OGK-5 GROUP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOR SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bld. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Open Joint Stock Company "The Fifth Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-5"):

Introduction

We have reviewed the accompanying interim consolidated financial statements of OJSC "OGK-5" and its subsidiaries (the "OGK-5 Group") which comprise the consolidated balance sheet as at 30 June 2007 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 OGK-5 Group as at 30 June 2007, and its financial performance and its cash flows for the six month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

Without qualifying our conclusion, we draw your attention to Notes 1, 2 and 5 to the accompanying interim consolidated financial statements. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

27 September 2007

OGK-5 Group
Interim Consolidated Balance Sheet as at 30 June 2007
(in thousands of Russian Roubles)

	Notes	Unaudited 30 June 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	45,756,956	44,114,896
Investments in associates		41,449	40,309
Other non-current assets	7	574,030	220,783
Total non-current assets		**46,372,435**	**44,375,988**
Current assets			
Inventories	9	2,172,690	2,513,597
Trade and other receivables and other current assets	8	3,077,641	1,865,140
Current income tax prepayments		-	251,368
Short-term investments	10	10,471,872	13,052,210
Cash	11	1,452,782	325,481
Total current assets		**17,174,985**	**18,007,796**
TOTAL ASSETS		**63,547,420**	**62,383,784**
EQUITY AND LIABILITIES			
Equity	12		
Share capital		35,371,686	35,371,686
Treasury shares (nominal value 350,383)		(879,549)	(879,549)
Share premium		6,818,747	6,818,747
Retained earnings		5,087,964	3,941,562
Other reserves		3,671,897	3,653,696
Total equity		**50,070,745**	**48,906,142**
Non-current liabilities			
Non-current borrowings	14	5,000,000	5,000,000
Deferred income tax liability	13	5,443,925	5,422,380
Pension liabilities	15	301,413	268,871
Total non-current liabilities		**10,745,338**	**10,691,251**
Current liabilities			
Current borrowings and current portion of non-current borrowings	16	88,601	620,977
Trade and other payables	17	1,974,506	1,584,075
Current income tax payable		129,625	-
Other taxes payable	18	538,605	581,339
Total current liabilities		**2,731,337**	**2,786,391**
Total liabilities		**13,476,675**	**13,477,642**
TOTAL EQUITY AND LIABILITIES		**63, 547,420**	**62,383,784**

General Director A.V. Bushin

Chief Accountant M.V. Antipov

27 September 2007

OGK-5 Group
Interim Consolidated Income Statement
for the six months ended 30 June 2007 (unaudited)
(in thousands of Russian Roubles, except for earning per ordinary share information)

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006
Revenues	19	13,747,699	12,478,107
Operating expenses	20	(12,654,163)	(11,613,954)
Other operating income	21	276,555	100,511
Operating profit		**1,370,091**	**964,664**
Finance income	22	444,045	-
Finance costs	22	(241,341)	(102,078)
Share of result of associates		1,140	-
Profit before income tax		**1,573,935**	**862,586**
Income tax (charge)/benefit	13	(374,291)	3,100,136
Profit for the period		**1,199,644**	**3,962,722**
Attributable to:			
Shareholders of OJSC “OGK-5”		1,199,644	3,955,153
Minority interest		-	7,569
Earnings per ordinary share for profit attributable to the shareholders of OJSC “OGK-5” – basic and diluted (in Russian Roubles)	23	0.034	0.133

General Director A.V. Bushin

Chief Accountant M.V. Antipov

27 September 2007

OGK-5 Group
Interim Consolidated Cash Flow Statement
for six months ended 30 June 2007 (unaudited)
(in thousands of Russian Roubles)

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**1,573,935**	**862,586**
Adjustments for:			
Depreciation	6	1,038,991	1,006,085
Reversal for impairment of trade and other receivables	20	(2)	(29,104)
Finance costs	22	241,341	102,078
Finance income		(444,045)	-
Employee share option plan		171,258	-
Other non-cash operating costs		16,371	24,900
Share of result of associates		(1,140)	-
Operating cash flows before working capital changes		**2,596,709**	**1,966,545**
Increase in trade and other receivables		(1,087,379)	(327,750)
Decrease/(increase) in inventories		333,452	(398,513)
Increase/(decrease) in trade and other payables		168,071	(426,711)
Decrease in taxes payable, other than income tax		(42,734)	(143,716)
Cash generated from operations		**1,968,119**	**669,855**
Income tax refund (paid) in cash		28,247	(432,897)
Net cash generated from operating activities		**1,996,366**	**236,958**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other non-current assets		(3,044,270)	(833,009)
Proceeds from sale of property, plant and equipment and other non-current assets		1,004	17,614
Release of short-term investments in banks	10	2,580,338	-
Interest received		318,923	-
Net cash used in investing activities		**(144,005)**	**(815,395)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current borrowings		900,000	3,077,000
Repayment of borrowings		(1,430,000)	(2,228,600)
Interest paid		(193,343)	(48,513)
Dividend paid by the Group to minority interest shareholders		(1,717)	(331)
Net cash (used)/generated (in)/from financing activities		**(725,060)**	**799,556**
Net increase in cash		1,127,301	221,119
Cash at the beginning of the year	11	325,481	181,475
Cash at the end of the year	11	1,452,782	402,594

General Director A.V. Bushin

Chief Accountant M.V. Antipov

27 September 2007

Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2007 (unaudited)

(in thousands of Russian Roubles)

		Attributable to the shareholders of OJSC "OGK-5"							
	Note	Ordinary share capital	Treasury shares	Share premium	Retained earnings	Other reserves	Total	Minority interest	Total equity
At 1 January 2006		29,407,170	-	-	1,838,843	(15,537,266)	15,708,747	255,339	15,964,086
Revaluation of property, plant and equipment	6	-	-	-	-	18,698,442	18,698,442	492,520	19,190,962
Profit for the period		-	-	-	3,955,153	-	3,955,153	7,569	3,962,722
Total recognised income for the period		-	-	-	**3,955,153**	**18,698,442**	**22,653,595**	**500,089**	**23,153,684**
Transactions with minorities		864,515	-	-	(601,607)	492,520	755,428	(755,428)	-
Dividends	12	-	-	-	(200,002)	-	(200,002)		(200,002)
At 30 June 2006		**30,271,685**	-	-	**4,992,387**	**3,653,696**	**38,917,768**	-	**38,917,768**
At 1 January 2007		**35,371,686**	**(879,549)**	**6,818,747**	**3,941,562**	**3,653,696**	**48,906,142**		**48,906,142**
Profit for the period		-	-	-	1,199,644	-	1,199,644	-	1,199,644
Fair value gain on available for sale investments	7	-	-	-	-	18,201	18,201	-	18,201
Total recognised income for the period		-	-	-	**1,199,644**	**18,201**	**1,217,845**	-	**1,217,845**
Employee share option plan	5	-	-	-	171,258	-	171,258	-	171,258
Dividends	12	-	-	-	(224,500)	-	(224,500)	-	(224,500)
At 30 June 2007		**35,371,686**	**(879,549)**	**6,818,747**	**5,087,964**	**3,671,897**	**50,070,745**	-	**50,070,745**

General Director A.V. Bushin

Chief Accountant M.V. Antipov

27 September 2007

Открытое акционерное общество «Пятая генерирующая компания оптового рынка» г. Екатеринбург ИНН 667115642

The accompanying notes are an integral part of these interim consolidated financial statements (unaudited)

Note 1. The Group and its operations

Open Joint-Stock Company "The Fifth Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-5", or the "Company") was established on 27 October 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.

On 9 February 2007 the Board of Directors of RAO UES approved the change of RAO UES interest in OJSC "OGK-5" from 75.03% to 50% by disposing of 8,853,757,803 of ordinary non-documentary shares of OJSC "OGK-5" (25.03%) through the open auction sale.

The open auction for the sale of 25.03% of OJSC "OGK-5" shares owned by RAO UES was held on 6 June 2007. Enel Investment Holding B.V. won the auction.

The OGK-5 Group (the "Group") operates 4 power plants and its principal activity is electricity and heat generation and has a wholly-owned subsidiary OOO "OGK-5 Finance" for the purpose of realization share option plan of OJSC "OGK-5" (see Note 5).

In September 2006 OJSC "Energeticheskaya Severnaya Companiya" (OJSC "ESC") was established whose purpose was construction and operation of new generating capacities. OJSC "ESC" is a 40% interest associate of OJSC "OGK-5", OJSC "Novatek" owns 60% of ordinary shares of OJSC "ESC".

The Company is registered by the Lenin District Inspectorate of the Russian Federation Ministry of Taxation of Yekaterinburg, Sverdlovsk Region. The Company's office is located at bld. 2, 10-A, 4th Setunsky proezd, 119136, 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 30 June 2007 and as at 31 December 2006 the Russian Federation owned 52.7% of RAO UES of Russia (the "Parent"), which in its turn owned 50% of OJSC "OGK-5" (as at 31 December 2006 – 75.03%). Subsequently to the balance sheet date, OJSC "OGK-5" was spun-off from RAO UES of Russia. Therefore RAO UES of Russia ceased to be a Parent of OJSC "OGK-5". Further details see below and note in the Note 27.

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 Tariff Service ("FTS"), with respect to its wholesale energy sales, and by the Regional Tariff Services ("RTSs"), with respect to its heat sales. The operations of all generating facilities are coordinated by OJSC System Operator – Central Despatch Unit of Unified Energy System ("SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by RAO UES.

Tariffs which the Group may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies. Historically, such tariffs have been based on a "cost-plus" system, meaning cost of service plus a margin, where costs are determined under the Regulations on Accounting and Reporting of the Russian Federation, a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS").

As described in Notes 2, 24 and 25, the government's economic, social and other policies could have material effects on the operations of the Group.

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 RAO UES Group and its successor companies (including OJSC "OGK-5") can raise the capital required to maintain and expand current capacity.

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

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

Note 2. Financial condition

As at 30 June 2007, the Group's current assets exceeded the current liabilities by RR 14,444 million (as at 31 December 2006 – by RR 15,221 million).

As discussed above the Group is affected by government policy through the control of tariffs and other factors. The FTS 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 recognised 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, during 2006 and to date in 2007, the growing demand for electricity and capacity together with increasing free trading sector of the wholesale electricity market have resulted in a higher rate of revenue growth (see Sector restructuring in Note 1).

Note 3. Basis of preparation

Statement of compliance. These interim financial information for the six months ended 30 June 2007 has been prepared in accordance with IAS 34 "Interim Financial Reporting". These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2006.

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

Reclassifications. Certain reclassifications have been made to prior year data to conform to the current year presentation. None of the reclassifications made were material.

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

Predecessor Accounting. In December 2004, the Parent transferred to the Company 51.0% and 99.9% of the outstanding ordinary shares of Konakovo SDPP and Nevinnomyssk SDPP, respectively and the property, plant and equipment of two power plants (Sredneuralsk SDPP and Reftino SDPP) as a contribution to the Company's charter capital. 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 financial statements.

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Hyperinflation in the Russian Federation ceased effective from

1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, prior to the adoption of revaluation as a basis for accounting for property, plant and equipment (See Note 4) on 1 January 2006, the amounts expressed in the measuring unit current at 31 December 2002 were treated as the basis for the carrying amounts of these financial statements.

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

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

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007);
- IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures.
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).

The effect of adoption of the above new standard and interpretations (except IFRS 7 and complementary Amendment to IAS 1) on the Group's financial position at 30 June 2007 and 31 December 2006 and on the results of its operations for the six months ended 30 June 2007 was not significant.

IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial statements.

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

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information;
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006);
- IFRIC 11, IFRS 2—Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19 – Defined Benefit Assets and Minimum Funding Requirements (effective for annual periods beginning on or after 1 January 2008).
- IAS 23, Borrowing Cost (Amendment, applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

- IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the 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 transactions and balances.

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

Going concern. The 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 recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The accompanying Financial Statements do not include any adjustments 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. 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:

Property, plant and equipment. Fair value of property, plant and equipment has been determined by an independent appraiser based on the depreciated replacement cost method. Further, management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period when these assets will bring economic benefit to the Group. Carrying value and depreciation of property, plant and equipment are affected by the estimates of replacement cost, depreciated replacement cost, residual value and remaining useful lives, and actual results could differ from these estimates.

Provision for impairment of trade and other receivables. Provision for impairment of trade and other receivables 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.

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-5" and the financial statements of those entities whose operations are controlled by OJSC "OGK-5". Control is presumed to exist when OJSC "OGK-5" 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 presented 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.

C) Transactions with minority interest

The Group applies a policy of treating transactions with minority interest as transactions within the Group. In case of purchases from minority interest, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recognised in equity.

D) Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, which form part of the investor's net investment in associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

A) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

B) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are represented by trade and other receivables (Note 8) (except for value added tax recoverable and advances to suppliers), long-term loans issued (Note 7), bank deposits and bank bills of exchange (Note 10).

C) Held to maturity investments

Held to maturity classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intention and ability to hold to maturity.

D) 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 other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains – net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Dividends on available for sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Except for loans and receivables and available for sale investments, the Group did not have other financial assets in the six months ended 30 June 2007.

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

Property, plant and equipment. Following finalization of the Group structure and starting full operational activity at all of its plants from 1 January 2006, the Group changed its accounting policy to revaluing its property, plant and equipment, excluding construction in progress, from 1 January 2006. Management believes that it was result in a more meaningful presentation of the Group's financial position and financial performance.

Property, plant and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserves in equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement.

Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset, and the net amount is restated to the revalued amount of the asset.

The Group charges deferred tax liabilities in respect of revaluation of property, plant and equipment directly to equity.

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.

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

Type of facility	Revised starting from 1 January 2006
Electricity and heat generation	5-80
Electricity distribution	2-25
Heating networks	5-17
Other	5-40

The majority of electricity and heat generation assets have useful lives between 50 and 80 years as revised by management starting from 1 January 2006.

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

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

Trade and other receivables. Accounts receivable are recorded inclusive of value added taxes. Trade receivables are recognised 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 original effective interest rate. The carrying amount of the asset is reduced through the use of provision for impairment account. When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

Value added tax. 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 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, impairment loss is recorded for the gross amount of the debtor, including VAT. The related deferred VAT liability is maintained until the debtor is written off.

Treasury shares. When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity. Any gains or losses arising on the disposal of treasury shares are recorded directly in equity attributable to the shareholders of OJSC "OGK-5".

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 taxes

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.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

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

Debt. Debt is recognised initially at its fair value net of transaction costs. 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 recognised in the income statement as an interest expense over the period of the debt obligation.

Borrowing Costs. 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 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.

OJSC "OGK-5" operates a number of defined benefit plans: lump-sum payments at retirement, jubilee benefits, financial support for current pensioners, old age life pension program, death benefits. Defined benefits plans, except old-age life pensions, are paid on a pay-as-you-go basis. For old-age life pensions payments OJSC "OGK-5" has contracted with a non-state pension fund. OJSC "OGK-5" settles its obligation in relation to former employees when they retire from OJSC "OGK-5" by purchasing annuity policies in the fund. All defined benefits plans are considered to be fully unfunded. When the pension obligation is settled via a non-state pension fund, the employer buys an annuity with the amount of contributions allocated to individual accounts held by the non-state pension fund and any additional contributions that may be required from the employer to meet the cost of the benefit promise.

Defined benefit plans determine the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service cost. 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 will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

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

Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognises past service cost immediately.

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

Revenue recognition. Revenue is recognised on the delivery of electricity and heat and on the dispatch of non-utility goods and services during the period. Revenue amounts are 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, they are recognised 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.

Fair value measurement. The fair value of trade and other receivables 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 Company 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.

(in thousands of Russian Roubles)

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 2007 and the period ended 30 June 2006 or had significant balances outstanding at 30 June 2006 and 31 December 2006 are detailed below.

Parent

As at 30 June 2007 and 31 December 2006 the Group owned 2,860,038 shares of RAO UES of Russia.

Transactions with RAO UES of Russia were as follows:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Purchases of property, plant and equipment	28	366,462

Balances with RAO UES of Russia were as follows:

	30 June 2007	31 December 2006
Trade and other receivables	12	-
Trade and other payables	65,098	65,087

Parent's subsidiaries

Transactions with the Parent's subsidiaries were as follows:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Sales		
Electricity	11,642,028	8,364,958
Heating	516,829	476,314
Rent	-	3,070
Other	61,336	89,071
Purchases		
Electricity	442,173	-
SO CDU services	219,533	-
Raw materials and supplies	465	118,745
Purchase of assets under construction	-	115,570
Other purchases	11,187	11,174

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

	30 June 2007	31 December 2006
Trade and other receivables, gross	1,323,691	941,434
Provision for impairment of trade receivables	(429,953)	(429,953)
Trade and other payables	269,400	51,742

Reversal of provision for impairment of trade and other receivables recognised as an income during the period ended 30 June 2007 is nil (during the period ended 30 June 2006 – RR 29,104 thousand).

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

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

The Company had the following significant transactions and the following balances with state-controlled entities:

(in thousands of Russian Roubles)

	Six months ended 30 June 2007	Six months ended 30 June 2006
Sales		
Heating	83,367	23,950
Other	2,395	-
Purchases		
Fuel	2,717,982	2,293,024
Electricity	-	14,293
Interest income	176,982	-
Interest expense	3,360	-

	30 June 2007	31 December 2006
Trade and other receivables	12,411	22,338
Trade and other payables	16,510	21,103
Current borrowings and current portion of non-current borrowings	-	530,566

Transactions with key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

At 30 June 2007 interest-free loans receivable from key management were RR 4,982 thousand (at 31 December 2006: RR 6,356 thousand).

Total remuneration accrued and paid to the members of the Board of Directors and Management Board for the six months ended 30 June 2007 and for the six months ended 30 June 2006 was as follows:

	Six months ended 30.06.2007		Six months ended 30.06.2006	
	Expense	Accrued liability	Expense	Accrued liability
Remuneration	61,595	889	67,081	29,551

At 30 June 2007 there were 11 members of the Board of Directors and 5 members of the Management Board.

Employee share option plan. In October 2006, the Board of Directors approved Share Option Plan to Board members, General Director and employees of OJSC "OGK-5" (hereinafter the Plan).

The Plan provides for the granting of share options to the members of company's management and employees of OJSC "OGK-5" (hereinafter the Plan participants).

The Plan participants will be rewarded for their work in OJSC "OGK-5" over the period of 3 years, starting from 1 December 2006.

Participation of the members of the Board of Directors and General Director in Share Option Plan and the number of shares in their share option agreements are determined by decision of the Board of Directors. General Director (Board Chairman) determines the list of employees (including top managers) who will participate in the Plan, the number of such persons and personal volumes of participation.

In October 2006, the Board of Directors of OJSC "OGK-5" approved the number of shares allocated under the Plan. A total of up to 353,716,855 ordinary shares (or one percent of the issued ordinary shares of OJSC "OGK-5") may be allocated under the Plan.

Ordinary shares ultimately allocated under the Plan are allocated from treasury shares purchased by the Group for that purpose on the open market by a special-purpose entity, which is controlled by the Group. For the purpose of realisation of the Plan of OJSC "OGK-5" a subsidiary OOO "OGK-5 Finance" was set in October 2006.

In case by the date of shares transfer in possession of participants of the Plan, the Company will be reorganized, the Plan participants obtain the right for the shares distributed among OJSC "OGK-5" shareholders or into which the shares were converted.

(in thousands of Russian Roubles)

The number of shares, which the Plan participants may purchase as part of implementation of the Plan, will be calculated proportionally based on the number of days worked prior to terminating the employment. In case of breaching certain defined provisions of the labor agreement and termination of employment at the initiative of the Company, the Plan participants will lose their right to purchase the shares.

The exercise price of the share option is determined for the date of adoption of resolution on participation in the Plan and is calculated as average weighted price of ordinary shares for the period of 365 days before the date of adoption of the resolution on participation in the Plan according to MICEX data.

Option exercise might be effected by a Plan participant in the period of 2 – 3 weeks from the date of execution of the condition of entering into undivided rights.

As at 31 December 2006, in the course of the Plan implementation the Group had purchased 350,383,660 treasury shares. Their purchase cost was RR 879,549 thousand.

	Quantity, pieces	Average weighted price of sale, RR
Options, issued as at 31 December 2006	318,661,252	2.30
Options, issued during the six months ended 30 June 2007	3,721,739	2.73
Options, issued at 30 June 2007	**322,382,991**	**2.30**

The fair values of services received in return for share options granted to employees are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model.

	Options, issued during the six months ended 30.06.2007	Options, issued as at 31.12.2006
Share price (in Russian Roubles)	3.59-3.81	2.90
Exercise price (in Russian Roubles)	2.60-2.85	2.30
Expected volatility	27%	27%
Option life	1,096 days	1,096 days
Risk-free interest rate	6.13%	6.13%
Fair value at measurement date (in Russian Roubles)	**1.53**	**1.11**

The measure of volatility used in option pricing model is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. Volatility has been determined on the basis of the historical volatility of the share price over the most recent period (one year before grant date).

For options issued as of June 30, 2007, price of realization amounted from 2.30 roubles to 2.85 roubles for one share, and the average weighted for lead time amounted to 887 days.

During the six months ended 30 June 2007, the Group recognised an expense of RR 171,258 thousand related to the fair value of the options.

(in thousands of Russian Roubles)

Note 6. Property, plant and equipment

Appraisal value or cost	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2006	**32,122,077**	**1,836,558**	**447,429**	**2,666,462**	**9,046,882**	**46,119,408**
Additions	5,953	5	-	2,627,661	61,657	2,695,276
Transfer	385,309	21,594	-	(558,154)	151,251	-
Disposals	(284)	(451)	-	(838)	(13,423)	(14,996)
Closing balance as at 30 June 2007	**32,513,055**	**1,857,706**	**447,429**	**4,735,131**	**9,246,367**	**48,799,688**
Accumulated depreciation						
Opening balance as at 31 December 2006	**1,165,976**	**170,682**	**18,390**	**-**	**649,464**	**2,004,512**
Charge for the period	608,072	83,535	9,197	-	338,187	1,038,991
Disposals	(53)	(75)	-	-	(643)	(771)
Closing balance as at 30 June 2007	**1,773,995**	**254,142**	**27,587**	**-**	**987,008**	**3,042,732**
Net book value as at 31 December 2006	**30,956,101**	**1,665,876**	**429,039**	**2,666,462**	**8,397,418**	**44,114,896**
Net book value as at 30 June 2007	**30,739,060**	**1,603,564**	**419,842**	**4,735,131**	**8,259,359**	**45,756,956**

Cost	Heat and electricity generation	Electricity distribution	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2005	24,274,709	3,271,178	426,312	1,192,149	6,368,376	35,532,724
Elimination of accumulated depreciation	(11,422,364)	(1,490,758)	(102,060)	-	(4,396,292)	(17,411,474)
Revaluation	18,764,497	22	122,535	-	6,364,212	25,251,266
Additions	840	61	-	582,948	4,657	588,506
Transfer	27,619	1,098	-	(91,249)	62,532	-
Disposals	(134)	-	-	-	(1,998)	(2,132)
Closing balance as at 30 June 2006	**31,645,167**	**1,781,601**	**446,787**	**1,683,848**	**8,401,487**	**43,958,890**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2005	11,422,364	1,490,758	102,060	-	4,396,292	17,411,474
Elimination of accumulated depreciation	(11,422,364)	(1,490,758)	(102,060)	-	(4,396,292)	(17,411,474)
Charge for the period	589,425	84,733	9,167	-	322,761	1,006,085
Disposals	(7)	-	-	-	(272)	(279)
Closing balance as at 30 June 2006	589,418	84,733	9,167	-	322,488	1,005,806
Net book value as at 31 December 2005	**12,852,345**	**1,780,420**	**324,252**	**1,192,149**	**1,972,084**	**18,121,250**
Net book value as at 30 June 2006	**31,055,749**	**1,696,868**	**437,620**	**1,683,848**	**8,078,999**	**42,953,084**

Other property, plant and equipment include motor vehicles, computer equipment, office fixtures and other equipment.

The Group changed its accounting policy to revaluing its property, plant and equipment, excluding construction in progress, from 1 January 2006. Independent appraisers engaged by the Group estimated the fair value of the Group's property, plant and equipment, excluding construction in progress, at

(in thousands of Russian Roubles)

RR 42,180 million as at 1 January 2006. This change was accounted for prospectively in accordance with IAS 16 "Property, Plant and Equipment", therefore comparatives were not restated.

Fair values were determined primarily based on the depreciated replacement cost method. The replacement cost of buildings, constructions and transfer devices has been estimated based on technical characteristics, unit construction cost and construction estimates. The replacement cost of equipment was estimated based on data of aggregative replacement cost of heat-power station, current purchase contracts and price-list of producers and trading companies. The economic obsolescence was estimated based on profitability test results for each cash-generating unit – Konakovo SDPP, Nevinnomyssk SDPP, Reftino SDPP, Sredneuralsk SDPP. The discount rate used was 16.07%, the forecast period – 20 years, long-term growth – 4.5%. As a result of the revaluation, the Group's equity increased by RR 19,190,962 thousand, comprising in increase in carrying value of property, plant and equipment of RR 25,251,266 thousand, net of related deferred tax of RR 6,060,304 thousand.

For each revalued class of property, plant and equipment stated at revalued amount in these financial statements, the carrying amount that would have been recognised had the assets been carried under the cost model is following:

Cost	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Net book value as at 30 June 2007	11,712,312	1,625,756	294,139	4,735,130	1,864,151	20,231,488
Net book value as at 31 December 2006	12,065,703	1,683,121	304,391	2,666,461	2,006,620	18,726,296

The assets transferred to the Company upon privatization did not include the land on which the Company's buildings and facilities are situated. The Company is in the position to either acquire this land into property or formalize the respective lease rights. Currently in relation to Sredneuralsk SDPP, 5 lease contracts are executed for 19 land areas for the term until December 2008. During the period December 2006 - January 2007, 6 land areas were transferred into property at Nevinnomyssk SDPP. For the land occupied by Konakovo SDPP and Reftino SDPP, the right for perpetual use has been registered, while the title belongs to the state. In accordance with Russian legislation, the Group plans to reregister the perpetual use right to the tenancy right for these land, or to acquire title for them.

As at 30 June 2007 and at 31 December 2006 property, plant equipment balances did not include assets which were pledged as collateral according to loan agreements.

Property, plant and equipment write-off. On 20 December 2006 as a result of an emergency at Reftino SDPP was the partial collapse of roof of the turbine workshop. The write-off was recognised in the 2006 income statement totaling to RR 312,849 thousand. The right for an insurance compensation arose in 2007. During the period starting from 1 January 2007 till issuance of these financial statements the Group received insurance compensation in the amount of RR 585,123 thousand, including RR 232,237, relating to the six months ended 30 June 2007. Compensation for damaged and destroyed property, plant and equipment items is based on accounting values under Regulations on Accounting and Reporting of the Russian Federation. In the nearest future, the Group is expecting to bear additional expenses relating to this accident, which are expected to be compensated in full (as described above) per the agreement with the insurance company.

Impairment.

In the cost model carrying value of property, plant and equipment would have been stated net of an impairment loss of RR 229,592 thousand at 30 June 2007 and of RR 237,173 thousand at 31 December 2006.

Management believes that there were no indication of impairment of the Group's principal operating assets at 30 June 2007, due to the following reasons:

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

(in thousands of Russian Roubles)

- the prices for gas, tariffs for electric energy and heat (in regulated sector), authorized by corresponding regulating bodies for 2006, have grown by 10,2%, 13,6 % and 10,3 % accordingly in comparison with the year ended 31 December 2005;
- the prices for gas, tariffs for electric energy and heat (in regulated sector), authorized by corresponding regulating bodies for 2007, have grown by 15,0 %, 15,0 % and 16,5 % respectively in comparison with the year ended 31 December 2006.

Operating leases

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

Operating lease rentals are payable as follows:

	30 June 2007	31 December 2006
Less than one year	7,465	8,233
Between one and five years	8,023	7,961
More than five years	7,772	7,856
Total	**23,260**	**24,050**

The land areas leased by the Company are the territories on which the Company's electric power stations, heating stations and other assets are located. The leases typically run for an initial period of 5 to 45 years with an option to renew the lease after that date. The lease payments are subject to regular review that may result in adjustments to reflect market conditions.

The Company leases out a number of property, plant and equipment.

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Total
Appraisal value as at 31 December 2006	149,988	1,245	625	439,151	591,009
Accumulated depreciation as at 31 December 2006	6,960	59	44	13,647	20,710
Net book value as at 31 December 2006	143,028	1,186	581	425,504	570,299
Appraisal value as at 30 June 2007	179,468	1,250	625	443,877	625,220
Accumulated depreciation as at 30 June 2007	11,310	104	77	23,963	35,454
Net book value as at 30 June 2007	168,158	1,146	548	419,914	589,766
Depreciation charge for the 6 months ended 30 June 2007	4,350	45	33	10,316	14,744

Note 7. Other non-current assets

	30 June 2007	31 December 2006
Non-current portion of value added tax recoverable	350,071	64,589
Investments in other entities	104,438	86,237
Long-term loans issued	86,480	34,179
Other	33,041	35,778
Total	574,030	220,783

Investments in other entities include available fore sale investments in RAO UES of Russia (0.0066%) determined at fair value directly as changes in equity at the reporting date: at 30 June 2007 in the amount of RR 99,521 thousand and at 31 December 2006 in the amount of RR 81,320 thousand. The Group does not have any other available for sale investments. All available for sale investments represent the only class – equity securities of listed companies.

(in thousands of Russian Roubles)

Long-term loans issued represent non-current portion of the Company's employees' receivables on flat payments by installments, on interest-free loans provided by Company and on long-term bills.

Note 8. Trade and other receivables and other current assets

	30 June 2007	31 December 2006
Trade receivables (net of provision for impairment of trade receivables of RR 429,953 thousand at 30 June 2007 and RR 429,953 thousand at 31 December 2006)	1,308,383	737,414
Advances to suppliers	565,338	623,550
Value added tax recoverable	4,955	9,017
Accrued finance income	162,901	37,779
Other receivables (net of provision for impairment of other receivable of RR 5,516 thousand at 30 June 2007 and RR 5,518 thousand at 31 December 2006)	1,036,064	457,380
Total	**3,077,641**	**1,865,140**

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

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 Company believes that the Company will be able to realise the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value approximates their fair value.

During the six month ended 30 June 2007 RR 198,219 thousand of the Company's total accounts receivable was settled via non-cash settlements (the six month ended 30 June 2006: RR 239,231 thousand).

As at 30 June 2007 trade receivables of RR 176,044 thousand (as at 31 December 2006: RR 226,422 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is shown in the table below.

30 June 2007	Between 1 and 3 months	Between 3 and 12 months
Trade receivables	79,667	96,377

31 December 2006	Between 1 and 3 months	Between 3 and 12 months
Trade receivables	117,536	108,886

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

	6 months ended 30 June 2007	6 months ended 30 June 2006
As at 1 January	435,471	1,158,876
Trade and other receivables written-off during the period as uncollectible	-	(198,569)
Unused amounts reversed	(2)	(29,104)
As at 30 June	435,469	931,203

(in thousands of Russian Roubles)

All impaired trade and other receivables are older than 1 year. The individually impaired receivables mainly relate to wholesalers, which are located in the Caucasus region and are in unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered.

The Group does not hold any collateral as security.

Note 9. Inventories

	30 June 2007	31 December 2006
Fuel supplies	1,321,502	1,651,233
Materials and supplies	251,156	222,998
Other inventories (net of provision for impairment of RR 10,858 thousand at 30 June 2007 and RR 3,403 thousand at 31 December 2006)	600,032	639,366
Total	**2,172,690**	**2,513,597**

At 30 June 2007 and at 31 December 2006 the inventory balances did not include inventories which were pledged as collateral according to loan agreements.

Note 10. Short-term investments

Short term investment are classified as loans and receivables. Total amount of loans and receivables as at 30 June 2007 comprises RR 13,065,700 thousand (as at 31 December 2005: RR 14,318,962 thousand) and includes, beside short-term investments, long-term loans issued (Note 7) and trade and other receivables (except for value added tax recoverable and advances to suppliers, Note 8).

	Rating	Rating agency	30 June 2007	31 December 2006
Bank deposits				
JSCB "International Moscow Bank " (CJSC)	BBB-	S & P	4,171,872	1,752,210
JSB "Russian Agricultural Bank" Yaroslavl Branch (OJSC)	Baa2	Moody's	1,200,000	1,000,000
JSCB "Promsvyazbank" (CJSC)	Ba3	Moody's	1,000,000	1,500,000
JSCB "CIT Finance Investment bank" (OJSC)	CCC+	S & P	1,000,000	-
JSB "Sberbank"	Baa2	Moody's	1,000,000	-
JSCB "International Industrial Bank" (CJSC)	B1	Moody's	800,000	1,000,000
JSCB "Svyaz-Bank" (OJSC)	B2	Moody's	300,000	800,000
JSCB "Petrocommerce" (OJSC)	Ba3	Moody's	-	1,700,000
JSB "TransCreditBank" (OJSC)	Ba3	Moody's	-	1,000,000
JSCB "Absolut Bank" (CJSC)	Baa3	Moody's	-	300,000
JSB "Gazprombank" (CJSC)	Baa2	Moody's	-	3,000,000
Total bank deposits	-		**9,471,872**	**12,052,210**
Bank bills of exchange				
JSCB "CIT Finance Investment bank" (OJSC)	CCC+	S & P	1,000,000	1,000,000
Total bank bills of exchange	-		**1,000,000**	**1,000,000**
Total short-term investments	-		**10,471,872**	**13,052,210**

(in thousands of Russian Roubles)

In November – December 2006 and also in April and June 2007 the Company deposited its cash collected from the initial public offering with banks for less than one year period. Deposit interest rates are fixed and vary from 5.0 per cent per annum to 9.5 per cent per annum.

In October 2006 the Company purchased a number of promissory notes of CIT Finance Investment Bank maturing in 2007. Interest rate for promissory notes is 9 per cent per annum.

Interest accrued on these financial assets is disclosed in the Note 8.

Note 11. Cash

	30 June 2007	31 December 2006
Letter of credit	1,200,000	-
Cash at bank and in hand	252,782	325,481
Total	**1,452,782**	**325,481**

The letter of credit opened in bank "SB Gubernsky" (CJSC) for the settlement of payments for fuel supplied until the end of 2007. The currency of cash is the Russian rouble. "SB Gubernsky" (CJSC) has credit rating Caa1 set by Moody's rating agency.

Note 12. Equity

Share capital *Number of shares unless otherwise stated*	**Ordinary shares 30 June 2007**	**Ordinary shares 31 December 2006**
Issued shares	35,371,685,504	35,371,685,504
Par value (in RR)	1.00	1.00

As at 30 June 2007 the number of issued ordinary shares is 35,371,685,504 with a par value of RR 1.00 each.

As of 1 April 2006, the Company issued 864,515,045 shares in exchange for all outstanding minority interest in Konakovo SDPP(11.3%). Following this, Konakovo SDPP and Nevinnomyssk SDPP were merged with the Company, and ceased to be separate legal entities.

Shares issued for cash

In November 2006 the Company completed an initial public offering of its shares. As a part of the offering, the Company issued 5,100,000 thousand ordinary shares in exchange for RR 11,918,747 thousand, net of costs of issuing shares. At 31 December 2006 the share capital was fully paid.

Total amount of cash proceeds from the public offering held in 2006 of 5,100,000 thousand shares at price of RR 2.4075 per each share was RR 12,278,250 thousand. Share premium received in excess of par value was RR 7,178,250 thousand.

Total costs of issuing shares accounted for as a deduction from equity amounted to RR 359,503 thousand in the period.

Treasury shares. In November 2006 the Group acquired 350,383,660 ordinary treasury shares which makes up 0.991% of its share capital at 31 December 2006. Acquisition cost of 208,896,916 treasury shares was equal to their placement cost determined for the initial public offering. Acquisition of 141,486,744 of treasury shares was made at acquisition cost exceeding par value of ordinary shares as well. Consideration paid for the purchase of treasury shares is accounted for as a deduction from equity.

Treasury shares were acquired in order to realise the Company's employee OJSC "OGK-5" Share Option Plan (see Note 5).

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 June 2006 the Company declared dividends for the year ended 31 December 2005 of RR 0.0066069 per share for the total of RR 200,002 thousand. These dividends were recognised as a liability and paid and deducted from equity at 30 June 2006.

(in thousands of Russian Roubles)

In September 2006 the Company declared dividends for the six months ended 30 June 2006 of RR 0.01047183 per share for the total of RR 317,000 thousand. These dividends were recognised as a liability and paid and deducted from equity at 31 December 2006.

1 June 2007 the Annual General Meeting of OJSC "OGK-5" Shareholders determined the amount of dividends for the six months ended 31 December 2006 in the amount of RR 0,00634689 per ordinary share for the total of RR 224,500 thousand.

Other reserves

	30 June 2007	31 December 2006
Merger reserve	(15,537,266)	(15,537,266)
Revaluation reserve	19,190,962	19,190,962
Fair value gain on available for sale investments	18,201	-
Total	**3,671,897**	**3,653,696**

Note 13. Income tax

Income tax (charge)/benefit	Six months ended 30 June 2007	Six months ended 30 June 2006
Current income tax charge	(352,746)	(199,160)
Deferred income tax charge/(benefit)	(21,545)	3,299,296
Total income tax (charge)/benefit	**(374,291)**	**3,100,136**

During the period ended 30 June 2007 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:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Profit before tax	1,573,935	862,586
Theoretical tax charge at the statutory tax rate of 24%	(377,744)	(207,021)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of recognition of increase in tax value of property, plant and equipment related to prior period	-	3,277,824
Tax effect of operating income and expenses which are not assessable for taxation purposes	3,453	29,333
Total income tax (charge)/ benefit	**(374,291)**	**3,100,136**

Following favorable court rulings during the six month ended 30 June 2006 the Company increased the tax base of property, plant and equipment of Sredneuralsk SDPP and Reftino SDPP to fair value at the date of contribution of these assets by the Parent. Previously predecessor tax base had been applied, which was the position of the tax authorities the Company was disputing. As a result of the recognition of increase in tax value of property, plant and equipment a deferred tax benefit of RR 3,277,824 thousand was recognised in the income statement for the six month ended 30 June 2006.

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.

(in thousands of Russian Roubles)

	31 December 2006	Movement for the period recognised in the income statement	30 June 2007
Total deferred tax liabilities	(5,611,972)	(11,440)	(5,623,412)
Total deferred tax assets	189,592	(10,105)	179,487
Deferred tax liabilities, net	**(5,422,380)**	**(21,545)**	**(5,443,925)**

6 months ended 30 June 2007

Deferred income tax liabilities

	31 December 2006	Movement for the period recognised in the income statement	30 June 2007
Property, plant and equipment	5,595,447	25,251	5,620,698
Other	16,525	(13,811)	2,714
Total	**5,611,972**	**11,440**	**5,623,412**

Deferred income tax assets

	31 December 2006	Movement for the period recognised in the income statement	30 June 2007
Provision for impairment of trade receivables	75,962	2,228	78,190
Trade receivables	2,360	(843)	1,517
Trade and other payables	44,378	(29,844)	14,534
Pension liabilities	64,529	7,810	72,339
Other	2,363	10,544	12,907
Total	**189,592**	**(10,105)**	**179,487**

6 months ended 30 June 2006

Deferred income tax liabilities

	31 December 2005	Movement for the period recognised in the income statement	Movement for the period recognised in statement of changes in equity	30 June 2006
Property, plant and equipment	3,025,506	(3,354,248)	6,060,304	5,731,562
Trade and other payables	31,285	25,409	-	56,694
Other	11,998	39,106	3,536	54,640
Total	**3,068,789**	**(3,289,733)**	**6,063,840**	**5,842,896**

Deferred income tax assets

	31 December 2005	Movement for the period recognised in the income statement	30 June 2006
Provision for impairment of trade receivables	174,081	12,068	186,149
Trade receivables	158,984	(85,269)	73,715
Trade and other payables	27,922	71,976	99,898
Inventories	22,200	(910)	21,290
Other	13,766	11,698	25,464
Total	**396,953**	**9,563**	**406,516**

Note 14. Non-current borrowings

At 30 June 2007 this line shows amounts payable on the Company's bonds issued. In October 2006 OJSC "OGK-5" performed public offering of ordinary documentary interest bearing non-convertible bonds, with a mandatory centralized custody.

The number of issued bonds was 5,000,000 with a nominal value of RR 1,000 per each bond, maturing on day 1,820 from the date of placement start. Prior redemption of 1,092 days from the date of placement start is available. (See also Note 16.)

(in thousands of Russian Roubles)

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

Note 15. Pension liabilities

The tables below provide information about the benefit obligations, plan assets and actuarial assumptions used for the year ended 30 June 2007. Amounts recognised in the consolidated balance sheet:

	30 June 2007	31 December 2006
Present value of defined benefit obligations (DBO)	1,200,000	1,222,179
Unrecognised actuarial losses	51,737	51,736
Unrecognised past service cost	(950,324)	(1,005,044)
Net liability in balance sheet	**301,413**	**268,871**

Benefit expenses recognised in the consolidated income statement:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Current service cost	31,824	-
Interest cost	41,249	-
Amortisation of past service cost	54,721	-
Benefit plan amendment - immediate recognition of vested prior service cost	-	-
Total	**127,794**	**-**

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

	30 June 2007	31 December 2006
Present value of defined benefit obligations (DBO) at beginning of year	**1,222,179**	-
Current service cost	31,824	40,228
Interest cost	41,249	59,438
Actuarial (gain)/loss	-	(51,736)
Past service cost	-	784,931
Benefits paid	(95,252)	(73,022)
Benefit plan amendment	-	462,340
Present value of defined benefit obligations (DBO) at the end of year	**1,200,000**	**1,222,179**

Principal actuarial assumptions are as follows:

	30 June 2007	31 December 2006
Nominal discount rate	6.75%	6.75%
Wage growth rate	7.0%	7.0%
Inflation rate	5.0%	5.0%

There were no changes in actuarial assumptions during six months 2007. Thus actuarial gains and losses arising during this period correspond to experience adjustments in full.

	30 June 2007	31 December 2006
Present value of defined benefit obligations (DBO)	(1,200,000)	(1,222,179)
Surplus in plan	(1,200,000)	(1,222,179)
Losses arising from experience adjustments on plan liabilities	(51,736)	(51,736)

(in thousands of Russian Roubles)

Expected payments under the schemes during year to 30 June 2008 are RR 187,550 thousand.

Note 16. Current borrowings and current portion of non-current borrowings

	30 June 2007	31 December 2006
Current borrowings	-	530,566
Current portion of non-current borrowings	88,601	90,411
Total	**88,601**	**620,977**

Current portion of non-current borrowings represents accrued coupon yield payable on placed bonds (see Note 14) for the period from 5 April 2007 till 30 June 2007. A 7.5 per cent per annum fixed interest rate was determined at the competitive bidding conducted on the date of bond placement. According to Offering Memorandum the coupon period for the payment of coupon yield to securities holders is set at 182 days. Payment of the coupon yield for the first coupon period was made in April 2007.

Note 17. Trade and other payables

	30 June 2007	31 December 2006
Trade payables	988,822	1,288,411
Accrued liabilities and other payables	425,569	261,058
Advances received	317,758	15,032
Dividend payable	242,357	19,574
Total	**1,974,506**	**1,584,075**

Trade payables are classified as financial liabilities. Total amount of financial liabilities as at 30 June 2007 comprises RR 6,077,423 thousand (as at 31 December 2006: RR 6,909,388 thousand) and includes, beside trade payables, non-current borrowing (Note 14) and current borrowings and current portion of non-current borrowings (Note 16).

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

Note 18. Taxes payable

	30 June 2007	31 December 2006
Property tax	159,880	205,160
Value added tax	134,145	121,710
Payroll taxes	26,102	20,942
Fines and interest	22,251	22,251
Other taxes	196,227	211,276
Total	**538,605**	**581,339**

The value added tax figure at 30 June 2007 includes RR 114,282 thousand of deferred VAT (31 December 2006: RR 121,710 thousand), which only becomes payable to the authorities when the underlying receivable balances are either recovered or written off.

Note 19. Revenues

Revenues	Six months ended 30 June 2007	Six months ended 30 June 2006
Electricity	12,694,178	11,488,779
Heating	884,065	850,752
Rent	26,177	3,070
Water circulation	7,653	8,119
Other	135,626	127,387
Total	**13,747,699**	**12,478,107**

(in thousands of Russian Roubles)

Note 20. Operating expenses

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006
Fuel		7,963,782	7,979,361
Employee benefits		1,183,112	594,810
Depreciation	6	1,038,991	1,006,085
Repairs and maintenance		642,825	648,959
Taxes other than income tax and payroll taxes		343,310	338,865
Water usage expenses		281,119	247,898
SO CDU services		219,533	-
Insurance cost		156,887	41,533
Security services		82,622	-
Raw materials and supplies		55,856	45,252
Consulting, legal and audit services		38,705	10,793
Social expenses		12,423	11,768
Reversal of provision for impairment of trade and other receivables		(2)	(29,104)
Expensed value added tax		-	78,759
Other expenses		635,000	638,975
Total		**12,654,163**	**11,613,954**

Employee benefits expenses comprise the following:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Salaries and wages, accrued bonuses, benefits and payroll taxes	1,096,567	594,810
Non-governmental pension fund expenses	86,545	-
Employee benefits	**1,183,112**	**594,810**

Note 21. Other operating income

	Six months ended 30 June 2007	Six months ended 30 June 2006
Compensation from third parties for items of property, plant and equipment that were lost	232,237	-
Other operating income	44,318	100,511
Total	**276,555**	**100,511**

Note 22. Finance income and costs

All finance income arose from interest accrued on short term investments which are categorized as loans and receivables .

Finance costs

	Six months ended 30 June 2007	Six months ended 30 June 2006
Interest expense	233,005	66,523
Effect of discounting	8,336	35,555
Total finance costs	**241,341**	**102,078**

All finance costs relate to financial liabilities measured at amortised cost.

(in thousands of Russian Roubles)

Note 23. Earnings per share

	Six months ended 30 June 2007	Six months ended 30 June 2006
Weighted average number of ordinary shares issued (thousands)	35,371,686	29,717,632
Adjustment for weighed average number of treasury shares (thousands)	(350,384)	-
Weighted average number of ordinary shares outstanding (thousands)	35,021,302	29,717,632
Profit attributable to the shareholders of OJSC «OGK-5»	1,199,644	3,955,153
Earnings per ordinary share for profit attributable to the shareholders of OJSC "OGK-5" – basic and diluted (in Russian Roubles)	**0.034**	**0.133**

Note 24. Commitments

Fuel commitments. The Company executed a number of contracts for natural gas supply and coal supply.

Currently, the Company considers long-term contracts for gas supply to be concluded with regional sales companies of OJSC "Gazprom" (from 01.01.2008 till 31.12.2012). The purchase price for gas is regulated by the state and currently, set up by the Federal Tariff Service.

In 2006, a long-term contract (until 31.12.2011) for gas supply is executed with OJSC "Novatek".

In August 2006, a contract for coal supply with OOO "Uralenergougol" for two years is executed; the contract stipulated the possibility to extend its term for the same time period.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 5,995,202 thousand at 30 June 2007 (at 31 December 2006: RR 1,076,610 thousand).

Note 25. Contingencies

Political environment. The operations and earnings of the Company 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 Company holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Company is exposed to those risks for which it does not have insurance.

Legal proceedings. The Company was not a party to any legal proceedings which, upon final disposition, will have a material adverse effect on the financial position of the Company.

Tax contingency. Russian tax 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, 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 preceding the year of review. Under certain circumstances review may cover longer periods.

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

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

(in thousands of Russian Roubles)

Environmental matters. The Company and its predecessor 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. The Company periodically evaluate its 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 26. Financial instruments and financial risks

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

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 is little subject to the foreign currency exchange risk. The financial condition of the Company, 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 changes in the domestic currency rate as related to foreign currency rates on the financial condition of the Group is estimated as insignificant.

Credit risk. Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables (in amount of RR 1,308,383 thousand), other receivables (in amount of RR 1,036,064 thousand), short term investments with banks (in amount of RR 10,471,872 thousand) and cash (in amount of RR 1,452,782 thousand) totaling to RR 14,269,101 thousand. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company 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. The Board of Directors approved the list of banks for deposits, as well as rules for the placement of deposits. Moreover, the Company constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors.

The table in Note 10 shows the deposits with banks of the major counterparties and their ratings at the balance sheet date.

Liquidity risk Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities. Group's financial liabilities carry, in the majority of cases, short-term character. The obligation with repayment in 2011 is presented by the bond (See also Note 14).

To manage the liquidity risk, the Group applies a policy of holding financial assets for which there is a liquid market and that are readily convertible to meet liquidity needs.
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 (see also Note 16).

At 30 June 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	374,000	374,000	5,935,000
Trade and other payables	1,974,506	-	
At 31 December 2006			
Borrowings	904,566	374,000	6,122,000
Trade and other payables	1,584,075	-	

(in thousands of Russian Roubles)

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 Company is only exposed to fair value interest rate risk as all of its borrowings are at fixed interest rates. The Group's significant interest bearing assets are disclosed in note 10. To eliminate the adverse impact of changes in interest rates on its activities, the Company plans to raise long-term loans and borrowings to avoid negative influence of short-term fluctuations in interest rates, as well as decrease the share of loans and borrowings in its working capital.

The majority of these assets bear fixed interest and are thus exposed to fair value interest rate risk.

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

	The hypothetical effect on income and equity results from changes in the relevant risk variable that were reasonably possible at 30.06.2007	
	-0.50%	**+0.50%**
Interest rate risk	(12,467)	12,467

The assumption of 0.5% deviation was based on the fluctuations of interest of the bonds on the active market comparing to the interest fixed at the time of the placement.

Capital risk management. The following capital requirements have been established for joint stock companies by the legislation of Russian Federation:

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

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

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 for shareholders and benefits for other stakeholders and to maintain an optimal capital 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.

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

During the six month ended 30 June 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio not exceeding 50% and a credit rating not below Ba3. The gearing ratios at 30 June 2007 and at 31 December 2006 were as follows:

	30 June 2007	**31 December 2006**
Total borrowings	5,088,601	5,620,977
Less: cash (Note 11)	1,452,782	325,481
Net debt	3,635,819	5,295,496
Total equity	50,070,745	48,906,142
Total capital	53,706,564	54,201,638
Gearing ratio	**7%**	**10%**

Decrease of gearing ratio within the six month ended 30 June 2007 is caused by increase in cash due to the letter of credit.

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

Fair value for available for sale financial assets was determined on current bid prices.

Note 27. Post balance sheet events

Construction of new power unit. On 16 August 2007, the Extraordinary General Meeting of Shareholders of OJSC "OGK-5", resolved to conclude a Comprehensive Agreement for construction of a CCGT at Nevinnomyssk SDPP between the Company and the Consortium created under the Agreement for Consortium Establishment (Simple Partnership) of 21 February 2007, and consisting of the following legal entities: OJSC Group E4, OJSC Power machines–ZTL, LMZ, Electrosila, Energomashexport, CJSC SibKOTES, OJCS Firma CENTROENERGOMONTAZH, OJSC Energostroysnabcomplect-invest, CJSC Novosibirskenergospecremont. The value of the Comprehensive Agreement amounts to RR 9,728,000 thousand, excluding VAT. The Contract is to be concluded by 24 September 2007. The Completion Date of works is 25 July 2010.

Spin-off from RAO UES of Russia. The spin-off from RAO UES of Russia was performed in September 2007.

On 6 December 2006 the Extraordinary General Meeting of Shareholders of RAO UES of Russia took a decision to spin-off OJSC "OGK-5" from RAO UES of Russia according to the following scheme:

- OJSC "OGK-5 Holding" is formed by the way of spin-off from RAO UES of Russia as a new and a separate company, which holds as assets ordinary shares owned before by RAO UES of Russia;
- simultaneously (the same day) with its formation, OJSC "OGK-5 Holding" is merged with and into OJSC "OGK-5", which is the surviving entity. All of the assets of OJSC "OGK-5 Holding", consisting of only the ordinary shares of OJSC "OGK-5", are transferred to OJSC "OGK-5";
- upon the merger, OJSC "OGK-5 Holding" ceases to exist and its shares are cancelled;
- each holder of RAO UES of Russia shares:
  - on the day of formation – is entitled to a number of shares in the OJSC "OGK-5 Holding" equal to the number of RAO UES of Russia shares held by such holder as at this day;
  - upon the cancellation of OJSC "OGK-5 Holding" shares – becomes a shareholder of OJSC "OGK-5" and continues to own the same number of RAO UES of Russia shares as such holder held immediately preceding the day of formation.

For the purposes of the share swap to take place during the merger of OJSC "OGK-5 Holding" with and into OJSC "OGK-5", additional issue of 1,000,000 ordinary shares with a par value of RR 1.00 each was approved at the Annual General Meeting of Shareholders of OJSC "OGK-5" on 1 June 2007.

The Russian government remained to be a party with a significant influence after the spin-off processed, owing 26.43% of shares of OJSC "OGK-5".

In September 2007, a record was made to the Unified State Register of Legal Entities (USRLE) about the dissolution of OJSC "OGK-5 Holding". This moment marks the completion of the reorganisation of RAO UES of Russia by the spin-off of a legal entity (OJSC "OGK-5 Holding") and its concurrent merger with OJSC "OGK-5".