, tax laws, and technical regulation rules. For the purpose of minimizing risks associated with political and legal changes, the Company maintains an active dialog with the organizations involved in the development of regulatory laws and rules.

*Electricity Market Risks.* As the Russian electricity market is in the process of formation, there are no ready-made solutions, software products, business processes, or personnel that can ensure efficiency in operations on new and existing power markets. The Company accepts such risks. In terms of response measures, the Company is studying the operational and developmental experience of Western power companies and developing proposals and initiatives regarding changing the System Operator load system. The Company participates in experiments aimed at reforming the System Operator's activity and develops

## News

### The board of directors of JSC «OGK-1» has decided to call an extraordinary general meeting on June 30, 2008

On April 18 the Board of Directors of the First Power Generating Company on the Wholesale Energy Market («OGK-1») (MICEX: OGK1) has decided to call an Extraordinary General Meeting on June 30, 2008 in the form of collective meeting with attendance by the shareholders.

The meeting agenda contains the issue «On early termination of the Board of Directors and on Elections of the new Board of Directors».

The list of persons, who can participate in the Extraordinary General Meeting of JSC «OGK-1» is prepared as of April 21, 2008.

The notification on the decisions of the Board of Directors «On the Extraordinary General Meeting» is available at the Company's website at the following link <http://www.ogk1.com/?th=1&m=4&ch=art&id=173> [in Russian].

### TNK-BP and OGK-1 Start Cooperation in the Framework of a Joint Venture based on the Nizhneartovsk Power Plant

Moscow, June 26, 2008. The Board of Directors of TNK-BP has approved the company's participation in a joint investment project for construction of a new steam-gas combined-cycle unit with a capacity of 800 MW at the Nizhneartovsk Power Plant. TNK-BP will purchase 25% plus one share of the company, established by OGK-1 for project implementation, for \$356 million.

Upon purchasing the additional share emission, OGK-1 will own 75% minus one share of the joint venture. The JV will include two existing units of the Nizhneartovsk Power Plant with a combined capacity of 1,600 MW, and will build the third generating unit. To that end, a tender for engineering, procurement and construction services (EPC) is currently underway. The JV will then own and operate all three units of the Nizhneartovsk Power Plants.



# Corporate Governance



proposals for amending market regulations. In addition, the Company is strengthening its internal trading subdivision and analytical subdivision and is also developing computer software for market simulation and forecasting.

*Risks associated with a possible increase in accounts receivable.* In the context of liberalization of the Russian electricity market, the share of the free trade sector is forecast to grow. The Company therefore deems it reasonable to be prepared for possible risks associated with non-performance by counterparties of their financial obligations under regulated contracts. For this reason, the Company monitors the financial standing of clients, automates management processes for accounts receivable in order to have the technical means for control of account settlements in the event of a fast growth in the number of such counterparties. Another line of response is claims activity.

*Risks associated with the implementation of investment projects.* The Company has approved a very ambitious investment program. Given the lack of experience in implementing investment projects on such a scale,

the lack of - or monopoly in - a market of domestic producers of required machinery, equipment, work, and services, the existence of unresolved conflicts in legislation and the change of OGK-1 owner, the Company accepts the risks associated with delays in the implementation of the approved investment program, the risks associated with nonobservance of the approved budget and the risks associated with the failure to achieve target parameters for quality of electricity and capacity. For the purpose of minimization of the above risks, the Company applies insurance and hedging mechanisms for financial risks, and takes measures to improve control over implementation of investment projects. OGK-1 has formulated enhanced requirements for design, cost-estimate, and other documentation for its projects and analyzed their risk sensitivity. The Company also applies project management methods.

*The Company accepts fuel price risks associated with the lack of required fuel supply at «relevant» prices.* For the purpose of minimizing the impact of the specified risks upon the Company's operating results, OGK-1 participates in joint projects for gas pro-

cessing/transportation with independent suppliers, participates in exchange trade arrangements, and develops trading functions. The Company tries to diversify gas suppliers and participates in joint projects for gas processing/transportation with independent suppliers. In addition, OGK-1 enters into long-term agreements with gas and coal suppliers.

*The Company accepts equipment failure risks.* Most of the Company's generating facilities have been in use for more than 20 years. Therefore, the Company considers ensuring equipment reliability a matter of great significance. To minimize such risks, the OGK-1 Chief Engineer Service separately from insurance mechanisms, applies procedures for engineering certification and diagnostics of equipment, the results of which inform the development of maintenance and technical upgrading and reconstruction programs. Moreover, the Company plans to take steps towards switching over to a system of maintenance based on technical condition.

*Risks associated with the violation of information confidentiality, integrity and accessibility.* This group of risks is managed in a centralized manner by the Security Department. The Company has developed internal regulations and methods for determining goals and procedures for mitigation of risks associated with information security management.

The main objective is to achieve a high level of readiness of information systems. The Company enters into confidentiality agreements providing for the compensation of damages in the event of information leakage.

*Risks associated with non-performance by counterparties of their financial obligations.* For the purpose of minimization of such risks, the Company applies the mechanism for bidding procedures and procurement operations and includes security officers in panels for analyzing counterparties and their draft documents submitted as part of their bids. In addition, OGK-1 implements measures to improve the quality of preparation of technical assignments and agreements.

## News

### OGK-1 exceeded last year's results

Output of First Power-Generating Company's power plants for the 11 months of 2007 reached 45,231.3 million kWh, which is almost 5% growth year-on-year. All power plants of First Power-Generating Company have increased their output as compared to November 2006, especially Kashirskaya GRES, Urengoykaya GRES, Irikliinskaya GRES and Permskaya GRES: they exceeded their year-on-year performance by 38%, 27%, 27.8% and 25%, respectively. Verkhnetagil'skaya GRES increased its output by 9.8% and Nizhnevartovskaya GRES, by 3.5%.

### Irikliinskaya GRES obtained a winter serviceability certificate

Today, on 1 November, Director of Irikliinskaya GRES R.E. Rakhmatulin formally received a Power Plant Serviceability Certificate for the autumn-winter period of 2007/2008. From 22 October the power plant was checked by an interdepartmental committee for serviceability during the upcoming peak loads. The Committee confirmed that the power plant met all prerequisites to withstand peak load during winter frosts.



instead of the planned  
red facility. This issue  
reviewed at a meeting  
led by Anatoly Chubais  
chaired by Eduard Rossel  
December. The meeting  
hold to discuss imple-  
mentation of the Agree-  
ment between the Govern-  
ment of Sverdlovsk Region and  
RAO UES of Russia on devel-  
opment of the utility system

CGGT unit was adopted, as  
a more environment friendly  
and efficient technology as  
compared to the coal based  
one.

The regional government  
also provided its preliminary  
consent to increase gas sup-  
plies to two power unit proj-  
ects of Verkhnetagil'skaya  
GRES that are currently un-

At the meeting, Anatoly Chubais noted that that  
the Agreement signed a year  
ago is being implemented.  
The commissioning deadline  
and installed capacity of the  
new power unit at Verkhne-  
tagil'skaya GRES set out in the  
Agreement will remain intact:  
as planned, the 330 MW unit  
will be launched in 2011.

"We are pleased with the  
results of the meeting», says

Company has made a huge  
amount of work and thor-  
oughly reviewed all scenar-  
ios of project implementation  
with RAO UES of Russia and  
the Government of Sverdl-  
ovsk Region. Environmental  
parameters were one of the  
primary criteria. As a result,  
we have selected the optimal  
variant, which has been duly  
appreciated by all the parties

### OGK-1 chose a depository bank

September 2007 - OGK-1  
has finished a one-stage  
bidding procedure without  
preliminary qualification  
selection for the right to sign  
an agreement to provide  
depository bank services to

Russia. The pre-  
is The Bank of Ne  
  
**The Board of Directors of approved bid an adviser m**  
  
On 26 January th  
Directors of OGK  
candidates to pre  
support an addi-

Board of Directors of  
has approved the Pro-  
for sponsorship and  
y for 2008. The com-  
as allocated 3 million  
s for sponsorship and  
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areas covered by the Pro-  
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ons of OGK-1 and are the  
for all power plants of  
mpany.

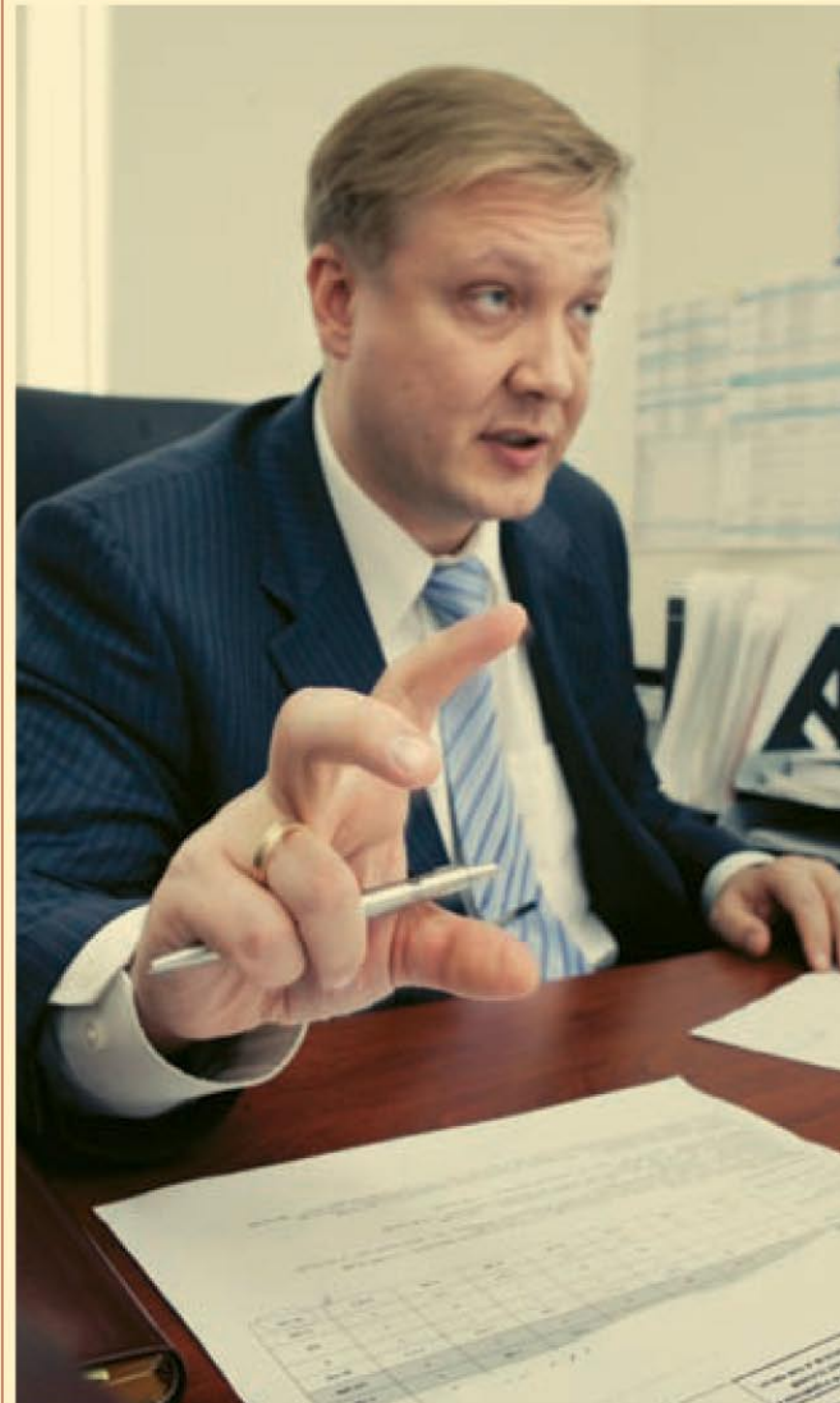
riority sponsorship and  
y areas of OGK-1 in-  
: support to children  
outh, social support to  
and distressed popula-  
veterans and disabled.  
d geography covers the  
as of the company's op-  
ns and its power plants'  
ons: the Central and  
regions.

the scope of OGK-1's  
aign "Growing Talents",  
mpany will implement  
cts aimed at develop-  
and improvement of  
hool and school educa-  
development and pro-  
of children's art, sup-  
and popularization of  
en's sports, vocational  
nce for high schoolers,  
rovision of schoolroom  
ment. In the scope of  
s campaign "Window  
Big World", the com-  
will implement projects  
at socialization of dis-  
children, assistance in  
oping technical resour-  
professional college for  
ed children, creation of  
ormation centre in a  
e library for children. In  
ope of a campaign "The  
y of Kindness", the com-  
will organize social sup-  
o schools for mentally  
ed children, boarding  
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to children from poor  
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Veterans, Associations  
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Charity and sponsor  
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portant resources were  
ted in 2007 to provide  
ance to children from  
amilies, physically dis-  
children, schools, chil-  
institutions of addi-  
education, boarding  
s, and children's sports  
s.

OGK-1 has been engaged  
rity for many years. We  
anning to continue pro-  
assistance to the devel-  
of local communities  
areas where our em-

# 7 | Securities



Deputy CEO, Director for Procurement Sergey Yanson

## Nizhnevartovskaya GRES is ready for heavy frosts

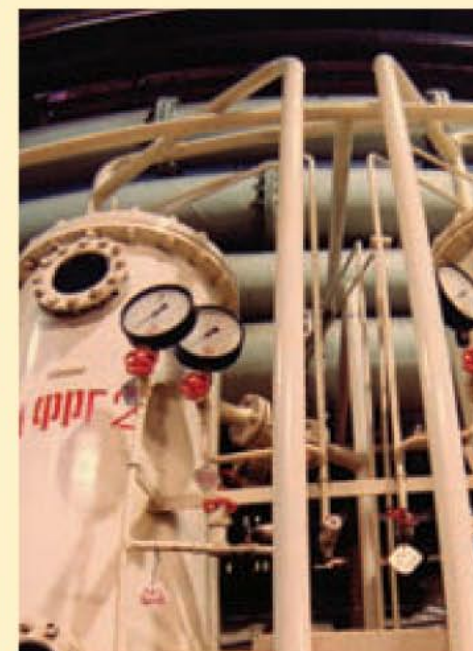
This October specific fuel consumption for electricity supply from Nizhnevartovskaya

kWh). On the back of rapidly growing fuel prices, cost efficiency is a key profit growth

tained Compliance Certificate No. 11 certifying that Unit 1 meets the requirements of the standard "Requirements to participation of generating units in rated primary and automatic secondary frequency regulation" by System Opera-

## First Power-Generating Company started finalizing the results of competitive selection of a legal adviser

OGK-1 closed admittance of corporate bids for participation in competitive negotiations for the right to sign agreements for legal support of an additional share issue. Bids for participation in competitive negotiations were submitted by important and well-known legal companies, both Russian and foreign. A total of 11 bids were submitted, including 7 from international legal companies and 4 from Russian ones. «OGK-1». On 13 February the Competition Committee of OGK-1 chose Cleary Gottlieb Steen & Hamilton LLP as adviser for an additional share issue. The Board of Directors of OGK-1 will approve the appointment on 15 February. 11 Russian and foreign companies took part in the competitive pro-



The investments into development of enterprise allows us to render services for civilians with th

## Irkutskaya GRES obtained a winter serviceability certificate

Today, on 1 November, Di- viceability Certifi

the Government of the Chukotka Region  
OGK-1 will build a 330 MW gas power unit at the planned coal-fired power plant. This issue was discussed at a meeting attended by Anatoly Chubais and Eduard Rossel, Deputy Chairman of the Government of the Chukotka Region and Deputy Chairman of the Government of the Chukotka Region on development of the utility system in the Far East.  
As a result, a new working agreement on construction of a gas power unit was adopted, as a mutually beneficial and environmentally friendly technology as compared to the coal based

also provided its preliminary consent to increase gas supplies to two power unit projects of Verkhnetagilskaya GRES that are currently under development.  
The commissioning deadline and installed capacity of the new power unit at Verkhnetagilskaya GRES set out in the Agreement will remain intact: as planned, the 330 MW unit will be launched in 2011.  
"We are pleased with the results of the meeting», says General Director of OGK-1 Vladimir Khlebnikov. "The Company has made a huge amount of work and thoroughly reviewed all scenarios of project implementation with RAO UES of Russia and



High adaptability to manufacture of production in a combination to enthusiasm of experts of the company helps OGK-1 to carry out of the obligations successfully

parameters were one of the primary criteria. As a result, we have selected the optimal variant, which has been duly appreciated by all the parties and which will enable us to complete the project within the deadlines provided for in the Agreement».  
OGK-1 has selected the preferred bidder to perform the EPCM contract during construction of Unit 4 at Permskaya GRES. The overall cost of the project amounts to around 16 billion rubles. The project is planned to be completed in 2010.  
Two Russian companies took part in the open competitive tender for construction of Unit 4 at Permskaya GRES. OGK-1 considered

tor whose functions will be performed by a consortium led by Gruppo E4. This structure will allow OGK-1 to be more involved in construction, selection of equipment, structure and acceptance modules.  
Key equipment to be installed at Permskaya GRES (gas turbine and power generator) will be acquired by the customer on its own. The equipment will be supplied by Siemens. The new 330 MW combined cycle gas turbine set with a 55-58% efficiency will allow covering electricity shortages that the region is currently facing.  
On implementation of the project, overall cost

# OGK-1 invites to public hearings

First Power-Generating Company will present its Report on sustained development for 2006. The Public Hearings will take place on 19 June 2007.

On 27 February 2008 Head of the Risk Management Department of OGK-1 Lyudmila Elkina submitted a report entitled "Building an Integrated Risk Management System in a Utility Company" at the IV annual conference

"Risk Management in Utility Industry: Ensuring System Reliability and Safety of Power Supply in the Context of Industry Management Structure, Issue "01.07.08" that was held at the President Hotel in Moscow.

September 2007 – The Board of Directors of OGK-1 declared raising financial resources to investment projects in exchange for reduction in greenhouse gas emissions a priority goal of the Company. In this connection, OGK-1 will sign agreements with Energy Carbon Projects to prepare specialized engineering documentation for a number of investment projects.  
An Annual General Meeting of Shareholders of OGK-1 was held on 22 June. The meeting had a quorum with 92.98% shareholders, or 41,512,635 thousand shares,

## OGK-1's share price is growing

Yesterday MICEX set a price benchmark for OGK-1's stocks. The maximum price per ordinary share in First Power-Generating Company with 1 ruble value reached 3 rubles. Meanwhile, on 24 January 2007, the RTS (classic market) set the first 2 transactions of OGK-1's stocks for a total of US\$19.9k, at US\$0.095 per share.  
On 30 November 2007, the Board of Directors of OGK-1 and MICEX stock exchange launched trading in the Company's ordinary stocks as non-listed securities. OGK-1's stocks are traded in MICEX and RTS stock



Director of Irikliinskaya GRES (OGK-1 subsidiary) Rifat Rahmatulin

First Power-Generating Company will present its Report on sustained development for 2006. The Public Hearings will take place on 19 June 2007. We invite journalists who are interested to participate in the hearings.

### News

#### First Power-Generating Company approved its Environmental Policy

22 January, Moscow – The Board of Directors of OGK-1 declared conservancy and higher environmental safety a priority area for the company. In the scope of the above decision the Board of Directors approved the Environmental Policy of OGK-1, Program for Implementation of Environmental Policy for 2008-2010 and Key Environmental Policy Targets until 2015.

#### A meeting of the Board of Directors

On 28 September 2007 the Board of Directors of

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You can get new press-releases and another information on our site [www.ogk1.com/docs](http://www.ogk1.com/docs)



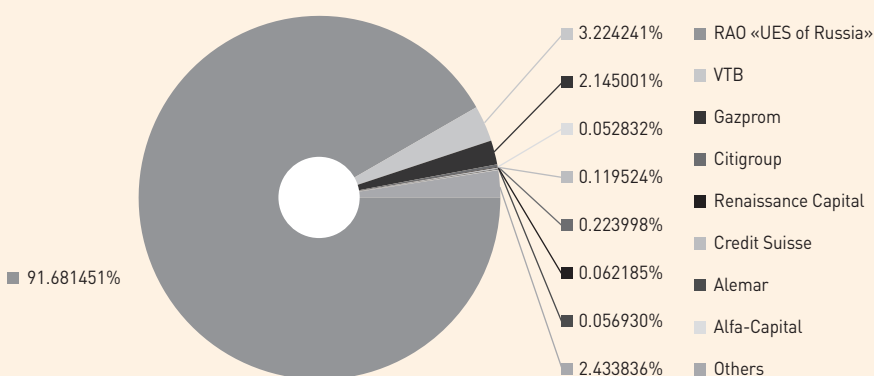
## 7. Securities

### 7.1. Shareholding Capital

#### Shareholders as of December 31, 2007

Type of Shareholder	Amount of Shareholders	Amount of Shares	Amount of shares (% of total amount of shares)
Shareholders — Individuals	18,036	378,277,663	0.85
Corporate Shareholders	72	2,690,492	0.01
Nominee Shareholders	19	44,262,224,763	99.15

#### OGK-1 Shareholding Structure



### 7.2. Shares Issue and Listing

As of December 31, 2007 OGK-1 shares are listed on the following stock exchanges:

#### List of Stock exchanges and tickers:

Stock Exchange	Date of listing	Ticker
JSC RTS Stock Exchange «Non-listed Securities» / «Listed, but non-quoted securities»	29.08.2007	Classical Market – OGKA, Stock Market – OGKAG
MICEX Ltd Quotation list «I»	18.07.2007	OGK1

As of December 31, 2007 the OGK-1 charter capital amounts to 25,660,014,425 rubles and consists of 44,643,192,918 ordinary shares with a nominal value of 0.57478 rubles

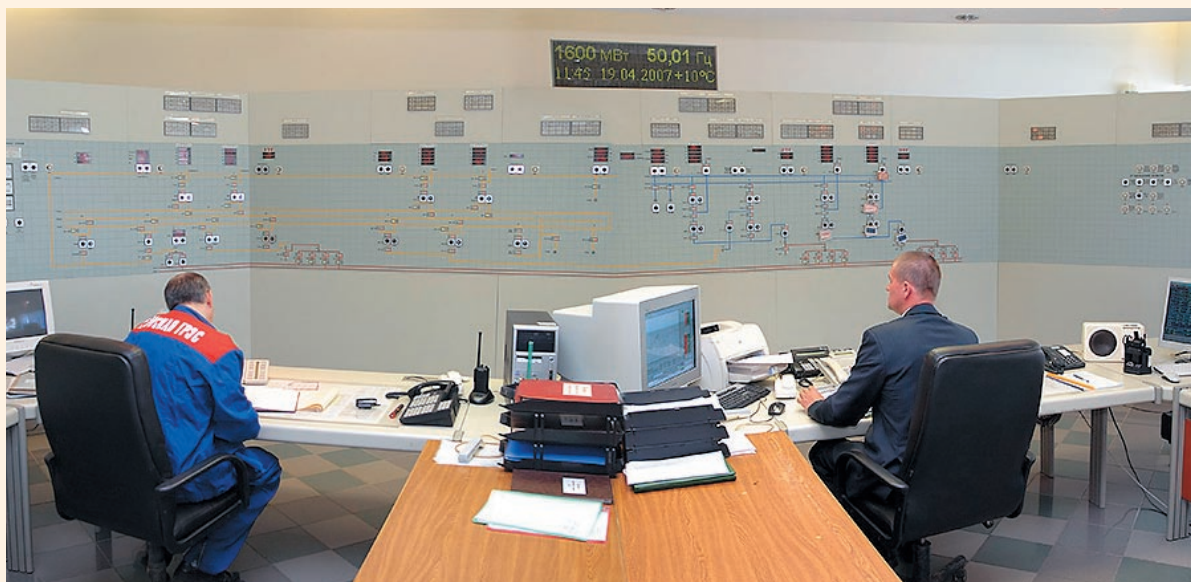
#### News

##### Unit 4 will be overhauled

On 6 August Iriklińska GRES launched another stage of the 2007 maintenance campaign by starting overhauling its 300 MW Unit 4. Unit 4 of Iriklińska GRES was commissioned 35 years ago in 1972. It was last overhauled five years ago in spring 2002.

##### OGK-1 breaking records

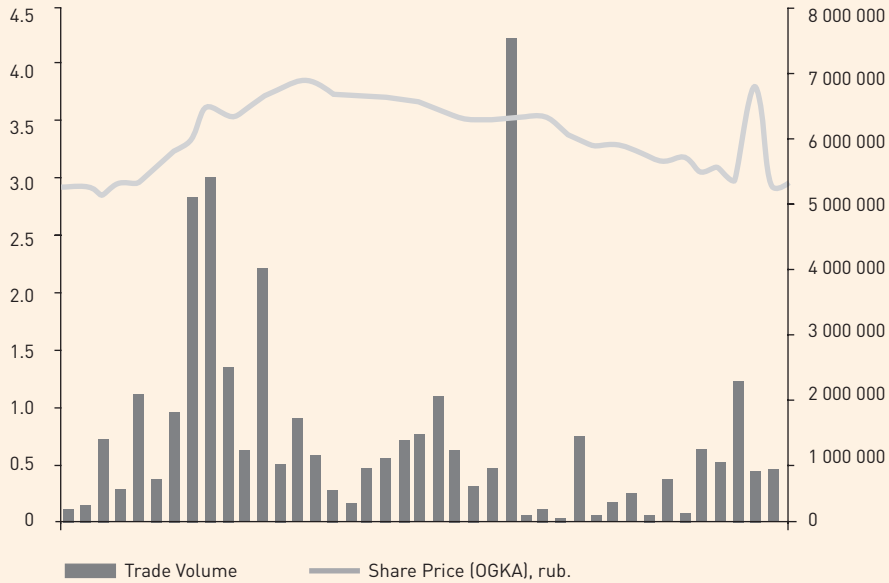
The July 2007 output of First Power-Generating Company's power plants reached 4.279 million kWh. July proved to be the most productive month for the Company. This month's output of the Company exceeded monthly performance of this year.



# Securities



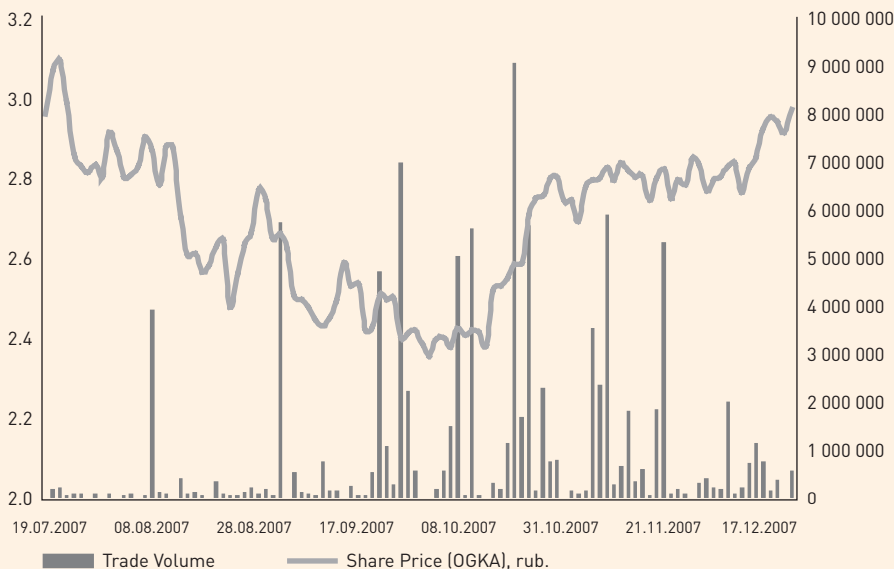
## OGK-1 Shares on MICEX (14.03.2007–21.05.2007)\*



\* Business days with the daily trade volume of more than 10 mln shares are on the following table:

Date	Share Price (OGKA), rubles	Trade Volume, shares
29.03.2007	4.066	41,026,060
24.04.2007	3.527	1,381,078,487
25.04.2007	3.401	1,380,188,522
18.05.2007	2.900	25,395,607
21.05.2007	2.900	72,657,800

## OGK-1 Shares on MICEX (18.07.2007–28.12.2007)\*\*



\*\* Business days with the daily trade volume of more than 10 mln shares are on the following table:

Date	Share Price (OGKA), rubles	Trade Volume, shares
04.10.2007	2.410	10,072,900
17.10.2007	2.464	21,730,000
19.10.2007	2.527	22,433,000
26.10.2007	2.658	26,007,100
29.11.2007	2.771	10,908,605
30.11.2007	2.770	10,120,306
07.12.2007	2.833	100,471,757
20.12.2007	2.880	160,352,900
21.12.2007	2.939	11,189,900

OGK-1 share price on MICEX amounted to 2.9710 rubles on December 28, 2007.

## News

### Nizhneartovskaya GRES is ready for heavy frosts

This October specific fuel consumption for electricity supply from Nizhneartovskaya GRES reached 302.1 g/kWh, which is 9.5% lower than average for OGK-1 (333.8 g/kWh). On the back of rapidly growing fuel prices, cost efficiency is a key profit growth instrument.

### OGK-1's power plants produced almost 23 million kWh over 1H 2007

12 July 2007: in 1H 2007 First Power-Generating Company's power plants produced 22,723.02 million kWh, with productive electricity supply amounting to 21,628.25 million kWh. OGK-1's power plants also supplied 611.13 thousand Gcal. Day-ahead market (DAM) sales totaled 11,088.89 million kWh.

### Over 5 months OGK-1 disbursed almost 600,000 thousand rubles for maintenance purposes

OGK-1 spent 582,910 thousand rubles for maintenance purposes for the first 5 months of 2007 alone, while the key maintenance is still ahead. If added up, all days of maintenance done this summer at all power plants will exceed one year! Ensuring reliable operation of power plant equipment requires that much time.

### OGK-1: gas exchange trading results

OGK-1 took part in the trading session at the gas exchange on 27 April 2007, with gas supply in the second ten days of May 2007. The company planned to purchase gas for two power plants: Permskaya GRES and Irikliinskaya GRES. A total of 15 million cu m of gas for Permskaya GRES and 3 million cu m for Irikliinskaya GRES were purchased during the trading session. The terms of gas purchase comply with the forecast scenario of electricity sales in the day-ahead market from 11 to 20 May.



## News

### OGK-1 is completing its maintenance campaign

August 2007: Permskaya GRES has completed all principal maintenance projects, with engineering maintenance and planned repairs of auxiliary equipment currently underway. Iriklinskaya GRES continues overhauling Unit 4 to be completed by mid-October. Kashirs-kaya GRES completed running maintenance of its Unit 1 on 23 August, exactly as planned.

### OGK-1 passes the 50 billion kWh threshold

In 2007 OGK-1 broke its own output record: 50,074.6 million kWh, which is 6% growth year-on-year. Productive supply over 12 months 2007 also increased by 6% to 47,760.9 million kWh. Day-ahead market (DAM) sales reached 23,542.53 million kWh.

### All as planned

In July 2007 Permskaya GRES met 100% of the plan by producing 1,095.5 million kWh of electricity. The entire output was demanded and sold in the wholesale electricity market. These results were achieved despite that only two power units were operational, as Unit 2 had been under planned running maintenance since 9 July. The power plant's operating personnel duly followed the operating load schedules.

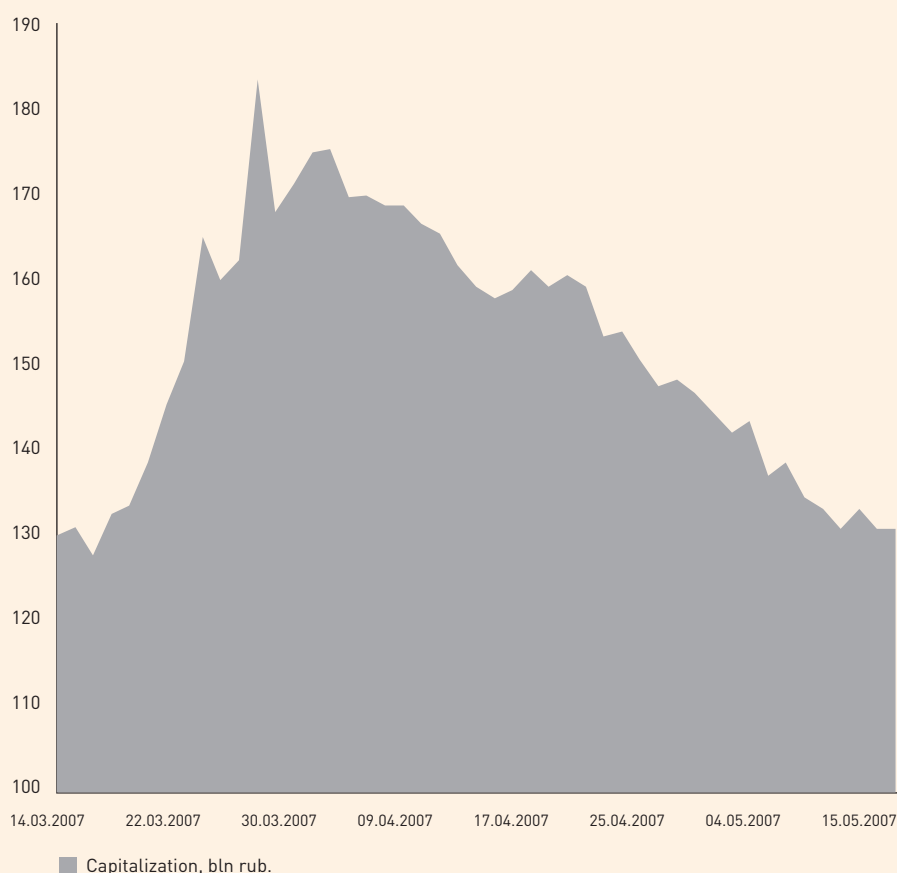
### OGK-1: gas exchange trading results

OGK-1 took part in the trading session at the gas exchange on 15 March 2007, with gas supply in April 2007. The company planned to purchase gas for two power plants: Kashirs-kaya GRES and Iriklinskaya GRES. A total of 10 million cu m of gas for Kashirs-kaya GRES were purchased during the trades.

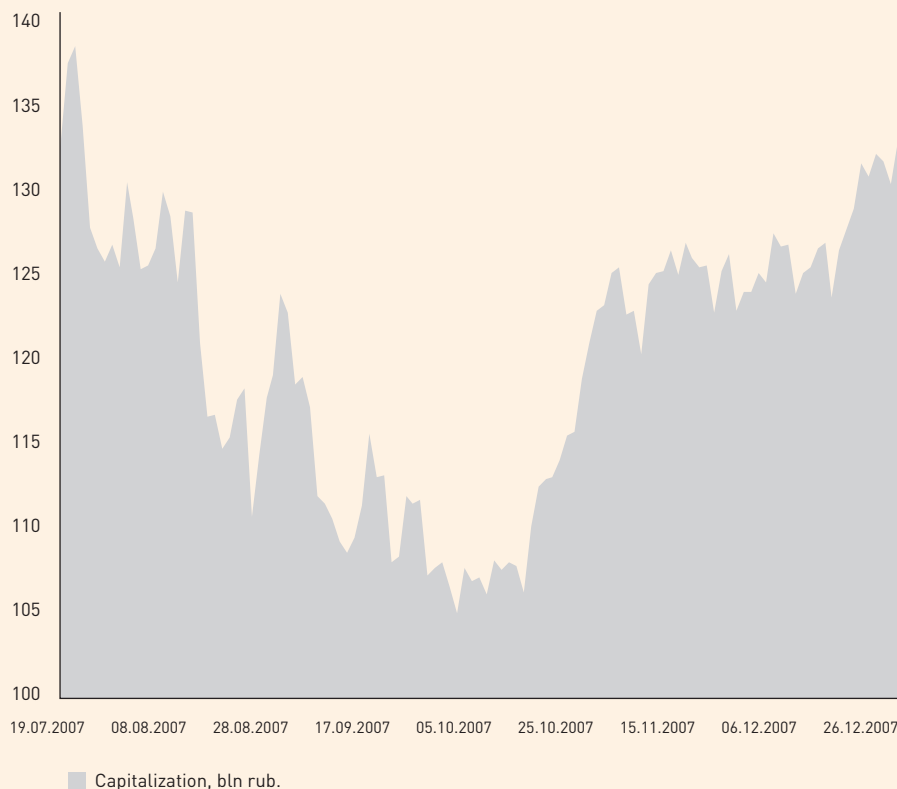
### OGK-1 took part in a gas exchange trading session

OGK-1 took part in the trading session at the gas exchange on 20 August 2007, with gas supply in the first ten days of September 2007. A total of 20 million and 3 million cu m of gas were purchased for Permskaya GRES and Iriklinskaya GRES, respectively.

OGK-1 Capitalization, based on the share price on MICEX for the period of 14.03.2007–21.05.2007



OGK-1 Capitalization, based on the share price on MICEX for the period of 18.07.2007–28.12.2007



# Securities



## 7.3. Profit Distribution and Dividend Policy<sup>1</sup>

### Profit Distribution — dividends per share in 2007

	1st quarter 2007 Dividends	
	Dividends per Ordinary Share, rubles	Total Amount of Dividends, thousand rubles
JSC «OGK-1»	0.014336	640.005
RAO «UES of Russia»	0.014336	586.766
Other Shareholders	0.014336	53.239

<sup>1</sup> In accordance with the Company's dividend policy profit distribution and dividend calculation is processed on the basis of net profit of the period and in compliance with the Russian Accounting Standards (RAS).



### Profit Distribution — dividends per share in 2006\*

	1st quarter 2006 Dividends		1st Half 2006 Dividends	
	Dividends per Ordinary Share, rubles	Total Amount of Dividends, thousand rubles	Dividends per Ordinary Share, rubles	Total Amount of Dividends, thousand rubles
Nizhnevertovskaya GRES	0.803214	219,871	0.154961	46,646
Iriklinskaya GRES	0.648188	103,831	0.360124	57,687
Urengoykaya GRES	0.036531	10,000	—	—
JSC «OGK-1»	0.002504	42,031	0.003571	59,934
TOTAL:		375,733		164,267

\* In accordance with the decision of the General Shareholders meeting of Kashirskaya GRES it doesn't pay dividends after the 1st half of 2006. Total net profit (excluding reserve fund) was allocated to finance the investment program of the power plant. 100% of Permskaya GRES charter capital belonged to JSC «OGK-1», that is why the power plant paid the dividends in accordance with the OGK-1 liabilities.

### Profit Distribution in 2005

Net Profit Distribution, thousand rubles	GSM on the results of 2006		General Shareholders Meeting on the results of 2005				
	OGK-1	OGK-1	NVGRES	KGRES	UGRES	IGRES	PGRES
Non-distributed profit (loss) of the period:	348,619	26,570	162,627	153,016	18,627	132,033	262,158
Reserve Fund	22,529	1,329	8,131	7,651	931	6,602	7,095
Dividends	—	23,598	149,100	117,037	14,230	110,000	255,063
Investment (accumulation fund)	326,090	1,643	—	28,328	—	15,431	—
Uncovered loss of past years	—	—	5,396	—	3,466	—	—

## News

### August sales of First Power-Generating Company exceeded 3 billion rubles

In August 2007 OGK-1's power plants sold 3,963.63 million kWh for 3,332.09 million rubles in the wholesale electricity market. NOREM (New Wholesale Electricity (Capacity) Market) marked its first anniversary on 1 September. Over this period OGK-1 sold 44,516 million kWh in the market and increased its revenue to 34,680 million rubles.

### The Board of Directors of OGK-1 confirmed convening an Extraordinary General Meeting of Shareholders to be held on 28 December 2007

On 23 November 2007 the Board of Directors of OGK-1 confirmed convening an Extraordinary General Meeting of Shareholders. The Board of Directors approved the following agenda of the Extraordinary General Meeting of Shareholders:

- 1) Approval of material terms of the agreement for supply of capacity to the wholesale electricity market to be signed between the Company, ZAO CFR and NP ATS, which constitutes a material transaction.
- 2) Approval of material terms of the transaction related to disposal of shares in Nizhnevertovskaya GRES, which constitutes a major transaction.

### The Board of Directors of OGK-1 will hold its meeting on 28 September

The Board of Directors of OGK-1 will hold its meeting on 28 September to discuss approval of the form and text of the notice on convening a meeting and voting bulletin, as well as to approve the cost estimate for holding an Extraordinary General Meeting of Shareholders. Additionally, the Board of Directors will need to make a decision on the buyout price of shares in OGK-1 to be bought out from shareholders who voted against reorganization of the Company or who did not participate in the voting.

...sion to issue the  
 ...pany's securities to  
 ...ferred by converting  
 ...ered ordinary shares in  
 ...1 in shares with lower  
 ...alue, and unanimously  
 ...oved the Offering  
 ...randum of OGK-1. The  
 ...e decision was taken  
 ...1 on the decision of  
 ...extraordinary General  
 ...ing of Shareholders

**Deputy CEO, Director of Manager**  
**Natalya Belenko**

**OGK-1 is  
 included in  
 the Top 100 of  
 Social and  
 Environmental  
 Rating**

OGK-1 has entered Top 100 of the Russian rating of socially responsible companies for 2007 led by the International Green-Ecological Union (Independent Environmental Rating Agency) (ANO NERA). The rating captures the level of transparency and overall environmental impact of the company. As a result, OGK-1 moved to 62nd place from 64th in 2006.

OGK-1 has 6 branches of which 1 entered regional lists. Urengoy'skaya entered Top 10 in the Yamalo-Nenets Autonomous District, Kashirskaya GRES, Term'skaya GRES entered Top 20 in the lists of the Moscow Region and Perm Territory, respectively. Cherepovets'skaya GRES, Krasnodar'skaya GRES and Nevartovskaya GRES

...WS

**OGK-1 is the Best  
 Generating Company  
 in Social and Labor  
 Relationships**

In 2007, First Power-generating Company entered the contest "Socially Responsible Utility Companies in Staff Relationships Area" organized by Association of Power-generating Companies and won the first prize as "Best Generating Company in Social and Labor Relationships" for 2006 performance.

**OGK-1 invites to  
 Public Hearings**

The Board of Directors of OGK-1 declared raising social resources to implement projects in the range for reduction in household gas emissions a strategic goal of the Company. In connection, OGK-1 signed agreements with various Carbon Projects



**8 | Social Responsibility**

**Public opinion  
 appreciated  
 the Sustained  
 Development Report  
 by OGK-1**

OGK-1's Sustained Development Report was positively assessed by the participants of the Public Hearings held on 19 June 2007. Participants noted that the format and coverage of information provided allowed for a positive assessment of the company's commitment to responsible business management.

At yesterday's Public Hearings, OGK-1 presented its Report on sustained develop-

international recommendations of GRI, version 3.

OGK-1 won an award of the Seventh All-Russia Contest "Russian Organization of High Social Efficiency".

Yesterday, on 12 February, the company received a third prize diploma for "Payroll and Social Payments" at an award ceremony in the State Kremlin Palace. The contest board assessed candidates by analyzing numerous criteria: headcount, average monthly salary, training costs, social payments, including non-governmental health insurance and voluntary health insurance.

The contest is organized



# OGK-1 has received a high mark



Director of Verkhnetagilskaya GRES (OGK-1 subsidiary) Andrey Levitov

OGK-1 won an award of the Seventh All-Russia Contest "Russian Organization of High Social Efficiency".

Yesterday, on 12 February, the company received a third

prize diploma for "Payroll and Social Payments" at an award ceremony in the State Kremlin Palace. The contest board assessed candidates by analyzing numerous criteria: headcount, average monthly salary, training costs, social payments, including non-gov-

ernment pension benefits and voluntary health insurance.

The contest is organized by the Russian Ministry of Economic Development and Ministry of Health and Social Development and aimed at drawing attention to social issues and demonstrating high

efficiency of social work using the example of the best organizations in the field.

The rating captures the level of transparency and overall environmental impact of the company. As to the latter, OGK-1 moved up to 62nd place from 64th in 2006.

All 6 branches of entered regional rating. Urengoyskaya GRES entered Top 10 in list of the Y. Nenets Autonomous District while Kashirskaya GRES, Permskaya GRES hit 1st in the lists of Moscow region and Perm Territory.

## News

### Permskaya GRES was declared the best social company for the sixth time

Пермская ГРЭС в шестой раз признана лучшей социальной компанией России. Компания получила награду за победу в конкурсе "Социальная организация высокой социальной эффективности" за шестой раз.

The contest board duly appreciated measures implemented by the power plant to ensure dynamic development such as its payroll system, staff

programs, operation of the social security committee, regulations for auxiliary pension benefits to power plant's staff, and active HR policy.

### First Power-Generating Company started finalizing the results of competitive selection of a legal adviser

OGK-1 closed admittance of corporate bids for participation in competitive negotiations for the right to sign agreements for legal support of an additional

by important and well-known legal companies, both Russian and foreign. A total of 11 bids were submitted, including 7 from international legal companies and 4 from Russian ones.

### OGK-1's share price is growing

Yesterday MICEX set a new price benchmark for OGK-1's stocks. The maximum price per ordinary share in First Power-Generating Company with 1 ruble par value reached 3 rubles. Meanwhile, on 24 January RTS (classic market) saw the first 2 transactions with

On 30 November RTS and MICEX stock exchanges launched trading in the Company's ordinary stocks as non-listed securities. OGK-1's stocks are traded in MICEX and RTS stock exchanges under ticker code "OGKA".

### An in absentia meeting of the Board of Directors of OGK-1 was held on 16 April

The Directors have unanimously adopted a decision to issue the Company's securities to be offered by converting

unanimously approved Offering Memorandum of OGK-1. The above decision was taken based on the decision of the Extraordinary General Meeting of Shareholders to decrease the Company's registered capital dated 4 April 2006.

### Civil defense and emergency officers of the Security Service of Nizhnevartovskaya GRES ran large-scale drills

In accordance with the principal civil defense and emergency plan of the

## It is the generating company and labor relationships

First Power-Generating Company announced the contest "Socially Responsible Utility Company" in Staff and Labor Relationships Area" of RAO UES. The contest board approved the measures implemented by OGK-1. The results of the contest will be used to



## 8. Social Responsibility

### 8.1. Personnel and Social Policy

As of December 31, 2007, the number of employees of OGK-1 was 6,362

As of December 31, 2007, the number of employees of OGK-1 was 6,362.

The average personnel turnover in 2005, 2006 and 2007 was about 8%, 5% and 7.5% respectively.

In 2007, the average salary of an employee grew by 22.4% to 32,504 rubles.

#### Basic Principles and Goals of Personnel Policy

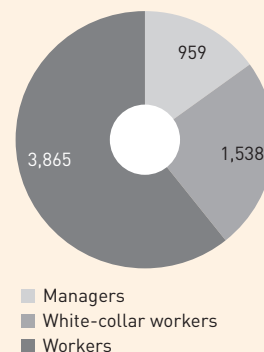
- interdependence between the accepted personnel practices and financial and economic performance;
- balancing of economic and social aspects of labor resource utilization;
- corporate conduct and professional ethics requirements set forth in the internal regulatory documents are binding upon employees;

- availability and openness of information concerning personnel relations;
- responsibility of managers of all levels for the development of labor potential of their subordinates;
- remuneration depending on performance;
- offering each employee opportunities to realize his/her individual potential.

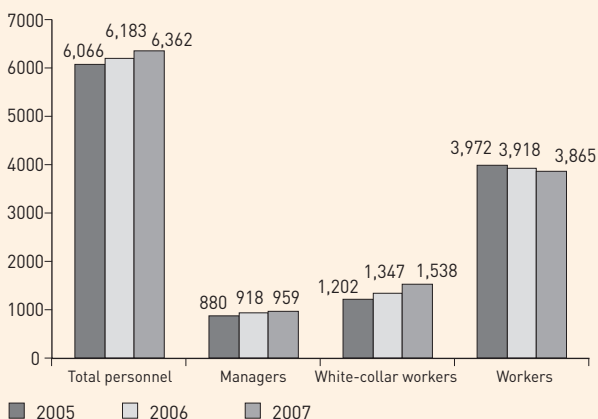
#### Company's Personnel Structure as of December 31, 2007

Facility	Workers	Engineering Personnel	Managers	Total
Central Function	—	167	71	238
Irkliinskaya TPP	548	205	129	882
Permskaya TPP	513	368	169	1,050
Nizhneartovskaya TPP	651	259	141	1,051
Kashirskaya TPP	1,193	242	234	1,669
Verkhnetagilskaya TPP	828	220	143	1,191
Urengoyanskaya TPP	131	79	71	281
OGK-1 total	3,864	1,540	958	6,362

#### OGK-1 personnel in 2007 (total personnel is 6,362)

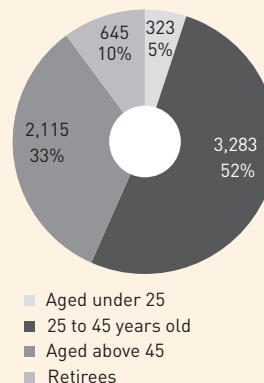


#### Changes in personnel from 2005 to 2007



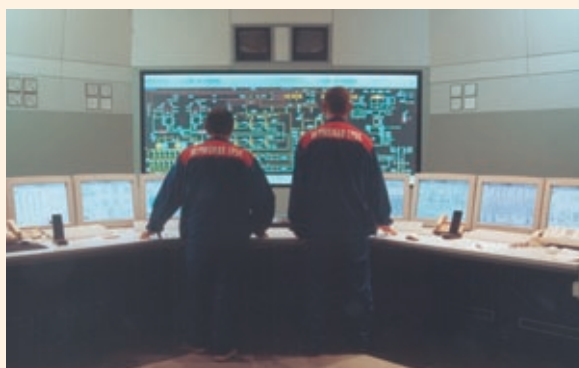
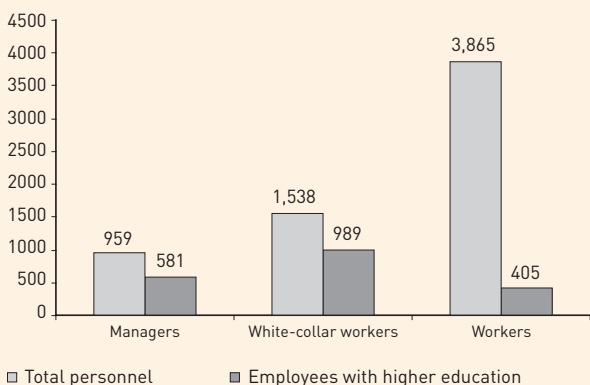
Since 2005, OGK-1 personnel, including the personnel of its branches, has grown by 5%. The increase in personnel is caused by the unification of the Company and the implementation of investment projects for the construction of new facilities.

#### Breakdown of OGK-1 personnel by age (6,362 people)



OGK-1 is a young Company which employs ambitious and vigorous employees. Most employees of the Company are 25 to 45 years old.

#### Qualitative breakdown of OGK-1 personnel in 2007



# Social Responsibility



## Collective Agreement

On March 20, OGK-1 signed a Collective Agreement for 2007 and 2008 governing social and labor relations within OGK-1 and establishing additional benefits, guarantees and compensation payments for the employees of the Company.

**C**ollective Agreement provides for various types of incentives and benefits, such as vacation bonus, maternity benefit, marriage incentive, child care benefit, funeral benefit and death benefit made after the death of employees and relatives of employees of the Company.

In addition, the Collective Agreement budget includes sporting, fitness and cultural events for the employees of the Company, the purchase of holiday hotel vouchers; recreation camp vouchers for the children of employees. The employees of Nizhnevartovskaya GRES and Urengoyanskaya GRES and their unemployed family members had vacation tickets paid (biannually).

During 2007, the branches arranged countryside tours, theater, cinema, show and museum visits for shop and unit teams.

It is traditional to hold New Year celebration events for the children of employees and give them presents.

To improve corporate spirit and encourage personnel, in 2007 various sport and cultural public events were held involving the employees of OGK-1, their family members and retirees registered at trade union organizations.

«Spartakiads» (sport competitions), volleyball, basketball, chess, tennis, football, swim-



ming competitions were held on the base of OGK-1 branches. The employees of the branches participated in the Lyzhnya Rossii ski race.

In addition, events were arranged to celebrate Victory Day, Older People's Day, International Women's Day, Electric Power Engineer's Day and OGK-1 Birthday.

## Voluntary Health Insurance

In 2007, the Company continued cooperating with ROSNO to ensure Voluntary Health Insurance (VHI) for its employees. Under the VHI program employees are offered the opportunity to receive services from one of the best medical treatment facilities, provided with holiday hotel vouchers; employees exposed to harmful working conditions undergo annual medical check-up.

## Succession Pool, Personnel Training and Additional Training

Personnel Training and Development

In 2007, OGK-1 launched Corporate University as a form of

personnel training and development process. OGK-1 is actively developing its human resources. A number of corporate programs were developed and implemented in cooperation with the best Russian and foreign educational institutions.

More than 370 medium-level managers and line managers involved in the operation of power plant equipment were trained under the Lead Manager program. The structure of the program developed in cooperation with the International Academy of Business corresponds to the international managerial competence model and includes the following sections: operations management, personnel management, information management, financial management, quality management, project management.

The Project Management program was developed and started to be implemented. The first phase of the program developed in collaboration with PM Expert was taken by 17 top managers.

More than 80 employees of the Central Function were trained under the corporate English language training program developed in cooperation with the Education and Training International. Simultaneously,

## OGK-1 is actively developing its human resources

85 top and medium-level managers learn English at the power plants.

In 2007, the first annual competitions among the integrated teams of operating personnel were held. The teams representing all the 6 power plants of OGK-1 took part in the competitions.

A total of 634 employees participated in professional skill contests and competitions among operating personnel.

The Company created personnel training and development infrastructure which allows implementing training programs varying in content and level of complexity. All power plants have training classes equipped with computer devices; the elements of remote computer training of managers, white-collar workers and workers are widely used.

The training center (Coaching and Training Center Non-Profit-Making Institution) performs analytical work to define the need for power plants' personnel training and comply with the requirements imposed on the professional skills of managers, white-collar workers and workers. Training courses (including those for remote training system) are being developed; computer simulators were developed, knowledge base was created.

In 2007, 3,378 people were trained. This figure accounts for 697 managers, 953 white-collar workers and 1,728 workers. Training costs were 43,493.7 thousand rubles. Managers and white-collar workers took advanced training courses in the following areas: 1,030 employees in industrial safety; 640 – in management; 127 – in economics; 168 – in finance.





# Social Responsibility



## The Company created personnel training and development infrastructure which allows implementing training programs varying in content and level of complexity

32 workers graduated from higher education institutions; 1,809 employees took advanced training courses; 1,274 employees took training in the area of health and safety.

With regard to succession pool functioning, training and advanced training programs were formed and implemented for 32 employees of power plants as part of power plants' pool formation and 7 employees from the future succession pool of OGK-1.

## Cooperation with Educational Institutions

OGK-1 trains its employees in more than 20 leading educational institutions of Russia, 13 power engineering colleges and technical schools, 10 regional training centers and other educational institutions, more than 10 of which are foreign educational organizations.

Russian educational institutions are as follows:

- The Academy of National Economy under the Government of the Russian Federation, Moscow Power Engineering Institute (Technical University), Finance Academy under the Government of the Russian Federation.

- Mosenergo College, Yekaterinburg Power Engineering College, Orsk Polytechnic College.

- Professional Training Center, Surgut; TsPK Mosenergo.

- Corporate Power Engineering University, PEIPK Center for Occupational Safety of Electric Power Engineers, Saint Petersburg, etc.

## OGK-1 trains its employees in more than 20 leading educational institutions of Russia

Foreign counterparties:

- Deloitte,
- INSEAD,
- Ernst & Young,
- IMD,
- Education and Training International, etc

Interaction with educational institutions and other educational organizations includes work in the following fields:

## In 2007, 3,378 people were trained

## OGK-1 is actively pursuing health protection for its employees and to that end performs the following activities

- target training for students (72 students were trained in 2007);

- development of corporate educational programs;

- organization of internship for students (85 students undertook internship);

- advanced training and re-training, additional education.

## Employees Health Issues and Labor Safety Improvement

OGK-1 is actively pursuing health protection for its employees and to that end performs the following activities:

- employees exposed to harmful working conditions undergo pre-employment (before recruitment) and regular medical check-ups;

- mandatory social insurance for employees against industrial accidents in accordance with the requirements of the applicable laws of the Russian Federation;

- financing of activities aimed at improving working conditions and sanitary measures;

- assessment of workplaces;
- personnel exposed to harmful working conditions are given free milk, juice and other similar products as specified in the list of professions and posi-

## In 2007, the Company had a Private Pension Plan consisting of the Corporate and Parity Plan

## News

### The Board of Directors will discuss the investment programme of OGK-1

An in-person meeting of the Board of Directors will be held on 17 April to review implementation of the investment program of the Company. All investment projects of the Company were declared priority targets of the generating company. A five-year investment program of OGK-1 will be submitted to the Board of Directors for consideration.

### OGK-1 formed its first Audit Committee

On 20 July 2007 the Board of Directors of OGK-1 established its first Audit Committee. The task of the Committee is to work out and submit audit and reporting related recommendations to the Board of Directors. The Committee will prepare recommendations regarding candidates, scope of work, and remuneration of external auditors, develop the terms of and monitor the competitive selection process.

### Director General of OGK-1 has been given four years more

The Board of Directors of OGK-1 has taken the unanimous decision to extend the term of Vladimir Khlebnikov's office as Director General of the Company to and including 22 March 2011.

### OGK-1 elected its Management Board

On 20 July 2007 the Board of Directors elected the Management Board of the Company chaired by Director General of OGK-1 V. V. Khlebnikov. The Company also formed Committees of the Board of Directors: Reliability Committee and the first ever Audit Committee of the Company.

### A meeting of the Board of Directors of OGK-1 was held on 12 October

A meeting of the Board of Directors of OGK-1 was held on 12 October to approve an interested-party transaction with CRMZ [a branch of Mosenergo] to manufacture and supply condenser tube plates for the steam turbine at Unit 3 of Kashirskaya GRES.



# Social Responsibility



## All operating personnel are provided with certified personal protective equipment

tions pursuant to the Regulations of the Ministry of Labor of the Russian Federation;

- operational control, including laboratory research and testing, of compliance with sanitary rules and epidemic prevention measures.

## Labor Safety Improvement

The following activities are implemented to improve labor safety:

- all operating personnel are provided with certified personal protective equipment and devices for the safe performance of work;
- electrical engineering personnel are provided with special electric arc-resistant wear;
- personnel are taught safe operating methods and skills, undergo safety orientation course, on-the-job training and

knowledge check within the time limits established by safety regulations.

## Pension Plan

In 2007, the Company had a Private Pension Plan consisting of the Corporate and Parity Plan.

The Corporate Plan focused on the Supporting Program implementation. It covered future retirees (5 or less years before retirement). Under this program the Company pays to a retiring employee an additional monthly life pension of 450 rubles. 78 employees of the Company retired in 2007 with an additional pension under this program.

The Parity Plan is a type of private retirement benefits when the employee and the Company together in a certain proportion and in accordance with certain rules finance the employee's pension coverage.

The Parity Plan applies to all employees involved in employment relations with the Company.

In 2007, 402 employees of the Company resorted to the Parity Plan.



## 8.2. Environmental Protection

Heat industry, providing consumers with high-quality clean type of energy through the combustion of organic fuel, has objective impact on the natural

### Principal areas of environmental policy of OGK-1 were developed for 2008 to 2015

environment in the form of air pollutant emissions, discharges into water bodies, groundwater pollution, waste disposal and storage, heat, noise and electromagnetic effect. This effect can not be fully excluded, yet OGK-1 aims to minimize and compensate the effect produced.

Principal areas of environmental policy of OGK-1 were developed for 2008 to 2015. The environmental policy imple-

mentation program is developed for a 3-year period and adjusted for each of the following years.

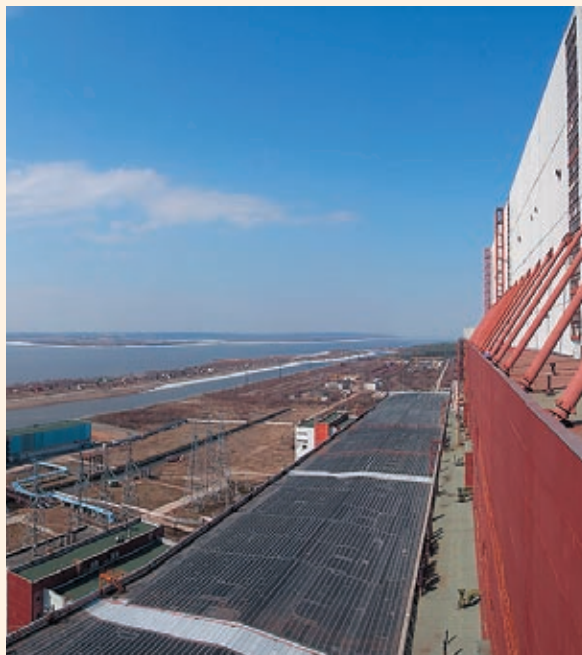
### Implementation of Environmental Policy in 2007

In 2007, emissions reduced by 12.4% compared with 2006.

Emissions decreased due to lower share of fuel oil combustion in total fuel volume and the

### In 2007, emissions reduced by 12.4% compared with 2006

implementation of environmental protection activities aimed at reducing air pollutant emissions.







# Social Responsibility

## Financing for Environmental Protection Policy in 2007

In 2007, the Company's current environmental protection costs, including costs in connection with activities, depreciation of fixed assets used for environmental protection, sewage and waste delivery services, grew by 30% to 198.478 million rubles. Most costs are associated with the protection and efficient use of water

## Company's current environmental protection costs

resources (67.3%). Air protection activities account for 9.7% of costs; protection of land resources against waste, 23%. Most funds (11.6 million rubles) were used for the restoration of fish resources, i.e. young sterlet return into the Kama Reservoir.

The Company strictly adheres to the principle of fee-based use of natural resources. Environmental payments decreased by a total of 623 thousand rubles due to reduced percentage of fuel oil combustion and the resulting reduction of total air pollutant emissions.

## Implementation of new technologies as a way to reduce environmental impact

– The Company plans to achieve considerable reduction of unfavorable environmental



impact using advanced technologies and solutions during the implementation of its investment program.

– Permskaya GRES (Unit 4) and Nizhnevartovskaya GRES (Units 3 and 4) will build CCGT-800 combined-cycle gas turbine units, the most advanced and highest-performance equipment planned to be commissioned under the investment program of the Company.

– Enhanced environmental performance of the unit is ensured due to the application of advanced technology and equipment which allow achieving highly-efficient fuel utilization for electricity generation and at least 51 % performance. Rated specific fuel consumption will be 218 grams of fuel equivalent/kWh, thus ensuring that natural gas consumption is 30% lower compared with the existing cost-effective steam-turbine units with similar capacity. Using state-of-the-art high-performance foreign gas turbines for CCGT-800 units will allow ensuring minimal pollutant emissions. The content of nitrogen oxides, the principal pollutant for combined-cycle gas turbines, in exhaust gases will be 25 ppm or 50 mg/m<sup>3</sup> (oxygen content being 15%) in line with the best international indicators achieved.

## Using state-of-the-art high-performance foreign gas turbines for CCGT-800 units will allow ensuring minimal pollutant emissions

– Verkhnetagilskaya GRES also plans to build a 320-450 MW CCGT. The environmental impact of CCGT does not worsen the existing environmental situation in the area where this unit is located. The intention is to implement sound-proofing and noise control activities which ensure compliance of noise level with sanitary standards. The installation of state-of-the-art clean equipment for natural gas combustion allows commissioning equipment characterized by lower specific air emissions compared with the installation of coal-fired unit.

– Urengoykaya GRES plans to build CCGT-450 to be commissioned step by step: in 2009, 2\*320 MW GTUs will be built and converted into CCGT-450 in the same year. Plants producing gas turbines for power

industry guarantee compliance with the GOST requirements for NOx content in exhaust gases at 25 ppm. Gas turbines use low-emission combustion chambers in which the content of nitrogen oxides (NOx) meets the current standards. When natural gas is used as primary and back-up fuel, sulphur dioxide and solids are not emitted. Using the cleanest fuel and state-of-the-art fuel units with low pollutant content allows minimizing the air impact of the new unit.

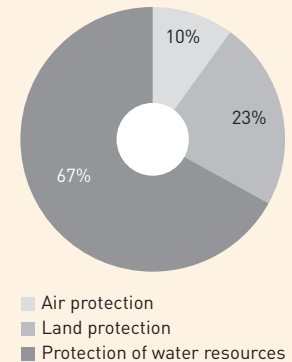
– Unit 3 of Kashirskaya GRES is re-equipped using upgraded K-330-240 (LMZ) turbine and rehabilitated two-body direct-flow P-50R boiler (PMZ) with a capacity of 1,050 tonnes/

## The installation of state-of-the-art clean equipment for natural gas combustion allows commissioning equipment characterized by lower specific air emissions

hour. The new boiler is capable of suppressing nitrogen oxides (concentrated dust feed, staged combustion, reduction of excess air in the burner) and reducing their content as follows: during stage 1, twofold to 700 mg/m<sup>3</sup>; during stage 2, to 570 mg/m<sup>3</sup>, i.e. in compliance with the requirements of GOST R50831-95. To reduce ash emissions, it is suggested that the new unit is equipped with high-performance air cleaners whose purification rate is at least 99%. It is planned to ensure that the rated residual dust content is 57-60 mg/nm<sup>3</sup> (in compliance with the requirements of GOST R50831-953a) by improving the structure, power supply and flue gas conditioning system (reducing the temperature to 100-1200C) and optimizing aerodynamics.

Environmental protection experts are guided in their work by the requirements of Laws of the Russian Federation «On Environmental Protection» No. 7-FZ, dated January 10, 2002; «On Air Protection» No. 96-FZ, dated May 4, 1999; «On Production and Consumption Waste» No. 89-FZ, dated June 24, 1998, and the requirements of the Water Code of the Russian Federation 373-FZ, dated June 3, 2006, and other regulations, environmental standards and environmental protection rules.

## Breakdown of Current Environmental Protection Costs in 2007



## News

### Results of the BoD meeting of OGK-1

On 28 September the Board of Directors of OGK-1 preliminarily approved the signing of an additional agreement with KVARTS – Zapadnaya Sibir, general contractor for construction of a third power unit at Kashirskaya GRES. A 330 MW pulverized coal unit based on an asynchronous generator is planned to be commissioned in Q4 2008.

### OGK-1 will incorporate ZAO Nizhnevartovskaya GRES

On 9 November 2007 the Board of Directors of OGK-1 adopted the decision to incorporate a closed joint-stock company, ZAO Nizhnevartovskaya GRES, with OGK-1 as sole shareholder. ZAO Nizhnevartovskaya GRES will be registered in the village of Izluchinsk, Nizhnevartovsk District, Khanty-Mansiysk Autonomous District, where the Nizhnevartovskaya GRES power plant is located.

### A meeting of the Board of Directors of OGK-1 was held on 17 October

On 17 October 2006 the Board of Directors of OGK-1 approved the decision to declare management of relationships with shareholders and investors in the Company a priority area for OGK-1. At the same time, the Board approved the Plan of Actions to develop relationships with shareholders and investors in OGK-1, and a Corporate Governance Code of OGK-1.

## OGK-1 published IFRS financial statements for 2006

Power-Generating Company on the Wholesale Electricity Market (OGK-1) has prepared and consolidated its financial statements under International Financial Reporting Standards (IFRS) for 2006. The financial statements were audited by ZAO PricewaterhouseCoopers. Under the published financial statements, total assets of OGK-1 Group as of December 2006 reached 4 billion rubles, with 1 billion rubles of long-term liabilities, and 3,431 million rubles of current liabilities.

Operating income of OGK-1 Group for 2006 reached 30,062 million rubles, including 28,811 million rubles from electricity sales, and 446 million rubles from heat sales. Profit before tax reached 8,367 million rubles, with 5,789 million rubles of profit to be distributed to shareholders of OGK-1.

## OGK-1 finalized its 2007 performance review

Power-Generating Company on the Wholesale Electricity Market (OGK-1) has prepared and published its 2007 financial statements under Russian Accounting Standards (RAS). In 2007 OGK-1's power plants produced 50,075 million kWh of electricity, which is 6.0% higher than in 2006. OGK-1's plant ratio reached 60% (58.4% in 2006). 69,737 million kWh of electricity were sold in the wholesale market in 2007 for 2,734 million rubles, including VAT. It is primarily due to a significant increase in the competitive price of NOREM (New Wholesale Electricity Market), with the price reaching 305.0% (including into account sales of electricity purchased in the day-ahead market). The increase of regulated tariffs reached 9.0% for OGK-1, also contributed to the growth of electricity and electricity sales.

## OGK-1 reported its 1H 2007 performance results

In 2007 OGK-1's power plants produced 22,723 million kWh, with productive supply amounting to 10 thousand Gcal. The specific consumption of

# 9 | Economics and Finance

Deputy CEO, Chief Financial Officer  
Nadezhda Mistyukova



OAO OGK-1 is publishing its IFRS interim combined and consolidated financial statements for the 9 months 2007

24 December 2007 – Moscow – OAO OGK-1 is publishing its combined and consol-

the International Financial Reporting Standards (IFRS). The Company has prepared its 9-month statements in connection with the upcoming primary capital offering to a strategic investor planned to take place early next year.

Output of the Company, comprising six produc-

year-on-year. Operating revenue of OGK-1 Group for 9 months 2007 reached 32,545 million rubles, which represents a year-on-year growth by 12,073 million rubles (or 59%). OGK-1 Group's profit for 9 months ended 30 September 2007 totaled 1,109 million rubles.

Generating Company of the Wholesale Generating Market (OGK-1) - (MICEX: OGK1) is publishing its consolidated 2007 financial statements prepared under the International Financial Reporting Standards (IFRS).

2007 operating revenue of OGK-1 Group reached

by 1,212 million rubles year-on-year (net of provision for impairment of fixed assets) to 2,965 million rubles.

2007 net profit of OGK-1 Group grew by 1,000 million rubles y-o-y to 1,000 million rubles (net of provision for impairment of





# 9. Economics and Finance

## 9.1. Key Financial Indicators

Calculated in accordance with the financial statements for 2007 based on international financial reporting standards:

### Key Financial Indicators

	2007	2006 <sup>1</sup>	2007 increment compared to 2006, %
Sales revenue, million rubles	44,891	30,062	49.33%
EBITDA, million rubles	4,455	2,784	60.02%
Profit from operating activities, million rubles	2,965	1,753	69.14%
Profit for the period, million rubles	1,966	739	166.04%
Book value of assets as of the end of the period, million rubles	36,351	30,874	17.74%
Net debt as of the end of the period, million rubles	4,613	831	455.11%
Net assets as of the end of the period, million rubles	25,530	24,248	5.29%
Purchase of fixed assets, million rubles	4,647	1,738	167.38%
Net cash flow from operating activities, million rubles	2,316	1,154	100.69%

### Return Indicators:

	2007	2006 <sup>1</sup>
EBIT, %	6.60%	5.83%
EBITDA, %	9.92%	9.26%
Return on Assets (ROA), % <sup>2</sup>	5.85%	2.74%
Return on Total Assets (ROTA), % <sup>2</sup>	8.18%	6.22%
Return on Equity (ROE), %	7.90%	3.52%

### Business Indicators<sup>2</sup>:

	2007	2006
Accounts receivable turnover ratio	18.89	16.85
Turnover ratio of accounts receivable from buyers	47.15	27.43
Accounts payable turnover ratio	21.88	13.55
Turnover ratio of accounts payable to suppliers	38.58	33.25
Inventory turnover ratio	16.96	13.84
Fixed asset turnover ratio (yield on capital investment)	1.63	1.38
Total asset turnover ratio	1.34	1.12
Average collection period	19.32	21.66
Average collection period	7.74	13.30
Average days payable	16.68	26.94
Average days payable	9.46	10.98

### Financial Stability Indicators:

	2007	2006
Equity Ratio	0.70	0.79

### Liquidity Indicators:

	2007	2006
Liquid Ratio	0.10	0.16
Quick Ratio	0.58	0.72
Current Ratio	0.93	1.46

### Solvency Indicators:

	2007	2006
Degree of solvency with respect to current liabilities	1.86	1.37
Net debt to EBITDA ratio	1.04	0.30
Coverage of interest on debt	21.21	30.26

### Indicators characterizing the Company's debt position in 2007<sup>3</sup>

	As of January 1, 2007	As of April 1, 2007	As of July 1, 2007	As of October 1, 2007	As of January 1, 2008
Target limit on current liquidity, thousand rubles	- 716,951 <sup>4</sup>	- 1,337,988	- 1,168,425	- 1,479,119	- 1,644,263
Target limit on financial leverage, thousand rubles	- 22,256,761	- 22,742,350	- 19,969,586	- 19,082,263	- 16,790,742
Target limit on debt coverage, thousand rubles	- 4,002,117	- 4,124,825	- 4,347,753	- 4,507,359	- 4,333,839
Target limit on debt service coverage, thousand rubles	- 146,319	- 318,858	- 469,364	- 520,929	- 716,665

<sup>1</sup> Profit and return indicators are calculated net of effect of the restoration and accrual of loss from the economic depreciation of fixed assets (reserve and deferred taxes) in 2006.

<sup>2</sup> An average price of assets and own capital was used to calculate the data.

<sup>3</sup> In accordance with the Credit Policy of the Company indicators characterizing the Company's debt position are calculated based on the statements prepared in accordance with RAS.

<sup>4</sup> Compliance with Debt Position Limits: (+) – Limit exceeded; (-) – compliance with the limits. In terms of compliance with debt position limits OGK-1 belongs to the category of financially sustainable Companies (group A).

In 2007, sales revenue increased by 49.33 % compared to 2006 to 44.9 billion rubles. EBITDA increased by 60.02% to about 4.5 billion rubles. Profit for the period grew approximately 2.7-fold to 2 billion rubles. Net cash flow from operating activities increased 2-fold to about 2.3 billion rubles in 2007.

In terms of compliance with debt position limits OGK-1 belongs to the category of financially sustainable Companies (group A).

## News

### International Agency Moody's assigned Ba3 credit rating (stable) to OGK-1

On 10 September 2007 Moody's International assigned international credit rating Ba3 to OGK-1. At the same time Moody's Interfax assigned a domestic Russian national credit rating Aa3.ru to the company. OGK-1 is one of the first Russian wholesale generating companies that emerged as a result of the industry reform to be assigned an international credit rating. The Agency has positively assessed market positions of OGK-1 within the united energy systems of the Central Russia and Urals and a relatively low debt burden, which allows the Company to raise certain additional debt without affecting its ratings.

### Nizhnevartovskaya GRES hires a new Chief Accountant

First Power-Generating Company on the Wholesale Energy Market announces the appointment of Galina Arakelova as Chief Accountant of Nizhnevartovskaya GRES. Previously she headed the accounting services of a Moscow-based advertising agency Titul. Galina Arakelova has successfully passed numerous interviews and tests, which have proven her professionalism and compliance with high standards of OGK-1. Mrs. Arakelova has worked as a chief accountant since 2001.



## 9.2. Auditor's Report



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 Kosmodamianskaya Nab. 52, Bld. 5 115054 Moscow  
 Russia  
 Telephone +7 (495) 967 6000  
 Facsimile +7 (495) 967 6001

### INDEPENDENT AUDITOR'S REPORT

#### **To the Shareholders and the Board of Directors of Open Joint Stock Company «First Generating Company of the Wholesale Electric Power Market» (JSC «OGK-1»):**

We have audited the accompanying combined and consolidated financial statements of JSC «OGK-1» and its subsidiaries (the «Group») which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated statement of operations, consolidated statement of cash flows and combined and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

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

*Emphasis of Matter*

Without qualifying our opinion:

- we draw your attention to Notes 2 and 27 to the accompanying combined and consolidated financial statements. As at 31 December 2007, in accordance with the requirement of IAS 1.60(d), the Group had reclassified RR 2,200 million of debt from non-current to current as a result of its reorganisation. Subsequent to the year end, and following the expiry of the early redemption period, this debt was reclassified back to non-current; and
- we draw your attention to Notes 1, 2 and 5 to the accompanying combined and consolidated financial statements. Governmental economic and social policies affect the Group's financial position, financial performance and cash flows.

ZAO PriceWaterhouseCoopers Audit

Moscow, Russian Federation  
28 April 2008





# Economics and Finance

## OGK-1 GROUP

### Combined and Consolidated Statement of Operations for the year ended 31 December 2007

(in millions of Russian Roubles, except for earning per ordinary share information)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Revenues	19	44,891	30,062
Operating expenses	20	(41,926)	(28,309)
Reversal of impairment of property, plant and equipment	6	-	8,479
Impairment of property, plant and equipment	6	-	(1,790)
<b>Operating profit</b>		<b>2,965</b>	<b>8,442</b>
Finance costs	21	(217)	(75)
<b>Profit before profit tax</b>		<b>2,748</b>	<b>8,367</b>
Total profit tax charge	13	(782)	(2,397)
<b>Profit for the period</b>		<b>1,966</b>	<b>5,970</b>
<b>Attributable to:</b>			
Shareholders of JSC OGK-1		1,966	5,929
Minority interest		-	41
<b>Earning per ordinary share for profit attributable to the shareholders of JSC OGK-1 – basic and diluted (in Russian Roubles)</b>	22	<b>0.044</b>	<b>0.247</b>

Deputy General Director

Chief Accountant



Milyaev R.G.

Votintseva L.N.

28 April 2008

# Economics and Finance



## OGK-1 GROUP

### Combined and Consolidated Statement of Cash Flows for the year ended 31 December 2007

(in millions of Russian Rubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before profit tax		2,748	8,367
Adjustments to reconcile profit before profit tax to net cash provided by operations:			
Depreciation of property plant and equipment	20	1,490	1,031
Reversal of impairment of property, plant and equipment	6	-	(8,479)
Impairment of property, plant and equipment	6	-	1,790
(Gain) / loss on disposal of property plant and equipment	20	(3)	335
Charge / (reversal) of write-off of inventories to net realisable value	20	1	(68)
Write-off of accounts receivable	20	16	70
Charge / (reversal) of impairment of accounts receivable	20	128	(98)
Finance costs	21	217	75
Change of pension liabilities	14	197	19
Write-off of deferred VAT		(192)	-
Other		7	(43)
<b>Operating cash flows before working capital changes and profit tax paid</b>		<b>4,609</b>	<b>2,999</b>
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(1,591)	203
(Increase) / decrease in other current assets		(286)	85
Decrease / (increase) in inventories		150	(934)
Increase in other non-current assets		(96)	(70)
Increase / (decrease) in accounts payable and accrued charges		579	(155)
Decrease in taxes payable		(7)	(152)
Increase in other non-current and pension liabilities		(1)	11
Profit tax paid		(1,041)	(833)
<b>Net cash generated by operating activities</b>		<b>2,316</b>	<b>1,154</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property, plant and equipment		(4,647)	(1,738)
Proceeds from sales of property, plant and equipment		17	-
Proceeds from sale of subsidiaries, net of cash disposed		3	-
Interest received		1	34
<b>Net cash used by investing activities</b>		<b>(4,626)</b>	<b>(1,704)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from current debt		4,200	4,142
Proceeds from non-current debt		2,200	-
Repayment of debt		(3,170)	(3,490)
Repayment of financial lease liabilities		(120)	-
Interest paid		(158)	(95)
Dividends paid		(766)	(733)
<b>Net cash generated by financial activities</b>		<b>2,186</b>	<b>(176)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>(124)</b>	<b>(726)</b>
Cash and cash equivalents at the beginning of the period		549	1,275
Cash and cash equivalents at the end of the period		425	549

Deputy General Director

Chief Accountant



Milyaev R.G.

Votintseva L.N.

28 April 2008



# Economics and Finance

## OGK-1 GROUP

Combined and Consolidated Statement of Cash Flows for the year ended 31 December 2007  
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before profit tax		2,748	8,367
Adjustments to reconcile profit before profit tax to net cash provided by operations:			
Depreciation of property plant and equipment	20	1,490	1,031
Reversal of impairment of property, plant and equipment	6	-	(8,479)
Impairment of property, plant and equipment	6	-	1,790
(Gain) / loss on disposal of property plant and equipment	20	(3)	335
Charge / (reversal) of write-off of inventories to net realisable value	20	1	(68)
Write-off of accounts receivable	20	16	70
Charge / (reversal) of impairment of accounts receivable	20	128	(98)
Finance costs	21	217	75
Change of pension liabilities	14	197	19
Write-off of deferred VAT		(192)	-
Other		7	(43)
<b>Operating cash flows before working capital changes and profit tax paid</b>		<b>4,609</b>	<b>2,999</b>
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(1,591)	203
(Increase) / decrease in other current assets		(286)	85
Decrease / (increase) in inventories		150	(934)
Increase in other non-current assets		(96)	(70)
Increase / (decrease) in accounts payable and accrued charges		579	(155)
Decrease in taxes payable		(7)	(152)
Increase in other non-current and pension liabilities		(1)	11
Profit tax paid		(1,041)	(833)
<b>Net cash generated by operating activities</b>		<b>2,316</b>	<b>1,154</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property, plant and equipment		(4,647)	(1,738)
Proceeds from sales of property, plant and equipment		17	-
Proceeds from sale of subsidiaries, net of cash disposed		3	-
Interest received		1	34
<b>Net cash used by investing activities</b>		<b>(4,626)</b>	<b>(1,704)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from current debt		4,200	4,142
Proceeds from non-current debt		2,200	-
Repayment of debt		(3,170)	(3,490)
Repayment of financial lease liabilities		(120)	-
Interest paid		(158)	(95)
Dividends paid		(766)	(733)
<b>Net cash generated by financial activities</b>		<b>2,186</b>	<b>(176)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>(124)</b>	<b>(726)</b>
Cash and cash equivalents at the beginning of the period		549	1,275
Cash and cash equivalents at the end of the period		425	549

Deputy General Director

Chief Accountant



Milyaev R.G.

Votintseva L.N.

28 April 2008



## Economics and Finance

# 9.4. Analysis of Financial Standing and Performance by the Management of the Company

This report is the management's overview of financial standing and performance of OGK-1 as of December 31, 2007, 2006, 2005 and shall be considered along with the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

### Overview

OGK-1 is the biggest among the six generating companies of the wholesale electricity market (OGK) established during the course of restructuring of RAO UES of Russia. The core activities of the Company are production and wholesale sales of electricity and capacity. The Company is also involved in the production and sale of heat. However, heat sales were only an insignificant portion of the company's total revenue in 2007 and 2006 (1% and 1.5% respectively).

The Company is headquartered in Moscow and owns six thermal power plants in rapidly developing regions of Russia: Irklinskaya GRES in the Orenburg Region, Permskaya GRES

### The Company ranks first among the six thermal OGKs in installed capacity

in the Perm Territory, Nizhnevartovskaya GRES in the Khanty-Mansijsk Autonomous District of the Tyumen Region, Kashirskaya GRES in the Moscow Region, Verkhnetagilskaya GRES in the Sverdlovsk Region and Urenogorskaya GRES in the Yamalo-Nenets Autonomous District of the Tyumen Region. The Company sells all electricity at the prices of the first UPS zone.

The Company ranks first among the six heat OGK in installed capacity. As of December 31, 2007 the Company's total installed electrical capacity was 9,531 MW, which is approximately 4.4% of the aggregate installed capacity of all generation facilities of Russia and 6.4% of the installed capacity of Russia's heat generation.

### Principal Factors Affecting the Company's Performance

The Company's Performance is affected by a number of factors, including the regulation of Russia's electricity industry, specifically tariff control, fuel prices, third party service cost, seasonality and taxation.

#### Regulation of Russia's Power Sector

##### Tariffs

In accordance with the Regulation No. 529 beginning in the second half of 2007 energy generating companies, including OGK-1, are obliged to sell 85% to 90% of their target electricity generation for 2007 under the contracts at regulated tariffs. Only the remaining 10% to 15% of the target electricity generation and the amount generated in excess of the annual target electricity generation approved by the Federal Tariff Service of Russia (FTS of Russia) can be sold at free market prices in the day-ahead spot market, balancing market or under contracts at unregulated prices.

In accordance with the Regulation No. 529 the Government intends to further liberalize the market by reducing every six months the percentage of the target generation of electricity to be sold at regulated tariffs. Such semiannual adjustments will account for 5% to 20% of the target electricity generation for 2007 for each generating company and full market liberalization will occur in 2011.

Regulated tariffs established for each power plant of the Company considerably vary depending on a number of reasons, including the performance of the generation equipment of a power plant, location, fuel used, differences in tax rates in regions (water tax) and investment plans. The Company's average electricity tariff is 442.08 rubles/thousand kWh. The tariff for Nizhnevartovskaya GRES, equal to 271.05 rubles/thousand kWh, is the lowest among the six power plants of the Company. Two coal- and oil-fired power plants of the Company, namely: Kashirskaya

### The Company procures significant volumes of gas and coal and (to a smaller extent) fuel oil

GRES and Verkhnetagilskaya GRES, have the highest tariffs of 706.29 rubles/thousand kWh and 513.90 rubles/thousand kWh respectively.

In 2007, the Company generated about 77% of its total revenue from the sale of electricity and capacity at the regulated tariffs established by the FTS. Regulated tariffs in Russia are lower than in most other countries due to the application of cost-reflective pricing principle. Tariffs for the electricity generated by the power plants of the Company, like the tariffs for other electricity suppliers in the market, are established by the FTS on an annual basis for each individual power plant. Electricity tariff to a considerable extent covers variable costs, mainly fuel costs, and consequently primarily depends on changes in domestic gas prices, which are significantly lower compared to average world prices.

## News

### OGK-1 published its IFRS financial statements for 2006

31.05.07 – First Power-Generating Company on the Wholesale Energy Market (OGK-1) published OGK-1 Group combined and consolidated financial statements under International Financial Reporting Standards (IFRS) for 2006. The financial statements were audited by ZAO PricewaterhouseCoopers Audit.

Under the published financial statements, total assets of OGK-1 Group as of 31 December 2006 reached 30,874 million rubles, with 3,735 million rubles of long-term liabilities, and 3,431 million rubles of current liabilities.

Operating income of OGK-1 Group for 2005 reached 30,062 million rubles including 28,811 million rubles from electricity sales, and 446 million rubles from heat sales. Profit before tax reached 8,367 million rubles, with 5,789 million rubles of profit to be distributed to shareholders in OGK-1.

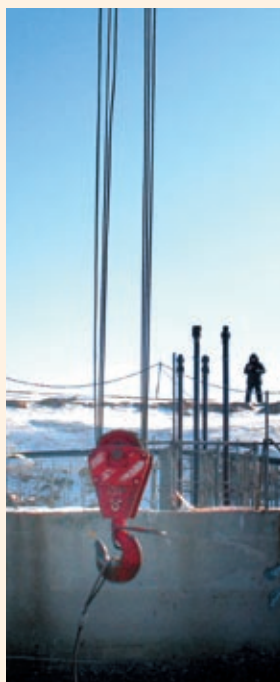
### JSC OGK-1 reported its 1H 2007 performance results

In 1H 2007 OGK-1's power plants produced 22,723 million kWh, with productive heat supply amounting to 611 thousand Gcal.

Specific consumption of fuel equivalent for electricity supplied reached 329.30 g/kWh. All power plants operated without material process faults.

The Company has prepared 1H 2007 financial statements under Russian Accounting Standards. IFRS statements are planned to be disclosed in September 2007.

The Company's revenue totaled 21,211 million rubles, which is by 42.4% higher year-on-year, with net profit amounting to 825,840 thousand rubles. Year-on-year comparison of these data would be inappropriate, as a year ago the five power plants operated as standalone entities.





# Economics and Finance



## Fuel Costs

To generate electricity and heat, the Company needs considerable amounts of fuel. The Company procures significant volumes of gas and coal and (to a smaller extent) fuel oil. Fuel costs accounted for 47.2% of total operating costs of the Company in 2007; 58.1% of total operating costs of the Company in 2006 and 56.4% of total operating costs of the Company in 2005. Fuel cost increase in 2007 compared with 2006 is primarily due to gas price growth. In 2007, gas price grew by 20.6%; coal, 12.9% compared with 2006.

## Demand for electricity and heat varies depending on the season, time of the day and weather conditions

### Expenses in Connection with Payment for Third-Party Services

Expenses incurred by the Company in connection with the services provided by third parties accounted for 5.7% of total operating costs of the Company in

2007 and 7.7% of total operating costs of the Company in 2006. The Company depends on the services provided by third parties in the wholesale electricity market. Federal Grid Company

## In 2007, the Company generated about 77% of its total revenue from the sale of electricity and capacity at the regulated tariffs established by the FTS

of Unified Energy System (FGC UES) and regional grid companies render services related to the transmission and distribution of electricity; System Operator is in charge of dispatching administration in the power industry, and Administrator of Trading System manages the trading system of the wholesale market. The Company executed standard contracts for services provided by all above-mentioned parties; the terms and conditions of such contracts are standard for all wholesale market participants. Furthermore, some services provided by third parties are paid by the Company

in accordance with the regulated prices (tariffs) established by the FTS.

## Seasonality

Seasonal factors considerably affect the Company's performance. Demand for electricity and heat varies depending on the season, time of the day and weather conditions. Typically, electricity demand increases from October to March due to longer night time and lower temperatures. From April to September, when the temperature goes up and daylight time becomes longer, electricity and heat consumption decreases.

The Company's revenue from electricity and heat sales is mainly generated from October to March. Since the Company's generation from April to September is relatively low, this period sees growth of repair and maintenance expenses. Moreover, demand can vary from year to year as a result of global or regional changes in weather conditions. Electricity demand

also considerably fluctuates depending on the time of the day. Therefore, the Company's generation assets experience peak load in certain periods of time during the day or certain months of the year.

## Revenue

The Company's revenue is made up of electricity and heat sales and other income related to ensuring the chemical treatment

## The Company's revenue from electricity and heat sales is mainly generated from October to March

of water and transportation and communication services. Revenue excludes value added tax.

In 2007, the Company's total revenue increased by 49.3% to 44,891 million rubles versus 30,062 million rubles in 2006.

The principal factors affecting sales growth in 2007 and



## Key Financial Indicators

	Year Ended December 31		Year Ended December 31	
	2007	Change compared to 2006, %	2006	Change compared to 2005, %
Sales revenue, million rubles	44,891	+49.3%	30,062	+46.4%
Expenses from operating activities, million rubles	41,926	+48.1%	28,309	+41.7%
Profit from operating activities, million rubles	2,965	+69.1%	1,753*	+214.2%
EBITDA, million rubles	4,455	+60.0%	2,784	+41.8%
Profit tax, million rubles	782	-16.7%	939*	+171.4%
Net profit, million rubles	1,966	+166.0%	739*	+515.8%

\* Net of the effect of change in the reserve against the economic depreciation of fixed assets and the respective amount of deferred tax.

## Key Operational Indicators

	Year Ended December 31		Year Ended December 31	
	2007	Change compared to 2006, %	2006	Change compared to 2005, %
Electricity generation, million kWh	50,074.6	+5.99%	47,245.7	+8.21%
Productive electricity supply, million kWh	47,760.9	+6.04%	45,041.3	+7.99%
Heat supplied from commutators, Gcal	1,347.4	-8.98%	1,480.3	+3.13%

# Economics and Finance



## Breakdown of the Company's revenue for the years ended December 31, 2007, 2006 and 2005:

	Year Ended December 31			Year Ended December 31		
	2007	change	2006	2006	change	2005
	(million rubles, net of interest)			(million rubles, net of interest)		
Electricity	43,842	+52.17%	28,811	28,811	+48.11%	19,453
Heat	451	+1.12%	446	446	+14.07%	391
Other income	598	-25.71%	805	805	+16.50%	691
Total	44,891	+49.33%	30,062	30,062	+46.39%	20,535

**In 2007, the Company's total revenue increased by 49.3% to 44,891 million rubles versus 30,062 million rubles in 2006**

revenue increase are as follows: increase in electricity generation by OGK-1 as a whole caused by domestic consumption growth. Revenue in the regulated sector grew by 16.9% primarily due to regulated tariff growth in 2007; in the competitive market segment, by 204.6%. Such considerable revenue gain was caused by an increase in electricity sales in the competitive segment in line with the liberalization pace and resale of electricity purchased to secure obligations under regulated contracts.

### Electricity

In 2007, electricity sales revenue increased by 52.2% to 43,842 million rubles versus 28,811 million rubles in 2006, which was primarily caused by an increase in regulated electricity and capacity tariffs due to the growth of generation expenses and the growth of electricity sales at unregulated prices.

This growth of sales at unregulated prices was accompanied by 256% growth of electricity amounts, sales in the day-ahead spot market and balancing market. Electricity (capacity) sales

revenue was 97.7% of total revenue in 2007, including the resale of purchased electricity.

### Heat

In 2007, heat sales revenue increased by 1.1% to 451 million rubles versus 446 million rubles in 2006, which was primarily caused by tariff raising. Heat sales revenue was 1% of total revenue for 2007.

### Operating Expenses

In 2007, expenses from the Company's operating activities increased by 48.1% to 41,926 million rubles versus 28,309 million rubles in 2006 primarily due to electricity and capacity procurement expenses, fuel costs, fixed asset depreciation and expenses associated with the payment of relevant taxes. Expenses from operating activities incurred by the Company

**The Company uses procured fuel as raw materials for electricity and heat production**

for the year ended December 31, 2006 increased by 41.7% to 28,309 million rubles versus 19,977 million rubles for the year ended December 31, 2005 primarily due to fuel expenses, purchased electricity, payroll expenses and relevant taxes.



### Fuel Expenses

The Company uses procured fuel as raw materials for electricity and heat production. Fuel procurement is mainly gas and (to a smaller extent) coal and fuel oil.

In 2007, fuel expenses increased by 20.5% to 19,800 million rubles versus 16,434 million rubles in 2006. Fuel cost increase in 2007 compared with 2006 is primarily due to gas price growth. In 2007, gas price grew by 20.6%; coal price, 12.9% compared with 2006. Fuel expenses accounted for 47.2% of total expenses from the Company's operating activities in 2007.

The key component of the Company's fuel area of activity is gas, which accounted for 92% of total volume of fuel consumed by the Company in 2007. Gas costs accounted for 90.2% of total fuel costs incurred by the Company

in 2007. All the six generators of the Company consumed gas and gas consumption by Permskaya, Nizhnevartovskaya and Urengoyskaya GRES is 100%.

The Company procured 25.4% of total gas in 2006 and 6.2% in 2007 from SIBUR Holding (quarter 1 of 2007). In April 2007, TNK-BP, one of the largest independent oil and gas producers, became gas supplier for

**Coal is also a component of the Company's fuel balance, accounting for 7.3% of total fuel balance of the Company in 2007**

Nizhnevartovskaya GRES. Gas purchased from TNK-BP is not supplied through the unified gas

## Operating expenses include the following cost types:

	Year Ended December 31				change, %	Year Ended December 31				change, %
	2007	%	2006	%		2006	%	2005	%	
	(million rubles, net of interest)									
Used raw materials and consumable products, including	20,304	48.4	16,850	59.5	+20.5%	16,850	59.5	11,378	57	+48.1%
Fuel	19,800	47.2	16,434	58.1	+20.5%	16,434	58.1	11,275	56.4	+45.8%
Other materials	504	1.2	416	1.5	+21.2%	416	1.5	103	0.6	+303.9%
Third-party services, including	2,382	5.7	2,177	7.7	+9.4%	2,177	7.7	2,337	11.7	-6.9%
Repair and maintenance	1,085	2.6	1,148	4.1	-5.5%	1,148	4.1	1,816	9.1	-36.8%
Expenses in connection with electricity procurement	11,712	27.9	2,546	9.0	+360.0%	2,546	9.0	54	0.2	+4,614.8%
Labor compensation and payroll tax	3,161	7.5	2,555	9.0	+23.7%	2,555	9.0	1,824	9.1	+40.1%
Taxes other than profit tax	1,835	4.4	1,807	6.4	+1.5%	1,807	6.4	1,502	7.5	+20.3%
Fixed asset depreciation	1,490	3.6	1,031	3.6	+44.5%	1,031	3.6	1,405	7.0	-26.6%
Other expenses	1,042	2.5	1,343	4.8	-22.4%	1,343	4.7	1,477	7.4	-9.1%
Total	41,926	100	28,309	100	+48.1%	28,309	100	19,977	100	+41.71%



# Economics and Finance

transportation system controlled by Gazprom. Consequently, it is not subject to Gazprom's system access restrictions. However, the volume of gas supplied by TNK-BP is restricted by the aggregate oil production volume, since gas is a by-product of their oil production.

In 2007, the Company procured approximately 17 % of gas from TNK-BP Holding. Gas supplied by other independent suppliers, including NOVATEK, Uralsevergaz and Gazenergo-prom, in 2007 was 19%. Supplies from these independent gas producers depend on the long-term access to the unified

## The Company uses third-party services to perform repair and maintenance activities, ensure security and lease property

## The Company procures electricity in the spot market and balancing market to perform its obligations under regulated contracts and free market

gas transportation system controlled by Gazprom. In 2007, the Company also purchased approximately 52.9 % of gas from the subsidiaries of Gazprom. Gazprom's subsidiaries supply gas to the Company within the pre-agreed quota limit set for RAO UES of Russia and its subsidiaries, including the Company, at the regulated prices (tariffs) established by the FTS of Russia. Throughout 2007, the Company purchased approximately 4.9 % of gas through the Mezhhregiongaz online trading floor. Although in the past three years electricity production and



the resulting gas consumption have grown, limited quotas have remained unchanged.

Coal is also a component of the Company's fuel balance, accounting for 7.3 % of total fuel balance of the Company in 2007. In 2007, coal costs accounted for

7.7 % of total fuel expenses incurred by the Company. Coal is used by two power plants of the Company, accounting in 2007 for 24.9 % and 22.9 % of total fuel balance of Kashirskaya and Verkhnetagilskaya GRES respectively. In 2007, the Com-

## Expense, Breakdown and Cost of Fuel Consumed by the Power Plants of OGK-1 in 2007

Entity	Total Fuel Cost Million Rubles	Total Fuel Thousand TFE	Including											
			Coal		Fuel Oil (Including Gas-Turbine Fuel)				Gas					
			Thousand Rubles	Thousand Tonnes	% of Total Cost	Thousand TFE	Million Rubles	Thousand Tonnes	% of Total Cost	Thousand TFE	Million Rubles	Million Cubic Meters	% of Total Cost	
Kashirskaya GRES*	3,742.75	2,181.76	543.58	852.91	643.05	22.79	32.26	129.35	24.76	3.46	1,605.92	2,760.49	1,401.70	73.76
Verkhnetagilskaya GRES	3,615.31	2,704.34	618.92	677.55	1,053.19	18.74	5.54	19.05	4.07	0.53	2,079.88	2,918.71	1,822.25	80.73
Permskaya GRES	5,251.07	4,285.72	0	0	0	0	0.03	0.02	0.02	0	4,285.69	5,251.05	3,725.27	100.00
Nizhnevartovskaya GRES	3,004.99	3,475.13	0	0	0	0	0	0	0	0	3,475.13	3,004.99	2,974.98	100.00
Irikliinskaya GRES + HPP boiler houses	4,242.38	3,277.43	0	0	0	0	80.18	280.56	57.60	6.61	3,197.25	3,961.82	2,800.68	93.39
Urengoykaya GRES	71.46	97.95	0	0	0	0	0.02	0.01	0.01	0.01	97.93	71.45	86.53	99.99
OGK-1 total	19,927.96**	16,022.33	1,162.50	1,530.46	1,696.24	7.68	118.03	428.99	86.46	2.15	14,741.80	17,968.51	12,811.41	90.17

\* Wet weight of fuel oil.

\*\* Including gas pipeline lease.

pany purchased coal from the following suppliers: 12.8% of total coal procured was purchased from Kuzbassrazrezugol; 8.9%, from Mechel; 8.9%, from Sibuglemet; 5.9%, from Yuzhkuzbassugol; 55.9%, from Uralenergougol and 7.6%, from Energo-Impuls.

Fuel expenses include the following cost types:

### Third-Party Services

The Company uses third-party services to perform repair and maintenance activities, ensure security and lease property.

In 2007, expenses in connection with third-party services increased by 9.4% to 2,382 million rubles from 2,177 million rubles in 2006 primarily due to an increase in expenses associ-

## In 2007, the Company's operating profit increased by 69.1% to 2,965 million rubles versus 1,753 million rubles in 2006

ated with advisory, legal and information services. Expenses in connection with third-party services accounted for 5.7% of total expenses from the Company's operating activities in 2007 and 7.7% of total expenses from the Company's operating activities in 2006.

### Expenses in Connection with Purchased Electricity

The Company procures electricity in the day-ahead spot market and balancing market to perform its obligations under regulated contracts and free market respectively. The Company procures electricity in the

spot market when prices become lower than fuel costs to be incurred to independently generate electricity for its supply under contracts at regulated tariffs.

In 2007, costs incurred by the Company to procure electricity increased to 11,712 million rubles versus 2,546 million rubles in 2006 primarily due to procurement in the day-ahead spot market to secure obligations under regulated contracts. Costs incurred by the Company to procure electricity accounted

## In 2007, the Company's profit before tax increased by 63.8% to 2,748 million rubles versus 1,678\* million rubles in 2006

for 27.9% of total expenses from the Company's operating activities in 2007.



# Economics and Finance



	Year Ended December 31		Change, %	Year Ended December 31		Change, %
	2007	2006		2006	2005	
	(million rubles, net of interest)					
Current profit tax	837	877	-4.56%	877	563	+55.77%
Deferred profit tax (income) /expense	-55	62*	0	62	-217	0
Total expenses in connection with profit tax payment	782	939	-16.79%	939	346	+171.39%

## Labor compensation expenses and payroll taxes

Labor compensation expenses and payroll taxes include base salaries and salaries payable to operating and managerial personnel and relevant deductions to government social security funds and pension funds of the Russian Federation.

In 2007, expenses incurred by the Company in connection with labor compensation and payroll taxes increased by 23.7% to 3,161 million rubles versus 2,555 million rubles in 2006. Expenses incurred by the Company in connection with labor compensation and payroll taxes accounted for 7.5% of total expenses from the Company's operating activities in 2007 and 9.0% of total expenses from the Company's operating activities in 2006.

## Taxes other than profit tax

The operating expense item titled «Taxes Other than Profit Tax» includes expenses in connection with the Company's principal taxes, namely: water tax and property tax. Change in the «Taxes Other than Profit Tax» item in 2007 was primarily caused by an increase in the amount of water tax. Growth of the water tax amount was caused by the growth of electricity generation in 2007. Water tax accounts for more than 70% of total amount of the «Taxes Other than Profit Tax» item.

## Operating Profit

In 2007, the Company's operating profit increased by 69.1% to 2,965 million rubles versus 1,753 million rubles in 2006. Similarly, the Company's

profit from operating activities increased by 214.2% to 1,753 million rubles in 2006; from 558 million rubles in 2005.

## Net Financing Expenses

In 2006, net financing expenses decreased by 22.7% to 75 million rubles versus 92 million rubles in 2005. For the year ended December 31, 2007, net financing expenses increased by 189.3% to 217 million rubles versus 75 million rubles for the year ended December 31, 2006. An increase in net financing expenses was primarily caused by an increase in interest expenses in 2007.

Expenses incurred by the Company in connection with interest payments refer to bank loans and advances. In 2007, expenses incurred by the Company in connection with interest payments increased by 128.3% to 210 million rubles versus 92

## The Company uses procured fuel as raw materials for electricity and heat production

million rubles in 2006.

The Company's interest income refers to its cash deposits with banks. In 2007, the Company's interest income decreased to 1 million rubles versus 34 million rubles in 2006.

## Profit Before Tax

In 2007, the Company's profit before tax increased by 63.8% to 2,748 million rubles versus 1,678\* million rubles in 2006. Similarly, the Com-



pany's profit before tax for the year ended December 31, 2006 increased by 260.0% to 1,678 million rubles versus 466.0\* million rubles for the year ended December 31, 2005.

## Profit Tax

In 2007, profit tax expenses incurred by the Company decreased by 16.7% to 782\* million rubles versus 939 million rubles in 2006 primarily as a result of income generated from deferred profit tax.

The amount of profit tax expenses incurred by the Company for the year ended December 31, 2006 increased by 171.4% to 939 million rubles versus 346 million rubles for the year ended December 31, 2005 as a result of an increase in both current profit tax expenses and deferred profit tax expenses.

Differences between tax regulation approaches from the standpoint of IFRS and the provisions of Russian tax law lead to certain time differences between the book value of some assets and obligations for financial reporting purposes and tax purposes. These time differences

are recognized as changes in deferred profit tax. Detailed information concerning the tax effect of time differences reflected in the process of formation of deferred assets and liabilities is provided in Note 13 to the Annual Financial Statements.

## Profit for the Period

## The principal source of the Company's liquidity is cash from operating activities and debt financing

In 2007, the Company's net profit increased by 166% to 1,966 million rubles from 739\* million rubles in 2006.

The Company's net profit grew by 515.8% to 739\* million rubles for the year ended December 31, 2006 from 120 million rubles for the year ended December 31, 2005.

## Liquidity and Equity

The principal source of the Company's liquidity is cash

## Analysis of Cash Flow and Capital Costs

	Year Ended December 31		Year Ended December 31	
	2007	2006	2006	2005
	(million rubles, net of interest)			
Net cash from operating activities	2,316	1,154	1,154	1,626
Net cash used for investing activities	4,626	1,704	1,704	613
Net cash [used for financing activities] / from financing activities	2,186	-176	-176	22
Cash and cash equivalents at end of year	425	549	549	1,275

\* Net of the effect of change in the reserve against the economic depreciation of fixed assets and the respective amount of deferred tax.



# Economics and Finance



from operating activities and debt financing. The Company believes that regulatory requirements for current assets, the repayment of the existing debt and capital costs will be the most significant area of using financial resources during the next several years. These areas mainly include activities related to electricity and heat

## The Company's investing activities include operations involving fixed assets and capital investments

generation and upgrading of the existing and construction of new generation facilities. The Company plans to satisfy such financial needs using cash from operating activities, additional borrowings and debt capital.

### Operating Activities

In 2007, cash flows from operating activities grew by 100.7% to 2,316 million rubles versus 1,154 million rubles in 2006.

Cash from operating activities for the year ended December 31, 2006 reduced by 29.0% to 1,154.0 million rubles compared with 1,626.0 million rubles for the year ended December 31, 2005. Such reduction was primarily caused by an increase in inventories with respect to profit tax payments.

### Investing Activities

The Company's investing activities include operations involving fixed assets and capital investments. In 2007, cash used for investing activities increased by 171.5% to 4,626 million rubles versus 1,704 million rubles in 2006. Such increase was caused by the upgrading of a unit of Kashirskaya GRES which is underway and beginning of the implementation of the Company's investment program for other power plants.

### Financing Activities

The Company's financing activities include operations involving bank loans and advances, payment of dividend and proceeds from share issues. In 2007, cash from financing activities increased by 2,186 million rubles against the 176 million rubles used in 2006. Such increase was primarily caused by the obtaining of bank loans and advances for the implementation of the Company's investment programs.

Cash used for financing activities for the year ended December 31, 2006 was 176 million rubles, whereas cash received for the year ended December 31, 2005 was 22 million rubles. Such change was primarily caused by a sharp increase in payments with regard to debt repayment and payment of dividend despite sharp growth of debt proceeds.

### Dividend

For the year ended December 31, 2007, the Company increased amounts used to pay dividend by 4.5% to 766 million rubles compared with 733 million rubles for the year ended December 31, 2006.

### Credit Rating of the Company

On September 10, 2007, the Company was assigned Ba3 international credit rating by Moody's, an international agency.

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### Capital Costs

Electricity and heat production is capital-intensive business.

Maintaining generation facilities in proper condition requires ongoing work related to the re-equipment, upgrading and rehabilitation of fixed assets. For the purposes of increasing the Company's competitiveness in the electricity and capacity market, the program for expanding the existing power plants by adding new units is also being implemented.

Investments in the re-equipment, expansion and upgrading of generation assets are a priority for the Company and significantly impact its cash flows and future performance.

Capital costs in 2007 mainly include investments in maintaining and upgrading the principal generation facilities for the purpose of reducing costs in connection with electricity and heat production, the replacement of worn-out and outdated equipment, as well as investments in the construction of new generation facilities (primarily design work and work related to the preparatory construction period).

In 2007, the Company approved the material terms of investment projects ensuring the construction of six new units whose total installed capacity is 3,510 MW: 800 MW unit at Permskaya GRES (to be commissioned in 2010), two 800 MW units at Nizhnevartovska-

## Investments in the re-equipment, expansion and upgrading of generation assets are a priority for the Company

ya GRES (to be commissioned in 2010 and 2012), 330 MW unit at Kashirskaya GRES (to be commissioned in 2008), 330 MW unit at Verkhnetagilskaya GRES (to be commissioned in 2011), 450 MW unit at Urengoykaya GRES (320 MW to be commissioned in 2009; expansion to 450 MW in 2011). Pursuant to the resolutions of the Board of Directors of OGK-1 the expected construction cost for these facilities totals 101,059 million rubles. In addition, from 2007 to 2010 the Company plans to perform activities related to the maintenance, repair and upgrading of the existing power plants; the expected cost totals 10,802 million rubles. From 2008 to 2012, the Company also plans to perform activities aimed at improving its IT platform under the Investment Program; total cost is 1,463.925 million rubles.

## News

### OGK-1 finalized its 2007 performance figures

First Power-Generating Company on the Wholesale Energy Market (OGK-1) (MICEX: OGK1) has prepared for publication its 2007 financial statements under Russian Accounting Standards (RAS).

In 2007 OGK-1's power plants produced 50,075 million kWh of electricity, which is 6.0% higher than in 2006. OGK-1's plant ratio reached 60% (58.4% in 2006). 69,737 million kWh of electricity were sold in the wholesale market in 2007 for 51,734 million rubles, including VAT. It is primarily due to a significant increase in sales in the competitive segment of NOREM (New Wholesale Electricity (Capacity) Market), with the growth reaching 305.0% (taking into account sales of electricity purchased in the day-ahead market). The increase of regulated tariffs that reached 9.0% for OGK-1 in total, also contributed to the growth of electricity and capacity sales.

### July sales of First Power-Generating Company exceeded 3 billion rubles

In July 2007 OGK-1's power plants sold 4,088.84 million kWh of electricity in the wholesale electricity market for 3,238.06 million rubles, which represents the highest sales results of the Company in 2007. September 2007 – OGK-1 has finished a one-stage bidding procedure without prequalification selection for the right to sign an agreement to provide depository bank services to support a potential stock issue by OGK-1 outside Russia. The preferred bidder is The Bank of New York.

### In Q1 First Power-Generating Company earned over 8 billion rubles

31.07.2007 – OGK-1 hold a conference call for journalists and analysts of investment companies and banks during which the company presented its 1H 2007 performance figures. The Company has prepared its financial statements for 1H 2007 under Russian Accounting Standards (1H 2007 IFRS statements are planned to be disclosed in September 2006).

# 10. Objectives and Prospects for the Company's Development in 2008

## Ensuring sustainable development of the Company in 2008

### Increasing financial stability of the Company

- Revenue growth due to aggressive marketing policy, the formation of balanced customer portfolio, sales geography expansion strengthened by the development of trading function and market analytics;
- Implementation of the program for reducing specific fuel consumption and cost management program;
- Growth of operating profit through fuel cost reduction, maintenance cost optimization and personnel expenses optimization;
- Confirmation of the Company's credit rating.

### Efficient use and renewal of production assets

- Completion of installation of equipment and start-up of Kashirskaya GRES;
- Execution of contracts for the performance of work and delivery of equipment for new construction at Verkhnetagilskaya GRES, Nizhneartovskaya GRES, Permskaya GRES and Urengoyanskaya GRES. Beginning of construction;
- Improvement of asset utilization efficiency by increasing the availability and reliability of equipment and implementing the automated maintenance management system;
- Development and implementation of the equipment monitoring and testing system;
- Automation of financing planning and maintenance cost accounting.

### Achieving market capitalization growth

- Moving the Company's shares to 'B' quotation list;
- Share liquidity increase;
- Improvement of quality and efficiency of interaction with the investment community.

### Improvement of corporate governance

- Development of the Company's internal control system
- Implementation of risk management system by the Company
- Implementation of the corporate code of ethics
- Obtainment of corporate governance rating.

### Improving sales efficiency by means of

- Marketing surveys in order to develop the client oriented approach, which includes the following steps:
  - Develop a process of prospective client search and selection;
  - Develop strategy of the negotiation process and holding talks;
  - Management of relations with clients.
- Automation of trader working place;
- Application of the approved sales and fuel supply strategy.

## Abbreviations and Acronyms

Abbreviation	Interpretation
BM	Balancing market
GRES	Thermal power plant
CMIS	Corporate Management Information System
UR	Utilization rate
MICEX	Moscow Interbank Currency Exchange
IFRS	International Financial Reporting Standards
NOREM	New Wholesale Electricity and Capacity Market
NP ATS	Non-Profit Partnership Administrator of Trading System
IPS	Integrated Power System
CCGT	Combined-Cycle Gas Turbine
MPE	Maximum permissible emissions
RC	Regulated Contract
RAS	Russian Accounting Standards
DAM	Day-Ahead Market
SFEC	Specific fuel equivalent consumption
FTS	Federal Tariff Service of Russia
TPP	Thermal power plant
IGRES	Iriklinskaya GRES
KGRES	Kashirskaya GRES
NVGRES	Nizhneartovskaya GRES
PGRES	Permskaya GRES
UGRES	Urengoyanskaya GRES
VTGRES	Verkhnetagilskaya GRES
WEM	Wholesale Energy Market

### Abbreviations of Units of Measurement

Abbreviation	Interpretation
gfe/kWh	grams of fuel equivalent per kilowatt-hour
g/kWh	grams per kilowatt-hour
Gcal	gigacalories
kW	kilowatt
kWh	kilowatt-hour
kg/tfe	kilograms per tonne of fuel equivalent
MW	megawatt
tfe	tonne of fuel equivalent



# Information for Shareholders

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## Registrar

### Moscow Central Depository

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License number	10-000-1-00255
Address	107078, Moscow, Orlikov lane 3, bld. B
Mailing address	105082, Moscow, Bolshaya Pochtovaya street 34, bld. 8
Phone	(495) 221 13 81, 221 13 32 / (495) 221 13 83
Website	www.mcd.ru
E-mail	info@mcd.ru, dr@mcd.ru

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## Contacts:

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### Alexander Duzhinov

Head of Investor Relations

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## Bank Details:

Joint Stock Company First Power Generating Company on the Wholesale Energy Market

Short Title: JSC OGK-1

**Legal Address:** 625023, Tyumen, Odesskaya street 1, bld. 1

**Actual Address:** 117447, Moscow, Bolshaya Cheremushkinskaya street 13/17

**Taxpayer Identification Number (INN):** 7203158282

**Industrial Enterprises Classifier (KPP):** 997450001

**Bank account:** № 40702810900010001492 at ZAO AKB «Peresvet» in Moscow

Correspondent account 30101810700000000259

**Bank Identification Code (BIC):** 044585259

**OGK-1 Website:** [www.ogk1.com](http://www.ogk1.com)

# Notes

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