

AUDITORS' REPORT

To the shareholders and the Board of Directors of OJSC "OGK-3":

- 1 We have audited the accompanying combined and consolidated balance sheet of OJSC "OGK-3" and its subsidiaries (the "Group") as of 31 December 2005 and the related combined and consolidated statements of income, of cash flows and of changes in equity for the year then ended. These combined and consolidated financial statements, as set out on pages 3 to 27 are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the combined and consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
22 December 2006

OGK-3 Group
Combined and Consolidated Balance Sheet as at 31 December 2005
(in thousands of Russian Roubles)

| | Notes | 31 December 2005 | 31 December 2004 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 12 272 288 | 13 028 316 |
| Deferred tax assets | 10 | 596 032 | 527 955 |
| Other non-current assets | | 399 530 | 328 942 |
| Total non-current assets | | 13 267 850 | 13 885 213 |
| Current assets | | | |
| Cash | | 117 625 | 151 507 |
| Accounts receivable and prepayments | 7 | 1 373 123 | 1 600 541 |
| Inventories | 8 | 1 598 953 | 1 342 191 |
| Other current assets | | 24 162 | 21 063 |
| Total current assets | | 3 113 863 | 3 115 302 |
| TOTAL ASSETS | | 16 381 713 | 17 000 515 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 9 | 27 608 088 | 17 614 702 |
| Unpaid share capital | | - | (15 000) |
| Share premium | | 450 818 | 40 443 |
| Other reserves | | (8 357 873) | (8 357 873) |
| Retained earnings | | (9 485 548) | (429 987) |
| Equity attributable to shareholders of OJSC OGK-3 | | 10 215 485 | 8 852 286 |
| Minority interest | | 618 475 | 3 272 633 |
| Total equity | | 10 833 960 | 12 124 918 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 10 | 777 496 | 831 694 |
| Non-current debt | | 50 000 | - |
| Restructured taxes and penalties liability | 11 | 101 480 | 390 296 |
| Pension liabilities | 12 | 98 947 | 93 746 |
| Other non-current liabilities | | 7 300 | 12 099 |
| Total non-current liabilities | | 1 035 223 | 1 327 835 |
| Current liabilities | | | |
| Current debt and current portion of non-current debt | 13 | 1 695 921 | 1 398 926 |
| Accounts payable and accruals | 14 | 1 610 370 | 1 196 914 |
| Provision for liabilities and charges | 15 | 313 442 | 300 496 |
| Taxes payable | 16 | 892 797 | 651 426 |
| Total current liabilities | | 4 512 530 | 3 547 762 |
| Total liabilities | | 5 547 753 | 4 875 597 |
| TOTAL EQUITY AND LIABILITIES | | 16 381 713 | 17 000 515 |

General Director

Maxim Kuznetsov

Chief Accountant

Margarita Komarova



(Handwritten signatures of Maxim Kuznetsov and Margarita Komarova)

22 December 2006

OGK-3 Group
Combined and Consolidated Income Statement for the year ended 31 December 2005

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

| | Notes | Year ended 31 December 2005 | Year ended 31 December 2004 |
|---|-------|-----------------------------------|-----------------------------------|
| Revenue | | | |
| Electricity | | 16 074 918 | 14 371 996 |
| Heat | | 499 332 | 452 733 |
| Other | | 205 079 | 457 829 |
| Total revenue | | 16 779 329 | 15 282 558 |
| Operating expenses | 17 | (17 513 692) | (14 906 072) |
| Other operating income | | 397 598 | 291 048 |
| Operating (loss)/profit | | (336 765) | 667 534 |
| Finance costs, net | 18 | (228 278) | (540 874) |
| (Loss)/profit before income tax | | (565 043) | 126 660 |
| Income tax | 10 | (332 702) | (212 492) |
| Loss for the year | | (897 745) | (85 832) |
| Attributable to: | | | |
| Shareholders of OJSC OGK-3 | | (672 080) | (189 390) |
| Minority interests | | (225 665) | 103 558 |
| Loss earning per ordinary share for loss attributable to the shareholders of OJSC OGK-3 – basic and diluted (in Russian Roubles) | | (0,037) | (0,011) |

19

General Director

Maxim Kuznetsov

Chief Accountant

Margarita Komarova

22 December 2006



OGK-3 Group

Combined and Consolidated Cash Flow Statement for the year ended 31 December 2005

(in thousands of Russian Roubles)

| | Notes | Year ended 31 December 2005 | Year ended 31 December 2004 |
|--|-------|--------------------------------|--------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | | |
| (Loss)/profit before income tax | | (565 043) | 126 660 |
| Adjustments for non-cash items: | | | |
| Depreciation | 6 | 1 184 747 | 1 216 705 |
| Provision for impairment of accounts receivable | | 405 440 | 139 762 |
| Finance cost, net | 18 | 228 278 | 540 874 |
| Forgiveness of tax penalties | | (181 193) | (263 297) |
| Other non-cash items | | 358 268 | 368 223 |
| Operating cash flows before working capital changes and income tax paid | | 1 430 497 | 2 128 927 |
| Working capital changes: | | | |
| Increase in accounts receivable and prepayments | | (107 619) | 295 154 |
| Decrease /(increase) / in inventories | | (319 932) | 286 490 |
| Decrease in other assets | | (200 546) | (53 606) |
| Increase / (decrease) in accounts payable and accruals | | 304 694 | (613 511) |
| Increase / (decrease) in taxes payable, other than income tax | | 328 722 | (60 015) |
| Decrease in other non-current liabilities | | (112 424) | (400 373) |
| Income tax paid in cash | | (542 325) | (259 924) |
| Net cash generated from operating activities | | 781 067 | 1 323 142 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment and other non-current assets | | (740 295) | (1 187 381) |
| Proceeds from sale of property, plant and equipment and other non-current assets | | 21 253 | 21 775 |
| Interest received | | 5 544 | - |
| Net cash used in investing activities | | (713 498) | (1 165 606) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from short-term borrowings | | 2 915 420 | 3 759 001 |
| Repayment of debt | | (2 568 425) | (3 534 859) |
| Interest paid | | (176 941) | (165 463) |
| Dividend paid to shareholders of OJSC OGK-3 | | (104 990) | (148 315) |
| Dividend paid to minority interest shareholders | | (181 515) | (31 559) |
| Settlement of previously unpaid share capital | | 15 000 | 5 500 |
| Net cash generated from financing activities | | (101 451) | (115 695) |
| Net increase in cash | | (33 882) | 41 841 |
| Cash at the beginning of the year | | 151 507 | 109 666 |
| Cash at the end of the year | | 117 625 | 151 507 |

General Director

Maxim Kuznetsov

Chief Accountant

Margarita Komarova



22 December 2006

OGK-3 Group
Combined and Consolidated Statement of Changes in Equity for the year ended 31 December 2005
(In thousands of Russian Roubles)

Attributable to the shareholders of OJSC OGK-3

| | Share capital | Unpaid share capital | Share Premium | Other reserves | Retained earnings | Total | Minority interest | Total equity |
|---------------------------------------|-------------------|----------------------|----------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| At 1 January 2004 | 17 614 702 | (20 500) | 40 443 | (8 357 873) | - | 9 276 772 | 3 230 537 | 12 507 309 |
| Profit/(loss) for the year* | | | | | (198 664) | (198 664) | 112 831 | (85 833) |
| Payment of share capital (Note 9) | | 5 500 | | | (231 323) | 5 500 | (70 736) | 5 500 |
| Dividends | | | | | (429 987) | (231 323) | | (302,059) |
| At 31 December 2004 | 17 614 702 | (15 000) | 40 443 | (8 357 873) | (429 987) | 8 852 285 | 3 272 632 | 12 124 917 |
| Loss for the year* | | | | | (672 079) | (672 079) | (225 665) | (897 744) |
| Payment of share capital (Note 9) | | 15 000 | | | | 15 000 | | 15 000 |
| Transactions with minorities (Note 9) | 9 993 386 | | 410 375 | | (8 146 271) | 2 257 490 | (2 257 490) | - |
| Dividends | | | | | (237 211) | (237 211) | (171 002) | (408 213) |
| At 31 December 2005 | 27 608 088 | - | 450 818 | (8 357 873) | (9 485 548) | 10 215 485 | 618 475 | 10 833 960 |

*The amount of total recognised income for the year is equal to profit/(loss) for the year.

General Director

Maxim Kuznetsov

Chief Accountant

Margarita Komarova

22 December 2006



OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint-Stock Company OGK-3 (OJSC "OGK-3", or the "Company") was established on 23 November 2004 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

The OGK-3 Group (the "Group") operates 6 power plants and its principal activity is electricity and heat generation. The Group consists of OJSC OGK-3 and its subsidiaries. The Group's principal subsidiaries as at 31 December 2005 were six State-District Power Plants (the "SDPP"):

Ownership as at 31.12.2005, %

| | Total | Transferred from RAO UES | Acquired from minority shareholders |
|--|--------------|-------------------------------------|--|
| OJSC Kostromskaya SDPP (Kostromskaya SDPP) | 92,63 | 51,00 | 41,63 |
| OJSC Cherepetskaya SDPP (Cherepetskaya SDPP) | 98,53 | 55,79 | 42,74 |
| OJSC Pechorskaya SDPP (Pechorskaya SDPP) | 97,58 | 51,00 | 46,58 |
| OJSC Kharanorskaya SDPP (Kharanorskaya SDPP) | 99,99 | 99,99 | - |
| OJSC Yuzhnouralskaya SDPP (Yuzhnouralskaya SDPP) | 73,74 | 49,00 | 24,74 |
| OJSC Gusinooserskaya SDPP (Gusinooserskaya SDPP) | 99,99 | 99,99 | - |

In November 2005 the shareholders of OJSC OGK-3, Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP and Gusinooserskaya SDPP approved the merger of these companies, which took place on April, 1st 2006 (see Note 22).

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, Mozhaiskoe shosse, 121596, Moscow, 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. As at 31 December 2005 the Russian Federation owned 52.7% of RAO UES of Russia (the "Parent"), which in its turn owned 63.78% of OJSC OGK-3. The Russian government is the ultimate controlling party of the Group.

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 entities 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, 19 and 20, the government's economic, social and other policies could have material effects on the operations of the Group.

Regulatory issues and sector restructuring. The Russian electric utilities industry in general and the Group in particular are presently undergoing a reform process designed to introduce competition into the electricity sector and to create an environment in which the Parent can raise the capital required to maintain and expand current capacity.

OGK-3 Group

Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005

(in thousands of Russian Roubles)

- The regulatory framework governing the process of reforming the Russian Federation electric utilities industry and the functioning of the industry, both during the transition period and subsequent to the completion of reforms, is set forth in the following legislation: Federal Law No. 35-FZ of 26 March 2003 "On the Electric Utilities" and Federal Law No. 36-FZ of 26 March 2003 "On the Specifics of the Functioning of Electric Utilities During the Transition Period and the Introduction of Amendments to Certain Russian Federation Legislative Acts and the Invalidation of Certain Russian Federation Legislative Acts in Connection with the Adoption of the Law "On the Electric Utilities of the Russian Federation".
- In September 2003 the Government issued Resolution No. 1254-r "On formation of generation companies of the wholesale electricity market" which approved composition of wholesale generating companies of the wholesale electricity market, including a list of the six power plants to be contributed into the Group.
- In October 2003, the Russian Federation Government issued Resolution No. 643 "On the Rules for the Wholesale Electricity Market during the Transition Period". According to the rules adopted, there will be two sectors within the Federal Wholesale Electricity Market (FOREM): regulated trading sector and free trading sector. Within the free trading sector, electricity suppliers will be able to sell electricity generated with the use of facilities and equipment accounting for 15% of the working capacity. Since November 2003, the non-commercial partnership "Trade System Administrator of the Wholesale Electricity Market", in accordance with the rules for the wholesale electricity market during the transition period, has been holding electricity bidding in the free trading sector. The Group participates in this free trading scheme. According to the laws underlying the electric utilities reform, subsequently free trading would be extended over the whole volume of trading.
- As part of reforming of the operation of the wholesale electricity (power) market in August 2006 the Government issued Resolution No. 529 "On the Improvement of the Operation of the Wholesale Electricity Market" which introduced changes in the Rules for the Wholesale Electricity Market during the Transition Period from 1 September 2006. Effective as of September 2006 there will be changes in pricing and abolition of limitation on sale of power in the free trading sector. Specifically, the Resolution stipulates a gradual reduction (5% to 15% per annum) of the share of electricity sales on the wholesale market at regulated prices (tariffs) and a corresponding increase of trading of electricity at free market prices.
- As at 29 May 2003, the Board of Directors of RAO UES of Russia approved a "Concept of RAO UES of Russia strategy for the period from 2003 through 2008". In February 2006 the Board of Directors approved an Appendix to the Concept of RAO UES Strategy: "Generating companies of the Wholesale Electricity Market (OGKs)". This document provides a detailed description of the major changes that are planned to take place in respect of wholesale generation companies during the electric utilities reform program. In accordance with this Concept, RAO UES of Russia is developing the first stage of its own reorganisation which assumes a spin-off of 2-3 generating companies (including OJSC OGK-3) with proportional distribution of shares of the separated companies between the shareholders of RAO UES of Russia. It also assumes a disposal of 37.9 % of OJSC OGK-3, which is expected to be completed in 2007.

At this time, the impact of the industry changes on both the financial results and position of the Group cannot be readily assessed because the specific, detailed mechanisms to effect the restructuring are still being determined. Accordingly, no provision has been recognized for the effects of the restructuring process.

Note 2. Financial condition

At 31 December 2005, the Group's current liabilities exceeded its current assets by RR 1 398 663 thousand Russian Roubles (at 31 December 2004: RR 306 176 thousands). 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 an IFRS basis of accounting. As a result, tariffs may not consistently allow for an adequate return on investment and currently do not

provide sufficient funds for the full replacement of property, plant and equipment. However, the growing demand for electricity and capacity together with increasing free trading sector of the wholesale electricity market result in a higher rate of revenue growth during 2005 to date.

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

- introduction of improved financial budgeting procedures;
- discussions with strategic investors, and identification and assessment of projects requiring investment funds;
- raising long-term debt/equity financing for investments in new generating assets.

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

Note 3. Basis of preparation

Statement of compliance. These combined and 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.

These are the first IFRS financial statements of the Group. The Group has, as permitted by IFRS 1, applied the same date of transition as that of its parent, RAO UES Group, namely 1 January 2004. The Group did not previously prepare Russian GAAP financial statements as a separate reporting entity and accordingly no meaningful reconciliations from Russian GAAP to IFRS can be provided.

Predecessor Accounting. In January 2005, the Parent transferred to the Company 99.9%, 99.9%, 51.0%, 51.0% and 55.8% of the outstanding ordinary shares of Kharanorskaya SDPP, Gusinooserskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP and Cherepetskaya SDPP respectively. In December 2005 the Parent additionally transferred to the Company 49.0% of the outstanding ordinary shares of Yuzhnouralskaya SDPP. In these combined and consolidated financial statements, the Group accounted for this business combination amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at the carrying value, as determined by the Parent in its IFRS consolidated financial statements. Information in respect of the comparative period has been restated as if the business combination took place at the beginning of the earliest period presented.

Therefore Kharanorskaya SDPP, Gusinooserskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP, Cherepetskaya SDPP and Yuzhnouralskaya SDPP were consolidated into the Group combined and consolidated financial statements starting 1 January 2004.

Yuzhnouralskaya SDPP before its legal foundation (January 2005) was operating as a production unit of OJSC Chelyabenergo. For the Group combined and consolidated financial statements purposes carve-out of the Yuzhnouralskaya SDPP individual financial statements for 2004 were prepared based on the OJSC Chelyabenergo financial statements for 2004.

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. During the period December 2003 to November 2006, the International Accounting Standards Board ("IASB") made 26 revisions to its standards and issued 7 new standards. In addition, the International Financial Reporting Interpretations Committee ("IFRIC") issued ten new interpretations, one of which was subsequently withdrawn. Certain new IFRSs are effective for accounting periods commencing on or after 1 January 2005, except for IFRS 6 "Exploration and Evaluation of Mineral Resources" ("IFRS 6") and IFRS 7 "Financial instruments: disclosures" ("IFRS 7"), which are effective for periods commencing on or after 1 January 2006 and 1 January 2007 respectively, but may be adopted early.

With effect from 1 January 2005, the Group adopted all of those IFRS, which are relevant to its operations and are in force as at 31 December 2005.

The following new Standards and Interpretations are not yet effective and have not been applied in preparing these Financial Statements:

- Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IFRS 6 "Exploration for and Evaluation of Mineral Resources" (effective from 1 January 2006). This minor amendment to IFRS 1 clarifies that the IFRS 6 comparative information exemption applies to the recognition and measurement requirements of IFRS 6, as well as the disclosure requirements.
- IFRS 7 "Financial Instruments: Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure about the Group's financial instruments.
- Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's capital.
- IFRS 6 "Exploration for and evaluation of mineral resources", which is effective for annual periods beginning on or after 1 January 2006. IFRS 6 allows an entity to continue using the accounting policies for exploration and evaluation assets applied immediately before adopting the IFRS, subject to certain impairment test requirements.
- Amendment to IAS 19 "Employee Benefits", which is effective for annual periods beginning on or after 1 January 2006. The amendment to IAS 19 introduces an additional option to recognize actuarial gains and losses arising in post-employment benefit plans in full directly in retained earnings in equity. It also requires new disclosures about defined benefit plans and clarifies accounting for a contractual agreement between a multi-employer plan and participating employees.
- Amendment to IAS 21 "Net Investment in a Foreign Operation", which is effective for annual periods beginning on or after 1 January 2006. This amendment requires foreign exchange gains and losses on quasi-equity intercompany loans to be reported in consolidated equity even if the loans are not in the functional currency of either the lender or the borrower. Currently, such exchange differences are required to be recognized in consolidated profit or loss. It also extends the definition of net investment in a foreign operation to include loans between sister companies.
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions", is effective for annual periods beginning on or after 1 January 2006. The amendment allows hedge accounting for the foreign currency risk of a highly probable forecast intragroup transaction which is denominated in a currency other than the

functional currency of the entities entering into that transaction if the foreign currency risk will affect consolidated profit or loss.

- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee contract", which is effective for annual periods beginning on or after 1 January 2006. Issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, will have to be initially recognized at their fair value, and subsequently measured at the higher of (i) the unamortized balance of the related fees received and deferred and (ii) the expenditure required to settle the commitment at the balance sheet date. Different requirements apply for the subsequent measurement of issued financial guarantees that prevent derecognizing of financial assets or result in continuing involvement accounting.
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement – The Fair Value Option", which is effective for annual periods beginning on or after 1 January 2006. The amendment restricts the designation of financial instruments as "at fair value through profit or loss".
- IFRIC 4 "Determining whether an Arrangement Contains a Lease", which is effective for annual periods beginning on or after 1 January 2006. The Interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.
- IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds", which is effective for annual periods beginning on or after 1 January 2006. Subject to certain exceptions, this interpretation prohibits offsetting a liability for decommissioning costs with an asset representing an interest in a decommissioning or similar fund and clarifies measurement of the reimbursement asset.
- IFRIC 6 "Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment", which is effective for periods beginning on or after 1 December 2005, that is from 1 January 2006). The Interpretation states that a liability shared among market participants in proportion to their respective market share, in particular the liability for the decommissioning of historical waste electrical and electronic equipment in the European Union, should not be recognized because participation in the market during the measurement period is the obligating event in accordance with IAS 37.
- IFRIC 7 "Applying the Restatement Approach under IAS 29", which is effective for periods beginning on or after 1 March 2006, that is from 1 January 2007. The Interpretation clarifies application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred income taxes in the opening balance sheet restated for hyperinflation in accordance with IAS 29.
- IFRIC 8, Scope of IFRS 2, which is effective for periods beginning on or after 1 May 2006, that is from 1 January 2007. The interpretation states that IFRS 2 also applies to transactions in which the entity receives unidentifiable goods or services and that such items should be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).
- IFRIC 9 "Reassessment of Embedded Derivatives", which is effective for annual periods beginning on or after 1 June 2006. The Interpretation clarifies that an entity should assess whether an embedded derivative should be accounted for separately from the host contract when the entity first becomes party to the contact. Only if the contact subsequently is significantly modified the entity reassesses whether to separate or not.
- IFRIC 10 "Interim Financial Reporting and Impairment" which is effective for periods beginning on or after 1 November 2006, that is from 1 January 2007. The interpretation clarifies that an entity should not reverse an impairment loss recognised in a previous interim periods in respect of goodwill or an investment in a financial asset carried at cost.
- IFRIC 11 IFRS 2 "Group and Treasury Shares Transactions" which is effective for periods beginning on or after 1 March 2007. This Interpretation addresses how to apply IFRS 2 "Share-

based Payment" to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (eg. equity instruments of its parent).

- IFRIC 12 "Service Concession Arrangements", which is effective for annual periods beginning on or after 1 January 2008.

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

Provision for impairment of accounts receivable. Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibility of specific customer accounts 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 non-financial 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.

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in these IFRS financial statements.

Note 4. Summary of significant accounting policies

Principles of consolidation. The Financial Statements comprise the financial statements of OJSC OGK-3 and the financial statements of those entities whose operations are controlled by OJSC OGK-3. Control is presumed to exist when OJSC OGK-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 has been disclosed as part of equity.

B) Transactions eliminated on consolidation

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

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

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

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

As at 31 December 2005, 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 28.78: USD 1.00 (31 December 2004: RR 27.75: USD 1.00), between the RR and EURO RR 34.19: EURO 1.00 (31 December 2004: RR 37.81: EURO 1.00). As at the balance sheet date, exchange restrictions and currency controls existed relating to converting the Russian Rouble into other currencies. The Russian Rouble is not freely convertible in most countries outside of the Russian Federation.

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 Company 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 | 2005 | | 2004 | |
|---------------------------------|--|--|---|--|
| | Acquired prior to 31 December 1997 | Acquired subsequent to 31 December 1997 | Acquired prior to 31 December 1997 | Acquired subsequent to 31 December 1997 |
| Electricity and heat generation | 4-63 | 25 -50 | 4-63 | 20-50 |
| Electricity distribution | 6-30 | 30 | 7-30 | 25 |
| Heating networks | 4-22 | 25 | 4-22 | 20 |
| Other | 8 | 10 | 8 | 10 |

Loan charges paid for the financing of construction of property, plant and equipment are not capitalized within the cost of property, plant and equipment object during the period needed for the finalization of construction works and preparation for planned use.

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

Cash. Cash comprises cash in hand and cash deposited on demand at banks.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value added taxes which are payable to tax authorities upon collection of such receivables. Trade receivables are recognized initially at fair value and subsequently measured at amortised 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.

Differences in tariffs for sale of electricity through FOREM for individual sellers and tariffs for purchasers of electricity from FOREM for individual customers resulted in wholesale electricity market imbalances (WEM imbalance) on FOREM are written off the balance sheet. The revenues recognized in relation with the WEM imbalance are reversed from the income statement.

Value added tax on purchases and sales. Value added taxes ("VAT") related to sales is payable to tax authorities upon collection of receivables from customers. Input VAT is reclaimable against sales VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (deferred VAT) is recognised 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's balance, including VAT. The related deferred VAT liability is maintained until the debtor is written off for tax purposes.

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 utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax movements are recorded in the 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 recognised in these financial statements.

Accounts payable and accrual charges. Accounts are payable stated inclusive of value added tax. Trade payables are recognized initially at fair value and subsequently measured at amortised 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, the original liability is derecognised and the restructured liability is recognised at its fair

value. The fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms using market interest rates prevailing at the time of restructuring. In this case The gain on derecognition of the original liability amount of the discount is credited to the income statement (finance income costs) as a gain on restructuring. , and the Non-current portion of the restructured discounted payable, if any, is reclassified to other non-current liabilities. The difference, if any, between the fair value of the restructured payable on its initial recognition and the maturity amount discount is amortised over the period until maturity 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 yield 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.

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

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 also operates defined benefit plans. In respect of some of these plans the Group has contract with non-governmental pension fund, the other plans are operated by the Group without engaging pension funds. Benefits for all the plans are vested upon retirement. The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains and losses. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits associated with the operations of the plan will be paid, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from changes in actuarial estimations and exceeding 10% of the defined benefit 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.

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

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 amortised 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.

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 in 2005 and in 2004 or had significant balances outstanding at 31 December 2005 and at 31 December 2004 are detailed below.

Parent

Sales of electricity to the Parent for the year ended 31 December 2005 were RR 330 910 thousand (2004: 872 599 thousand); accounts receivable from the Parent at 31 December 2005 were RR 34 206 thousand (2004: RR 159 317 thousand).

Transactions with the Parent's subsidiaries

Transactions with the Parent's subsidiaries were as follows:

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|----------------------|--------------------------------|--------------------------------|
| Sales of electricity | 10 227 546 | 5 366 042 |

Balances with the Parent's subsidiaries at the end of the period were as follows:

| | 31 December 2005 | 31 December 2004 |
|---|------------------|------------------|
| Accounts receivable, gross | 395 716 | 381 988 |
| Provision for impairment of accounts receivable | (18 000) | (36 154) |
| Accounts payable | 104 627 | 148 865 |

Provision for impairment of accounts receivable recognized as an expense during the year ended 31 December 2005 was RR 18 154 thousand (2004: RR 36 154 thousand).

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

State-controlled entities

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

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

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|----------------------------|--------------------------------|--------------------------------|
| Electricity and heat sales | 220 043 | 218 544 |
| Purchases of fuel | 4 437 153 | 4 101 645 |
| Interest accrued for loan | 1 524 | 7973 |

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

| | 31 December 2005 | 31 December 2004 |
|--|------------------|------------------|
| Accounts receivable and prepayments | 256 793 | 91 817 |
| Accounts payable and accruals | 11 426 | 203 034 |
| Current debt and current portion of non-current debt | 421 600 | 474 915 |

Tax balances (other than deferred income tax) are disclosed in the balance sheet and Note 15. Tax transactions (other than deferred income tax) are disclosed in the income statement and Note 16.

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 year ended 31 December 2005 was RR 143 406 thousand (for the year ended 31 December 2004 – RR 46 000 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 2004 | 28 335 895 | 3 719 591 | 866 329 | 2 640 473 | 6 482 363 | 42 044 651 |
| Additions | 79 480 | - | - | 738 580 | 26 868 | 844 928 |
| Transfer | 808 920 | 52 777 | 4 145 | (1 047 074) | 181 232 | - |
| Disposals | (122 273) | (10 044) | - | (293 477) | (288 756) | (714 550) |
| Closing balance as at 31 December 2005 | 29 102 022 | 3 762 324 | 870 474 | 2 038 502 | 6 401 707 | 42 175 029 |
| Accumulated depreciation (including impairment) | | | | | | |
| Opening balance as at 31 December 2004 | (20 160 550) | (3 067 881) | (680 579) | (157 430) | (4 949 897) | (29 016 337) |
| Charge for the period | (500 792) | (130 402) | (17 741) | - | (535 812) | (1 184 747) |
| Impairment transferred from CIP | (5 398) | (2 165) | - | 16 872 | (9 309) | - |
| Disposals | 80 210 | 10 002 | - | 2 436 | 205 695 | 298 343 |
| Closing balance as at 31 December 2005 | (20 586 530) | (3 190 446) | (698 320) | (138 122) | (5 289 323) | (29 902 741) |
| Net book value as at 31 December 2005 | 8 515 492 | 571 878 | 172 154 | 1 900 380 | 1 112 384 | 12 272 288 |

OGK-3 Group
Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005

(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 2003 | 27 488 818 | 3 670 307 | 858 549 | 3 000 453 | 6 310 002 | 41 328 129 |
| Additions | 103 387 | 2 319 | 3 268 | 962 056 | 53 873 | 1 124 903 |
| Transfer | 780 642 | 59 305 | 4 533 | (1 073 049) | 228 569 | - |
| Disposals | (36 952) | (12 340) | (22) | (248 986) | (110 081) | (408 381) |
| Closing balance as at 31 December 2004 | 28 335 895 | 3 719 591 | 866 328 | 2 640 474 | 6 482 363 | 42 044 651 |
| Accumulated depreciation (including impairment) | | | | | | |
| Opening balance as at 31 December 2003 | (19 660 475) | (2 917 184) | (658 266) | (198 591) | (4 511 477) | (27 945 993) |
| Charge for the period | (495 107) | (162 966) | (21 782) | - | (536 850) | (1 216 705) |
| Impairment transferred from CIP | (36 632) | (50) | (537) | 38 262 | (1 043) | - |
| Disposals | 31 664 | 12 319 | 7 | 2 898 | 99 475 | 146 363 |
| Closing balance as at 31 December 2004 | (20 160 550) | (3 067 881) | (680 578) | (157 431) | (4 949 895) | (29 016 335) |
| Net book value as at 31 December 2004 | 8 175 345 | 651 710 | 185 750 | 2 483 043 | 1 532 468 | 13 028 316 |
| Net book value as at 31 December 2003 | 7 828 343 | 753 123 | 200 283 | 2 801 862 | 1 798 525 | 13 382 136 |

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 2008.

Impairment

Management has used various assumptions in the calculation of the recoverable value of property, plant and equipment. Variations in these assumptions may give rise to a significantly different amount for the impairment provision. In management's opinion, the existing provision represents the best estimate of the impact of impairment as a result of the current economic conditions in the Russian Federation.

Based on the factors set out below management believes that there was no indication of any additional impairment on the Group's principal operating assets:

- increase in electricity tariffs set for the Group for 2006 were on average 10-12 % (heat: 10-14%);
- growth of gas prices set in the Government's forecast is not expected to exceed limit of 11 % in 2006, which is not significantly more than expected inflation;
- growth of coal prices set in the Government's forecast is not expected to exceed limit of 10,5 % in 2006, which is not significantly more than expected inflation;
- demand for both electricity and heat is consistently growing from year to year;
- the Group's restructuring did not change the manner of recovery of the assets – the regulator allocated previously single tariffs for electricity and heat set for a vertically integrated power companies among newly created generating businesses.

In the year 2005 the Group recognised the disposal loss of 290 million in respect of certain non-operating fixed assets and construction in progress (in 2004: RR 202 million).

The impairment provision is included in the accumulated depreciation balance as at 31 December 2005 in amount of RR 12 149 788 thousand (2004: RR 13 395 311 thousand).

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

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:

| | 31 December 2005 |
|---|-------------------------|
| not later than one year | 27 023 |
| later than one year and not later than five years | 114 818 |
| later than five years | 63 995 |
| | 205 836 |

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

Note 7. Accounts receivable and prepayments

| | 31 December 2005 | 31 December 2004 |
|---|-------------------------|-------------------------|
| Trade receivables | | |
| (net of provision for impairment of accounts receivable of RR 520 107 thousand as at 31 December 2005 and RR 245 007 thousand as at 31 December 2004) | 818 169 | 967 289 |
| Value added tax recoverable | 220 984 | 213 853 |
| Advances to suppliers (net of provision for impairment of accounts receivable of RR 7 648 thousand as at 31 December 2005 and RR 31 754 thousand as at 31 December 2004) | 137 458 | 150 023 |
| Other receivables (net of provision for impairment of accounts receivable of RR 860 124 thousand as at 31 December 2005 and RR 696 882 thousand as at 31 December 2004) | 196 512 | 269 376 |
| Total | 1 373 123 | 1 600 541 |

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. 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 approximates their fair value.

The accounts receivable totaling to RR 51 190 thousand and promissory notes totaling to RR 98 080 thousand were provided as collateral for loans received by the Group as on 31 December 2004 (as at 31 December 2005 no collateral was provided).

Note 8. Inventories

| | 31 December 2005 | 31 December 2004 |
|------------------------|-------------------------|-------------------------|
| Fuel supplies | 782 193 | 550 990 |
| Materials and supplies | 327 058 | 214 566 |
| Other inventories | 489 702 | 576 635 |
| Total | 1 598 953 | 1 342 191 |

Inventories balances as at 31 December 2005 and 31 December 2004 included RR 546 424 thousand and RR 462 789 thousand, respectively, of inventory which were pledged as collateral according to loan agreements.

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

Note 9. Equity**Share capital**

| <i>(Number of shares unless otherwise stated)</i> | Ordinary shares 31 December 2005 | Ordinary shares 31 December 2004 |
|---|---|---|
| Issued shares (thousands of shares) | 27 608 088 | 17 614 702 |
| Par value (in RR) | 1.00 | 1.00 |

As at 31 December 2005 number of issued ordinary shares is 27 608 088 279 with a par value of RR 1.00 each.

Contributions to the Company's share capital were effected as follows.

Cash contributions amounted to RR 20 500 thousand, of which RR 5 500 thousand were paid in 2004 and RR 15 000 thousand – in 2005.

Contributions to the Company's share capital of RR 27 587 588 thousand were paid in kind of shares in the Company's subsidiaries. The values of shares in the Company's subsidiaries, as determined by independent appraisers, were equal to RR 28 038 406 thousand. Share premium of RR 450 818 thousand equaled to difference between the appraisers' value of the contributions to the share capital and nominal value of the shares issued.

Contributions in kind of shares of the subsidiaries were made by the Parent group and the minority shareholders.

Transfer of shares of Company's subsidiaries from the Parent to the Company. In January 2005, the Parent transferred to the Company 99.9%, 99.9%, 51.0%, 51.0% and 55.8% of the outstanding ordinary shares of Kharanorskaya SDPP, Gusinooserskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP and Cherepetskaya SDPP respectively. The value of the shares, as determined by the independent appraiser, amounted to RR 16 609 346 thousand. In exchange for the Parent's shares in these subsidiaries the Company issued share capital of RR 16 609 346 thousand.

In December 2005 the Parent transferred to the Company 49.0% of the outstanding ordinary shares of Yuzhnouralskaya SDPP. The value of the shares, as determined by the independent appraiser, amounted to RR 1 025 298 thousand. In exchange for the Parent's shares in these subsidiaries the Company issued share capital of RR 984 856 thousand and RR 40 443 thousand were recorded as share premium.

As described in paragraph "predecessor accounting" (see Note 3) and paragraph "transfers of subsidiaries from parties under common control" (see Note 4), the company accounted for these transactions as of January 1, 2004.

The difference of RR 8 357 873 thousand between the Parent's share in the book value of net assets amounted to RR 9 276 772 and the nominal value of share capital of RR 17 594 202 thousand plus share premium of RR 40 443 thousand has been recorded as other reserves within the equity.

Transactions with minorities. In December 2005, the Company issued share capital of RR 9 993 386 thousand in exchange for the minority shareholders' shares of 41,63%, 42,74%, 46,58%, 24,74% in Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP and Yuzhnouralskaya SDPP, respectively. The value of the minorities shares, as determined by the independent appraisers, amounted to RR 10 403 761 thousand resulting in RR 410 375 recorded as a share premium. The difference of RR 8 146 271 thousand between the book value of the minority interest of RR 2 257 490 thousand and the share capital plus the share premium has been charged to retained earnings.

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

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

In 2005 the Company declared dividends for 9 months of 2005 ended 30 September 2005 of RR 0.013 per share for the total to RR 221 002 thousand. These dividends were recognized in these combined and consolidated financial statements.

The other amounts of dividends recognized in the combined and consolidated financial statements represented dividends accrued by the Group subsidiaries.

Note 10. Income tax

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|-----------------------------|--------------------------------|--------------------------------|
| Current income tax charge | (454 977) | (275 683) |
| Deferred income tax benefit | 122 275 | 63 191 |
| Income tax charge | (332 702) | (212 492) |

During the year ended 31 December 2005 the Group entities were subject to a 24% 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:

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|---|--------------------------------|--------------------------------|
| (Loss)/profit before income tax | (565 043) | 126 660 |
| Theoretical tax charge / (benefit) at the statutory tax rate of 24% | 135 610 | (30 398) |
| Tax effect of items which are not deductible or assessable for taxation purposes: | | |
| Effect of changes in WEM imbalance | (245 039) | (121 589) |
| Effect of changes in provisions for liabilities and charges | (9 820) | (15 089) |
| Effect of changes in pensions liabilities | (1 248) | (1 159) |
| Non-deductible loss from write-off of assets | (112 019) | - |
| Tax fines and penalties forgiven | 43 486 | 63 191 |
| Other non-deductible items | (143 672) | (107 448) |
| Income tax charge | (332 702) | (212 492) |

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%, the rate applicable when the temporary differences will reverse.

Deferred tax liabilities

| | 31 December 2004 | Movement for the year recognized in the income statement | 31 December 2005 |
|-------------------------------|------------------|---|------------------|
| Property, plant and equipment | (814 305) | 37 154 | (777 151) |
| Accounts payable | (1 555) | 1 555 | - |
| Other | (15 834) | 15 489 | (345) |

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

| | | | |
|--------------|------------------|---------------|------------------|
| Total | (831 694) | 54 198 | (777 496) |
|--------------|------------------|---------------|------------------|

| | 31 December 2003 | Movement for the year recognized in the income statement | 31 December 2004 |
|-------------------------------|-------------------------|---|-------------------------|
| Property, plant and equipment | (852 620) | 38 315 | (814 305) |
| Accounts payable | (18 110) | 16 555 | (1 555) |
| Other | (17 022) | 1 188 | (15 834) |
| Total | (887 752) | 56 058 | (831 694) |

Deferred tax assets

| | 31 December 2004 | Movement for the year recognized in the income statement | 31 December 2005 |
|---|-------------------------|---|-------------------------|
| Property, plant and equipment | 307 786 | 80 717 | 388 503 |
| Accounts receivable including provision for impairment | 214 171 | (30 342) | 183 829 |
| Accounts payable | 5 371 | 16 190 | 21 561 |
| Inventories | 627 | (372) | 255 |
| Other | - | 1 884 | 1 884 |
| Total | 527 955 | 68 077 | 596 032 |

| | 31 December 2003 | Movement for the year recognized in the income statement | 31 December 2004 |
|---|-------------------------|---|-------------------------|
| Property, plant and equipment | 299 623 | 8 163 | 307 786 |
| Accounts receivable including provision for impairment | 198 141 | 16 030 | 214 171 |
| Accounts payable | - | 5 371 | 5 371 |
| Inventories | 13 989 | (13 362) | 627 |
| Total | 511 753 | 16 202 | 527 955 |

Note 11. Restructured taxes and penalties liability

In accordance with the Government Resolutions No. 1002 dated 3 September 1999 and No. 699 dated 1 October 2001 the Group subsidiaries had restructured taxes including penalties and fines to be repaid over a period of up to 12 years. Discounting rate of 24% has been used in the estimates of fair value of tax liabilities at the date of restructuring. The discounting of the restructured tax payable amount initially gave rise to a gain. This discount is being amortized over the period of the restructuring as an expense and is included into the finance cost as part of discounting effect (see Note 18).

In 2005, the Group fulfilled all the conditions for restructuring, paying RR 304 687 thousand (in 2004: RR 512 634 thousand). Based on the RF Government resolutions the restructured debt for penalties and fines in the amount of RR 628 218 thousand in 2005 (in 2004: RR 949 055 thousand), representing the nominal amount before discounting, were forgiven and written off the balance sheet. The net amount of RR 181 193 thousand in 2005 (in 2004: RR 263 297 thousand), which represents the difference between the nominal amount of gain from forgiveness of restructured tax liability and the unamortized discount of RR 447 025 thousand in 2005 (2004: RR 685 758 thousand), was recognized as other operating income

OGK-3 Group

Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005

(in thousands of Russian Roubles)

in the income statement. The interest expenses accrued in the income statement amounted to RR 88 017 thousand (2004: RR 195 931 thousand).

The maturity profile is as follows:

| | Nominal values | | Book values (after discounting) | |
|---|---------------------|---------------------|------------------------------------|---------------------|
| | 31 December 2005 | 31 December 2004 | 31 December 2005 | 31 December 2004 |
| Total restructured tax and penalty liability outstanding | 321 808 | 1 255 399 | 128 519 | 526 382 |
| Current portion | (35 317) | (178 251) | (27 039) | (136 086) |
| Long-term portion | 286 491 | 1 077 148 | 101 480 | 390 296 |

Note 12. Pension liabilities

The tables below provide information about the benefit obligation, plan assets and actuarial estimations used for the years ended 31 December 2005 and 2004.

Amounts recognized in the Consolidated and Combined Balance Sheet:

| | 31 December 2005 | 31 December 2004 |
|---------------------------------------|------------------|------------------|
| Defined benefit obligations | 136 673 | 102 818 |
| Fair value of plan assets | - | - |
| Funded status | 136 673 | 102 818 |
| Unrecognised net actuarial loss | (961) | (805) |
| Unrecognised past service cost | (36 765) | (8 267) |
| Net liability in balance sheet | 98 947 | 93 746 |

Amounts recognized in the Consolidated and Combined Income Statement:

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|----------------------------------|--------------------------------|--------------------------------|
| Current service cost | 2 551 | 2 281 |
| Interest cost | 6 904 | 6 451 |
| Recognised actuarial (gain)/loss | - | - |
| Recognised past service cost | 965 | 782 |
| Settlement (gain)/loss | - | - |
| Total | 10 420 | 9 514 |

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

| | 31 December 2005 | 31 December 2004 |
|---|------------------|------------------|
| Benefit obligations | | |
| Benefit obligations as at 1 January 2005 | 102 819 | 95 962 |
| Current service cost | 2 551 | 2 281 |
| Interest cost | 6 904 | 6 451 |
| Actuarial loss/(gain) | 156 | 805 |
| Amendments | 29 463 | 2 005 |
| Benefits paid | (5 220) | (4 686) |
| Benefit obligations as at 31 December 2005 | 136 673 | 102 818 |

The Group expects to contribute RR 27 687 thousand to the defined benefit plans in 2006.

Principal actuarial estimations are as follows:

| | 31 December 2005 | 31 December 2004 |
|------------------|------------------|------------------|
| Discount rate | 6.89 | 6.89 |
| Salary increase | 7.1 | 7.1 |
| Pension increase | 7.1 | 7.1 |

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

Note 13. Current debt and current portion of non-current debt

| Name of creditor | Currency | Effective interest rate, % | Year ended 31 December 2005 | Year ended 31 December 2004 |
|---------------------|----------|----------------------------|-----------------------------|-----------------------------|
| Alfabank | RR | 8,1 - 13 | 301 959 | 150 000 |
| Petrocommerts Bank | RR | 10 - 11 | 317 000 | - |
| Sberbank of RF | RR | 9,8 - 11,8 | 421 600 | 467 415 |
| Eurofinance | RR | 10 - 12,5 | 380 000 | 16 000 |
| Gazprombank | RR | 10 | 20 000 | 7 500 |
| IMB -Bank of Moscow | RR | 12 | - | 100 000 |
| Vneshtorgbank | RR | 11 | 120 000 | 280 000 |
| MDM Bank | RR | 12,8 - 14 | - | 201 301 |
| Tavrisheskiy bank | RR | 14,3 - 18 | - | 157 295 |
| Ukhtabank | RR | 8,5-10 | 134 879 | - |
| Rosbank | RR | 12 | - | 15 562 |
| RAO UES | RR | Interest free | - | 3 125 |
| Other | RR | | 483 | 728 |
| Total | | | 1 695 921 | 1 398 926 |

Short term loans issued to the Group were secured as at 31 December 2005 by inventories totalling RR 546 424 thousand (2004: RR 37 385 thousand) used as collateral.

Note 14. Accounts payable and accruals

| | 31 December 2005 | 31 December 2004 |
|--|------------------|------------------|
| Trade payables | 882 334 | 730 435 |
| Accrued liabilities and other payables | 478 622 | 338 773 |
| Dividend payable | 249 414 | 127 706 |
| Total | 1 610 370 | 1 196 914 |

Note 15. 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 2003 | | 118 000 | 119 625 | 237 625 |
| Additions charged to profit or loss | 17 | 47 000 | 15 871 | 62 871 |
| Carrying amount at 31 December 2004 | | 165 000 | 135 496 | 300 496 |
| Additions charged to profit or loss | 17 | - | 12 946 | 12 946 |
| Carrying amount at 31 December 2005 | | 165 000 | 148 442 | 313 442 |

All of the above provision were classified as current liabilities because the Group does not have any conditional 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 31 December 2005 is expected to be either fully utilised or released within two years (2004: within three years).

Legal claims. Provision for legal claims relates to the claims brought against the Group by fuel suppliers and services providers. The balance at 31 December 2005 is expected to be utilised by the end of 2006

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(in thousands of Russian Roubles)

(2004: by end of 2006). 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 16. Taxes payable

| | 31 December 2005 | 31 December 2004 |
|--|------------------|------------------|
| Value added tax | 487 832 | 364 011 |
| Property tax | 39 236 | 3 354 |
| Employee taxes | 26 211 | 18 935 |
| Income tax | 89 400 | 50 796 |
| Fines and interest | 8 432 | 26 572 |
| Land tax | 1 159 | 53 |
| Water usage tax | 144 552 | 24 440 |
| Dividend tax | 22 851 | 248 |
| Other taxes | 46 085 | 26 931 |
| Current portion of taxes restructured to long-term liabilities | 27 039 | 136 086 |
| Total | 892 797 | 651 426 |

The value added tax figure at 31 December 2005 includes RR 430 899 thousand of deferred VAT (2004: RR 304 137 thousand), which only becomes payable to the authorities when the underlying receivable balances are either recovered or written off.

Note 17. Operating expenses

| | Notes | Year ended 31 December 2005 | Year ended 31 December 2004 |
|---|-------|--------------------------------|--------------------------------|
| Fuel | | (10 011 602) | (8 178 554) |
| Depreciation | 6 | (1 184 747) | (1 216 705) |
| Repairs and maintenance | | (652 563) | (847 020) |
| Employee benefits | | (2 241 569) | (1 793 695) |
| Taxes other than income tax | | (472 610) | (520 742) |
| Water usage expenses | | (522 138) | (409 661) |
| Raw materials and supplies | | (430 064) | (251 215) |
| Consulting, legal and audit services | | (64 966) | (105 589) |
| Insurance cost | | (127 146) | (121 893) |
| Social overhead costs | | (51 197) | (24 654) |
| Impairment of accounts receivable | | (405 440) | (198 585) |
| Change in provision for liabilities and charges | 15 | (12 946) | (62 871) |
| Writing off of non-core assets | | (85 856) | - |
| Loss on disposal of fixed assets | | (290 319) | (202 267) |
| Write-down of inventories | | (55 543) | - |
| Security services | | (34 958) | (44 212) |
| Transportation of gas | | (227 730) | (260 538) |
| Fire protection | | (9 572) | (42 952) |
| Charity expenses | | (21 617) | (16 190) |
| Gain/(loss) related to restructuring process | | 62 946 | (11 411) |
| Telecommunication services | | (16 950) | (15 032) |
| Loss on disposal of material assets | | (7 627) | (20 658) |
| Other expenses | | (649 478) | (561 628) |
| Total operating expenses | | (17 513 692) | (14 906 072) |

Employee benefits expenses comprise the following:

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|---|--------------------------------|--------------------------------|
| Salaries and wages, payroll taxes | (2 149 091) | (1 686 171) |
| Financial aid to employees and pensioners | (82 058) | (98 010) |
| Non-governmental pension fund expenses | (10 420) | (9 514) |
| Employee benefits | (2 241 569) | (1 793 695) |

OGK-3 Group**Notes to Combined and Consolidated Financial Statements for the year ended 31 December 2005**

(In thousands of Russian Roubles)

Note 18. Finance costs

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|--------------------------------|--------------------------------|--------------------------------|
| Interest expense, net | (171 397) | (215 268) |
| Effect of discount | (56 881) | (325 606) |
| Total finance cost, net | (228 278) | (540 874) |

Note 19. Earning / (loss) per ordinary share for profit/(loss) attributable to the shareholders of OJSC OGK-3 – basic and diluted (in RR)

| | Year ended 31 December 2005 | Year ended 31 December 2004 |
|--|--------------------------------|--------------------------------|
| Loss attributable to the shareholders of OGK-3 (thousands of RR) | (672 080) | (189 390) |
| Weighted average number of ordinary shares issued (thousands of shares) | 18 031 888 | 17 614 702 |
| Loss per ordinary share for loss attributable to the shareholders of OJSC OGK-3 – basic and diluted (in RR) | (0,04) | (0,01) |

Note 20. Commitments

Sales commitments. The Group's entities sell electricity on the two wholesale market sectors: free trading sector 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, which are supplied under annual contracts. The quantity of natural gas to be supplied is annually allocated by RAO UES of Russia in coordination with OJSC GAZPROM given the capacity of utilization of alternative fuel and the required fuel reserve fixed by RAO UES of Russia. The purchase price of gas is fixed by the Federal Service of Tariffs.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 352 512 thousand at 31 December 2005 (at 31 December 2004: RR 302 742 thousand).

Note 21. 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 contingency. Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management' interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more

assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

As at 31 December 2005, 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 combined and consolidated financial statements.

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

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Note 22. 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. 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.

Interest rate risk. The Group's operating profits and cash flows from operating activity are largely not dependent on the changes in market interest rates. The Group is only exposed to fair value interest rate risk as all of its borrowings are at fixed interest rates. The Group has no material interest-bearing assets.

Fair values. Management believes that the fair value of its financial assets and liabilities approximates their carrying amount.

Note 23. Post balance sheet events

Following a Joint General Meeting of Shareholders of OJSC OGK-3, OJSC Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP and Gusinooserskaya SDPP in November 2005, these companies have been legally merged at April 1st 2006.

In May 2006 an Addendum to the Company's Charter has been registered, in accordance with the Decision of the Board of Directors held in October 2005 and the Company declared increase of its ordinary registered shares with the nominal value of RR 1.00 from 27 608 088 279 shares to 29 487 999 252 shares.

On 24 October 2006 the Board of Directors of OJSC OGK-3 approved issuance of nonconvertible coupon bonds. On 15 December 2006 3 000 000 bonds with a par value of RR 1000 each were floated.

On 19 December 2006 the Board of Directors of OJSC OGK-3 approved additional issuance of 18 000 000 000 ordinary shares with a par value of RR 1 each for total amount of RR 18 000 000 thousand.