

**OGK-2 GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)**

OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position as at 30 September 2012
(unaudited)
(in thousands of Russian Roubles)

	Notes	30 September 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	108,149,825	106,497,335
Intangible assets		1,280,227	1,297,359
Investments in associated undertakings	6	1,580,070	-
Other non-current assets	7	2,792,249	3,211,158
Total non-current assets		113,802,371	111,005,852
Current assets			
Cash and cash equivalents		355,406	359,116
Trade and other receivables	8	15,385,287	13,585,399
Inventories		6,731,370	6,158,002
Current income tax prepayments		251,517	894,405
Other current assets		7,400	-
Total current assets		22,730,980	20,996,922
TOTAL ASSETS		136,533,351	132,002,774
EQUITY AND LIABILITIES			
Equity			
Share capital	9		
Ordinary shares		21,518,239	21,518,239
Treasury shares		(4,058,856)	(4,058,238)
Share premium		23,916,508	23,916,508
Retained earnings		42,611,907	41,097,814
Total equity		83,987,798	82,474,323
Non-current liabilities			
Deferred income tax liabilities		6,378,623	6,234,194
Non-current debt	10	20,277,569	27,168,240
Retirement benefit obligations		1,852,774	1,682,222
Restoration provision		514,102	521,670
Other long-term liabilities	11	397,024	241,261
Total non-current liabilities		29,420,092	35,847,587
Current liabilities			
Current debt and current portion of non-current debt	12	116,894	5,601,708
Trade and other payables	13	21,754,862	7,431,510
Other taxes payable	14	1,169,164	597,478
Restoration provision		84,541	50,168
Total current liabilities		23,125,461	13,680,864
Total liabilities		52,545,553	49,528,451
TOTAL EQUITY AND LIABILITIES		136,533,351	132,002,774

General Director



D.N. Bashuk

Chief Accountant

B.Z. Dolgoarshinnih

30 November 2012

OGK-2 Group**Interim Condensed Consolidated Income Statement for the 9 months ended 30 September 2012
(unaudited)**

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

		9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
	Notes		
Revenues	15	76,221,518	78,875,516
Operating expenses	16	(71,995,351)	(75,694,849)
Other operating items		(39,723)	(119,324)
Operating profit		4,186,444	3,061,343
Finance income	17	131,099	128,736
Finance costs	18	(2,146,596)	(1,195,574)
Profit before income tax		2,170,947	1,994,505
Income tax charge		(419,776)	(18,582)
Profit for the period		1,751,171	1,975,923
Attributable to:			
Shareholders of OJSC OGK-2		1,751,171	1,975,923
Earning per ordinary share for profit attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)			
	19	0.03	0.03

The accompanying notes are an integral part of these interim condensed consolidated financial statements

OGK-2 Group**Interim Condensed Consolidated Statement of Comprehensive Income for the 9 months ended
30 September 2012 (unaudited)***(in thousands of Russian Roubles)*

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Profit for the period	1,751,171	1,975,923
Net change in fair value of available-for-sale investments (net of income tax)	(7,822)	(47,629)
Total comprehensive income for the period	1,743,349	1,928,294
Attributable to:		
Shareholders of OJSC OGK-2	1,743,349	1,928,294

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows for the 9 months ended
30 September 2012 (unaudited)

(in thousands of Russian Roubles)

	Notes	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		2,170,947	1,994,505
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment		3,490,734	2,686,318
Amortisation of intangible assets		70,055	53,679
Reversal of property, plant and equipment impairment	5	(4)	(597)
Charge of provision for impairment of trade and other receivables	16	151,087	919,466
(Reversal) / charge of provision for inventory obsolescence	16	(4,304)	13,425
Finance income	17	(131,099)	(128,736)
Finance costs	18	2,146,596	1,195,574
Increase in retirement benefit obligations	16	130,572	112,316
Loss on disposal of assets	16	51,483	467,885
Other non-cash items		(211,890)	136,726
Operating cash flows before working capital changes and income tax paid		7,864,177	7,450,561
Working capital changes:			
Increase in trade and other receivables		(2,577,122)	(5,167,853)
Payments in respect of retirement benefit obligations		(112,246)	(145,037)
Increase in inventories		(637,258)	(907,501)
Increase in other current assets		(7,400)	(48,881)
Increase in trade and other payables		5,400,963	292,882
Increase in other non-current liabilities		4,765,466	27,773
Increase in taxes payable, other than income tax		648,495	265,774
Income tax received / (paid) in cash		293,959	(1,284,231)
Net cash generated from operating activities		15,639,034	483,487
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(11,718,677)	(12,403,968)
Proceeds from sale of property, plant and equipment		24,747	22,431
Purchase of intangible assets		(51,981)	(36,063)
Proceeds from deposits		-	24,670
Increase in other non-current assets		-	(1,700)
Interest received		26,638	43,971
Investments in associated undertakings		(1,048,344)	-
Net cash used in investing activities		(12,767,617)	(12,350,659)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		2,262,069	16,519,904
Proceeds from long-term borrowings		4,114,986	10,134,642
Repayment of short-term borrowings		(7,754,923)	(14,081,687)
Repayment of long-term borrowings		(9,317,006)	-
Interest paid		(1,835,409)	(1,017,431)
Payments under finance lease		(108,227)	(74,396)
Finance lease advance		(10,814)	(16,348)
Proceeds from share issue		10,000,000	-
Expenses for share issue		(172,351)	-
Purchase treasury shares		-	(4,045,985)
Proceeds from sale of treasury shares		250	-
Dividend paid by the Group to shareholders OGK-2		(53,702)	(297,441)
Net cash (used in) / generated from financing activities		(2,875,127)	7,121,258
Net decrease in cash and cash equivalents		(3,710)	(4,745,914)
Cash and cash equivalents at the beginning of the period		359,116	5,362,378
Cash and cash equivalents at the end of the period		355,406	616,464

The accompanying notes are an integral part of these interim condensed consolidated financial statements

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity for the 9 months ended
30 September 2012 (unaudited)
(In thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Retained earnings	Total
At 1 January 2011 (Restated)	11,872,828	(12,037)	23,916,508	51,121,762	86,899,061
Profit for the period	-	-	-	1,975,923	1,975,923
Available-for-sale investments	-	-	-	(47,629)	(47,629)
Total comprehensive income for the period	-	-	-	1,928,294	1,928,294
Dividends	-	-	-	(301,599)	(301,599)
Acquisition of treasury shares	-	(4,045,985)	-	-	(4,045,985)
At 30 September 2011 (Restated)	11,872,828	(4,058,022)	23,916,508	52,748,457	84,479,771
At 1 January 2012	21,518,239	(4,058,238)	23,916,508	41,097,814	82,474,323
Profit for the period	-	-	-	1,751,171	1,751,171
Available-for-sale investments	-	-	-	(7,822)	(7,822)
Total comprehensive income for the period	-	-	-	1,743,349	1,743,349
Sale of treasury shares	-	250	-	-	250
Expenses for share issue	-	-	-	(172,351)	(172,351)
Dividends	-	-	-	(56,905)	(56,905)
Acquisition of treasury shares	-	(868)	-	-	(868)
At 30 September 2012	21,518,239	(4,058,856)	23,916,508	42,611,907	83,987,798

The accompanying notes are an integral part of these interim condensed consolidated financial statements

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 9 months ended****30 September 2012 (unaudited)**

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2", or the "Company") was established on 9 March 2005 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

On 21 June 2011 the General Shareholders Meeting of OJSC "OGK-2" made a decision to merge OJSC "OGK-2" with another company controlled by Gazprom, Open Joint Stock Company "The Sixth Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-6") in accordance with terms specified in the OJSC "OGK-2" and OJSC "OGK-6" merger agreement. OJSC "OGK-6" was established on 17 March 2005 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003. The merger resulted in the transfer of assets and liabilities of OJSC "OGK-6" to OJSC "OGK-2". Upon the completion of the merger OJSC "OGK-6" ceased to exist. The merger has been completed on 1 November 2011.

The Group's primary activities are generation and sale of electric and heat power. The Group consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Adlerskaya TES, Kirishskaya GRES, Ryazanskaya GRES, Novochebasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES.

The Company is registered by the Izobilnensk District Inspectorate of the RF Ministry of Taxation of Stavropol Region.

The Company's office is located at 101-3, Vernadskogo Avenue, 119526, Moscow, Russian Federation.

Changes in the OGK-2 Group

OJSC "OGK-2" and its following subsidiaries and associated undertakings form the OGK-2 Group ("the Group"):

	% owned	
	30 September 2012	31 December 2011
LLC "OGK-InvestProekt"	49%	100%
LLC "OGK-2 Finance"	100%	100%
LLC "Centre 112"	100%	-

In August 2012 OJSC "OGK-2" set up a subsidiary LLC "Center 112", the purpose of which is to ensure fire safety of OJSC "OGK-2". As at 30 September 2012 the share capital of LLC "Centre 112" amounted to RR 10 thousand.

In September 2012 there was an increase of the share capital of LLC "OGK-InvestProekt" as a result of this transaction, the share of OJSC "OGK-2" in of LLC "OGK-InvestProekt" was reduced from 100% to 49%. Control of LLC "OGK-InvestProekt" passed from OJSC "OGK-2" to OJSC "Mosenergo", OJSC "OGK-2" has a significant influence on LLC "OGK-InvestProekt" (see also Note 6).

Carrying amount of sold assets and liabilities is presented below:

	As at the date of disposal
Cash and cash equivalents	49,583
Trade and other receivables	1,026,151
Property, plant and equipment	6,904,219
Other assets	257
Non-current debt	(1,739,553)
Trade and other payables	(5,708,215)
Other liabilities	(432)
Net assets value	532,010

OGK-2 Group

Notes to Interim Condensed Consolidated Financial Statements for the 9 months ended 30 September 2012 (unaudited)

(in thousands of Russian Roubles)

Relations with the state and current regulation. As at 30 September 2012 the Company is controlled by Gazprom, the largest Russian gas production company.

Until 1 July 2008 Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia ("RAO UES") owned 65.47% of the Company, on 1 July 2008 as part of electric industry restructuring process RAO UES ceased to exist as a separate legal entity. Also as a result of the restructuring process Gazprom Group has obtained control over the Company at this date.

Gazprom Group, in its turn, is controlled by the Russian Federation; therefore, the Russian Government is the ultimate controlling party of the Group as at 30 September 2012 and 31 December 2011.

The Group's customer base includes a large number of entities controlled by or related to the State. The list of the Group's major fuel suppliers includes subsidiaries of Gazprom.

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Service on Tariffs ("FST") and the Tariffs regulation Executive authorities. JSC "System Operator of the United Power System" ("SO UPS"), which is controlled by the Russian Federation, regulates operations of generating assets of the Group.

As described in Note 22, the government's economic, social and other policies could have material effects on the operations of the Group.

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 9 months ended 30 September 2012 ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS.

Restatement. These financial statements have been prepared as if the merger of OJSC "OGK-2" and OJSC "OGK-6" described in Note 1 had been completed prior to 1 January 2010.

The comparative information has been restated for the effect of the merger of OJSC "OGK-2" and OJSC "OGK-6" as described below:

	As previously reported, 9 months ended 30 September 2011, in thousand RR	Retrospective consolidation of OJSC "OGK-6", in thousand RR	As restated, 9 months ended 30 September 2011, in thousand RR
Revenues	39,893,633	38,981,883	78,875,516
Operating expenses	(36,839,377)	(38,855,472)	(75,694,849)
Other operating items	18,215	(137,539)	(119,324)
Operating profit / (loss)	3,072,471	(11,128)	3,061,343
Finance income	100,771	27,965	128,736
Finance costs	(443,476)	(752,098)	(1,195,574)
Profit / (loss) before income tax	2,729,766	(735,261)	1,994,505
Income tax (charge) / benefit	(671,108)	652,526	(18,582)
Profit / (loss) for the period	2,058,658	(82,735)	1,975,923
Earning per ordinary share for profit attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)	0.06	-	0.03

Note 3. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2011, except for those policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2012.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets*;
- Amendments to IAS 12 *Income taxes: Recovery of Underlying Assets*.

The effect of adoption of the above amendments to standards on these financial statements was not significant.

The following new standards and amendments to standards have been issued but are not effective and have not been early adopted by the Group:

- IAS 19 (2011) *Employee Benefits*;
- IAS 28 (2011) *Investments in Associates and Joint Ventures*;
- IFRS 9 *Financial Instruments*;
- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IFRS 13 *Fair Value Measurement*;
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*;
- Amended to IAS 27 *Separate Financial Statements*;
- *Improvements to IFRSs*.

The Group is currently assessing the impact of the standards and amendments to standards on the consolidated financial statements.

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.

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 on the revenue or cost recognition policies of the Company.

Note 4. Related Parties

Information on transactions and balances with related parties is presented below. All transactions were made in Russian Federation and in Russian Roubles. Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and heat are based on tariffs set by FST, prices for electricity and capacity are based on tariffs set by FST and also based on competitive take off on the wholesale electricity (capacity) market. Loans are granted at market rates.

Transactions with Gazprom Group and its associates

Transactions with Gazprom Group were as follows:

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
<i>Sales:</i>		
Sales of electricity and capacity	4,649,285	7,814,593
Sales of heat	228	200
Other sales	254,610	3,898
<i>Other income</i>	37	10,013

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 9 months ended****30 September 2012 (unaudited)**

(in thousands of Russian Roubles)

Purchases:

Purchases of gas	28,287,373	31,150,155
Other purchases	1,153,622	502,174
<i>Other expenses</i>	9,696	154

Balances with Gazprom Group were as follows:

	30 September 2012	31 December 2011
Trade and other receivables	427,937	564,467
Trade and other payables	14,312,203	601,901
Loans (non-current debt)	-	6,901,877
Cash OJSC "Gazprombank"	3,297	823

Interest expense accrued in respect of loans for the 9 months ended 30 September 2012 was RR 492,010 thousand (for the 9 months ended 30 September 2011: RR 41,267 thousand).

The guarantee from OJSC "Gazprombank" equals RR 2,946 thousand as at 30 September 2012 (as at 31 December 2011: nil).

Transactions with state-controlled entities and its associates

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales and purchases of electricity and capacity) are not significant either individually or collectively.

Information concerning sales and purchases of electricity and capacity with state-controlled entities is presented below:

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Sales of electricity and capacity	16,169,893	14,955,946
Charge of provision for impairment of trade receivables	368,503	670,093
Reversal of provision for impairment of trade receivables	(78,279)	(6,711)
Purchases of electricity and capacity	6,403,555	6,486,084

Significant balances with state-controlled entities were as follows:

	30 September 2012	31 December 2011
Trade and other receivables, gross	3,934,061	3,436,396
Provision for impairment of trade and other receivables	(2,105,323)	(1,856,575)
Trade and other payables	942,953	725,758

The guarantees from OJSC «VTB» equal RR 502,617 thousand as at 30 September 2012 (as at 31 December 2011: RR 3,300,000 thousand).

The guarantees from OJSC "Sberbank" equal RR 3,466,097 thousand as at 30 September 2012 (as at 31 December 2011: nil).

Transactions with key management

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial results of the Company. 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 Management Board according to his perception of the value of their contribution.

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 9 months ended****30 September 2012 (unaudited)***(in thousands of Russian Roubles)*

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 accrued to the members of the Board of Directors and Management Board for the 9 months ended 30 September 2012 was RR 61,506 thousand (for the 9 months ended 30 September 2011: RR 197,380 thousand).

Transactions with associated undertakings

Information on balances with associated undertaking LLC "OGK-InvestProekt" (see Notes 1, 6) is presented below:

	30 September 2012	31 December 2011*
Trade receivables	195	-
Interest payable on non-current debt	831	-

*LLC "OGK-InvestProekt" was not an associated undertaking for OJSC "OGK-2" as at 31 December 2011.

Transactions with other related parties

Transactions with other related parties represent transactions with the pension fund of energy industry (NPF Electroenergetiki). For the 9 months ended 30 September 2012 the Group has expenses of RR 26,135 thousand from transactions with NPF Electroenergetiki (for the 9 months ended 30 September 2011: RR 117,451 thousand).

Note 5. Property, plant and equipment

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2012	31,912,121	16,787,828	28,667,762	15,133,297	1,549,213	60,030,913	154,081,134
Additions	-	-	168	14,525	140,640	11,992,771	12,148,104
Transfer	1,991,484	1,716,589	13,769,179	2,327,382	26,377	(19,831,011)	-
Disposals	(54,583)	(88,276)	(114,490)	(56,044)	(26,483)	(633)	(340,509)
Disposals subsidiary	-	-	-	(50,744)	(3,161)	(6,850,595)	(6,904,500)
Closing balance as at 30 September 2012	33,849,022	18,416,141	42,322,619	17,368,416	1,686,586	45,341,445	158,984,229
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2012	(13,650,264)	(9,451,315)	(15,914,039)	(7,271,973)	(966,573)	(329,635)	(47,583,799)
Charge for the period	(516,695)	(568,289)	(1,416,772)	(929,317)	(77,876)	-	(3,508,949)
Reversal of impairment	-	-	-	-	-	4	4
Disposals	33,433	62,648	91,207	46,759	24,012	-	258,059
Disposals subsidiary	-	-	-	-	281	-	281
Closing balance as at 30 September 2012	(14,133,526)	(9,956,956)	(17,239,604)	(8,154,531)	(1,020,156)	(329,631)	(50,834,404)
Net book value as at 30 September 2012	19,715,496	8,459,185	25,083,015	9,213,885	666,430	45,011,814	108,149,825
Net book value as at 1 January 2012	18,261,857	7,336,513	12,753,723	7,861,324	582,640	59,701,278	106,497,335

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements for the 9 months ended
30 September 2012 (unaudited)
(in thousands of Russian Roubles)

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2011 (Restated)	31,645,204	16,029,174	29,082,518	12,298,686	1,365,105	45,906,647	136,327,334
Additions	41,728	20,834	6	276,511	168,275	10,994,383	11,501,737
Transfer	78,785	242,214	647,964	982,499	4,194	(1,955,656)	-
Disposals	(68,122)	(59,094)	(21,964)	(19,139)	(41,374)	(10,354)	(220,047)
Closing balance as at 30 September 2011 (Restated)	31,697,595	16,233,128	29,708,524	13,538,557	1,496,200	54,935,020	147,609,024
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2011 (Restated)	(13,083,487)	(8,731,090)	(15,663,231)	(5,558,085)	(859,914)	(328,576)	(44,224,383)
Charge for the period	(462,014)	(444,331)	(940,231)	(733,199)	(106,543)	-	(2,686,318)
Reversal of impairment	-	-	-	-	-	597	597
Disposals	33,090	37,517	16,484	17,975	24,953	6,149	136,168
Closing balance as at 30 September 2011 (Restated)	(13,512,411)	(9,137,904)	(16,586,978)	(6,273,309)	(941,504)	(321,830)	(46,773,936)
Net book value as at 30 September 2011 (Restated)	18,185,184	7,095,224	13,121,546	7,265,248	554,696	54,613,190	100,835,088
Net book value as at 1 January 2011 (Restated)	18,561,717	7,298,084	13,419,287	6,740,601	505,191	45,578,071	92,102,951

Finance lease

The Group leased certain equipment under a number of finance lease agreements. At the end of the leases the Group has the option to purchase the equipment at a beneficial price. The net book value of leased property, plant and equipment is presented below:

	30 September 2012	31 December 2011
Energy machinery and equipment	45,478	48,238
Other machinery and equipment	206,651	196,287
Other	252,079	117,042
Total	504,208	361,567

The leased equipment secures lease obligations.

Operating lease

The Group leases a number of land plots owned by local governments and real estate under operating leases. Lease payments are determined by lease agreements. Lease agreements are concluded for the different periods. Part of the lease contracts is concluded for a year with right of future prolongation, maximum lease period is 48 years.

Operating lease rentals are payable as follows:

	30 September 2012	31 December 2011
Not later than one year	670,585	616,193
Later than one year and not later than five years	1,558,326	1,489,902
Later than five years and not later than ten years	1,076,610	620,992
Later than ten years	5,376,674	1,973,651
Total	8,682,195	4,700,738

The land areas leased by the Group are the territories on which the Group's electric power stations and other assets are located. Lease payments are reviewed regularly to reflect market rentals.

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Note 6. Investments in associated undertakings

Investment in associated undertaking LLC "OGK-InvestProekt" is accounted for using the equity method (see also Note 1). As at 30 September 2012 the cost of the investment amounted RR 1,580,070 thousand (as at 31 December 2011: nil) and included the group's share in LLC "OGK-InvestProekt" in amount RR 531,726 thousand and non-current debt in amount RR 1,048,344 thousand.

Summarised financial information of LLC "OGK-InvestProekt" is presented below. The values disclosed in the table represent total assets, liabilities, revenues, profit of LLC "OGK-InvestProekt" and not the Group's share.

30 September 2012	Assets	Liabilities	Revenues	Profit
LLC "OGK-InvestProekt"	7,992,227	7,460,217	645	306

Note 7. Other non-current assets

	30 September 2012	31 December 2011
Long-term input VAT from advances paid	1,632,013	2,200,226
Long-term promissory notes (nominal value of promissory notes is RR 929,526 thousand as at 30 September 2012 and RR 998,642 thousand as at 31 December 2011)	536,050	610,518
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 11,643 thousand as at 30 September 2012 and RR 13,752 thousand as at 31 December 2011)	276,950	19,956
Prepayments / Deposits for pensions	263,076	263,663
Other	84,160	116,795
Total	2,792,249	3,211,158

Other non-current assets mainly include an investment in 90,454,910 ordinary shares of OJSC "RusHydro" (available-for-sale investments) with par value of RR 0.0085 thousand amounted to RR 77,502 thousand as at 30 September 2012 (as at 31 December 2011: RR 87,280 thousand)

Note 8. Trade and other receivables

	30 September 2012	31 December 2011
Trade receivables (net of provision for impairment of trade receivables of RR 2,690,680 thousand as at 30 September 2012 and RR 2,603,520 thousand as at 31 December 2011; effect of discounting of long-term trade receivables of RR 61,413 thousand as at 30 September 2012 and nil as at 31 December 2011)	9,017,921	6,578,502
Other receivables (net of provision for impairment of other receivables of RR 1,269,444 thousand as at 30 September 2012 and RR 1,268,972 thousand as at 31 December 2011)	4,298,801	4,297,505
Promissory notes (nominal value of promissory notes is RR 1,195,180 thousand as at 30 September 2012 and RR 1,063,749 thousand as at 31 December 2011)	799,057	671,326
Interest receivable	5,909	-
Financial assets	14,121,688	11,547,333
Input VAT	3,568,220	3,895,759
Advances to suppliers (net of provision for impairment of advances to suppliers of RR 16,556 thousand as at 30 September 2012 and RR 16,637 thousand as at 31 December 2011)	132,319	418,799
Prepaid other tax and social funds contribution	8,073	554,208
Total	17,830,300	16,416,099

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Less: Long-term input VAT from advances paid	(1,632,013)	(2,200,226)
Long-term promissory notes (nominal value of promissory notes is RR 929,526 thousand as at 30 September 2012 and RR 998,642 thousand as at 31 December 2011)	(536,050)	(610,518)
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 11,643 thousand as at 30 September 2012 and RR 13,752 thousand as at 31 December 2011, effect of discounting of long-term trade receivables of RR 61,413 thousand as at 30 September 2012 and nil as at 31 December 2011)	(276,950)	(19,956)
Total	15,385,287	13,585,399

Note 9. Equity**Share capital**

In June 2012 the General shareholders meeting approved a decision to increase the share capital of the Company by public offering of additional shares in total amount of 110,000,000,000 shares with par value of RR 0.3627. The amendments to the Charter of the Company about increase of the share capital will be registered in the authorities no later than May 2013. On September 2012 the Company received RR 10 000 000 thousand from the shareholders pre-emptive right to purchase additional shares. As at 30 September 2012 received amount is included in trade and other payables.

Dividends

The Company's annual statutory accounts form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount of the distributable reserves in these financial statements.

In June 2012 OJSC "OGK-2" declared final dividends for the year ended 31 December 2011 of RR 0.000998761 per share for the total of RR 56,905 thousand. These dividends were recognized as liability and deducted from equity at 30 September 2012.

Note 10. Non-current debt

	Currency	Effective interest rate	Due	30 September 2012	31 December 2011
Loans	RR	8.00%-8.40%	2015-2016	20,100,000	27,001,877
Finance lease liability	RR	14.00%-27.90%	2013-2016	177,569	166,363
Total				20,277,569	27,168,240

Maturity table

	30 September 2012	31 December 2011
Due for repayment		
Between one and two years	88,802	56,826
Between two and three years	56,205	42,357
Between three and four years	20,132,562	13,647,363
Between four and five years	-	6,519,817
More than five years	-	6,901,877
Total	20,277,569	27,168,240

The lease liabilities are effectively secured as the rights for the leased asset revert to the lessor in the event of default.

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Finance lease liabilities – minimum lease payments	30 September 2012	31 December 2011
Due for repayment		
Less than one year	174,650	111,088
Between one year and five years	224,137	219,883
Future finance charges on finance lease	(104,324)	(95,450)
Present value of lease liabilities	294,463	235,521

Management believes that the total current value of non-current debt approximates its fair value since actual interest rates approximate current market interest rates available to the Group for similar financial instruments.

Note 11. Other long-term liabilities

	30 September 2012	31 December 2011
Trade payables	387,308	230,885
Accrued liabilities and other payables	9,716	10,376
Total finance liabilities	397,024	241,261

Note 12. Current debt and current portion of non-current debt

	Currency	Effective interest rate	30 September 2012	31 December 2011
Current portion of finance lease liability	RR	14.00%-27.90%	116,894	69,158
OJSC "BANK "ROSSIYA"	RR	5.80%	-	4,000,000
Bonds	RR	7.25%	-	1,532,550
Total			116,894	5,601,708

All of the above bank debt is obtained at fixed interest rates.

The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

Note 13. Trade and other payables

	30 September 2012	31 December 2011
Trade payables	10,808,159	5,972,946
Accrued liabilities and other payables	10,499,658	728,692
Dividend payable	3,841	3,726
Interest payable	-	21,917
Financial liabilities	21,311,658	6,727,281
Salaries and wages payable	429,119	671,985
Advances from customers	14,085	32,244
Total	21,754,862	7,431,510

Trade payables, accrued liabilities and other payables are classified as financial liabilities. The Group's management believes that the majority of suppliers, whose balances are included in trade and other payables balance, relate to the same class of reliable suppliers with similar characteristics.

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Note 14. Other taxes payable

	30 September 2012	31 December 2011
Value added tax	654,785	-
Property tax	209,912	97,475
Social funds contribution	141,221	252,625
Water usage tax	70,820	129,108
Environment pollution payment	46,081	46,215
Personal income tax	36,454	54,991
Other taxes	9,891	17,064
Total	1,169,164	597,478

Note 15. Revenues

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Electricity and capacity	73,077,964	75,918,129
Heating	2,252,364	2,272,683
Other	891,190	684,704
Total	76,221,518	78,875,516

Note 16. Operating expenses

	Note	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Fuel		45,570,798	47,333,643
Purchased electricity, capacity and heat		6,542,605	6,698,469
Employee benefits		5,066,342	5,583,065
Depreciation of property, plant, equipment and amortisation of intangible assets		3,560,789	2,739,997
Repairs and maintenance		2,289,453	2,823,012
Raw materials and supplies		1,768,634	2,003,297
Taxes other than income tax		1,654,972	1,730,285
Dispatcher's fees		1,269,202	1,214,054
Transport		538,101	653,868
Rent		428,401	374,555
Ecological payments		313,678	216,005
Consulting, legal and audit services		172,337	254,145
Insurance		154,258	146,601
Provision for impairment of trade and other receivables		151,087	919,466
Loss on disposal of property, plant, equipment		74,300	110,032
Reversal of impairment provision for property, plant, equipment	5	(4)	(597)
(Reversal) / charge of provision for inventory obsolescence		(4,304)	13,425
(Gain) / loss on disposal of other assets		(22,817)	357,853
Other expenses		2,467,519	2,523,674
Total operating expenses		71,995,351	75,694,849

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Employee benefits expenses comprise the following:

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Salaries and wages	3,786,693	4,136,124
Social funds contribution	1,005,397	1,030,645
Non-state pensions and other long-term benefits	130,572	112,316
Financial aid to employees and pensioners	143,680	303,980
Employee benefits	5,066,342	5,583,065
Number of personnel at the end of the period	10,115	10,058

Included in social funds contribution are statutory pension contributions of RR 824,808 thousand (for the 9 months ended 30 September 2011: RR 846,778 thousand).

Note 17. Finance income

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Release of discounting effect of long-term promissory notes received	56,951	84,308
Foreign exchange differences	31,993	-
Interest income on bank deposits and current bank account balances	31,643	43,891
Effect of discounting of long-term restructured trade receivables	9,448	-
Other finance income	1,064	537
Total finance income	131,099	128,736

Note 18. Finance costs

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Interest expense on debt	(1,757,110)	(1,030,817)
Interest on employee benefit obligations	(152,813)	(50,335)
Effect of discounting of long-term restructured trade receivables	(70,861)	-
Effect of discounting of long-term promissory notes received	(60,651)	(3,552)
Interest expense under finance lease agreements	(54,947)	(20,126)
Unwinding of the present value discount - provision for ash dump	(50,214)	(53,395)
Foreign exchange differences	-	(37,349)
Total finance costs	(2,146,596)	(1,195,574)

Note 19. Earnings per share

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Weighted average number of ordinary shares issued	56,966,606,985	58,915,551,374
Profit attributable to the shareholders of OJSC "OGK-2" (thousand of RR)	1,751,171	1,975,923
Earning per ordinary share attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)	0.03	0.03

Note 20. Capital commitments

As at 30 September 2012 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 49,418,286 thousand (as at 31 December 2011: RR 66,616,100 thousand).

As at 30 September 2012 the Group has no commitments in respect of software implementation costs (as at 31 December 2011: RR 76,685 thousand).

Note 21. Guarantees

The Group's guarantee to OJSC "Bank of Moscow" for OJSC "E4 Group" fulfilling its obligations under the letter of credit agreement between the bank and OJSC "E4 Group" in the framework of the general construction contract with the Group equals zero as at 30 September 2012 (as at 31 December 2011: EURO 35,942 thousand or RR 1,497,745 thousand).

Note 22. Contingencies

Political environment. The operations and earnings of the Group 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 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 to those risks for which it does not have insurance.

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

Tax contingency. Russian tax and currency legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting of water tax, deductibility of certain expenses.

As at 30 September 2012 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency 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.

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganization related to reforming of the electric utilities industry. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganization and reform process.

Environmental matters. The Group and its 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 position of government authorities is continually being reconsidered. The Group periodically evaluates their obligations under environmental regulations.

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and is subject to the environmental regulations in this country in respect of the usage of the ash dump. As such, the Group periodically evaluates its obligations under Kazakhstan environmental regulations and accrues the respective provision.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental remediation in excess of those amounts for which the provision has been recognised by the Group in these consolidated financial statements.

Note 23. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 98.8% of the Group revenue. The

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technology of electricity and heat production does not allow segregation of electricity and heat segments. Due to significant decentralization and distances between Company branches, the Group discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Novocherkasskaya GRES, Ryazanskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main difference is the estimation of the value of property, plant and equipment. The Group does not have inter-segment revenue.

9 months ended 30 September 2012	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	17,453,062	11,136,623	4,577,462	2,397,387	10,837,613
Segment operating profit / (loss)	4,087,301	581,532	(677,731)	(154,789)	1,579,625
9 months ended 30 September 2012	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments	
Revenue	9,291,709	10,587,828	9,939,834	76,221,518	
Segment operating profit / (loss)	653,599	357,284	515,454	6,942,275	
9 months ended 30 September 2011 (Restated)	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	18,398,338	11,349,845	4,811,488	3,254,289	9,833,497
Segment operating profit / (loss)	4,880,272	1,148,829	(565,999)	13,708	1,018,430
9 months ended 30 September 2011 (Restated)	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments	
Revenue	10,708,577	11,444,853	9,074,629	78,875,516	
Segment operating profit / (loss)	373,471	643,316	(434,525)	7,077,502	

A reconciliation of management financial information prepared in accordance with RAR to IFRS financial information is provided below:

	9 months ended 30 September 2012	9 months ended 30 September 2011 (Restated)
Segment operating profit	6,942,275	7,077,502
Adjustments, arised from different accounting policy:		
Provision for impairment of trade and other receivables	2,235	(576,234)
Depreciation adjustment	(1,220,776)	(561,049)
Gain / (loss) on disposal of assets	14,850	(105,775)
Other adjustments	319,659	100,534
Unallocated expenses:	(1,871,799)	(2,873,635)
Provision for impairment of trade and other receivables	(275,658)	(446,908)
Employee benefit	(467,307)	(739,352)
Rent	(213,637)	(257,634)
Consulting, legal and audit services	(146,546)	(179,688)
Other corporate expense	(768,651)	(1,250,053)
Operating profit (IFRS)	4,186,444	3,061,343

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Segment's assets are disclosed below:

	Surgutskaya GRES-1	Stavropoiskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
30 September 2012	4,156,357	3,111,577	28,344,223	10,060,669	21,589,751
31 December 2011	4,136,252	2,887,087	25,899,355	9,996,699	21,545,458

	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total assets
30 September 2012	17,219,788	12,701,407	9,217,032	106,400,804
31 December 2011	16,107,227	12,554,617	9,032,526	102,159,221

A reconciliation of management financial information to IFRS financial information is provided below:

	30 September 2012	31 December 2011
Total assets for reportable segment	106,400,804	102,159,221
Adjustments, arising from different accounting policy:		
Property, plant and equipment adjustment	13,269,356	14,578,216
Prepayments / deposits for pensions	263,076	263,663
Discounting of promissory notes and long term trade receivables	(457,538)	(392,423)
Impairment of trade and other receivables	(12,364)	(14,599)
Provision for inventory obsolescence	(49,046)	(53,350)
Other adjustments	(680,174)	(154,857)
Unallocated assets	17,799,237	15,616,903
Total assets (IFRS)	136,533,351	132,002,774

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short – term and long - term trade receivables, cash in bank, deposits, inventories and items of property, plant and equipment, and investments in associated undertakings which are subject to the headquarters control.

Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

Note 24. Subsequent events

As at 27 November 2012 the Company's Board of Directors decided to terminate the contract with the General Director from 27 November 2012. As at 28 November 2012 new General Director was appointed.