

**OGK-1 GROUP
INTERIM COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of the Open Joint Stock Company "First Power Generating Company on the Wholesale Energy Market" (JSC "OGK-1"):

Introduction

We have reviewed the accompanying interim combined and consolidated financial statements of JSC OGK-1 and its subsidiaries (the "Group") which comprise the interim consolidated balance sheet as at 30 September 2007 and the interim combined and consolidated statement of operations, interim combined and consolidated statement of changes in equity and interim combined and consolidated statement of cash flows for the nine months then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim combined and consolidated financial statements based on our review. Management has issued interim combined and consolidated financial statements for the first time as of and for the period ended 30 September 2007 and hence we did not perform a review of interim financial information as of and for the period ended 30 September 2006.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated and combined financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2007, and its financial performance and its cash flows for the nine months period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

20 December 2007

OGK-1 GROUP
Interim Consolidated Balance Sheet as at 30 September 2007 (unaudited)
(in millions of Russian Roubles)

	Notes	30 September 2007	31 December 2006
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	26,777	25,625
Other non-current assets	7	228	225
Total non-current assets		27,005	25,850
Current assets			
Cash and cash equivalents	8	603	549
Accounts receivable and prepayments	9	3,684	1,928
Inventories	10	2,366	2,547
Other current assets	11	92	-
Total current assets		6,745	5,024
TOTAL ASSETS		33,750	30,874
EQUITY AND LIABILITIES			
Equity			
Share capital	12	25,660	44,643
Merger reserve		(6,869)	(25,852)
Retained earnings		5,373	4,917
Total equity		24,164	23,708
Non-current liabilities			
Deferred profit tax liabilities	13	3,690	3,485
Pensions liabilities	14	433	242
Non-current debt	15	1,000	-
Other non-current liabilities		8	8
Total non-current liabilities		5,131	3,735
Current liabilities			
Current debt	16	2,068	1,380
Accounts payable and accrued charges	17	1,615	1,125
Taxes payable	18	772	926
Total current liabilities		4,455	3,431
Total liabilities		9,586	7,166
TOTAL EQUITY AND LIABILITIES		33,750	30,874

General Director

Chief Accountant



Khlebnikov V.V.

Votintseva L.N.

20 December 2007

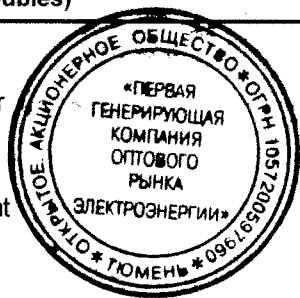
OGK-1 GROUP

**Interim Combined and Consolidated Statement of Operations
for the nine months ended 30 September 2007 (unaudited)**

(in millions of Russian Roubles, except for earning per ordinary share information)

	Notes	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Revenues	19	32,545	20,472
Operating expenses	20	(30,412)	(19,534)
Operating profit		2,133	938
Finance costs	21	(81)	(56)
Profit before profit tax		2,052	882
Total profit tax charge	13	(943)	(986)
Profit for the period		1,109	(104)
Attributable to:			
Shareholders of JSC OGK-1		1,109	(145)
Minority interest		-	41
Earning per ordinary share for profit attributable to the shareholders of JSC OGK-1 – basic and diluted (in Russian Roubles)	22	0.025	(0.009)

General Director



Chief Accountant

Khlebnikov V.V.

Votintseva L.N.

20 December 2007

OGK-1 GROUP
Interim Combined and Consolidated Statement of Cash Flows
for the nine months ended 30 September 2007 (unaudited)
(in millions of Russian Roubles)

	Notes	Nine months ended 30 September 2007	Nine months ended 30 September 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before profit tax		2,052	882
Adjustments to reconcile profit before profit tax to net cash provided by operations:			
Depreciation of property plant and equipment	20	1,149	750
Loss on disposal of property plant and equipment	20	9	323
Reversal of write-down of inventories to net realisable value	20	-	(68)
Write-down of accounts receivable	20	3	85
(Reversal) / charge of impairment of accounts receivable	20	(4)	(103)
Finance costs	21	81	56
Change of pension liabilities	14	191	37
Other		(39)	(56)
Operating cash flows before working capital changes and profit tax paid		3,442	1,906
Working capital changes:			
Increase in accounts receivable and prepayments		(1,757)	(89)
(Increase) / decrease in other current assets		(92)	85
Decrease / (increase) in inventories		181	(465)
Decrease / (increase) in other non-current assets		3	(71)
Increase in accounts payable and accrued charges		613	204
Decrease in taxes payable		(4)	(144)
Profit tax paid		(888)	(636)
Net cash generated by operating activities		1,498	790
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment		(2,305)	(919)
Proceeds from sales of property, plant and equipment		22	-
Proceeds from sale of subsidiaries, net of cash disposed		2	-
Interest received		1	35
Net cash used by investing activities		(2,280)	(884)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt		3,100	2,748
Proceeds from non-current debt		1,000	-
Repayment of debt		(2,420)	(2,231)
Interest paid		(77)	(76)
Dividends paid		(767)	(392)
Net cash generated by financial activities		836	49
Increase / (decrease) in cash and cash equivalents		54	(45)
Cash and cash equivalents at the beginning of the period		549	1,275
Cash and cash equivalents at the end of the period		603	1,230

General Director

Chief Accountant



Khlebnikov V.V.

Votintseva L.N.

20 December 2007

OGK-1 GROUP
Interim Combined and Consolidated Statement of Changes in Equity
for the nine months ended 30 September 2007 (unaudited)
(in millions of Russian Roubles)

	Attributable to the shareholders of JSC OGK-1					Minority interest	Total equity
	Ordinary share capital	Merger reserve	Retained earnings	Total			
As at 1 January 2006	16,784	(269)	(247)	16,268	1,483	17,751	
Payments of share capital (Note 12)	27,859	(26,335)	-	1,524	(1,524)	-	
Contribution from RAO UES (Note 12)	-	752	-	752	-	752	
Profit for the period	-	-	(145)	(145)	41	(104)	
Dividends (Note 12)	-	-	(625)	(625)	-	(625)	
Other	-	-	(28)	(28)	-	(28)	
As at 30 September 2006	44,643	(25,852)	(1,045)	17,746	-	17,746	
As at 1 January 2007	44,643	(25,852)	4,917	23,708	-	23,708	
Decrease in share capital (Note 12)	(18,983)	18,983	-	-	-	-	
Profit for the period	-	-	1,109	1,109	-	1,109	
Dividends (Note 12)	-	-	(644)	(644)	-	(644)	
Other	-	-	(9)	(9)	-	(9)	
As at 30 September 2007	25,660	(6,869)	5,373	24,164	-	24,164	

General Director



Khlebnikov V.V.

Chief Accountant

Votintseva L.N.

20 December 2007

OGK-1 GROUP

Notes to the Interim Combined and Consolidated Financial Statements for the nine months ended 30 September 2007 (unaudited)

(in millions of Russian Roubles)

Note 1: The Group and its operations

Open Joint-Stock Company First Power Generating Company on the Wholesale Energy Market (JSC OGK-1, or the "Company") was established on 23 March 2005 within the framework of the Russian electricity sector restructuring in accordance with Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

The OGK-1 Group's (the "Group") primary activities are generation and sale of electricity and heat energy, including re-sale of purchased power. The Group primarily consists of the following power stations (branches): Permskaya GRES, Nizhnevertovskaya GRES, Urengoyskaya GRES, Irikliinskaya GRES, Kashirskaya GRES, and Verkhnetagil'skaya GRES (see also *Establishment of the Group*).

The Company is registered by the District Inspectorate of the Ministry RF of Taxation No. 3 of Tyumen region. The legal address of the Company is 1/1, Odesskaya street, Tyumen, Tyumen Region, Russian Federation.

The Company's head office is located at 13/17, Bolshaya Cheremushkinskaya street, 117447, Moscow, Russian Federation.

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

Relations with the state and current regulation. As at 30 September 2007 the Russian Federation owned 52.7% of Open Joint Stock Company Energy and Electrification Unified System of Russia ("RAO UES"), which in its turn owned 91.7% of voting ordinary shares of JSC OGK-1. The Government of Russian Federation is the ultimate controlling party of the Company.

The Group's customer base includes a large number of entities controlled by the State. Furthermore, the State controls a number of the Group's fuel and other suppliers.

The Government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service on Tariff ("FST"), with respect to its wholesale energy sales, and by the regional services on tariff ("RSTs"), with respect to its heat sales. The operations of all generating facilities are coordinated by JSC System Operator – Central Despatch Unit of Unified Energy System ("SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by RAO UES.

Tariffs which the Group may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies. Historically, such tariffs have been based on a "cost-plus" system, meaning cost of service plus a margin, where costs are determined under the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS"). In practice, tariff decisions were impacted significantly by social and political considerations, causing significant delays in tariff determinations and tariff increases that were lower than required to compensate for cost increases.

As discussed in Notes 2 and 24, the government's economic, social and other policies could materially effect the operations of the Group.

Sector restructuring. The Russian electric utilities industry is presently undergoing a restructuring process designed to introduce competition into the electricity sector and to create an environment in which RAO UES Group and its successor companies (including JSC OGK-1) can raise the capital required to maintain and expand current capacity.

A crucial step in developing a competitive wholesale electricity (capacity) market was the adoption of the new Wholesale Electric Power (capacity) Market (NOREM) Rules of the Transitional Period approved by Resolution of the Government of the Russian Federation No. 529 dated August 31, 2006 and which came into force on September 1, 2006. Under the new wholesale market framework, electricity and power purchase-and-sale transactions in the regulated market sector are to be governed by a regulated bilateral contract system. From 1 September 2006, regulated contracts covered all volumes of electricity and power produced and consumed.

OGK-1 GROUP

Notes to the Interim Combined and Consolidated Financial Statements for the nine months ended 30 September 2007 (unaudited)

(in millions of Russian Roubles)

From 2007 the volumes of electricity (power) traded in the wholesale market at regulated prices will begin to be substantially reduced. The pace of reduction was set by the Russian Federation Government according to socio-economic development forecasts. In 2007 90% of the forecasted balance electricity and 100% capacity will be traded at regulated prices. The period from 2006 to approximately 2011 is a transition period. After that, it is expected that a fully competitive wholesale market will develop.

Management believes that ultimately a stable regulatory regime and a competitive power market will be put in place such that the Group will be able to raise needed capital to sustain the business. However, there can be no assurance in this regard.

Establishment of the Group. According to Resolution No. 1254-r which approved the structure of wholesale generating companies (OGKs), JSC OGK-1 is to consist of the following power stations: Permskaya GRES, Irikliinskaya GRES, Nizhnevertovskaya GRES, Kashirskaya GRES, Verkhnetagilskaya GRES and Urengoyanskaya GRES.

JSC OGK-1 was founded on 23 March 2005 by RAO UES (parent company) which made the following contributions (see Note 11):

- 100% less one share of the ordinary shares of JSC Permskaya GRES;
- the property, plant and equipment of Verkhnetagilskaya GRES;
- cash funds.

On 29 September 2006 in the course of further sector restructuring, JSC OGK-1 merged with JSC Permskaya GRES (previously it was a subsidiary), JSC Nizhnevertovskaya GRES, JSC Urengoyanskaya GRES, JSC Irikliinskaya GRES, JSC Kashirskaya GRES by exchanging shares of these entities for ordinary shares of JSC OGK-1 ("the Merger"). All mentioned companies became branches of JSC OGK-1 since that date.

These entities had been established through a RAO UES restructuring which had spun them off from RAO UES subsidiaries.

Except for JSC Kashirskaya GRES in which RAO UES hold 50.9%, all the entities were 100% owned by RAO UES.

To effect the Merger, the Company issued shares to RAO UES and to the owners of JSC Kashirskaya GRES' shares from outside the RAO UES Group, with the result that it acquired 100% of each entity.

Note 2: Financial condition

As at 30 September 2007, the Group's current assets exceeded its current liabilities by RR 2,290 million (as at 31 December 2006 – by RR 1,593 million).

As discussed above, the Group is affected by Government policy through control of tariffs and other factors. The FST have not always permitted tariff increases in line with the Group's costs and thus some tariffs are insufficient to cover all the costs of generation. Moreover, increases in these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognised under an IFRS basis of accounting. As a result, tariffs have not consistently allowed for an adequate return on investment and did not provide sufficient funds for the full replacement of property, plant and equipment. However, during 2006 and to date in 2007 the growing demand for electricity and capacity together with increasing the free trading sector of the wholesale electricity market have resulted in a higher rate of revenue growth (see Sector restructuring in Note1).

The Group's management has engaged in the following actions in order to address the issues noted above and further improve the Group's financial position:

- introduction of improved financial budgeting procedures;
- discussions with strategic investors, and identification and assessment of projects requiring investment funds;
- negotiations with federal and regional governments and regulators for real increases in tariffs to support adequate long term investment into the Group's generation, transmission and distribution assets;
- raising long-term debt/equity financing for investments in new generation assets.

Note 3: Basis of preparation

Statement of compliance. These combined and consolidated interim financial statements ("Financial Statements") for the period ended 30 September 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim consolidated Financial Statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2006.

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

Reclassifications. Certain reclassifications have been made to prior year data to conform to the current year presentation. In prior periods the Group accounted for repairs executed by own forces as part of repairs and maintenance in the statement of operations. Management considered that such expenses should be disclosed as part of employee benefit expenses and other materials (Note 20).

All other reclassifications were not material.

Functional and presentation currency. The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of each of the Group's entities and the currency in which these Financial Statements are presented. All financial information presented in RR has been rounded to the nearest million.

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

In these combined and consolidated financial statements, the Group accounted for the Merger with others entities as business combinations amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the contributed entity were accounted for at the carrying value, as determined by RAO UES in its IFRS consolidated financial statements. Information in respect of the comparative period and opening balances as at 1 January 2005 has been restated as if the business combination took place at the beginning of the earliest period presented. Therefore Verkhnetagilskaya GRES, Permskaya GRES, Nizhnevartovskaya GRES, JSC Urengoyanskaya GRES, Irikliinskaya GRES and Kashirskaya GRES were accounted in the Group's combined and consolidated financial statements effective from 1 January 2005.

The difference between the consideration paid and the predecessor carrying values of the net assets relating to the acquisition of a business from an entity under common control is recorded in equity, as a merger reserve.

Minority interest of the Group included the proportional share of Kashirskaya GRES' minority shareholders (49,1%) of its equity and results of operations up to the date of merger of JSC Kashirskaya GRES with JSC OGK-1.

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

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

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

- IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). This

IFRS introduces new disclosures to improve the information disclosed in respect of financial instruments. The volume of disclosures increases with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital.

- IFRIC 7, Applying the Restatement Approach under IAS 29, effective for annual periods beginning on or after 1 March 2006 (that is from 1 January 2007 for these financial statements). The interpretation clarifies application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred profit taxes in the opening balance sheet restated for hyperinflation in accordance with IAS 29.
- IFRIC 8, Scope of IFRS 2, effective for annual periods beginning on or after 1 May 2006 (that is from 1 January 2007 for these financial statements). The interpretation states that IFRS 2 also applies to transactions in which the entity receives unidentifiable goods or services and that such items should be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).
- IFRIC 9, Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 June 2006 (that is from 1 January 2007 for these financial statements). The interpretation clarifies that an entity should assess whether an embedded derivative should be accounted for separately from the host contract when the entity first becomes party to the contract. Only if the contract subsequently is significantly modified the entity reassesses whether to separate or not.
- IFRIC 10, Interim Financial Reporting and Impairment, effective for annual periods beginning on or after 1 November 2006 (that is from 1 January 2007 for these financial statements). The interpretation clarifies that an entity should not reverse an impairment loss recognised in previous interim periods in respect of goodwill or an investment relations in a financial asset carried at cost.

The effect of adoption of the above new or revised standards and interpretations on the Group's financial position at 30 September 2007 and on the results of its operations for the nine months ended 30 September 2007 was not significant.

Other new standards or interpretations. The Group has not early adopted the following other new standards or interpretations:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation addresses how to apply IFRS 2 "Share-based payment" to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent).
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It does not address accounting for the government side of service concession arrangements.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The interpretation addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. Specifically, it

OGK-1 GROUP

Notes to the Interim Combined and Consolidated Financial Statements for the nine months ended 30 September 2007 (unaudited)

(in millions of Russian Roubles)

explains how such entities should account for their obligations to provide free or discounted goods or services ("awards") to customers who redeem award credits.

- IFRIC 14, IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how a minimum refunding requirement might affect the availability of reductions in future contributions, and when a minimum refunding requirement might give rise to a liability.
- Amendment to IAS 23, Borrowing Cost (Amendment, applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.
- Amendment to IAS 1, Presentation of Financial Statements (revised September 2007: effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the statement of operations by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. It also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

Unless otherwise described above, these new standards and interpretations are not expected to significantly affect the Company's financial statements.

Going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The accompanying financial statements do not include any adjustments which might be necessary if the Group will be unable to continue as a going concern.

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

Provision for impairment of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibility of specific customer accounts deteriorated compared to prior estimates. If there is a deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates (see Note 9).

Provision for impairment of other assets

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

Tax contingencies

Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation

and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in these IFRS financial statements.

Useful lives of property, plant and equipment

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

Note 4: Summary of significant accounting policies

Principles of consolidation. The Financial Statements comprise the financial statements of JSC OGK-1 and the financial statements of those entities whose operations are controlled by JSC OGK-1. Control is presumed to exist when JSC OGK-1 controls, directly or indirectly through subsidiaries, more than 50.00 percent of voting rights.

Subsidiaries

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

Transactions eliminated on consolidation

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

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

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

As at 30 September 2007, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the RR and the US Dollar ("USD") was RR 24.95: USD 1.00 (31 December 2006: RR 26.33: USD 1.00), between the RR and EURO RR 35.35: EURO 1.00 (31 December 2006: RR 34.70: EURO 1.00).

Financial assets. The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (a) Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.
- (b) Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.
- (c) Deposits and loans issued. Deposits and loans issued are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Deposits include those with original maturity of more than two months. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Deposits and loans

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issued are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(d) Available-for-sale financial assets. Available-for-sale financial assets are not derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. For these investments, which comprise non-marketable securities, which are not publicly traded or listed on the Russian stock exchange, fair value is estimated by reference to a variety of methods including those based on their earnings and those using the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at each balance sheet date. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Regular way purchases and sales of investments are initially measured at fair value and recognised on the settlement date, which is the date that the investment is delivered to or by the Group. Cost of purchase includes transaction costs. The available-for-sale investments are subsequently carried at fair value. Gains and losses arising from changes in the fair value of these investments are included in the fair value reserve in shareholders' equity in the period in which they arise. Realized gains and losses from the disposals of available-for-sale investments are included in the statement of operations in the period in which they arise.

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

Property, plant and equipment. As at 30 September 2007 property, plant and equipment are stated at the carrying value determined in accordance with the IFRS as the date of their transfer to the Group by the Predecessor, and adjusted taking into account further additions, disposals and depreciation charges. Deemed cost was initially determined by a third party valuation as at 31 December 1997 and restated for the impact of inflation until 31 December 2002.

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

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

The useful lives, in years, of assets by type of facility are as follows:

Type of facility	Revised starting from 1 January 2006
Electricity and heat generation	30-50
Electricity distribution	30
Heating network	30
Other	10

Loan charges incurred for the financing of construction of property, plant and equipment are not capitalized within the cost of property, plant and equipment.

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

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

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

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debtors is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of receivables.

Value added tax on purchases and sales. Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which had not been settled at the balance sheet date (deferred VAT) was recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision was made for impairment of receivables, the impairment loss was recorded for the gross amount of the debtor's balance, including VAT. The related deferred VAT liability was maintained until the debtor was written off for tax purposes.

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

Profit tax

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

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

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

Deferred tax is not provided for the undistributed earnings of subsidiaries, as the Group requires profits to be reinvested, and only insignificant dividends are expected to be declared from future profits of the subsidiaries. Neither these future profits nor the related taxes are recognised in these financial statements.

Accounts payable and accrued charges. Accounts payable are stated inclusive of value added tax. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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

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

Pension and post-employment benefits. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

OJSC OGK-1 operates a number of defined benefit plans: lump-sum payments at retirement, jubilee benefits, financial support for current pensioners, old age life pension program, death benefits. Defined

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benefits plans, except old-age life pensions, are paid on a pay-as-you-go basis. For old-age life pensions payments Group has contracted with a non-state pension fund. Group settles its obligation in relation to former employees when they retire from Group by purchasing annuity policies in the fund. All defined benefits plans are considered to be fully unfunded. When the pension obligation is settled via a non-state pension fund, the employer buys an annuity with the amount of contributions allocated to individual accounts held by the non-state pension fund and any additional contributions that may be required from the employer to meet the cost of the benefit promise.

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

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

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

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

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

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

Social expenditure. To the extent that the Group's contributions to social programs benefit the community at large without creating constructive obligation to provide such benefits in the future are not restricted to the Group's employees, they are recognised in the statement of operations as incurred.

Segment reporting. The Group operates in a single geographical area and industry, the generation of electric power and heat in the Russian Federation. The generation of electricity and heat are related activities and are subject to similar risks and returns, therefore they are reported as one business segment.

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

Minority interest. Minority interest represents the minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the minority's ownership percentage of these subsidiaries. In purchases of minority interest, difference, if any, between the carrying amount of a minority interest and the amount paid to acquire it is recorded as loss directly in equity.

Seasonality. Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power.

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Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

Interest. Interest income and expense are recognised in the statement of operations for all debt instruments on an accrual basis using the effective rate of interest method. Interest income includes nominal interest and amortized discount and premium. When collections of loans become doubtful collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fair value measurement. The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrowers at the reporting date.

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of publicly quoted financial instruments for disclosure purposes are measured based on market value at the close of business on the reporting date.

Note 5: Related Parties

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the nine months ended 30 September 2007 and during the nine months ended 30 September 2006 or had significant balances outstanding at 30 September 2007 and at 31 December 2006 are detailed below.

RAO UES

Transactions with RAO UES were as follows:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Other sales	21	-
Interest expenses	20	30
Other expenses	6	26

Balances with RAO UES were as follows:

	30 September 2007	31 December 2006
Accounts receivable	75	50
Dividends payable	1	204
Other accounts payable	18	11

Transactions with subsidiaries of RAO UES

Transactions with subsidiaries of RAO UES were as follows:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Electricity and heating revenues	12,731	16,057
Rent	-	154
Other sales	6	6
Purchased power expenses	16	39
Repairs and maintenance	121	100
Other expenses	73	181

Balances with subsidiaries of RAO UES were as follows:

	30 September 2007	31 December 2006
Accounts receivable	920	360
Accounts payable	124	102

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CJSC Financial Settling Center (CJSC CFR)

Starting from July 2006 one of the members of the board is combining management positions in JSC OGK-1 and CJSC CFR. CJSC CFR is therefore considered a related party.

Transactions with CJSC CFR were as follows:

	Nine months ended 30 September 2007	Period since 01 July 2006 to 30 September 2006
Electricity and heating revenues	10,115	1,481
Purchased power expenses	8,665	216

Balances with CJSC CFR were as follows:

	30 September 2007	31 December 2006
Accounts receivable	663	362
Accounts payable	433	375

Other, besides RAO UES and its subsidiaries, state-controlled entities

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

The Group had the following significant transactions with other state-controlled entities:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Electricity and heating revenues	407	165
Fuel expenses	7,981	9,450
Other revenues	8	21

The Group had the following significant balances with other state-controlled entities:

	30 September 2007	31 December 2006
Accounts receivable and prepayments, gross	158	194
Provision for impairment of accounts receivable	(51)	(69)
Accounts payable and accruals	17	42
Current debt	450	-
Other non current assets	11	9

Tax balances are disclosed in the balance sheet and Notes 13 and 18. Tax transactions are disclosed in the Group's statement of operations and Notes 13 and 20.

Directors' compensation

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

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

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the nine months ended 30 September 2007 was RR 62 million (for the nine months ended 30 September 2006 – RR 65 million). The Group has no other compensation programs.

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Note 6: Property, plant and equipment

Cost	Electricity and heat generation	Electricity distribution	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2006	30,353	2,262	745	4,166	7,342	44,868
Additions	4	-	-	2,268	74	2,346
Transfers	106	5	9	(640)	520	-
Disposals	(15)	-	-	(29)	(6)	(50)
Closing balance as at 30 September 2007	30,448	2,267	754	5,765	7,930	47,164

Accumulated depreciation (including impairment)

Opening balance as at 31 December 2006	(11,708)	(1,025)	(513)	(1,118)	(4,879)	(19,243)
Charge for the period	(539)	(48)	(17)	-	(545)	(1,149)
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	5	5
Closing balance as at 30 September 2007	(12,247)	(1,073)	(530)	(1,118)	(5,419)	(20,387)
Net book value as at 30 September 2007	18,201	1,194	224	4,647	2,511	26,777
Net book value as at 31 December 2006	18,645	1,237	232	3,048	2,463	25,625

Cost	Electricity and heat generation	Electricity distribution	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2005	29,440	2,182	733	3,731	6,889	42,975
Additions	588	7	-	979	257	1,831
Transfers	79	19	12	(173)	63	-
Disposals	(70)	(2)	-	(609)	(50)	(731)
Closing balance as at 30 September 2006	30,037	2,206	745	3,928	7,159	44,075

Accumulated depreciation (including impairment)

Opening balance as at 31 December 2005	(16,929)	(1,519)	(559)	(940)	(5,179)	(25,126)
Charge for the period	(374)	(25)	(12)	-	(339)	(750)
Transfers	-	(12)	-	45	(33)	-
Disposals	54	1	-	121	43	219
Closing balance as at 30 September 2006	(17,249)	(1,555)	(571)	(774)	(5,508)	(25,657)
Net book value as at 30 September 2006	12,788	651	174	3,154	1,651	18,418
Net book value as at 31 December 2005	12,511	663	174	2,791	1,710	17,849

Construction in progress includes advances to construction companies and suppliers of property, plant and equipment of RR 1,705 million (net of VAT) and RR 703 million (net of VAT) as of 30 September 2007 and 31 December 2006 respectively.

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated. The Group has the option to purchase this land upon application to the state registration body or to formalize the right for rent after the right expire date, which is 1 January 2008. As at 30 September 2007, the majority of the Group's companies have not filed any application to exercise the purchase option.

Impairment provision for property, plant and equipment

The carrying value of property, plant and equipment at 30 September 2007, 31 December 2006 and 31 December 2005 is stated net of an impairment loss of RR 2,326 million, 2,376 million and 9,736 million respectively.

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Management concluded that at 31 December 2006 there were indications for reversing previously recognised impairment losses based on significant changes with a favorable effect on the Group that have occurred or are expected to occur in the near future in the market and economic environment in which the Group operates. Such changes include:

- upward revisions, based on recent trends, in the expected growth of demand for electricity and heat in the regions in which the Group operates;
- higher degree of certainty about the free trading sector for electricity, which has been enacted by the government of the Russian Federation as of August 2006 (see Note 1);

These developments resulted in a change to the assumptions that were used to determine the value in use of assets that comprise the cash generating units. An impairment review was carried out by comparing the recoverable amount of the individual cash generating units with their net book values. For the purposes of the review, each of the Group's power plants was used as the relevant cash generating unit. The recoverable amount was generally based on value in use, which was calculated based on estimated future cash flows using various assumptions including the following:

1. Electricity tariffs in the regulated sector will be increased by 19%, 20%, 22.3% for the years ended 31 December 2008, 2009 and 2010, respectively;
2. Heat tariffs will be increased by 17%, 18.2% and 18.4% for the years ended 31 December 2008, 2009 and 2010, respectively;
3. Gas price will be increased by 25%, 27.7% and 27.7% for the years ended 31 December 2008, 2009 and 2010, respectively;
4. Growth of gas prices and other operating costs will be accounted for by the Regional Tariff Service in the course of establishing regulated electricity and heat tariffs on a "cost-plus" basis;
5. Inflation rate will not exceed 7.7% year;
6. Increase of major variable cost (except for fuel) will not exceed the inflation rate;
7. The pre-tax discount rate used to determine assets value in use is equal to 11%.

Thus subsequent to 30 September 2006, the Group recorded a reversal of the previously recognised impairment loss in the amount of RR 8,479 million. A respective gain together with a corresponding deferred tax expense of RR 1,888 million were recognised in the statement of operations for the year ended 31 December 2006.

Management's assessment indicates that value in use of property, plant and equipment will not be lower than its net book value including effect of reversal of impairment provision for all generating units, except for Urengoykaya GRES. In respect of Urengoykaya GRES, management believes this power plant will be unable to generate positive cash flow from the operations of its assets for the foreseeable future due to low installed capacity, a large portion of fixed costs, and limitations of the distribution market. As a consequence, the Group recognised an impairment loss of RR 1,790 million in respect of the property, plant and equipment of Urengoykaya GRES with a corresponding deferred tax benefit of RR 430 million in the statement of operations for the year ended 31 December 2006.

Management believes that there were no indications of impairment of the Group's principal operating assets at 30 September 2007, as prices for gas, tariffs for electric energy and heat (in regulated sector), approved for 2007 by corresponding regulating bodies, have grown by 15.0%, 15.0% and 16.5% respectively in comparison with the year ended 31 December 2006.

Operating lease

The Group leases a number of land areas owned by local governments under operating lease. Land lease payments are determined by lease agreements.

Operating lease rentals of land are payable as follows:

	30 September 2007	31 December 2006
Less than one year	82	81
Between one year and five years	326	366
After five years	3,589	3,499
Total	3,997	3,946

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The above lease agreements are usually concluded for 1-49 years with prolongation right. The lease payments are subject to regular review that may result in adjustment to reflect the market conditions.

Note 7: Other non-current assets

	30 September 2007	31 December 2006
Software licenses	77	86
Non-current bank bills of exchange	74	76
Non-current trade receivables (net provision for impairment of RR 19 million as at 30 September 2007 and RR 25 million as at 31 December 2006)	37	38
Non-current value added tax recoverable	32	16
Other non-current assets	8	9
Total	228	225

Non-current trade receivables represents the liabilities of consumers which according to historic conditions of contracts or restructuring terms are to be received within year or more since the reporting date. Under restructured terms these receivables are expected to be settled in the years 2008-2026. The recorded value approximates their fair value.

Bank bills of exchange	Rating	Rating agency	30 September 2007	31 December 2006
JSB Evrofinance Mosnarbank	Ba3	Moody's	-	8
JSC CB Agropromcredit	-	-	74	68
Total			74	76

Despite the fact that JSC CB Agropromcredit does not have the international credit rating, it is a reliable counterparty that has stable positions in the financial market of the Russian Federation and meets to the commonly used criteria of credit status and solvency.

Note 8: Cash and cash equivalents

	30 September 2007	31 December 2006
Cash at bank and in hand	603	549
Total	603	549

Cash at bank	Rating	Rating agency	30 September 2007	31 December 2006
JSC Sberbank	Baa2	Moody's	121	38
JSCB Peresvet (CJSC)	-	-	319	441
Non-banking Credit Organization RTS Settlement Chamber	-	-	142	5
Other	-	-	21	65
Total			603	549

Despite the fact that JSCB Peresvet (CJSC) and Non-banking Credit Organization RTS Settlement does not have the international credit rating, they are reliable counterparties that have stable positions in the financial market of the Russian Federation and meet to the commonly used criteria of credit status and solvency.

Additionally, Non-banking Credit Organization RTS Settlement is a financial institution carrying out settlements of the Group at the Russian stock exchange (RTS) and an official clearing system on the wholesale electricity market.

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Note 9: Accounts receivable and prepayments

	30 September 2007	31 December 2006
Trade receivables (Net of provision for impairment of RR 54 million as at 30 September 2007 and RR 39 million as at 31 December 2006)	1,943	936
Advances to suppliers and prepayments (Net of provision for impairment debtors of RR 9 million as at 30 September 2007 and RR 11 million as at 31 December 2006)	955	511
Tax prepayments	529	299
Value added tax recoverable	98	67
Other receivables (net provision for impairment of RR 54 million as at 30 September 2007 and RR 71 million as at 31 December 2006)	159	115
Total	3,684	1,928

Management believes that the majority of customers, balances of which are included into trade receivables, comprise the single class, as they bear the same characteristics: participants of wholesale electricity market (NOREM) and the Company's related parties (see Note 5).

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

All impaired trade receivables and other receivables are made provision for. The movement of the provision is shown in the table below:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
As at 1 January	121	222
Reversal of provision	(21)	(105)
Accrued provision	17	2
As at 30 September	117	119

As at 30 September 2007, trade receivables of RR 1,206 million (31 December 2006: RR 411 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	30 September 2007	31 December 2006
Less than 3 months	133	35
3 to 6 months	667	246
6 to 12 months	207	38
More than 12 months	199	92
Total	1,206	411

The Group does not hold any collateral as security.

Total amount of loans and receivables as at 30 September 2007 comprises RR 2,313 million (as at 31 December 2006: RR 1,174 million) and includes current and non-current bills of exchange (Note 7 and Note 11) and trade and other receivables (except for value added tax recoverable, tax prepayments, advances to suppliers and prepayments and software licenses).

Note 10: Inventories

	30 September 2007	31 December 2006
Fuel production stock	1,245	1,578
Materials and supplies	1,106	953
Other inventories	15	16
Total	2,366	2,547

The above inventory balances are recorded net of an obsolescence provision of RR 9 million and RR 8 million as at 30 September 2007 and 31 December 2006, respectively.

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As at 30 September 2007 and 31 December 2006 the inventory balances did not include inventories which were pledged as collateral according to loan agreement.

Note 11: Other current assets

	30 September 2007	31 December 2006
Bank bills of exchange	89	-
Other	3	-
Total	92	-

Bank bills of exchange	Rating	Rating agency	30 September 2007	31 December 2006
JSC Evrofinance Mosnarbank	Ba3	Moody's	39	-
JSC Bank Alemar	-	-	50	-
Total			89	-

Despite the fact that JSC Bank Alemar does not have the international credit rating, it is a reliable counterparty that has stable positions in the financial market of the Russian Federation and meets to the commonly used criteria of credit status and solvency.

JSCB Peresvet (CJSC), JSC CB Agropromcredit and JSC Bank Alemar are banks which cooperate with RAO UES Group entities for a long period and have managed to prove the financial stability.

Note 12: Equity***Basis of presentation of movements in equity***

The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting (see Note 3), the principal component of the net equity recognised for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. Similarly, for the purpose of comparability, the equity of the Group has been presented for comparative periods and as at 1 January 2005 as if the current Group structure had existed from 1 January 2005 (see Note 3). As the Group was formed as a result of a series of share issues completed after 1 January 2005, the equity statement reflects additions to share capital in the amount equal to the statutory nominal value of the shares issued which is based on the fair value of the net assets of the businesses contributed. In accordance with the predecessor basis of accounting, the effect of such additions to equity is offset by a corresponding increase in the merger reserve and reduction in minority interest.

Share capital*(Number of shares unless otherwise stated)*

	Ordinary shares 30 September 2007	Ordinary shares 31 December 2006
Issued shares	44,643,192,918	44,643,192,918
Par value (in RR)	0.57478	1.00

As at 23 March 2005, the date that the Company was established, the number of issued ordinary shares amounted to 17,252,039,909 with a par value of RR 1.00 each.

In 2005 contributions to the Company's share capital were effected as follows:

- cash contributions amounted to RR 49 million;
- RR 13,523 million received by way of contribution of RAO UES' investment in JSC Permskaya GRES. The value of the investment was assessed by an independent appraiser;
- RR 3,212 million received by way of contribution of the assets of the Verkhnetagilskaya GRES, whose value was determined by an independent appraiser.

On 29 September 2006, 27,859,683,748 additional ordinary shares of JSC OGK-1 with a value of RR 1.00 each were issued and exchanged for the ordinary shares of JSC Permskaya GRES, JSC Irikhinskaya GRES, JSC Nizhnevartovskaya GRES, JSC Kashirskaya GRES, JSC Verkhnetagilskaya GRES and JSC Urengoyanskaya GRES (See Note 1) as follows:

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- ordinary shares with a value of RR 9,533 million were exchanged for the ordinary shares of the JSC Nizhnevartovskaya GRES;
- ordinary shares with a value of RR 663 million were exchanged for the ordinary shares of the JSC Urengoyskaya GRES;
- ordinary shares with a value of RR 10,090 million were exchanged for the ordinary shares of the JSC Irikhinskaya GRES;
- ordinary shares with a value of RR 7,573 million were exchanged for the ordinary shares of the JSC Kashirskaya GRES.

As at 31 December 2006, the number of issued ordinary shares amounted to 44,643,192,918 with a par value of RR 1.00 each.

On 4 April 2007 an Extraordinary Shareholder Meeting of JSC OGK-1 decided to decrease the Company's share capital to RR 25,660 million by decreasing the nominal value of the placed shares (see Note 26).

The decrease of the share capital was performed in accordance with the requirements of the Federal Law "On Joint-stock Companies" which stipulates that the stations' net assets shall be equal or exceed the stations' share capital.

As at 30 September 2007, the number of issued ordinary shares amounted to 44,643,192,918 with a par value of RR 0.57478 each was reduced.

Merger reserve

Based on the application of predecessor accounting (see Note 3), the difference as at 1 January 2007 of RR 25,852 million between the value of share capital issued, the IFRS carrying values of the contributed assets and the minority interest has been recorded as a merger reserve within equity.

The effect of the decrease in share capital in the amount of RR 18,983 million (see above) was offset by a corresponding movement in the merger reserve.

Contribution from RAO UES

In 2006 before the merger, JSC Nizhnevartovskaya GRES issued 27,277,796 additional ordinary shares with a par value of RR 14.7 each fully paid by RAO UES. The IFRS value of the contributed assets in the amount of RR 752 million has been recorded to the merger reserve within equity at the date of the additional contribution.

Dividends

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

The following dividends were declared by the Group, recognised as a liability and deducted from equity for the reporting periods:

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	Nine months ended 30 September 2007		Nine months ended 30 September 2006	
	Declared dividends, in millions of RR	Dividends per share, RR	Declared dividends, in millions of RR	Dividends per share, RR
JSC OGK-1 in respect of the three months ended 31 March 2007	640	0.014336	-	-
JSC OGK-1 in respect of the three months ended 31 March 2006	-	-	42	0.0025043
JSC OGK-1 in respect of the six months ended 30 June 2006	-	-	60	0.003571
JSC Urengoyanskaya GRES in respect of the year ended 31 December 2005	-	-	14	0.051984
JSC Urengoyanskaya GRES in respect of the three months ended 31 March 2006	-	-	10	0.036531
JSC Nizhnevartovskaya GRES in respect of the year ended 31 December 2005	-	-	9	0.032965
JSC Nizhnevartovskaya GRES in respect of the three months ended 31 March 2006	-	-	220	0.803214
JSC Nizhnevartovskaya GRES in respect of the six months ended 30 June 2006	4	0.154961	42	0.154961
JSC Irkutinskaya GRES in respect of the year ended 31 December 2005	-	-	66	0.414867
JSC Irkutinskaya GRES in respect of the three months ended 31 March 2006	-	-	104	0.648188
JSC Irkutinskaya GRES in respect of the six months ended 30 June 2006	-	-	58	0.360124
Total	644		625	

Note 13: Profit tax**Profit tax charge**

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Current profit tax charge	738	695
Deferred profit tax charge	205	291
Total profit tax charge	943	986

During the nine months ended 30 September 2007 the Group entities were subject to 20-24% profit tax rate on taxable profits. 20% profit tax rate was applied by Permskaya GRES due to local state tax relief of 4%.

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

Reconciliation between the expected and the actual taxation charge is provided below:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Profit before profit tax	2,052	882
Theoretical profit tax charge at an average statutory tax rate of 20-24 percent	473	189
Tax effect of items which are not deductible or assessable for taxation purposes	470	797
Total profit tax charge	943	986

The not deductible expenses occurred as the result of differences between IFRS and Russian statutory taxation regulation.

Deferred profit tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred profit tax assets and liabilities are measured at 20-24 percent, the rate expected to be applicable when the assets or liabilities will reverse.

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Deferred profit tax liabilities

	30 September 2007	Movements for the year recognised in the statement of operations	31 December 2006
Deferred profit tax liabilities	3,783	79	3,704
Property, plant and equipment	3,647	(57)	3,704
Trade receivables	136	136	-
Deferred profit tax assets	(93)	126	(219)
Trade receivables	(25)	151	(176)
Other	(68)	(25)	(43)
Deferred profit tax liabilities, net	3,690	205	3,485

	30 September 2006	Movements for the year recognised in the statement of operations	31 December 2005
Deferred profit tax liabilities	2,118	3	2,115
Property, plant and equipment	2,096	(19)	2,115
Trade receivables	22	22	-
Deferred profit tax assets	(2)	288	(290)
Trade receivables	-	233	(233)
Other	(2)	55	(57)
Deferred profit tax liabilities, net	2,116	291	1,825

Note 14: Pension liabilities

The tables below provide information about the benefit obligations, plan assets and actuarial assumptions used for the year ended 30 September 2007 and 31 December 2006. Amounts recognised in the Group's consolidated balance sheet:

	30 September 2007	31 December 2006
Defined benefit obligations	471	247
Unrecognized actuarial loss	(5)	(3)
Unrecognized past service cost	(33)	(2)
Net liability in balance sheet	433	242

Amounts recognized in the combined and consolidated statement of operations:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Current service cost	12	6
Interest cost	20	16
Net actuarial losses/(gain) recognised in period	(3)	-
Amortization of past service cost	-	2
Immediate recognition of vested prior service cost	31	-
Other	148	-
Net expense recognised in the statement of operations	208	24

Other category includes the result of changing estimation of year 2006 pension liabilities. During the nine months ended 30 September 2007 more detailed information about the Group's pension plans was obtained. As a result the Group's liability increased and an additional charge of RR 148 million was recorded. The management has treated this as a change in estimate rather than an actuarial loss, which would be deferred, because this allows the financial statements to better reflect the position at 30 September 2007.

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

	30 September 2007	31 December 2006
Benefit obligation at the beginning of the period	247	228
Current service cost	12	6
Interest cost	20	16
Actuarial (gain)/loss	(2)	(2)
Past service cost	63	2
Benefits paid	(17)	(3)
Other	148	-
Benefit obligations at end of the period	471	247

Reconciliation of the balance sheet:

	30 September 2007	31 December 2006
Net liability at start of period	242	221
Net expense recognised in the statement of operations	208	24
Employer contributions	(17)	(3)
Net liability at end of the period	433	242

Principal actuarial assumptions are as follows:

	30 September 2007	31 December 2006
Discount rate	6.75%	6.75%
Salary increase	7.0%	7.0%
Pension increase	5.0%	5.0%
Inflation	5.0%	5.0%

There were no changes in actuarial assumptions during nine months ended 30 September 2007. Thus actuarial gain and losses during this period correspond to experience adjustments in full.

	30 September 2007	31 December 2006
Present value of defined benefit obligations (DBO)	471	247
Gains/(losses) arising of experience adjustments on plan liabilities	4	3

Note 15: Non-current debt

Name of creditor	Currency	Effective interest rate	Due	30 September 2007	31 December 2006
CJSC Commerzbank	RR	MosPrime + 1.8%	2012	1,000	-
Total				1,000	-

No property was pledged as collateral for long-term debt.

Non-current debt has variable interest rate linked to MosPrime, and the carrying amounts of the debt is approximates the fair value.

The Group has not entered into any hedging arrangements in respect of its foreign currency obligation or interest rate exposure.

Note 16: Current debt

Name of creditor	Currency	Effective interest rate	30 September 2007	31 December 2006
CJSC Commerzbank	RR	7.6%-8.35%	914	572
OJSC Sberbank RF	RR	8%	450	-
CJSC IMB	RR	7.25%	404	808
OJSC Bank of Moscow	RR	6.75%-7.25%	300	-
Total			2,068	1,380

The carrying amounts of current debts approximate their fair values.

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Note 17: Accounts payable and accrued charges

	30 September 2007	31 December 2006
Trade payables	1,337	774
Dividends payable	5	204
Accrued liabilities and other creditors	273	147
Total	1,615	1,125

Trade payables are classified as financial liabilities. The total amount of liabilities as at 30 September comprises RR 4,405 million (as at 31 December 2006: RR 2,154 million) and includes, besides trade payables, non-current debt (see Note 15) and current debt (see Note 16).

Management believes that the majority of customers, balances of which are included into trade payables, comprise the single class, as they bear the same characteristics.

Note 18: Taxes payable

	30 September 2007	31 December 2006
Water tax	398	343
Value added tax	249	241
Profit tax	-	150
Property tax	78	132
Fines and interest	-	28
Unified social tax	22	14
Other taxes	25	18
Total	772	926

As at 30 September 2007 included in the payable for value added tax is RR 228 million of deferred VAT which only becomes payable to the authorities when the underlying receivables balance is either recovered or written off (as at 31 December 2006: RR 232 million).

Note 19: Revenues

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Electricity	31,958	19,639
Heating	298	307
Rent	45	188
Other	244	338
Total	32,545	20,472

Approximately 25% of sales of electricity relates to the resale of purchased power (see Note 20).

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Note 20: Operating expenses

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Raw materials and consumables used, including	14,267	12,602
<i>Fuel expenses</i>	14,044	12,385
<i>Other materials</i>	223	217
Purchased power expenses for resale	8,702	255
Employee benefit expenses and payroll taxes	2,476	1,882
Third parties services, including:	1,748	1,656
<i>Repairs and maintenance</i>	893	885
<i>Commission fees</i>	416	395
<i>Rent expenses</i>	110	137
<i>Security expenses</i>	130	110
<i>Consulting, legal and information expenses</i>	86	22
<i>Telecommunication services</i>	31	28
<i>Transportation expenses</i>	82	79
Taxes other than profit tax	1,339	1,319
Depreciation of property, plant and equipment	1,149	750
Loss on disposals of property, plant and equipment	9	323
Social charges	76	68
Reversal of write-down of inventories to net realisable value	-	(68)
Write-down of accounts receivable	3	85
Reversal of impairment of accounts receivable	(4)	(103)
Other expenses	647	765
Total	30,412	19,534

Note 21: Finance costs

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Interest expense	87	72
Interest income	(1)	(35)
Effect of discounting of long-term accounts receivable/payable	(5)	19
Total	81	56

**Note 22: Earnings per ordinary share for profit attributable to the shareholders of JSC OGK-1
basic and diluted (in RR)**

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Weighted average number of ordinary shares issued (million of shares)	44,643	16,865
Profit / (loss) attributable to the shareholders of JSC OGK-1 (million of RR)	1,109	(145)
Weighted average earnings / (loss) per share – basic and diluted (in RR)	0.025	(0.009)

Note 23: Commitments

Sales commitments. The Group sells electricity on the two wholesale electricity (capacity) market sectors: free trading sector and regulated trading sector.

The Group has entered into a number of annual electricity sales agreements with CJSC "Center for Financial Settlements", retail companies and large industrial customers.

Fuel commitments. Group entities have numerous fuel contracts. These fuel contracts represent less than the total annual fuel requirement of the Group. Additional fuel requirements are purchased through short-term agreements and on a spot basis from a variety of suppliers. Prices under the Group's natural gas and coal contracts are generally determined by reference to base amounts adjusted to reflect provisions for changes in regulatory prices, published inflation indices and current market prices.

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Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 4,017 million at 30 September 2007 (at 31 December 2006: RR 5,890 million).

Note 24: Contingencies

Political environment. The operations and earnings of Group entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed for those risks for which it does not have insurance.

Legal proceedings. Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

The Company entered into a joint and several liability agreement for the indebtedness of predecessor legal entities from which the power plants Irikhinskaya GRES, Nizhnevartovskaya GRES, Kashirskaya GRES, and Urengoyanskaya GRES spun off. Such agreements were concluded with JSC Mosenergo, JSC Tyumenenergo, JSC Orenburgenergo and their spin-offs. These agreements stipulate joint and several liability over the debts of those entities which were not shown in the separation balance sheets during the their reorganization. There are risks connected with possible liability over the debts of the aforementioned companies.

During the nine months ended 30 September 2007 the Group accrued liabilities of RR 64 million in accordance with the agreement. These expenses were disclosed as part of other operating expenses (Note 20).

Tax contingencies. Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular the existing way of calculation of water tax. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

Due to the fact, that the tax and other legislation do not fully cover all the aspects of the Group restructuring, there might be respective legal and tax risks.

As at 30 September 2007 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

Environmental matters. Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. Currently management believes that there are no significant liabilities for environmental matters.

Note 25: Financial instruments and financial risk factors

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

Foreign currency exchange risk. The Group's income and operating cash flows are substantially independent of changes in the domestic currency rate as related to foreign currency rates. Power and heat produced by the Group is realized on territory of Russian Federation and paid in Russian Roubles. The Group does not have significant financial liabilities to its suppliers and contractors denominated in the foreign currency.

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Interest rate risk. The Group debt financing activities expose it to interest rate risk. On 30 October 2007 the Group raised a long-term MosPrime3M floating rate bank credit.

The change MosPrime3M rate at the nine months ended 30 September 2007 is shown in the table below:

Date	Rate
As at 09 January 2007	5.61%
As at 31 January 2007	5.52%
As at 28 February 2007	5.27%
As at 31 March 2007	5.63%
As at 30 April 2007	5.31%
As at 31 May 2007	4.78%
As at 30 June 2007	4.76%
As at 31 July 2007	4.82%
As at 31 August 2007	6.47%
As at 30 September 2007	7.35%

A sensitivity analysis for interest rate risk at the reporting date is shown in the table below:

Interest rate	-1,5%	-0,5%	+0,5%	+1,5%	+2,5%
The hypothetical effect on financial expenses	(15)	(5)	5	15	25

The assumption of change of interest rate was based on the fluctuations of MosPrime3M rate at the nine months ended 30 September 2007.

Hedging of Group's interest rate risk is based on the diversification of loans with fixed and floating interest rate (Note 15 and 16).

Credit risk. Financial assets which potentially subject Group entities to concentrations of credit risk consist principally of trade receivables.

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore the Group assesses the credit quality of the customer at the contract execution stage. The Group takes into account the customer's financial position and its credit history. The Group monitors the existing receivables on the permanent basis in the profile departments and takes actions regularly to collect it.

The table below shows of the balance of the thirteen major counterparties at the balance sheet date:

	30 September 2007	31 December 2006
CJSC Center of financial estimation	663	362
OJSC Permskaya energy distribution company	177	-
OJSC Dagestanskaya energy distribution company	174	13
OJSC Tyumenskaya energy distribution company	161	214
OJSC Nurenergo	141	15
OJSC Mosenergosbyt	98	-
OJSC Sverdlovenersosbyt	89	22
RAO UES	75	50
OJSC Orenburgenergosbyt	39	-
OJSC Kolskaya energy distribution company	36	-
OJSC Karachaevo-Cherkesskenergo	19	-
OJSC Ingushenergo	10	-
CJSC Inter RAO UES	-	27
Total	1 682	703

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance for doubtful debtors already recorded. As discussed in Note 9, these receivables were arisen from the Group's related parties (Note 5).

Liquidity risk. The Group's liquidity risk management includes maintaining the sufficient cash position and the availability of financing to support the Group operational activity.

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To secure the sufficient financing of its operations, the Group raises credit lines/limits. As at 30 September 2007 the sum of credit lines/limits available to the Group was RR 7,600 million.

The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 30 September 2007				
Debt and borrowings	2,068	-	1,000	-
Trade and other payables	2,366	1	1	13
At 31 December 2006				
Debt and borrowings	1,380	-	-	-
Trade and other payables	2,053	1	1	14

Fair values. Management believes that the fair value of its financial assets and financial liabilities is not significantly different from their carrying amounts.

Note 26: Capital risk management

The Group capital risk management means: a) legislation compliance in order to safeguard the Group ability to continue as going concern and provide returns for shareholders; b) credit policy implementation in order to maintain an optimal capital structure and reduce the cost of capital.

The followings capital requirements have been established by the Federal Law "On Joint-stock Companies":

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

JSC OGK-1 has decreased its share capital from RR 44,643 million to RR 25,660 million by decreasing the nominal value of the placed shares at the nine months ended 30 September 2007. The decrease of share capital was performed in accordance with the requirements of the Federal Law "On Joint-stock Companies" (Note 12).

As at 30 September 2007, the Group has been in compliance with the above share capital requirements.

The Group monitors capital on the basis of a financial leverage ratio. This ratio is calculated as the total debt divided by the total equity. The total debt is calculated as the sum of non-current debt and current debt, and the total equity is equal to the total equity at the reporting date.

The financial leverage ratios at 30 September 2007 and at 31 December 2006 were as follows:

	30 September 2007	31 December 2006
Total debt	3,068	1,380
Total equity	24,164	23,708
Financial leverage ratio	13%	6%

The increase in the financial leverage ratio within the nine months ended 30 September 2007 is caused by the increase in non-current debt (Note 15). Nevertheless, the shareholders' equity provide by far the largest part of the financial resources of the Group.

Note 27: Post balance sheet events

In the year 2008 due to the reorganisation of RAO UES a new entity, OJSC OGK-1 Holding, will be spun off from RAO UES. This new entity will own JSC OGK-1' shares that are currently held by RAO UES. On 23 November 2007 the Extraordinary General Meeting of Shareholders of JSC OGK-1 approved the

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decision to merge the Company and OJSC OGK-1 Holding by the conversion OJSC OGK-1 Holding' shares to additionally issued shares of JSC OGK-1. The amount of additional share issue of JSC OGK-1 will be 124,051,032 ordinary shares with a par value of RR 0.57478 each.

Those shareholders who voted against the approval of the merge of JSC OGK-1 or did not participate in that shareholders meeting have the right to demand that the Company buys back its shares within 45 days of the shareholders meeting date. The re-purchase price was calculated by an independent appraiser and approved by the Board of Directors at the level of RR 2.518 per ordinary. The total amount of obligation in respect of the event might vary from zero up to RR 2,631 million.

On 10 December 2007 JSC OGK-1 established a new 100% subsidiary, CJSC Nizhneartovskaya GRES. The share capital of this entity will be subscribed by the contribution of the property of Nizhneartovskaya power station, a branch of JSC OGK-1. CJSC Nizhneartovskaya GRES has been established to facilitate the investment project for the construction of a third unit of Nizhneartovskaya power station.