WGC-3 GROUP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)

PRICEWATERHOUSECOOPERS

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of the Open Joint Stock Company "Third Generation Company of the Wholesale Electricity Market" (JSC "WGC-3"):

Introduction
We have reviewed the accompanying interim consolidated financial statements of JSC "WGC-3" and its subsidiaries (the "WGC-3 Group") which comprise the consolidated balance sheet as at 30 June 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the six 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 consolidated financial statements based on our review.

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 financial statements do not present fairly, in all material respects, the financial position of the WGC-3 Group as at 30 June 2008, and its financial performance and its cash flows for the six months period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

19 September 2008

(in thousands of Russian Roubles)

	Notes	30 June 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	26 560 714	24 698 526
Intangible assets	7	28 901	-
Other non-current assets	8	166 950	242 017
Total non-current assets		**26 756 565**	**24 940 543**
Current assets			
Inventories	9	2 538 881	2 328 176
Accounts receivable and prepayments	10	3 221 270	2 921 503
Deposits and other financial assets	11	66 530 000	74 750 000
Loans issued		-	1 660
Current income tax prepayments		446 899	119 443
Cash		2 357 918	2 182 360
Total current assets		**75 094 968**	**82 303 142**
TOTAL ASSETS		**101 851 533**	**107 243 685**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	47 487 999	47 487 999
Share premium	12	63 228 766	63 228 766
Treasury shares	12	(8 122 944)	-
Other reserves		(8 357 873)	(8 357 873)
Fair value reserve		30 939	34 673
Retained earnings		2 574 226	(323 064)
Total equity		**96 841 113**	**102 070 501**
Non-current liabilities			
Deferred tax liabilities	13	2 710 815	2 784 528
Pension and post employment liabilities	14	167 485	150 098
Other non-current liabilities		4 820	22 204
Total non-current liabilities		**2 883 120**	**2 956 830**
Current liabilities			
Accounts payable and accruals	15	1 669 526	1 643 498
Provision for liabilities and charges	16	60 056	140 199
Taxes payable	17	397 718	432 657
Total current liabilities		**2 127 300**	**2 216 354**
Total liabilities		**5 010 420**	**5 173 184**
TOTAL EQUITY AND LIABILITIES		**101 851 533**	**107 243 685**

General Director — Yuriy Sablukov

Chief Financial Officer — Dmitry Katiev

19 September 2008

(in thousands of Russian Roubles)

	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007
Revenues			
Electricity		17 890 349	14 505 023
Heat		374 516	351 905
Other		116 433	161 188
Total revenue		**18 381 298**	**15 018 116**
Operating expenses	18	(17 101 114)	(13 428 430)
Other operating income	19	19 587	37 196
Operating profit		**1 299 771**	**1 626 882**
Finance income	20	2 938 743	1 080 764
Finance costs	21	(2 723)	(158 200)
Profit before income tax		**4 235 791**	**2 549 446**
Income tax	13	(1 003 597)	(797 786)
Profit for the period		**3 232 194**	**1 751 660**
Attributable to:			
Shareholders of JSC WGC-3		**3 232 194**	**1 751 660**
Earning per ordinary share for profit attributable to the shareholders of JSC WGC-3 – basic and diluted (in Russian Roubles)	22	**0.070**	**0.045**

General Director Yuriy Sablukov

Chief Financial Officer Dmitry Katiev

19 September 2008

(in thousands of Russian Roubles)

	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**4 235 791**	**2 549 446**
Adjustments for non-cash items:			
Depreciation and amortization	6, 7	784 859	610 033
Provision for impairment of accounts receivable	10	253 810	59 173
Finance cost	21	2 723	158 200
Finance income	20	(2 938 743)	(1 080 761)
Gain on disposal of fixed assets	6, 19	(6 174)	-
Impairment loss reversed during the year	6	-	(355 027)
Other non-cash items		(98 371)	(138 132)
Operating cash flows before working capital changes and income tax paid		**2 233 895**	**1 802 932**
Working capital changes:			
Decrease/(Increase) in accounts receivable and prepayments		207 876	(1 350 106)
Decrease/(Increase) in inventories		(200 899)	98 690
Decrease/(Increase) in other assets		3 797	(13 545)
Increase/(Decrease) in accounts payable and accruals		(355 937)	499 911
Increase/(Decrease) in taxes payable, other than income tax		(185 625)	45 848
Increase/(Decrease) in other non-current liabilities		(2 250)	37 976
Income tax paid in cash		(1 252 902)	(600 696)
Net cash generated from operating activities		**447 955**	**521 010**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(2 891 424)	(2 298 992)
Deposited in banks	11	14 320 000	(77 500 000)
Short-term investments held to maturity	11	(6 100 000)	-
Proceeds from sale of property, plant and equipment and other non-current assets		13 778	12 074
Loans and borrowings issued		1 660	(381 660)
Interest received		2 510 582	705 200
Net cash used in investing activities		**7 854 596**	**(79 463 378)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		-	2 663 491
Repayment of debt		-	(3 458 477)
Interest paid			(141 770)
Purchase of treasury shares		(8 122 944)	-
Dividends paid to shareholders of JSC WGC-3		-	(13)
Dividend paid to minority interest shareholders		(4 049)	(70)
Proceeds from issue of share capital		-	80 784 453
Net cash generated from financing activities		**(8 126 993)**	**79 847 614**
Net increase in cash		**175 558**	**905 246**
Cash at the beginning of the period		**2 182 360**	**354 892**
Cash at the end of the period		**2 357 918**	**1 260 138**

General Director — Yuriy Sablukov

Chief Financial Officer — Dmitry Katiev

19 September 2008

Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2008 (unaudited)

(in thousands of Russian Roubles)

	Attributable to the shareholders of JSC WGC-3						
	Share capital	Treasury shares	Share Premium	Other reserves	Retained earnings	Fair value reserve	Total equity
As at 1 January 2007	**29 487 999**	**-**	**450 818**	**(8 357 873)**	**(6 350 801)**	**25 642**	**15 255 785**
Available-for-sale investments:							
Change in fair value of available-for-sale investments	-	-	-	-	-	10 427	10 427
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	-	(2 503)	(2 503)
Net income recognized directly in equity	-	-	-	-	-	7 924	7 924
Profit for the period	-	-	-	-	1 751 660	-	1 751 660
Total recognized income for the period	-	-	-	-	1 751 660	7 924	1 759 584
Payment of share capital (Note 12)	18 000 000	-	62 784 454	-	-	-	80 784 454
Dividends declared	-	-	-	-	(700 001)	-	(700 001)
As at 30 June 2007	**47 487 999**	**-**	**63 235 272**	**(8 357 873)**	**(5 299 142)**	**33 566**	**97 099 822**
As at 1 January 2008	**47 487 999**	**-**	**63 228 766**	**(8 357 873)**	**(323 064)**	**34 673**	**102 070 501**
Available-for-sale investments:							
Change in fair value of available-for-sale investments	-	-	-	-	-	(4 912)	(4 912)
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	-	1 178	1 178
Net expense recognized directly in equity	-	-	-	-	-	(3 734)	(3 734)
Profit for the period	-	-	-	-	3 232 194	-	3 232 194
Total recognized income for the period	-	-	-	-	3 232 194	(3 734)	3 228 460
Purchase of treasury shares (Note 12)	-	(8 122 944)	-	-	-	-	(8 122 944)
Dividends declared (Note 12)	-	-	-	-	(334 904)	-	(334 904)
As at 30 June 2008	**47 487 999**	**(8 122 944)**	**63 228 766**	**(8 357 873)**	**2 574 226**	**30 939**	**96 841 113**

General Director — Yuriy Sablukov

Chief Financial Officer — Dmitry Katiev

19 September 2008

Note 1. The Group and its operations

Joint-Stock Company WGC-3 (JSC "WGC-3", or the "Company") was established on 23 November 2004 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.

Branches. The WGC-3 Group (the "Group") operates 6 power plants and its principal activity is electricity and heat generation. These power plants are incorporated as production branches. The Group's principal branches as at 30 June 2008 are Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP, and Gusinooserskaya SDPP.

Subsidiaries. The Company has 14 subsidiaries which are service and heating retail companies and operate in the regions where power plants are situated. All subsidiaries are 100% controlled and their income is mainly generated by intra-group operations.

Principal shareholders. As at 30 June 2008 the Company's ultimate controlling party is the Group "MMC "Norilsk Nickel" (68.03% of shares). Another principal shareholder is the RAO UES of Russia (27.17% of shares). The rest of the shares are held by individual and nominee holders (4.8%) (see Note 12).

The Company is registered by the District Inspectorate of the RF Ministry of Taxation of Republic of Buryatiya. The Company's office is located at bld. 165, bld. 1, Mozhayskoye Highway, Moscow, 121596, Russia.

Operating environment. Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display some 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. 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. The Group's customer base includes a large number of entities controlled by or related to the state. Moreover, 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 Tariffs ("FST"), with respect to its wholesale energy sales. 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.

As described in Notes 2, 23 and 24, the government's economic, social and other policies could have material effects on the operations of the Group.

Regulatory issues and sector restructuring. The reform process in the Russian electric utilities industry creates conditions for competitive electricity market development. WGC-3 is one of the participants involved in activity on competitive market. Prices in this market will not be regulated by the government, but will be formed on a demand and supply basis. As at 1 September 2006, a new liberalized model of the wholesale and retail electricity (power) markets was launched according to the Russian Government's Resolution No. 529 "On Improvement of the Procedure for Functioning of Wholesale Electricity (Power) Market" and No. 530 "On Rules for the Functioning of Retail Electricity Markets". Under the new wholesale market model, the existing electricity and power purchase-and-sale relations in the regulated market sector are to be replaced by a regulated bilateral contract system. From January 2007 the volumes of electricity (power) traded on the wholesale energy market under regulated contracts should be not less than 95% of the basic forecasted volume of electricity (power) , and from 1 July 2007 - not less than 90%. The pace of reduction will be set annually by the Russian Federation Government according to the Rules for the Functioning of Retail Electricity Markets. For the period ended 30 June 2008, 31 December 2008 and 30 June 2009 the volumes of electricity (power) traded under regulated contracts were set to be not less than 85%, 75% and 70% respectively. From 1 January 2011 all electricity will be traded at free prices. The new market model implies two ways of electricity trading at free prices, being free bilateral contracts and a day-ahead market. Under free bilateral contracts market participants have the right to choose contracting parties, prices and supply volumes. The day-ahead market is based on competitive selection of bids submitted by suppliers and buyers a day before the electricity is actually supplied. The competitive selection is performed by the non-commercial partnership "Trade System Administrator of the Wholesale Electricity Market". As a whole, the day-ahead market replaces the free trade sector that was previously operating. There have also been created conditions for competitive capacity market development. According to the Russian Government's Resolution No. 476 dated 28 June 2008, a liberalized model for capacity market has been launched from July 2008.

Note 2. Financial condition

At 30 June 2008, the Group's current assets exceeded its current liabilities by RR 72 967 668 thousand (at 31 December 2007: current assets exceeded its current liabilities by RR 80 086 788 thousand).

As discussed above the Group is affected by government policy through the control of tariffs and other factors. The FST does not always permit tariff increases in excess of increases in the Group's costs and thus some tariffs are insufficient to cover all the costs of generation. Moreover, these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognized under the IFRS basis of accounting.

However, the growing demand for electricity and capacity together with increasing unregulated market of the wholesale electricity market result in a higher rate of revenue growth during the Period ended 30 June 2008 to date. Management considered recent favorable changes in operation of the Russian electricity market. According to new liberalized model of the wholesale and retail electricity (power) markets (see also Note1) the share of free market activity in all operations of the Group increased in the reporting period and it will increase in near future.

Management in recent years has improved the absolute level of settlements for current sales. Currently substantially all settlements of accounts receivable are made in cash.

Note 3. Basis of preparation

Statement of compliance. These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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. 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 period data to conform to the current year presentation. Reclassifications included transfer of certain profits from other sales to other operating income as well as netting-off some income and expenses previously presented on the gross-up basis. The effect of reclassifications on the Consolidated Income Statement for the period ended 30 June 2007 was as follows:

In thousands of Russian Roubles	**As originally presented**	**Adjustment**	**As adjusted**
Other revenues	241 711	(80 523)	161 188
Operating expenses	(13 471 757)	43 327	(13 428 430)
Other operating income	-	37 196	37 196

The management believes that the revised presentation provides more relevant and meaningful information about the changes in the financial position of the Group.

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 thousand.

Inflation accounting. Prior to 1 January 2003 non-monetary assets acquired and non-monetary liabilities incurred or assumed have been adjusted for the changes in the general purchasing power of the RR in accordance with International Accounting Standards 29 ("IAS") ("Financial Reporting in Hyperinflationary Economies"). 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. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these Financial Statements.

New accounting developments. These consolidated financial statements have been prepared by applying the accounting policies consistent with those of the annual financial statements for the Period ended 31 December 2007, except for those policies which were changed to comply with the new or amended standards and interpretation that are in force for the year beginning on 1 January 2008.

These new or amended standards and interpretations that are in force for the periods beginning on 1 January 2008 and their impact on the current period or any prior period is described below:

- IFRIC 12, "Service concession agreements", effective for annual periods beginning on or after 1 January 2008. This amendment did not have a material effect on the Group's financial statements;

- IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", which is effective for annual periods beginning on or after 1 January 2008. This amendment did not have a material effect on the Group's financial statements.

The following new Standards and Interpretations are not yet effective and have not been applied in preparing these consolidated financial statements:

- Amendment to IAS 23 "Borrowing Cost" effective for 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 recognizing 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" effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the income statement 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. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 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 transaction and balances.

- Amendment to IAS 32 "Financial Instruments: Presentation" effective for annual periods beginning on or after 1 January 2009. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.

- IAS 27 "Consolidated and Separate Financial Statements" effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value The Group does not expect the amendment to affect its consolidated financial statements.

- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment effective for annual periods beginning on or after 1 January 2009. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognized in profit or loss rather than as a recovery of the investment. The amendments will not have an impact on the Group's consolidated financial statements.

- IFRS 3 "Business Combinations" effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

- Amendment to IFRS 2 "Share-based Payment" effective for annual periods beginning on or after 1 January 2009. The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group does not expect the amendment to affect its consolidated financial statements.

- IFRIC 13 "Customer Loyalty Programs", which is effective for annual periods beginning on or after 1 July 2008;

- IFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. The Standard requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

- IFRIC 15, Agreements for the Construction of Real Estate which is effective for annual periods beginning on or after 1 January 2009. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognize revenue on such transactions. The Group does not expect the interpretation to affect its consolidated financial statements.

- IFRIC 16, Hedges of a Net Investment in a Foreign Operation which is effective for annual periods beginning on or after 1 October 2008. IFRIC 16 does not have an impact on these consolidated financial statements as the Group does not apply hedge accounting.

- Improvements to IFRS issued in May 2008 which consist of a mixture of substantive changes and clarifications with impact on the following standards: classification as held for sale under IFRS 5; accounting for sale of IAS 16 assets; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Unless otherwise described above, the analysis in respect of these new standards and interpretations has been carried out by the Group, and they are not expected to significantly affect the Group's financial statements.

Going concern. The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying Financial Statements do not include any adjustments should the Group 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 judgments 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 judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized 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 worsened compared to prior estimates. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

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 income 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.

Critical assumptions that were made for the purposes of impairment test of property, plant and equipment are described in the Note 6.

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 consolidated financial statements.

Note 4. Summary of significant accounting policies

Principles of consolidation. The consolidated financial statements comprise the financial statements of JSC WGC-3 and the financial statements of those entities whose operations are controlled by JSC WGC-3. Control is presumed to exist when JSC WGC-3 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

A) 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 is disclosed as part of equity.

B) Transactions eliminated on consolidation

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

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 recognized in the income statement.

As at 30 June 2008, 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 23.4573: USD 1.00 (31 December 2007: RR 24.5462: USD 1.00), between the RR and EURO RR 36.9077: EURO 1.00 (31 December 2007: RR 35.9332 : EURO 1.00).

Financial assets. The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets are required. Management determines the classification of its financial assets at initial recognition.

(a) 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.

(b) Held- to- maturity financial assets. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group.

(c) Available-for-sale financial assets. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the 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 recognized 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

(in thousands of Russian Roubles)

which they arise. Realized gains and losses from the disposal of available-for-sale investments are included in the statement of operations in the period in which they arise.

Dividends. Dividends are recognized 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. In 2004 property, plant and equipment were recognized at the carrying value determined in accordance with the IFRS at the date of their transfer to the Group by the Predecessor.

Renewals and improvements are capitalized 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 income statement as incurred.

Depreciation of 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 an independent valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives.

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

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Electricity and heat generation	4-63	25 -50
Electricity distribution	19-30	30
Heating networks	4-22	25
Other	8	10

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.

Intangible assets. Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.
Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Type of intangible assets	Useful lives (in years)
Computer software	1-13
Licenses	1-5

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments. Cash and cash equivalents are carried at amortized cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents. Balances restricted from being exchanged or used to settle liability for at least twelve months after the balance sheet date are included in non-current assets.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value added taxes. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. Such a provision for impairment of accounts receivable 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 provision 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 the receivables. The primary factors that the Group considers whether a receivable is impaired is its overdue status and reliability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty;

Value added tax on purchases and sales. Output value added tax 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 is recognized in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost. Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

Income tax. The income tax expense represents the sum of the tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 income tax. Deferred tax is provided using the balance sheet liability method for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as per the consolidated financial statements. 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 or loss. 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 utilized. 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 utilized.

Deferred tax movements are recorded in the income statement 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 recognized in these financial statements.

Accounts payable and accrual charges. Accounts payable are stated inclusive of value added tax. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. If accounts payable are restructured and the discounted present value of the cash flows under the restructured terms discounted using the original effective interest rate differs by more than ten percent from the discounted present value of the remaining cash flows of the original financial liability, then the fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms. In this case the amount of the discount is credited to the income statement (finance costs) as a gain on restructuring, and the non-current portion of the discounted payable is reclassified to other non-current liabilities. The discount is amortized over the period of the restructuring as an interest expense.

Debt. Debt is recognized initially at its fair value. If it is significantly different from the transaction price, fair value is determined using the prevailing market interest rate for a similar instrument. In subsequent periods, debt is stated at amortized cost using the effective interest rate method; any difference between the fair value at initial recognition (net of transaction costs) and the redemption amount is recognized in the income statement 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.

The Group has also operated a combination of defined benefit and defined contribution plans untill December 2007, in respect of which it had contracts with a non-governmental pension fund. The Board of Directors at their meeting of December, 28 2007 has taken the decision to curtail the defined benefit part of the plan which affected the liability recognized in the balance sheet. The defined benefit pension plans are no longer included in calculation of the liability, but the Group offers various post-employment, long-term and jubilee benefits to its employees which are of a defined benefit nature. The defined benefit obligations and costs are assessed using the projected unit credit method. The present value of the 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 associated with the operations of the plan will be paid, and that have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses arising from changes in actuarial estimations and exceeding 10.00% of the obligations are charged or credited to the statement of operations over the average remaining service lives of employees starting from the next reporting period.

Provisions. Provisions are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

Revenue recognition. Revenue is recognized on the delivery of electricity and heat during the period. Revenue amounts are represented 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 and are not restricted to the Group's employees, they are recognized in the income statement as incurred.

Segment reporting. The Group operates predominantly 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.

Interest. Interest income and expense are recognized in the income statement 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 loans become doubtful of 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.

(in thousands of Russian Roubles)

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 current market value at the close of business on the reporting date.

Seasonality. Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, although less intense, 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.

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.

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 period ended 30 June 2008 and during the period ended 30 June 2007 or had significant balances outstanding at 30 June 2008 and at 31 December 2007 are detailed below.

Parent and parent's subsidiaries

The Group did not have any significant transactions with the Group "MMC "Norilsk Nickel".

There are no balances with the parent or its subsidiaries as at 30 June 2008, except for dividends payable to "MMC "Norilsk Nickel" in the amount of RR 227 839 thousand.

Rosbank

	Period ended 30 June 2008	31 December 2007
Cash	3 594	4 130
Deposits	-	1 950 000
Promissory notes	25 100 000	19 000 000

For the period ended 30 June 2008 interest income on these deposits and promissory notes amounted RR 45 287 thousand and RR 1 002 116 thousand respectively.

Group RAO UES of Russia

	Period ended 30 June 2007
Sales of electricity	7 557 260
Other	1 608

From 1 August 2007 the subsidiaries of RAO UES are no longer related parties of the Group.

The Group did not make provision for impairment of accounts receivable during the period ended 30 June 2007.

(in thousands of Russian Roubles)

Transactions with key management and close family members

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the period ended 30 June 2008 was RR 40 300 thousand (for the period ended 30 June 2007 – RR 132 384 thousand).

Note 6. Property, plant and equipment

Cost	**Electricity and heat generation**	**Electricity transmission**	**Heating networks**	**Construction in progress**	**Other**	**Total**
Opening balance as at 31 December 2007	**29 924 692**	**3 913 271**	**936 803**	**4 612 152**	**6 986 418**	**46 373 336**
Additions	1 809	163	-	2 590 489	58 786	2 651 247
Transfer	55 144	14 726	-	(183 898)	114 028	-
Disposals	(835)	(2 239)	-	(102)	(15 084)	(18 260)
Closing balance as at 30 June 2008	**29 980 810**	**3 925 921**	**936 803**	**7 018 641**	**7 144 148**	**49 006 323**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2007	**(12 915 607)**	**(2 567 037)**	**(522 213)**	**(123 469)**	**(5 546 484)**	**(21 674 810)**
Charge for the period	(543 408)	(42 993)	(16 963)	-	(181 096)	(784 460)
Impairment transferred from CIP	(2 721)	-	-	2 832	(111)	-
Disposals	344	1 874	-	-	11 443	13 661
Closing balance as at 30 June 2008	**(13 461 392)**	**(2 608 156)**	**(539 176)**	**(120 637)**	**(5 716 248)**	**(22 445 609)**
Net book value as at 30 June 2008	**16 519 418**	**1 317 765**	**397 627**	**6 898 004**	**1 427 900**	**26 560 714**
Net book value as at 31 December 2007	**17 009 085**	**1 346 234**	**414 590**	**4 488 683**	**1 439 934**	**24 698 526**

Cost	**Electricity and heat generation**	**Electricity transmission**	**Heating networks**	**Construction in progress**	**Other**	**Total**
Opening balance as at 31 December 2006	**29 472 943**	**3 845 767**	**923 522**	**2 311 434**	**6 585 373**	**43 139 039**
Additions	1 453	135	-	2 362 972	106 458	2 471 018
Transfer	21 433	14 484	-	(99 617)	63 700	-
Disposals	(5 086)	(2 188)	-	(28 797)	(32 294)	(68 365)
Closing balance as at 30 June 2007	29 490 743	3 858 198	923 522	4 545 992	6 723 237	45 541 692
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2006	**(15 355 385)**	**(2 798 203)**	**(663 402)**	**(130 928)**	**(5 466 363)**	**(24 414 281)**
Charge for the period	(416 559)	(36 060)	(10 984)	-	(146 430)	(610 033)
Impairment transferred from CIP	(2 442)	(632)	-	3 430	(356)	-
Disposals	1 740	946	-	-	27 267	29 953
Accumulated depreciation and impairment reversal	54 048	110 249	36 061	-	154 669	355 027
Closing balance as at 30 June 2007	**(15 718 598)**	**(2 723 700)**	**(638 325)**	**(127 498)**	**(5 431 213)**	**(24 639 334)**
Net book value as at 30 June 2007	**13 772 145**	**1 134 498**	**285 197**	**4 418 494**	**1 292 024**	**20 902 358**
Net book value as at 31 December 2006	**14 117 558**	**1 047 564**	**260 120**	**2 180 506**	**1 119 010**	**18 724 758**

(in thousands of Russian Roubles)

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2006	**29 472 943**	**3 845 767**	**923 522**	**2 311 434**	**6 585 373**	**43 139 039**
Additions	8 382	263	-	3 304 863	125 021	3 438 529
Transfer	448 131	69 429	13 281	(858 556)	327 715	-
Disposals	(4 764)	(2 188)	-	(145 589)	(51 691)	(204 232)
Closing balance as at 31 December 2007	**29 924 692**	**3 913 271**	**936 803**	**4 612 152**	**6 986 418**	**46 373 336**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2006	**(15 355 385)**	**(2 798 203)**	**(663 402)**	**(130 928)**	**(5 466 363)**	**(24 414 281)**
Charge for the period	(826 960)	(72 710)	(22 233)	-	(311 484)	(1 233 387)
Impairment transferred from CIP	(6 053)	(552)	-	7 379	(774)	-
Disposals	1 740	961	-	80	39 395	42 176
Reversal of impairment	3 271 051	303 467	163 422	-	192 742	3 930 682
Closing balance as at 31 December 2007	**(12 915 607)**	**(2 567 037)**	**(522 213)**	**(123 469)**	**(5 546 484)**	**(21 674 810)**
Net book value as at 31 December 2007	**17 009 085**	**1 346 234**	**414 590**	**4 488 683**	**1 439 934**	**24 698 526**
Net book value as at 31 December 2006	**14 117 558**	**1 047 564**	**260 120**	**2 180 506**	**1 119 010**	**18 724 758**

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 right to purchase this land (except for the land at Moscow) upon application to the state registration body or to formalize the right for rent after the right expiry date, which is 1 January 2010.

Impairment

The provision included in accumulated depreciation balance as at 30 June 2008, 31 December 2007 and 30 June 2007 is RR 788 312 thousand, RR 849 806 thousand and RR 4 277 752 thousand, accordingly.

At 31 December 2006 management concluded that there were indications for reversing previously recognized 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 included:

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

These developments have 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 has been 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.

Consequently, in 2006 the Group recorded a reversal of the previously recognized impairment loss in the amount of RR 6 400 million. A respective gain together with a corresponding deferred tax expense of RR 1 536 million were recognized in the statement of operations for the period ended 31 December 2006. The Group recognized an impairment loss of RR 50 million in respect of the property, plant and equipment of Pechorskaya SDPP with a corresponding deferred tax benefit of RR 12 million in the statement of operations for the period ended 31 December 2006.

At 31 December 2007, management concluded that there were indications for further reversing previously recorded impairment. In particular, following the acquisition of the Group by "MMC "Norilsk Nickel", management has assessed the fair value of the assets, engaging independent appraisers Ernst and

(in thousands of Russian Roubles)

Young Valuation LLC, that reported increased marked value of the Property, Plant and Equipment. An impairment review has been carried out by management comparing the recoverable amount of the individual cash generating units with their net book values. The recoverable amount was generally based on value in use, which was calculated based on estimated future cash flows. As a result, in 2007 the Group recorded further reversal of the previously recognized impairment loss in the amount of RR 3 930 682 thousand. A respective gain together with a corresponding deferred tax expense of RR 943 364 thousand were recognized in the statement of operations for the period ended 31 December 2007. Management's assessment indicates that value in use of property, plant and equipment will not be lower than its net book value for all generating units, except for Pechorskaya SDPP.

In respect of Pechorskaya SDPP, 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, in relation to Pechorskaya SDPP the Group reversed only RR 442 million of impairment losses in 2007, with the corresponding deferred tax charge of RR 106 million. The remaining impairment balance of RR 788 312 thousand as at 30 June 2008 is fully related to Pechorskaya SDPP.

During the period ended 30 June 2008 the Group recognised the disposal gain of RR 6 million in respect of certain non-operating fixed assets and construction in progress (in period ended 30 June 2007 recognised the disposal loss: RR 2 million).

Operating leases

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

Non-cancelable operating lease rentals are payable as follows:

	30 June 2008	**31 December 2007**
not later than one year	25 210	27 255
later than one year and not later than five years	47 196	58 740
later than five years	138 704	138 755
Total	**211 110**	**224 750**

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

Note 7. Intangible assets

Cost	**Computer software**	**Licenses**	**Total**
Balance at 1 January 2008	-	-	-
Additions	27 362	1 938	29 300
Disposals	-	-	-
Balance at 30 June 2008	27 362	1 938	29 300
Amortisation			
Balance at 1 January 2008	-	-	-
Amortisation for the period	(335)	(64)	(399)
Amortisation disposal in the period	-	-	-
Balance at 30 June 2008	(335)	(64)	(399)
Carrying amounts			
At 1 January 2008	-	-	-
At 30 June 2008	27 027	1 874	28 901

(in thousands of Russian Roubles)

Note 8. Other non-current assets

	30 June 2008	31 December 2007
Long-term available for sale investments	149 666	154 578
Long-term receivables	15 409	85 521
Long-term Value added tax	1 510	1 475
Other non-current assets	365	443
Total	**166 950**	**242 017**

The carrying amount of Group's other non-current assets approximates their fair value.

Note 9. Inventories

	30 June 2008	31 December 2007
Fuel supplies	1 750 768	1 563 975
Materials and supplies	291 412	298 184
Other inventories	496 701	466 017
Total	**2 538 881**	**2 328 176**

The above inventory balances are recorded net of an obsolescence provision of RR 105 544 thousand and RR 117 488 thousand as at 30 June 2008 and 31 December 2007 correspondingly.

Note 10. Accounts receivable and prepayments

	30 June 2008	31 December 2007
Trade receivables (net of provision for impairment of accounts receivable of RR 657 312 thousand as at 30 June 2008 and RR 399 455 thousand as at 31 December 2007)	926 687	803 720
Advances to suppliers (net of provision for impairment of advances to suppliers of RR 70 154 thousand as at 30 June 2008 and RR 70 875 thousand as at 31 December 2007)	594 770	694 219
Value added tax recoverable	79 784	173 262
Other receivables (net of provision for impairment of other receivables of RR 374 460 thousand as at 30 June 2008 and RR 377 786 thousand as at 31 December 2007)	1 620 029	1 250 302
Total	**3 221 270**	**2 921 503**

The provision for impairment of accounts receivable was calculated based on analysis of collectability. Movement of the provision is shown in the table below:

	Period ended 30 June 2008	Period ended 30 June 2007
As at 1 January	848 116	1 044 136
Reversal of provision	(3 135)	(353 157)
Accrued provision	256 945	73 046
As at 30 June	**1 101 926**	**764 025**

Management has determined the provision for impairment of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows.

(in thousands of Russian Roubles)

According to the analysis of accounts receivable in respect to the payment dates the Group has the following overdue balances not included in the provision for accounts receivable as at 30 June 2008:

Overdue period	**Period ended 30 June 2008**
Less than 180 days	399 341
More than 180 days but less than 365 days	51 159
Over 365 days	3 063
As at 30 June	**453 563**

Management of the Group believes that Group entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value of accounts receivable approximates their fair value.

Note 11. Deposits and other financial assets

Name of bank	**Currency**	**Type**	**Interest rate, %**	**30 June 2008**	**31 December 2007**
VTB Bank	RR	Deposit	8.00-9.65	35 760 000	36 500 000
Rosbank	RR	PN's	8.50-9.51	25 100 000	19 000 000
Alfa-bank	RR	Deposit	6.00	-	13 300 000
Gazprombank	RR	Deposit	6.70-8.50	3 000 000	3 000 000
Rosbank	RR	Deposit	8.50	-	1 950 000
Uralsib	RR	Deposit	10.15	1 670 000	-
Sberbank	RR	Deposit	8.50-8.60	1 000 000	1 000 000
Total				**66 530 000**	**74 750 000**

As at 30 June 2008 cash held in deposits and promissory notes amounted to RR 41 430 million and RR 25 100 million respectively. According to CJSC “Gazprombank“, OJSC “Uralsib” and OJSC “Sberbank” contracts the deposit repayment can exercise at any time at two and three days notice respectively. In accordance with the OJSC “VTB Bank” and OJSC “Rosbank” contracts the Group is required not to demand a refund all or part of deposits prior to maturity date. Deposit periods are from three to eighteen months and interest rates are fixed.
For the period ended 30 June 2008 interest income on these deposits and promissory notes amounted RR 1 882 636 thousand and RR 1 002 116 thousand respectively.
The Group’s deposits in banks and other financial assets are short-term and their carrying amount approximates fair value.

Note 12. Equity

Share capital *(Number of shares unless otherwise stated)*	**Ordinary shares 30 June 2008**	**Ordinary shares 31 December 2007**
Issued shares	47 487 999 252	47 487 999 252
Par value (in RR)	1.00	1.00

During the year 2007 the Group made additional emission of 18 000 000 000 ordinary shares, with nominal value and offering price of RR 1.00 and RR 4.54 respectively, thus resulting in the RR 63 720 000 thousand share premium. During this public offering and subsequent compulsory offer for acquisition of Company’s shares the Group “MMC “Norilsk Nickel” has step-by-step acquired 65.15% of JSC WGC-3 ordinary shares. Within the framework of these transactions the stake of RAO UES has decreased to 26.02%.
As at 30 June 2008 taking into account the amount of purchased treasury shares the effective ownership of Group “MMC “Norilsk Nickel” and RAO UES changed to 68.03% and 27.17% respectively.

Treasury shares. In February 2008 the Group acquired 2 009 634 858 ordinary treasury shares which made up 4.23% of its share capital at that date. Acquisition of treasury shares was made at RR 4.042 per share for the total amount of RR 8 122 944 thousand. Consideration paid for the purchase of treasury shares is accounted for as a deduction from equity.

(in thousands of Russian Roubles)

Dividends. According to the Regulations to the Group dividend policy, the amount of dividends planned for distribution is calculated as 25% of Group consolidated net profit in accordance with IFRS less profit from financing activities, however the source for annual profit distribution and other appropriations is Company's annual statutory net profits which is in compliance with Russian statutory legislation. 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 for the distributable reserves in these financial statements.

On 26 June 2008 the Annual General Meeting approved the proposal to pay dividends in respect of the year ended 31 December 2007 in the amount of RR 0.007364 per ordinary share totaling RR 334 904 thousand. These dividends were recognized in these consolidated financial statements as liability and deducted from equity at 30 June 2008. The other amounts of dividends recognized in the consolidated financial statements represented dividends paid by the Group subsidiaries to the minority shareholders.

Note 13. Income tax

Income tax charge	**Period ended 30 June 2008**	**Period ended 30 June 2007**
Current income tax charge	(1 076 132)	(642 289)
Deferred income tax (charge)/benefit	72 535	(155 497)
Total income tax charge	**(1 003 597)**	**(797 786)**

During the period ended 30 June 2008 the Group entities were subject to the 24.00% income tax rate on taxable profits. 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 change is provided below:

	Period ended 30 June 2008	**Period ended 30 June 2007**
Profit / (loss) before tax	4 235 791	2 549 446
Theoretical tax (charge)/benefit at the statutory tax rate of 24%	(1 016 590)	(611 865)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of changes in WEM imbalance	-	(37 200)
Effect of changes in provisions for liabilities and charges	19 234	21 915
Effect of changes in provisions for impairment of accounts receivable	13 108	-
Effect of changes in provisions for inventories	2 870	-
Effect of changes in pensions liabilities	(4 173)	(4 868)
Non-deductible loss (written-off assets)	-	(1 398)
Other non-deductible and non-taxable items, net	(18 046)	(164 370)
Total income tax charge	**(1 003 597)**	**(797 786)**

Deferred income 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 their tax bases. Deferred tax assets and liabilities are measured at 24.00%, the rate applicable when the temporary differences will reverse.

(in thousands of Russian Roubles)

Deferred tax liabilities

	31 December 2007	Movement for the period recognized in the income statement	Movement for the period recognized in the Statement of Changes in Equity	30 June 2008
Property, plant and equipment	(2 824 670)	47 769	-	(2 776 901)
Accounts payable	(254)	(795)	-	(1 049)
Other	(10 948)	(6)	1 178	(9 776)
Total	**(2 835 872)**	**46 968**	**1 178**	**(2 787 726)**

Deferred tax assets

	31 December 2007	Movement for the period recognized in the income statement	Movement for the period recognized in the Statement of Changes in Equity	30 June 2008
Accounts receivable including provision for impairment	12 318	484	-	12 802
Accounts payable	21 602	23 677	-	45 279
Inventories	17 223	1 607	-	18 830
Other	201	(201)	-	-
Total	**51 344**	**25 567**	**-**	**76 911**
Net deferred tax liabilities	**(2 784 528)**	**72 535**	**1 178**	**(2 710 815)**

Deferred tax liabilities

	31 December 2006	Movement for the period ·ecognized in the income statement	Movement for the period recognized in the Statement of Changes in Equity	30 June 2007
Property, plant and equipment	(1 913 793)	(66 675)	-	(1 980 468)
Accounts payable	(9 423)	6 046	-	(3 377)
Other	(12 912)	-	(2 503)	(15 415)
Total	**(1 936 128)**	**(60 629)**	**(2 503)**	**(1 999 260)**

Deferred tax assets

	31 December 2006	Movement for the period ·ecognized in the income statement	Movement for the period recognized in the Statement of Changes in Equity	30 June 2007
Accounts receivable including provision for impairment	181 760	47 272	-	229 032
Accounts payable	147 667	(147 667)	-	-
Inventories	60 948	3 930	-	64 878
Other	-	1 597	-	1 597
Total	**390 375**	**(94 868)**	**-**	**295 507**
Net deferred tax liabilities	**(1 545 753)**	**(155 497)**	**(2 503)**	**(1 703 753)**

(in thousands of Russian Roubles)

Note 14. Pension and post employment liabilities

The Group provides various long-term and post employment benefits including death in service and death in pension benefits, lump sum payments upon retirement and jubilee benefits to active employees. Additionally the Group provides quarterly financial support payments of a defined benefit nature to its former employees, who have reached the age of the State old age pension.

Until December 2007 there was a Defined Benefit pension plan, which was curtailed according to the decision taken on BOD Meeting of December, 28 2007. For more details refer to the Note 4.

The tables below provide information about the benefit obligation, plan assets and actuarial estimations used for the period ended 30 June 2008 and for the period ended 30 June 2007.

Amounts recognized in the Consolidated Balance Sheet:

	30 June 2008	31 December 2007
Defined benefit obligations	**290 499**	**278 729**
Fair value of plan assets	-	-
Funded status	290 499	278 729
Unrecognized net actuarial gain/(loss)	(84 660)	(87 649)
Unrecognized past service cost	(38 354)	(40 983)
Net liability in balance sheet	**167 485**	**150 098**

Amounts recognized in the Consolidated Statement of Operations:

	Period ended 30 June 2008	Period ended 30 June 2007
Current service cost	9 241	13 877
Interest cost	9 390	13 968
Recognized actuarial (gain)/loss	2 988	3 861
Amortization of past service cost	2 629	3 226
Total	**24 248**	**34 932**

Changes in the present value of the Group's defined benefit obligation are as follows:

	Period ended 30 June 2008	Period ended 30 June 2007
Benefit obligations at the beginning of the period	278 729	416 721
Current service cost	9 241	13 877
Interest cost	9 390	13 968
Actuarial loss/(gain)	-	(20 002)
Past service cost	-	4 849
Benefits paid	(6 861)	(14 648)
Benefit obligations at the end of the period	**290 499**	**414 765**

Principal actuarial estimations are as follows:

	30 June 2008	31 December 2007
Discount rate	6.60	6.60
Salary increase	9.20	9.20
Pension increase (for “qualified pension”)	n/a	n/a
Financial support benefits increase	5.00	5.00
Inflation	5.00	5.00

(in thousands of Russian Roubles)

Reconciliation of the balance sheet:

	30 June 2008	31 December 2007
Net liability at start of period	150 098	240 545
Net expense recognised in the income statement	24 248	(66 497)
Employer contributions	(6 861)	(23 950)
Net liability at the end of the period	**167 485**	**150 098**

Experience adjustments:

	Period ended 30 June 2008	Period ended 30 June 2007
Present value of defined benefit obligations (DBO)	290 499	414 765
Fair value of plan assets	-	-
(Surplus)/deficit in plan	290 499	414 765
Gains/(losses) arising of experience adjustments on plan liabilities	-	20 002
Gains/(losses) arising of experience adjustments on plan assets	-	-

Sensitivity of Defined Benefit Obligation to changes in assumptions:

	Increase	effect on DBO 2008
Discount	+1.00%	-11.00%
Salary growth	+1.00%	+ 9.00%

Note 15. Accounts payable and accruals

	30 June 2008	31 December 2007
Accrued liabilities and other payables	403 042	386 744
Advances from customers	15 893	15 959
Trade payables	909 261	1 230 995
Dividends payable	341 330	9 800
Total	**1 669 526**	**1 643 498**

Note 16. Provision for liabilities and charges

Movements in provision for liability and charges are as follows:

	Note	Tax Risks	Legal claims	Total
Carrying amount at 31 December 2007		**119 563**	**20 636**	**140 199**
Additions charged to profit or loss	18	-	6 932	6 932
Provision usage		-	(7 555)	(7 555)
Reversal of provision	18	(79 520)	-	(79 520)
Carrying amount at 30 June 2008		**40 043**	**20 013**	**60 056**

All of the above provisions were classified as current liabilities because the Group does not have any rights to defer settlements beyond one year. Expected timing of the cash outflows is indicated below.

Tax risks. Management assessed, based on their interpretation of the relevant tax legislation that it is probable that certain tax positions taken by the Group would not be sustained, if challenged by the tax authorities. Accordingly, Group created provisions for the associated not assessed taxes and the related penalties and interest. The balance at 30 June 2008 is expected to be either fully utilised or released within one year.

(in thousands of Russian Roubles)

Legal claims. Provision for legal claims relates to the claims brought against the Group by fuel suppliers and services providers. The balance at 30 June 2008 is expected to be utilised within a year. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

Note 17. Taxes payable

	30 June 2008	31 December 2007
Water usage tax	161 265	218 506
Value added tax	96 747	65 703
Unified social tax	40 648	23 329
Property tax	68 407	67 919
Land tax	7 812	8 013
Income tax	397	28 982
Fines and interest	-	52
Other taxes	22 442	20 153
Total	**397 718**	**432 657**

The principal tax liabilities past due, excluding the amounts which have been restructured, accrue interest each day at one three hundredth of the current refinance rate of the Central Bank of the Russian Federation. As at 30 June 2008 and 31 December 2007 the refinance rate was 10.75% and 10.00% respectively. Interest does not accrue on tax fines and interest.

Note 18. Operating expenses

	Notes	Period ended 30 June 2008	Period ended 30 June 2007
Fuel		(8 194 874)	(5 999 017)
Purchased electricity		(4 029 572)	(3 197 604)
Employee benefits		(1 775 210)	(1 672 465)
Depreciation and amortization	6, 7	(784 859)	(610 033)
Taxes other than income tax		(525 210)	(472 685)
Transportation of gas		(321 511)	(219 588)
Raw materials and supplies		(301 725)	(289 898)
Transmission fees		(286 772)	(224 409)
Repairs and maintenance		(254 896)	(311 605)
Impairment of accounts receivable		(253 810)	(59 173)
Security services		(83 707)	(85 133)
Consulting, legal and audit services		(40 951)	(137 038)
Rent		(36 675)	(45 681)
Insurance cost		(30 328)	(74 623)
Transportation services		(29 948)	(32 399)
Social overhead costs		(20 072)	(9 355)
Water usage expenses		(17 513)	(15 771)
Safety arrangement costs		(16 943)	(14 438)
Telecommunication services		(16 563)	(13 786)
Business trip expenses		(13 662)	(13 933)
Charity expenses		(12 434)	(15 034)
Loss on disposal of material assets		(8 449)	(15 524)
Bank services		(5 655)	(5 929)
Loss on disposal of fixed assets		-	(22 105)
Accumulated depreciation and impairment reversal		-	355 027
Write-down of inventories		9 806	7 404
Change in provision for liabilities and charges	16	72 588	91 313
Other expenses		(122 169)	(324 948)
Total operating expenses		**(17 101 114)**	**(13 428 430)**

(in thousands of Russian Roubles)

Employee benefits expenses comprise the following:

	Period ended 30 June 2008	Period ended 30 June 2007
Salaries and wages, payroll taxes	(1 715 772)	(1 566 545)
Financial aid to employees and pensioners	(41 768)	(64 246)
Non-governmental pension fund and DB plan expenses	(17 670)	(41 674)
Employee benefits	**(1 775 210)**	**(1 672 465)**

Note 19. Other operating income

	Period ended 30 June 2008	Period ended 30 June 2007
Other operating income	13 413	37 196
Gain on disposal of PPE	6 174	-
Total	**19 587**	**37 196**

Note 20. Finance income

	Period ended 30 June 2008	Period ended 30 June 2007
Interest income on bank deposits	1 882 636	869 671
Interest income on promissory notes	1 002 116	-
Interest income on bank account contracts	49 900	211 093
Discount effect	3 719	-
Other	372	-
Total finance income	**2 938 743**	**1 080 764**

Note 21. Finance costs

	Period ended 30 June 2008	Period ended 30 June 2007
Interest expense	-	(140 533)
Other	(2 723)	(17 667)
Total finance cost	**(2 723)**	**(158 200)**

Note 22. Earning per ordinary share for profit attributable to the shareholders of JSC WGC-3 – basic and diluted

	Period ended 30 June 2008	Period ended 30 June 2007
Profit attributable to the shareholders of JSC WGC-3 (thousands of RR)	3 232 194	1 751 660
Weighed average number of ordinary shares issued (thousands of shares)	45 975 252	38 787 999
Earning per ordinary share for profit attributable to the shareholders of JSC WGC-3 – basic and diluted (in RR)	**0.070**	**0.045**

Note 23. Commitments

Sales commitments. The Group sells electricity on the two wholesale market sectors: unregulated market and regulated trading sector. The tariffs for the electricity sold/purchased in the regulated trading sector (including the sector of deviations) are set by the Federal Service on Tariffs.

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

Fuel commitments. The Group has a number of outstanding contracts to purchase natural gas and coal. The volume of gas supplied by Gazprom at regulated tariffs is subject to pre-agreed limits. Such limits are typically less than SDPPs require for their generating operations, and any gas required in excess of those limits may only be obtained at non-regulated prices, either from Gazprom or an independent producer. The gas industry is highly regulated by the Russian government, which regularly increases prices for natural gas supplied by Gazprom. In contrast to gas, coal prices are not regulated.

The following long-term contracts on delivery of gas for the needs of production were concluded by the Group:

- for Kostromskaya SDPP – for delivery of the gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC "Gazprom" – LLC "Kostromaregiongas"

- for Pechorskaya SDPP – for delivery of the gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC "Gazprom" – LLC "Komiregiongas"

- for Yuzhnouralskaya SDPP – for delivery of the gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC "Gazprom" – LLC "Chelyabinskregiongas"

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 8 153 403 thousand at 30 June 2008 (at 31 December 2007: RR 3 570 488 thousand).

Note 24. Contingencies

Political environment. The operations and earnings of the 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 Russia.

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. The 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 and not provided for which, upon final disposition, will have a material adverse effect on the financial position of the Group.

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 way of accounting for tax purposes of tariff imbalance, water tax, deductibility of certain expenses and property received in the course of reorganisation. 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 proceeding the year of review. Under certain circumstances review may cover longer periods.

As at 30 June 2008 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.

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganisation 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 reorganisation and reform process.

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. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Note 25. Financial instruments and financial risks

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 collectability of receivables. The Group does not have a risk policy to hedge its financial exposures.

Credit risk. Credit risk – is the risk of financial loss for the Group in the case of non-fulfilment by the contractor the obligations on the financial instrument under the particular contract. Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of trade receivables. 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 provision for impairment of receivables already recorded.

The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening.

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

(in thousands of Russian Roubles)

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

Narrative	Rating	Rating agency	Currency	30 June 2008	31 December 2007
Accounts receivable					
CJSC Center of financial settlements	unrated	-	-	387 364	485 502
OJSC Arkhangelskaya energy distribution company	unrated	-	-	133 206	30 739
OJSC Dagestanskaya energy distribution company	unrated	-	-	55 935	1
OJSC Komienergo energy distribution company	unrated	-	-	29 228	51 800
OJSC Nurenergo	unrated	-	-	26 973	13 905
OJSC Nignovatom energy distribution company	unrated	-	-	20 987	4 874
OJSC Zhilservis	unrated	-	-	19 035	19 287
State Enterprise Kommunalschik	unrated	-	-	17 107	14 476
OJSC Kolskaya energy distribution company	unrated	-	-	12 901	5
OJSC Tivaenergo	unrated	-	-	4 834	4 532
Total accounts receivable				**707 570**	**625 121**
Loans issued					
OAO Torgovo-stroitelniy bank	unrated	-	-	-	1 660
Total				**-**	**1 660**
Deposits and promissory notes					
VTB	BBB+ stable	S&P	local	35 760 000	36 500 000
Rosbank	BB+ positive	S&P	local	25 100 000	20 950 000
Alfa-bank	BB stable	S&P	local	-	13 300 000
Gazprombank	BBB- stable	S&P	local	3 000 000	3 000 000
Sberbank	BBB+ stable	Fitch	local	1 000 000	1 000 000
Uralsib	BB- stable	S&P	local	1 670 000	-
Total deposits and promissory notes				**66 530 000**	**74 750 000**

Interest rate risk. The Group's operating profits and cash flows from operating activities are largely not dependent on the changes in market interest rates. At 30 June 2008 the Group has significant short-term interest-bearing assets. The interest rates on these assets are fixed; these are disclosed in Note 11. They are not exposed to significant interest rate risk through market value fluctuations as the interest-bearing assets are short-term.

The Group has no interest-bearing short-term borrowings exposed to interest rate risk through market value fluctuations.

Interest rate risk is monitored by the Board of Directors who approve the maximum acceptable level of weighted average borrowing cost for a certain period (usually a quarter).

Currency risk. Power and Heat produced by the Group is sold on the internal market of Russian Federation with prices fixed in the currency of Russian Federation. Hence, the Group's net exposure to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities is kept at minimum level. The financial condition of the Group, its liquidity, financing sources and the results of activities do not considerably depend on currency rates as the Group activities are planned to be performed in such a way that its assets and liabilities be denominated in the national currency. Moreover, the Group does not plan to perform activities on the outer market. That is why the influence of foreign currency rates fluctuations on the financial position of the Group is estimated as insignificant.

(in thousands of Russian Roubles)

Liquidity risk. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at 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 equal their carrying balances, as the impact of discounting is not significant.

Narrative	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2008				
Debt and borrowings	-	-	-	-
Trade and other payables	2 051 351	4 389	360	595
At 31 December 2007				
Debt and borrowings	-	-	-	-
Trade and other payables	2 060 196	37 637	678	356

Recent volatility in global financial markets. In 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivatives markets.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and our assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected estimates in our impairment assessments, however management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets or their increased volatility.

Capital risk management. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain the optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as equity, shown in the consolidated balance sheet, plus net debt.

Taking into consideration the absence of borrowings as at 30 June 2008 and the significant amount of short-term bank deposits the Group is not exposed to the capital risk at 30 June 2008.

(in thousands of Russian Roubles)

Financial instruments by category. For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) held-to-maturity financial assets; (d) financial assets at fair value through profit or loss ("FVTPL"). The following table provides a reconciliation of classes of financial assets with these measurement categories as at 30 June 2008 and 31 December 2007:

	Loans and receivables	Held- to-maturity financial assets	Available-for-sale financial assets
30 June 2008			
Assets as per balance sheet			
Deposits and other financial assets	41 430 000	25 100 000	-
Accounts receivable	2 546 716	-	-
Other non-current assets	15 409	-	149 666
Total	**43 992 125**	**25 100 000**	**149 666**

	Loans and receivables	Held- to-maturity financial assets	Available-for-sale financial assets
31 December 2007			
Assets as per balance sheet			
Deposits and other financial assets	55 750 000	19 000 000	-
Loans issued	1 660	-	-
Accounts receivable	2 054 022	-	-
Other non-current assets	85 521	-	154 578
Total	**57 891 203**	**19 000 000**	**154 578**

Fair values. Management believes that the fair value of its financial assets and liabilities approximates their carrying amount. The carrying value less impairment provision for trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The Group's deposits in banks are short-term and their carrying amount approximates fair value.

The maximum exposure for each risk is limited to the fair value of each class of financial instrument.

Note 26. Post balance sheet events

Completion of reorganization of RAO UES

At July 1, 2008 the reorganization of RAO UES was completed. As a result, RAO UES sold all of the retailing companies, its effective interests in all WGCs and TGCs, except for Federal Hydro Generating Company ("HydroWGC") and distributed most of its remaining investments to the shareholders of the WGCs, TGCs or the minority shareholders in RAO UES. In case of JSC WGC-3 RAO UES transferred its share in JSC WGC-3 to minority shareholders of RAO UES, including the Group "MMC "Norilsk Nickel", by means of a spin-off of special holding entities. All information connected with the reorganization of RAO UES, including acts of legislation, results of RAO UES shareholder meetings, RAO UES Board of Directors decisions, etc. are public and are located on RAO UES official web-site.

Foundation of LLC Ugolny Razrez

At August 11, 2008 the Board of Directors of JSC WGC-3 has approved initial establishment of wholly owned subsidiary LLC "Ugolny Razrez". The stake of the Group in authorized capital stock of LLC "Ugolny Razrez" is 100%. The core activity of LLC "Ugolny Razrez" is coal mining.

Foundation of LLC UO Energetik

At August 29, 2008 the Board of Directors of JSC WGC-3 has approved initial establishment of wholly owned subsidiary LLC "UO Energetik". The stake of the Group in authorized capital stock of LLC "UO Energetik" is 100%. The core activity of LLC "UO Energetik" is heat trading.