OGK-5 GROUP

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

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Independent Auditors' Report

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")

Report on the Interim Consolidated Financial Statements

We have reviewed the accompanying interim consolidated financial statements of OJSC "OGK-5" (the "Company") and its subsidiaries (the "Group"), which comprise the interim consolidated balance sheet as at 30 June 2008, and the interim consolidated income statement, interim consolidated statement of changes in equity and interim consolidated cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim consolidated financial statements"). Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 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 statements 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 interim consolidated financial statements do not present fairly, in all material respects, the interim consolidated financial position of the Group as at 30 June 2008, and its interim consolidated financial performance and its interim consolidated cash flows for the six month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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3 September 2008

OGK-5 Group
Interim Consolidated Balance Sheet as at 30 June 2008
(in thousands of Russian Roubles)

	Notes	30 June 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	69,170,819	63,523,331
Investment in associate	7	202,435	42,361
Other non-current assets	8	1,835,257	842,678
Total non-current assets		**71,208,511**	**64,408,370**
Current assets			
Inventories	10	2,587,101	2,188,204
Trade and other receivables and other current assets	9	2,618,256	3,816,357
Current income tax prepayments		671,270	740,084
Short-term investments	11	1,755,943	7,160,272
Cash	12	650,340	826,566
Total current assets		**8,282,910**	**14,731,483**
TOTAL ASSETS		**79,491,421**	**79,139,853**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	35,371,898	35,371,898
Treasury shares		(749,239)	(882,022)
Share premium		6,818,747	6,818,747
Retained earnings		6,688,956	5,960,697
Other reserves	13	14,008,249	14,017,044
Total equity attributable to shareholders of OJSC "OGK-5"		**62,138,611**	**61,286,364**
Minority interest		**50,801**	**-**
Total equity		**62,189,412**	**61,286,364**
Non-current liabilities			
Long-term borrowings	15	5,000,000	5,000,000
Deferred income tax liability	14	9,168,745	8,953,566
Retirement benefit obligation	16	362,773	379,128
Other non-current liabilities		582	8,444
Total non-current liabilities		**14,532,100**	**14,341,138**
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	17	87,757	87,767
Trade and other payables	18	1,920,595	2,879,541
Other taxes payable	19	761,557	545,043
Total current liabilities		**2,769,909**	**3,512,351**
Total liabilities		**17,302,009**	**17,853,489**
TOTAL EQUITY AND LIABILITIES		**79,491,421**	**79,139,853**

General Director — A.Y.Kopsov

Chief Accountant — D.A.Polenov

3 September 2008

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

OGK-5 Group
Interim Consolidated Income Statement for the six months ended 30 June 2008
(in thousands of Russian Roubles, except for earnings per ordinary share information)

	Notes	Six moths ended 30 June 2008	Six moths ended 30 June 2007
Revenues	20	20,216,236	16,152,923
Operating expenses	21	(19,343,063)	(15,059,387)
Other operating income	22	298,554	276,555
Operating profit		**1,171,727**	**1,370,091**
Finance income	23	164,750	444,045
Finance costs	23	(318,687)	(241,341)
Share of result of associate		74	1,140
Profit before income tax		**1,017,864**	**1,573,935**
Income tax charge	14	(251,348)	(374,291)
Profit for the period		**766,516**	**1,199,644**
Attributable to:			
Shareholders of OJSC "OGK-5"		766,915	1,199,644
Minority interest		(399)	-
Earnings per ordinary share for profit attributable to the shareholders of OJSC "OGK-5" – basic and diluted (in Russian Roubles)	24	0.022	0.034

General Director A.Y.Kopsov

Chief Accountant D.A.Polenov

3 September 2008

OGK-5 Group
Interim Consolidated Cash Flow Statement for the six months ended 30 June 2008
(in thousands of Russian Roubles)

	Notes	Six moths ended 30 June 2008	Six moths ended 30 June 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**1,017,864**	**1,573,935**
Adjustments for:			
Depreciation	6	1,214,403	1,038,991
Losses from sale of property, plant and equipment		116,855	-
Net reversal of impairment of trade and other receivables	21	(307,071)	(2)
Finance costs	23	318,687	241,341
Finance income		(164,750)	(444,045)
Employee share option plan		(32,992)	171,258
Other non-cash operating items		6,289	16,371
Share of result of associate		(74)	(1,140)
Operating cash flows before working capital changes		**2,169,211**	**2,596,709**
Decrease/(increase) in trade and other receivables		1,338,678	(1,087,379)
(Increase)/decrease in inventories		(394,730)	333,452
(Decrease)/increase in trade and other payables		(966,355)	168,071
Increase/(decrease) in taxes payable, other than income tax		216,514	(42,734)
Cash generated from operations		**2,363,318**	**1,968,119**
Income tax refund		35,423	28,247
Net cash generated from operating activities		**2,398,741**	**1,996,366**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,982,755)	(3,044,270)
Proceeds from sale of property, plant and equipment		64,163	1,004
Net repayments from short-term investments	11	5,404,329	2,580,338
Interest received		232,949	318,923
Increase in equity investments		(160,000)	-
Net cash used in investing activities		**(2,441,314)**	**(144,005)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-tern borrowings		315,000	900,000
Repayment of short-term borrowings		(315,000)	(1,430,000)
Interest paid		(194,918)	(193,343)
Dividend paid by the Group to minority interest shareholders		-	(1,717)
Proceeds from sale of treasury shares		61,265	-
Net cash (used)/generated (in)/from financing activities		**(133,653)**	**(725,060)**
Net increase in cash		(176,226)	1,127,301
Cash at the beginning of the year	12	826,566	325,481
Cash at the end of the year	12	650,340	1,452,782

General Director — A.Y.Kopsov

Chief Accountant — D.A.Polenov

3 September 2008

OGK-5 Group
Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2008
(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 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		-	-	-	-	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	13	-	-	-	(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**
At 1 January 2008		**35,371,898**	**(882,022)**	**6,818,747**	**5,960,697**	**14,017,044**	**61,286,364**	**-**	**61,286,364**
Profit for the period		-	-	-	766,915	-	766,915	(399)	766,516
Fair value loss on available for sale investments, net of income tax effect		-	-	-	-	(8,795)	(8,795)	-	(8,795)
Total recognised income for the period		**-**	**-**	**-**	**766,915**	**(8,795)**	**758,120**	**(399)**	**757,721**
Capital contribution from minorities		-	-	-	-	-	-	51,200	51,200
Employee share option plan	5		-		(32,992)	-	(32,992)	-	(32,992)
Sale of treasury shares		-	132,783	-	(5,664)	-	127,119	-	127,119
At 30 June 2008		**35,371,898**	**(749,239)**	**6,818,747**	**6,688,956**	**14,008,249**	**62,138,611**	**50,801**	**62,189,412**

General Director A.Y.Kopsov

Chief Accountant D.A.Polenov

3 September 2008

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

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 Government of the Russian Federation on 1 September 2003.

On 9 February 2007 the Board of Directors of RAO "UES of Russia" approved the change of RAO "UES of Russia" interest in OJSC "OGK-5" from 75.03% to 50% by disposing 8,853,757,803 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 of Russia" was held on 6 June 2007. Enel Investment Holding B.V. won the auction (see Note 5).

The OGK-5 Group (the "Group") operates 4 State District Power Plants ("SDPP") and its principal activity is electricity and heat generation. The Company has a wholly-owned subsidiary LLC "OGK-5 Finance".

During 2008, through LLC "OGK-5 Finance", the Group established a new subsidiary, OJSC "Teploprogress", in which it holds a 60% interest. The principal activity of OJSC "Teploprogress" is maintenance of heating networks. The State Property Committee of Sredneuralsk holds the remaining 40% ownership interest in OJSC "Teploprogress".

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" (see Note 7). OJSC "Novatek" owns the remaining 60% of the 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.

Spin-off from RAO "UES of Russia" 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 of OJSC "OGK-5" 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" ceased to exist and its shares were 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.

On 1 June 2007, shareholders of OJSC "OGK-5" approved an additional number of authorized shares in the quantity of 1,000,000 shares with a par value of RR 1.00 each. The reason for this decision was the share swap which should take place during the merger of OJSC "OGK-5 Holding" with and into OJSC "OGK-5". On 3 September 2007, the Company issued 212,866 shares. For details, refer to Note 13.

In September 2007, notification was made to the Unified State Register of Legal Entities (USRLE) about the dissolution of OJSC "OGK-5 Holding". This completed the spin-off of the Company from RAO "UES of Russia".

Relations with the state and current regulation. The Government of the Russian Federation, represented by the Federal Agency of Property Management, remains a party with a significant influence after the spin-off, owning 26.43% of shares of OJSC "OGK-5".

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 Energy Commissions ("RECs") or by the Regional Tariff Services ("RTSs"), with respect to its heat sales. The operations of all generating facilities are coordinated by OJSC "System Operator – the Central Despatch Unit of Unified Energy System" ("SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by NP "Administrator of trade system".

Tariffs which the Group may charge for sales of electricity and heat are calculated on the basis of normative documents, which regulate pricing in the field of heat and electricity. Tariffs are calculated in accordance with the "Cost-Plus" method of indexation, in both cases prime cost plus net profits are used; only the methods of calculation of prime cost differ. 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, 25 and 26, the government's economic, social and other policies could have material effects on the operations of the Group.

Industry restructuring. During the period ended 30 June 2008 the market still operated under the NOREM rules set out by Resolution of the Government of the Russian Federation No. 529 dated 31.08.2006. These NOREM rules govern the tariff rates for electricity sales in the non-liberalised Russian market. As at 30 June 2008 15% of all electricity sales were unrestricted by these tariff rates ("liberalised sales"). The percentage is expected to increase to 25% in the second half of 2008. By 2011 the liberalisation rate is expected to reach 100%.

On 28 June 2008 the Government of the Russian Federation approved a resolution for the launch of the capacity market, which is aimed at providing a return on investments to generating assets.

Note 2. Financial condition

As discussed above, the Group is affected by policy of the Government of the Russian Federation through the control of tariffs and other factors. The FTS does not always permit tariff increases sufficient to cover the 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 the 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 2007 and first half of 2008, 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 Industry restructuring in Note 1).

Note 3. Basis of preparation

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

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

Reclassifications. The consolidated financial statements for the period ended 30 June 2008 certain items in the comparative income statement for the period ended 30 June 2007 have been reclassified. The reclassification has been made to report the effect of gross-up presentation of revenue and cost of electricity purchased on the wholesale market (NOREM), which had been previously net-off. The effect of the reclassifications on the income statement for the period ended 30 June 2007 was as follows:

In thousands of Russian Roubles	As originally presented	Adjustment	As adjusted
Revenues	13,747,699	2,405,224	16,152,923
Operating expenses	(12,654,163)	(2,405,224)	(15,059,387)

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, RAO "UES of Russia" (the Parent at that time) transferred to the Company 51.0% and 99.9% of the outstanding ordinary shares of Konakovo SDPP and Nevinnomyssk SDPP, respectively and, representing a business, 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 consolidated financial statements. The difference between the nominal value of share capital paid, the IFRS carrying value of the contributed net assets and the minority interest has been recorded as a merger reserve within equity attributable to the Company's shareholders (see Note 13).

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 Standards and Interpretations not yet adopted. Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. Of these pronouncements, potentially the following will have an impact on the Group's financial statements:

- **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. The Group is currently assessing what impact the standard will have on segment disclosures in the consolidated financial statements.
- **IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).** The revised IAS 23 was issued in March 2007. The main change to IAS 23 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. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amended standard on its financial statements.

- **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, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

Going concern. These 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. See effect of these critical accounting estimates and assumptions in Note 6.

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. See effect of these critical accounting estimates and assumptions in Note 9.

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. See effect of these critical accounting estimates and assumptions in Note 26.

Note 4. Summary of significant accounting policies

Principles of consolidation. The Financial Statements comprise the financial statements of OJSC "OGK-5" and the financial results 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 results 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 with the owners in their capacity of owners. In case of purchases of 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 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 financial assets. 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. 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 receivables (Note 9) (except for value added tax recoverable and advances to suppliers), long-term loans issued (Note 8), bank deposits and bank bills of exchange (Note 11).

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. Held to maturity investments and 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 finance items (net), in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the income statement as part of finance 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 year 2007 or the six months ended 30 June 2008.

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 restructuring and the start of 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 that date. Management believes that this resulted 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 the revaluation reserve in equity. However, the increase shall be recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the income statement. The Group does not transfer revaluation surplus directly to retained earnings when the asset is derecognized or as the asset is used by the entity.

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 costs 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 property, plant and equipment	
Electricity and heat generation	5-65
Electricity distribution	10-45
Heating networks	5-35
Other	5-50

The majority of electricity and heat generation assets have useful lives between 50 and 65 years as revised by management starting from 1 January 2008.

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 amortized cost using the effective interest rate method less provision for impairment. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, 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 collection of the receivables from customers or 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

Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax expense/(benefit) comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

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

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

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 amortized 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 rate 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. Borrowing costs are recognized 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 and 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 commitment.

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 unrecognized 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 related to defined benefit pension plans 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 related to defined benefit pension plans 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 recognizes 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.

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

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Share-based payment transactions. The share option plan allows Group employees to acquire shares of OJSC "OGK-5". The fair value of the options is measured at grant date and considers the period for which employees become unconditionally entitled to the options. The cost of the options is then expensed between the grant date and the vesting date written into the share option contract. The fair value of the options is measured based on the Black-Scholes formula, which takes into account the terms and conditions upon which the instruments were granted.

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.

Note 5. Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The open auction for the sale of 25.03% of OJSC "OGK-5" shares owned by RAO "UES of Russia" was held on 6 June 2007. ENEL Investment Holding B.V. won the auction and by 11 July 2007 its share of in the capital of the Company had increased to 29.9997%.

(in thousands of Russian Roubles)

As at 1 January 2008, the following entities held authorized share capital in OGK-5:

Entity	% Share Ownership	Status
Federal Property Management Agency	26.43%	Entity with significant influence
ENEL Investment Holding B.V.	37.15%	Entity with significant influence
Minority Shareholders	36.42%	

At this date, there was no ultimate controlling party of the Company.

On 4 February 2008 the term of obligatory offer expired. Within the framework of realization of obligatory offer a part of participation of ENEL Investment Holding B.V. in the authorized share capital of the Company had increased and amounted to 59.8%. The ultimate controlling party of ENEL Investments Holding B.V. is ENEL S.p.a.

On 28 May 2008 the Company completed its organizational processes concerning changes in the governance of OGK-5 and starting from that date ENEL Investments Holding B.V. exercised full operational control of the Company.

During the second quarter, 2008 ENEL Investment Holding B.V. sold to European Bank of Reconstruction and Development a 4.1% shareholding in the Company. As a result the participation of ENEL Investment Holding B.V. in the authorized share capital of the Company was reduced to 55.78%.

As at 30 June 2008, the authorized share capital ownership structure of the OGK-5 was as follows:

Entity	% Share Ownership	Status
Federal Property Management Agency	26.43%	Entity with significant influence
ENEL Investment Holding B.V.	55.78%	Direct controlling parent entity
Minority Shareholders	17.79%	

At this date, the ultimate controlling party of the Company and ENEL Investment Holdings B.V. was ENEL S.p.A. (together with its subsidiaries "ENEL Group")

Transactions with ENEL Investment Holding B.V.

At 31 December 2007 receivables from ENEL Investment Holding B.V. comprised RR 18,599 thousand relating to reimbursement of the Group's expenses on announcement of the obligatory offer for repurchase of shares of the Company.

At 30 June 2008 receivables and payables with ENEL Investment Holding B.V. are nil.

Transactions with ENEL Group

For the six months ended 30 June 2008 the Group had the following transactions and balances with other ENEL Group entities, except for ENEL Investment Holding B.V.:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Revenues		
Electricity	226,686	208,244
Other	5,882	-

	30 June 2008	31 December 2007
Trade and other receivables	12,352	-
Trade and other payables	9,897	19

(in thousands of Russian Roubles)

Transactions with State-controlled entities

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

For the six months ended 30 June 2008 and 30 June 2007, the Group had the following significant transactions and the following balances with state-controlled entities.

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Revenues		
Electricity	237,655	-
Heating	106,500	83,367
Other	3,652	2,395
Purchases		
Fuel	3,767,390	2,717,982
Raw materials and supplies	757	-
Other	123,199	-
Finance income	90,153	176,982
Finance cost	-	3,360

	30 June 2008	31 December 2007
Trade and other receivables	477,711	453,756
Trade and other payables	85,422	53,062

Deposits held in state-controlled banks

	30 June 2008	31 December 2007
JSB "Russian Agricultural Bank" Yaroslavl Branch (OJSC)	-	1,750,000
JSB "Sberbank"	1,000,000	850,000
JSB "TransCreditBank" (OJSC)	-	500,000
JSB "Gazprombank" (CJSC)	-	-
Total	**1,000,000**	**3,100,000**

This information does not include transactions and the balances with RAO "UES of Russia" and its subsidiaries. These transactions and balances are shown below.

Transactions with RAO "UES of Russia" and its subsidiaries

At 30 June 2008 the Government of the Russian Federation was the ultimate controlling party of the RAO "UES of Russia".

For the six months ended 30 June 2008 and 30 June 2007 the Group had the following transactions and balances with RAO "UES of Russia":

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Purchases		
Purchases of property, plant and equipment	-	28

	30 June 2008	31 December 2007
Trade and other receivables	-	-
Trade and other payables	25,062	48,034

(in thousands of Russian Roubles)

Transaction with subsidiaries of RAO "UES of Russia" for the six months ended 30 June 2008 and 30 June 2007 were as follows:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Revenues		
Electricity	9,784,411	11,642,028
Heating	660,694	516,829
Other	59,325	61,336
Purchases		
Electricity	135	442,173
SO CDU services	285,210	219,533
Raw materials and supplies	-	465
Other	45,092	11,187

	30 June 2008	31 December 2007
Trade and other receivables	481,261	1,110,706
Provision for impairment of trade receivables	(92,565)	(429,953)
Trade and other payables	77,311	41,522

Reversal of provision for impairment of trade and other receivables recognized as income during the six months ended 30 June 2008 – RR 376,585 thousand; at 30 June 2007 is nil.

Transactions with other related parties

Transaction with other related parties for the six months ended 30 June 2008 and 30 June 2007 were as follows:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Revenues		
Other	228	770
Purchases		
Other	153,400	57,000

At 30 June 2008 and 31 December 2007 trade receivables and payables with other related parties are nil.

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 2008 interest-free loans receivable from key management is nil (at 31 December 2007: RR 3,588 thousand).

Total remuneration accrued and paid to the members of the Board of Directors and Management Board for the six months ended 30 June 2008 and the six months ended 30 June 2007 was as follows:

	For the six months ended 30 June 2008		For the six months ended 30 June 2007	
	Expense	Accrued liability	Expense	Accrued liability
Remuneration	24,175	369	61,595	889
Share option plan	(42,771)	-	106,772	-
Termination costs	294,137	-	-	-

At 30 June 2008 there were 11 members of the Board of Directors and 5 members of the Management Board.

In the first half of 2008 several members of the key management personnel terminated the contracts with the Company.

(in thousands of Russian Roubles)

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

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

The Plan participants are 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 the 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.

Ordinary shares ultimately issued under the Plan are allocated from treasury shares purchased by the Group for that purpose on the open market by a special-purpose entity, LLC "OGK-5 Finance", which is controlled by the Group.

In the event of reorganization of the share capital in the Company, the participants will obtain the right for the shares distributed among OJSC "OGK-5" shareholders or into which the shares are converted.

The number of share options granted to participants of the Plan is 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 forfeit 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.

The share options can be exercised by a Plan participant in the period of 2 – 3 weeks after vesting date.

As at 31 December 2006, in relation to the Plan, the Group had purchased 350,383,660 treasury shares. Their purchase cost was RR 879,549 thousand. The shares were purchased by LLC "OGK-5 Finance" during the initial public offering of 5,100,000 thousand shares performed by the Company in 2006.

	Quantity of shares	**Weighted average exercise price, RR**
Options, outstanding as at 31 December 2007	327,387,155	2.34
Options, forfeited during the six months ended 30 June 2008	(96,893,139)	2.30
Options, exercised during the six months ended 30 June 2008	(54,869,719)	2.30
Options, outstanding at 30 June 2008	**175,624,297**	**2.34**

	Quantity of shares	**Weighted average exercise price, RR**
Options, outstanding 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, outstanding at 30 June 2007	**322,382,991**	**2.30**

(in thousands of Russian Roubles)

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, granted during the period ended 30 June 2008	Options, granted during the period ended 30 June 2007
Share price (in Russian Roubles)	-	3.59-3.81
Exercise price (in Russian Roubles)	-	2.60-2.85
Expected volatility	-	27%
Option life	-	1,096 days
Risk-free interest rate	-	6.13%
Fair value at measurement date (in Russian Roubles)	**-**	**1.53**

The measure of volatility used in option pricing model is the annualized 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 outstanding as at 30 June 2008, the exercise price ranges from 2.30 roubles to 3.55 roubles per share, and the average weighted lead time amounted to 530 days.

During the six months ended 30 June 2008, the Group recognised an income of RR 32,992 thousand relating to the options (during the six months ended 30 June 2007, the Group recognised expenses of RR 171,258 thousand).

In March 2008 the share option plan for several members of key management personnel was exercised ahead of schedule. Shares were purchased in quantity of 54,869,719, at exercise price – RR 2.30 per share. The weighted average share price at the date of exercise was RR 2.77 per share.

Note 6. Property, plant and equipment

Fair value	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 1 January 2008	**42,284,070**	**2,465,024**	**494,336**	**7,276,044**	**11,003,857**	**63,523,331**
Additions	261,706	43	1,208	6,724,791	66,326	7,054,074
Transfer	833,519	57,128	-	(999,594)	108,947	-
Disposals	(33,236)	(880)	(13,520)	(21,643)	(131,997)	(201,276)
Closing balance as at 30 June 2008	**43,346,059**	**2,521,315**	**482,024**	**12,979,598**	**11,047,133**	**70,376,129**
Accumulated depreciation						
Opening balance as at 1 January 2008	-	-	-	-	-	-
Charge for the period	741,471	94,231	9,298	-	369,403	1,214,403
Disposals	(576)	(2)	(211)	-	(8,304)	(9,093)
Closing balance as at 30 June 2008	**740,895**	**94,229**	**9,087**	**-**	**361,099**	**1,205,310**
Net book value as at 1 January 2008	**42,284,070**	**2,465,024**	**494,336**	**7,276,044**	**11,003,857**	**63,523,331**
Net book value as at 30 June 2008	**42,605,164**	**2,427,086**	**472,937**	**12,979,598**	**10,686,034**	**69,170,819**

(in thousands of Russian Roubles)

Fair value or cost	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 1 January 2007	**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 1 January 2007	**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 1 January 2007	**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**

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

Fair values were determined as at 31 December 2007 primarily based on the depreciated replacement cost method. The replacement cost of buildings, constructions and transmission equipment has been estimated based on technical characteristics, unit construction cost and construction estimates. The replacement cost of equipment was estimated based on data of aggregate 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 12%, the forecast period – 18 years, long-term growth – 3%. As a result of the revaluation, the Group's equity increased by RR 10,354,223 thousand, comprising an increase in carrying value of property, plant and equipment of RR 13,623,977 thousand, net of related deferred tax of RR 3,269,754 thousand.

Each revalued class of property, plant and equipment is 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 as follows:

Cost	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Net book value as at 30 June 2008	12,990,974	1,753,878	267,082	12,979,598	1,783,556	29,775,088
Net book value as at 31 December 2007	12,709,060	1,790,488	283,783	7,276,044	2,058,621	24,117,996

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 from December 2006 till 30 June 2008, 10 land areas were transferred into property at Nevinnomyssk SDPP and 1 land area was transferred into property at Reftino 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 2008 and 31 December 2007, no property, plant or equipment was pledged as collateral according to loan agreements.

(in thousands of Russian Roubles)

Property, plant and equipment write-off. On 20 December 2006 as a result of an emergency at Reftino SDPP the roof of the turbine workshop partially collapsed. A write-off was recognised in the 2006 income statement totaling RR 312,849 thousand. The right for 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 840,521 thousand, including RR 224,136 thousand, during the period ended 30 June 2008. 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.

Impairment

In the cost model, the carrying value of property, plant and equipment would have been stated net of an impairment loss of RR 209,206 thousand at 30 June 2008 and of RR 220,316 thousand at 31 December 2007.

Management believes that there were no indications of impairment of the Group's principal operating assets at 30 June 2008, 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).

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 2008	31 December 2007
Less than one year	4,482	5,260
Between one and five years	1,863	1,485
More than five years	11,314	7,438
Total	**17,659**	**14,183**

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 items of property, plant and equipment of the following value:

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Total
Appraisal value as at 31 December 2007	167,712	1,105	497	435,313	604,627
Accumulated depreciation as at 31 December 2007	14,480	104	53	32,322	46,959
Net book value as at 31 December 2007	153,232	1,001	444	402,991	557,668
Appraisal value as at 30 June 2008	234,626	13,175	571	489,722	738,094
Accumulated depreciation as at 30 June 2008	2,991	857	17	7,199	11,064
Net book value as at 30 June 2008	231,635	12,318	554	482,523	727,030
Depreciation charge for the period ended 30 June 2008	2,991	857	17	7,199	11,064

(in thousands of Russian Roubles)

Note 7. Investment in associate

Equity investments in associated company accounted for using the equity method are presented by investment in OJSC "Energeticheskaya Severnaya Companiya" (OJSC "ESC") and are as follows:

	As of 31 December 2007	% holding	Capital increases	Income effect	As of 30 June 2008	% holding
OJSC "ESC"	42,361	40.0%	160,000	74	202,435	40.0%
Total	**42,361**		**160,000**	**74**	**202,435**	

During the period ended 30 June 2008 OJSC "ESC" issued 400 000 additional ordinary shares at a price of RR 1.000 per each share. The shares were placed among the existing OJSC "ESC" shareholders in proportion with their existing share. OJSC "OGK-5" received 160 000 shares for RR 160 000 thousand. The shares were fully paid by cash.

The main income statement and balance sheet data for the equity investment in associate are reported in the following table:

	30 June 2008	31 December 2007
Assets	466,540	106,514
Liabilities	360,343	503
Revenues	-	1,102
Profit before income tax	938	2,958

Note 8. Other non-current assets

	30 June 2008	31 December 2007
Investments in other entities	78,560	96, 455
Long-term loans issued	153,566	71,749
Total financial assets	**232,126**	**168,204**
Non-current portion of value added tax recoverable	1,545,408	616,726
Other	57,723	57,748
Total other non-current assets	**1,835,257**	**842,678**

Investments in other entities include available for sale investments in RAO "UES of Russia" (0.0066%): at 30 June 2008 in the amount of RR 72,971 thousand and at 31 December 2007 in the amount of RR 90,683 thousand.

All available for sale investments are measured at fair value in reference to their publicly quoted market price at the reporting date.

Long-term loans issued represent non-current portion of the Company's receivables from its employees, long-term bills (maturity between November 2011 and February 2015) and prepayments on fuel contracts.

(in thousands of Russian Roubles)

Note 9. Trade and other receivables and other current assets

	30 June 2008	31 December 2007
Trade receivables (net of provision for impairment of trade receivables of RR 92,562 thousand at 30 June 2008 and RR 429,953 thousand at 31 December 2007)	1,042,078	1,116,577
Accrued finance income	1,775	67,417
Total financial assets	**1,043,853**	**1,183,994**
Advances to suppliers	998,444	1,690,306
Other receivables (net of provision for impairment of other receivables of RR 5,516 thousand at 30 June 2008 and RR 5,518 thousand at 31 December 2007)	575,959	942,057
Total trade and other receivables and other current assets	**2,618,256**	**3,816,357**

Management believes that the majority of customers, balances of which are included in trade receivables, comprise the single class, as they bear the same characteristics. Those customers belong to the same wholesale market of electric power (NOREM), which is regulated by NP ATS (Non-commercial Partnership "Administrator of Trade System").

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 believes that the Company will be able to realize the net receivable amounts through direct collections and other non-cash settlements, and therefore the recorded values approximate their fair value.

During the six months ended 30 June 2008 RR 74,361 thousand of the Group's total accounts receivable was settled via non-cash settlements, mostly by promissory notes (the six months ended 30 June 2007: RR 198,219 thousand).

As at 30 June 2008 trade receivables of RR 117,462 thousand (as at 31 December 2007: RR 215,303 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 2008	**Between 1 and 3 months**	**Between 3 and 12 months**	**Beyond 12 months**
Trade receivables	40,583	45,030	31,849

31 December 2007	**Between 1 and 3 months**	**Between 3 and 12 months**	**Beyond 12 months**
Trade receivables	-	44,030	171,173

All impaired trade receivables are provided for. The movement of the provision is shown in the table below. Provision in the amount of RR 376,585 thousand was reversed due to the sale of the related receivables.

	6 month ended 30 June 2008	6 months ended 30 June 2007
As at 1 January	435,469	435,471
Increase in provision	69,514	-
Trade receivables written-off during the year as uncollectible	(30,317)	-
Unused amounts reversed	(376,585)	(2)
As at 30 June	**98,081**	**435,469**

As at 31 December 2007, the individually impaired receivables mainly related to wholesale customers located in the Caucasus region and were in unexpectedly difficult economic situations. During the period ended 30 June 2008, these receivables were partly sold and accordingly reversed from the provision.

(in thousands of Russian Roubles)

Management assesses that counterparties, balances of which fall into trade receivables, and which are neither past due nor impaired, have approximately the same credit quality.

Other receivables are mainly represented by prepayments for insurance.

The Group does not hold any collateral as security.

Note 10. Inventories

	30 June 2008	31 December 2007
Fuel supplies	1,569,573	1,307,323
Materials and supplies	244,899	252,195
Spare parts and other inventories (net of provision for impairment of RR 5,428 thousand at 30 June 2008 and RR 9,595 thousand at 31 December 2007)	772,629	628,686
Total inventories	**2,587,101**	**2,188,204**

At 30 June 2008 and at 31 December 2007 none of the inventory held were pledged as collateral according to loan agreements.

Note 11. Short-term investments

As financial assets, short term investments are classified as loans and receivables.

	30 June 2008	31 December 2007	Rating 30 June 2008	Rating 31 December 2007	Rating agency
Bank deposits					
JSCB "Unicreditbank" (before 01.01.08 - JSCB "International Moscow Bank " (CJSC)	755,943	1,904,772	BBB	BBB	S & P
JSB "Russian Agricultural Bank" Yaroslavl Branch (OJSC)	-	1,750,000	-	Baa2	Moody's
JSCB "Promsvyazbank" (CJSC)	-	400,000	-	Ba3	Moody's
JSB "Sberbank"	1,000,000	850,000	Baa2	Baa2	Moody's
JSCB "International Industrial Bank" (CJSC)	-	500,000	-	B1	Moody's
JSCB "Svyaz-Bank" (OJSC)	-	-	-	B2	Moody's
JSCB "Petrocommerce" (OJSC)	-	450,000	-	Ba3	Moody's
JSB "TransCreditBank" (OJSC)	-	500,000	-	Ba1	Moody's
JSCB "Absolut Bank" (CJSC)	-	-	-	Baa3	Moody's
JSB "Gazprombank" (CJSC)	-	-	-	Baa2	Moody's
JSB "Nomos-Bank" (CJSC)	-	750,000	-	Ba3	Moody's
JSCB "Region" (OJSC)	-	55 500	-	-	-
Total bank deposits	**1,755,943**	**7,160,272**	-	-	
Bank bills of exchange					
JSCB "CIT Finance Investment bank" (OJSC)	-	-	-	B2	Moody's
Total bank bills of exchange	-	-	-	-	
Total short-term investments	**1,755,943**	**7,160,272**	-	-	

During the period the Company invested in securities with less than one year maturity periods. Interest rates on these securities are fixed and vary from 2.1 per cent per annum to 6.7 per cent per annum.

Interest accrued on these financial assets is disclosed in Note 9.

(in thousands of Russian Roubles)

Note 12. Cash

	30 June 2008	31 December 2007
Letter of credit	-	670,958
Cash at bank and in hand	650,340	155,608
Total cash	**650,340**	**826,566**

The letter of credit opened in bank JSCB "International Moscow Bank" (CJSC) for the settlement of payments for equipment supply until the end of January 2008. The currency of the letter of credit is USD. JSCB "International Moscow Bank " (CJSC) has credit rating BBB set by S&P rating agency. The contract for equipment supply relating to the letter of credit was canceled in 2007. The letter of credit was closed and cash returned in January 2008.

The currency of cash is the Russian Roubles.

Note 13. Equity

Share capital *Number of shares unless otherwise stated*	Ordinary shares 30 June 2008	Ordinary shares 31 December 2007
Issued shares	35,371,898,370	35,371,898,370
Par value (in RR)	1.00	1.00

Issue of shares. In September 2007 the Company issues 212,866 ordinary shares. Those shares were placed by conversion of shares of OJSC "OGK-5 Holding" to the shares of OJSC "OGK-5" in the spin-off process of OJSC "OGK-5 Holding" from RAO "UES of Russia", and with simultaneous merger of OJSC "OGK-5 Holding" to OJSC "OGK-5". (Details of the spin-off process are described in Note 1.)

Treasury shares. Upon consolidation of OJSC "OGK-5 Holding" into OJSC "OGK-5" 17,685,842,752 treasury shares were recognised by the Company based on their book value to OJSC "OGK-5 Holding" totaling RR 57,727,590 thousand (50% of the share capital of the Company), paid by RAO "UES of Russia" as a contribution for the share capital of OJSC "OGK-5 Holding". The shares of OJSC "OGK-5 Holding" in the amount of 17,685,633,044 shares totaling to RR 57,726,906 thousand were converted into the Company's shares and placed among the shareholders of OJSC "OGK-5 Holding", while the non-placed part in the quantity of 209,708 ordinary registered shares of OJSC "OGK-5" remained held as treasury shares by the Company. The book value of these treasury shares totaled to RR 684 thousand. These treasury shares were sold during the period ended 30 June 2008 on the Stock Exchange.

In addition, in the process of share conversion during the spin-off from RAO "UES of Russia", the Group obtained 1,177,914 treasury shares due to conversion of RAO "UES of Russia" shares held by the Group. The book value of these treasury shares totaled to RR 1,789 thousand.

In total, during the year ended 31 December 2007, the Group obtained 1,378,622 shares with a total cost of RR 2,473 thousand, which is recognised in the statement of changes in equity.

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. The 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. Consideration paid for the purchase of treasury shares is accounted for as a deduction from equity.

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

Nominal value of treasury shares as at 30 June 2008 was RR 296,692 thousand (as at 31 December 2007 – RR 351,770 thousand).

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

(in thousands of Russian Roubles)

On 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. These dividends were paid and deducted from equity at 31 December 2007.

On 28 May 2008, at the Annual General Meeting of OJSC "OGK-5", the Shareholders decided not to pay any dividends to ordinary shareholder in relation to the results of 2007.

Other reserves

	30 June 2008	31 December 2007
Merger reserve	(15,537,266)	(15,537,266)
Revaluation reserve	29,545,185	29,545,185
Fair value gain on available for sale investments	330	9,125
Total other reserves	**14,008,249**	**14,017,044**

Note 14. Income tax

Income tax charge	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Current income tax charge	(33,391)	(352,746)
Deferred income tax charge	(217,957)	(21,545)
Total income tax charge	**(251,348)**	**(374,291)**

During the six months ended 30 June 2008 the Group entities were subject to a 24% income tax rate on taxable profits (2007: 24%).

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 be accrued even where there is a net consolidated tax loss.

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

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Profit before income tax	1,017,864	1,573,935
Theoretical tax charge at the statutory tax rate of 24%	(244,287)	(377,744)
Tax effect of operating income and expenses which are not assessable for taxation purposes	(7,061)	3,453
Total income tax charge	**(251,348)**	**(374,291)**

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 expected to be applicable when the temporary differences will reverse.

	31 December 2007	Movement for the six months recognised in the income statement	Movement for the six months recognized in statement of changes in equity	30 June 2008
Total deferred tax liabilities	(9,420,780)	53,193	2,778	(9,364,809)
Total deferred tax assets	467,214	(271,150)	-	196,064
Deferred tax liabilities, net	**(8,953,566)**	**(217,957)**	**2,778**	**(9,168,745)**

(in thousands of Russian Roubles)

The six months ended 30 June 2008

Deferred income tax liabilities

	31 December 2007	Movement for the six months recognized in the income statement	Movement for the six months recognized in statement of changes in equity	30 June 2008
Property, plant and equipment	(9,417,015)	70,600	-	(9,346,415)
Other	(3,765)	(17,407)	2,778	(18,394)
Total deferred tax liabilities	**(9,420,780)**	**53,193**	**2,778**	**(9,364,809)**

Deferred income tax assets

	31 December 2007	Movement for the six months recognized in the income statement	Movement for the six months recognized in statement of changes in equity	30 June 2008
Unused tax loss carry forward	196,846	(196,846)	-	-
Provision for impairment of trade receivables	81,661	(81,661)	-	-
Trade receivables	7,193	27,816	-	35,009
Trade and other payables	72,674	(16,988)	-	55,686
Retirement benefit obligation	90,991	(3,925)	-	87,066
Other	17,849	454	-	18,303
Total deferred tax assets	**467,214**	**(271,150)**	**-**	**196,064**

The six months ended 30 June 2007

Deferred income tax liabilities

	31 December 2006	Movement for the six months recognized 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 deferred tax liabilities	**5,611,972**	**11,440**	**5,623,412**

Deferred income tax assets

	31 December 2006	Movement for the six months recognized 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
Retirement benefit obligation	64,529	7,810	72,339
Other	2,363	10,544	12,907
Total deferred tax assets	**189,592**	**(10,105)**	**179,487**

(in thousands of Russian Roubles)

Note 15. Long-term borrowings

At 30 June 2008 long-term borrowings comprise amounts payable on the Company's bonds issued. In October 2006 OJSC "OGK-5" completed a public offering of 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 in 1,820 days from the date of the placement. Earlier redemption of 1,092 days from the date of placement start is available. (See also Note 17.)

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

Note 16. Retirement benefit obligation

The tables below provide information about the benefit obligations, plan assets and actuarial assumptions used for the six months ended 30 June 2008. Amounts recognized in the balance sheet:

	30 June 2008	31 December 2007
Present value of defined benefit obligations (DBO)	1,143,884	1,214,960
Unrecognised actuarial losses	59,771	59,771
Unrecognised past service cost	(840,882)	(895,603)
Net liability in balance sheet	**362,773**	**379,128**

Benefit expenses recognized in the income statement:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Current service cost	38,251	31,824
Interest cost	41,005	41,249
Amortisation of past service cost	54,721	54,721
Total benefit expenses	**133,977**	**127,794**

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

	30 June 2008	31 December 2007
Present value of defined benefit obligations (DBO) at beginning of year	**1,214,960**	**1,222,179**
Current service cost	38,251	71,498
Interest cost	41,005	82,497
Actuarial (gain)/loss	-	(8,035)
Past service cost	-	4,556
Benefits paid	(150,332)	(157,735)
Present value of defined benefit obligations (DBO) at the end of year	**1,143,884**	**1,214,960**

Principal actuarial assumptions are as follows:

	30 June 2008	31 December 2007
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 ended 30 June 2008. Actuarial gains and losses arising during this period correspond to experience adjustments in full.

(in thousands of Russian Roubles)

	30 June 2008	31 December 2007
Present value of defined benefit obligations (DBO)	1,143,884	1,214,960
Deficit in plan	1,143,884	1,214,960
Losses arising from experience adjustments on plan liabilities	8,035	8,035

Expected benefit payments under the schemes during the year to 30 June 2009 are RR 226,325 thousand.

Note 17. Short-term borrowings and current portion of long-term borrowings

	30 June 2008	31 December 2007
Current portion of long-term borrowings	87,757	87,767
Total short-term borrowings and current portion of long-term borrowings	**87,757**	**87,767**

Current portion of long-term borrowings represents accrued coupon yield payable on placed bonds (see Note 15) for the period from 5 April 2008 till 30 June 2008. 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 the 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, payment for the second coupon period was made in October 2007, payment for the third coupon period was made in April 2008.

Note 18. Trade and other payables

	30 June 2008	31 December 2007
Trade payables	1,446,398	2,159,350
Total financial liabilities	**1,446,398**	**2,159,350**
Accrued liabilities and other payables	417,814	667,448
Advances received	37,870	32,799
Dividend payable	18,513	19,944
Total trade and other payables	**1,920,595**	**2,879,541**

Trade payables are classified as financial liabilities.

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. Those suppliers are mainly providers of repair and maintenance services.

Note 19. Other taxes payable

	30 June 2008	31 December 2007
Property tax	166,289	161,197
Value added tax	247,789	105,791
Payroll taxes	30,994	23,649
Fines and interest	22,820	16,049
Other taxes	293,665	238,357
Total taxes payable	**761,557**	**545,043**

(in thousands of Russian Roubles)

Note 20. Revenues

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Electricity	18,991,212	15,099,402
Heating	1,110,501	884,065
Rent	25,056	26,177
Water circulation	18,780	7,653
Other	70,687	135,626
Total revenues	**20,216,236**	**16,152,923**

Approximately 8% of sales of electricity for the six months ended 30 June 2008 relates to resale of purchased power on wholesale market NOREM (for the six months ended 30 June 2007 – 16%).

Note 21. Operating expenses

	Notes	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Fuel		11,497,785	7,963,782
Purchase electricity		2,141,680	2,446,160
Employee benefits		1,714,583	1,183,112
Depreciation	6	1,214,403	1,038,991
Repairs and maintenance		846,947	642,825
Taxes other than income tax and payroll taxes		391,121	343,310
SO CDU services		285,210	219,533
Water usage expenses		293,586	281,119
Insurance cost		147,474	156,887
Consulting, legal and audit services		118,157	38,705
Security services		90,569	82,622
Raw materials and supplies		84,183	55,856
Social expenses		9,697	12,423
Net decrease of provision for impairment of trade and other receivables		(307,071)	(2)
Loss on fixed assets disposal		116,855	-
Loss on sale of trade receivables		297,702	-
Other expenses		400,182	594,064
Total operating expenses		**19,343,063**	**15,059,387**

Employee benefits expenses comprise the following:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Salaries and wages, accrued bonuses, other short-term benefits and payroll taxes	1,654,603	925,309
Share option plan	(32,992)	171,258
Non-governmental pension fund expenses	92,972	86,545
Employee benefits	**1,714,583**	**1,183,112**

(in thousands of Russian Roubles)

Note 22. Other operating income

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Compensation from third parties for items of property, plant and equipment that were damaged or destroyed (see Note 6)	224,136	232,237
Other operating income	74,418	44,318
Total other operating income	**298,554**	**276,555**

Note 23. Finance items (net)

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Interest expense	236,317	233,005
Effect of discounting	82,370	8,336
Finance income	(164,750)	(444,045)
Total finance items (net)	**153,937**	**(202,704)**

Interest expense relates to financial liabilities measured at amortised cost.

Finance income arose from interest accrued on short-term investments.

Note 24. Earnings per share

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Weighted average number of ordinary shares issued (thousands)	35,371,898	35,371,686
Adjustment for weighed average number of treasury shares (thousands)	(308,183)	(350,384)
Weighted average number of ordinary shares outstanding (thousands)	35,063,715	35,021,302
Profit attributable to the shareholders of OJSC "OGK-5"	766,915	1,199,644
Earnings per ordinary share for profit attributable to the shareholders of OJSC "OGK-5" – basic and diluted (in Russian Roubles)	**0.022**	**0.034**

Note 25. Commitments

Fuel commitments. The Group has entered into several long term contracts for the supply of gas and coal that will be used in the ordinary course of the Group's activities. The pricing terms of these contracts are based on the appropriate regulated and market prices.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 31,753,339 thousand at 30 June 2008 (at 31 December 2007: RR 14,609,761 thousand).

Note 26. Contingencies

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

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

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

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

As at 30 June 2008 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax 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.

As at 30 June 2008 management estimates that the Group has a number of possible tax obligations (other than remote) which primarily relate to implementation of accelerated tax depreciation since 2006 (which was reflected in an amended tax return for 2006), transactions of share exchanges with minority shareholders of OAO Konakovskaya GRES in 2005, and value added tax from a tariff imbalance for 2006.

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

Environmental matters. The Group and its predecessor 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 Group 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 27. Financial instruments and financial risks

Financial risk factors. The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rates, and the collectability of receivables. The Group 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 not significantly exposed to foreign currency exchange risk. The financial condition of the Group, its liquidity, financing sources and the results of activities do not considerably depend on currency rates as the Group activities are planned to be performed in such a way that its assets and liabilities be denominated in the national currency. Moreover, the Group does not plan to perform activities on the outer market. That is why the influence of 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. Credit risk – is the risk of financial loss for the Group in the case of non-fulfilment by the Contractor the obligations on the financial instrument under the proper contract. Financial assets on which the Group has the potential maximum credit risk are represented by the accounts receivable of buyers and customers (in amount of RR 1,042,078 thousand; 31 December 2007: RR 1,116,577 thousand), accrued finance income (in amount of RR 1,775 thousand; 31 December 2007: RR 67,417 thousand), bank deposits (in amount of RR 1,755,943 thousand; 31 December 2007: RR 7,160,272 thousand), long-term loans issued (in amount of RR 153,566 thousand; 31 December 2007: RR 71,749 thousand), investments in other entities (in amount of RR 78,560 thousand; 31 December 2007: RR 96,455 thousand) and cash (in amount of RR 650,340 thousand; 31 December 2007: RR 826,566 thousand), totaling to RR 3,682,262 thousand (31 December 2007: RR 9,339,036). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

(in thousands of Russian Roubles)

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 Group constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors.

The table in Note 11 shows the deposits with banks of the major counterparties and their ratings at the balance sheet date

Risk of liquidity. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities. The Group adheres to the balanced model of financing – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and bills of exchange. Current liabilities are represented mainly by the account payable to suppliers and contractors. The obligation with repayment in 2011 (but with "put" option for proprietors in the October, 2009) is presented by the bond (See also Note 15).

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 included interest payable and assuming that the bondholders do not exercise their "put" option. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant (see also Note 17).

At 30 June 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	374,000	374,000	5,561,000
Trade and other payables	1,920,595	-	-
At 31 December 2007			
Borrowings	374,000	374,000	5,748,000
Trade and other payables	2,879,541	-	

Interest rate risk. The Group's operating profits and cash flows from operating activity are largely not dependent on the changes in market interest rates. The Group is only exposed to fair value interest rate risk as all of its borrowings are at fixed interest rates. The Group's significant interest bearing assets are disclosed in Note 11.

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

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 2008, 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 balance sheet, less cash. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

(in thousands of Russian Roubles)

During the six months ended 30 June 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio not exceeding 50% and a credit rating not below Ba3 (Moody's). The gearing ratios at 30 June 2008 and at 31 December 2007 were as follows:

	30 June 2008	31 December 2007
Total borrowings	5,087,757	5,087,767
Cash (Note 12)	650,340	826,566
Net debt	4,437,417	4,261,201
Total equity	62,189,412	61,286,364
Total capital	66,626,829	65,547,565
Gearing ratio	**7%**	**7%**

Reconciliation of Classes of Financial Instruments with Measurement Categories

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

	Loans and receivables	Available-for-sale assets	Total
ASSETS			
Trade receivables (Note 9)			
Trade receivables	1,042,078	-	1,042,078
Accrued finance income	1,775	-	1,775
Short-term investments (Note 11)			
Bank deposits	1,755,943	-	1,755,943
Other non-current assets (Note 8)			
Long-term loans issued	153,566	-	153,566
Investments in other entities	-	78,560	78,560
Cash (Note 12)	650,340	-	650,340
TOTAL FINANCIAL ASSETS	**3,603,702**	**78,560**	**3,682,262**
NON-FINANCIAL ASSETS			75,809,159
TOTAL ASSETS			**79,491,421**

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2007:

	Loans and receivables	Available-for-sale assets	Total
ASSETS			
Trade receivables (Note 9)			
Trade receivables	1,116,577	-	1,116,577
Accrued finance income	67,417	-	67,417
Short-term investments (Note 11)			
Bank deposits	7,160,272	-	7,160,272
Other non-current assets (Note 8)			
Long-term loans issued	71,749	-	71,749
Investments in other entities	-	96,455	96,455
Cash (Note 12)	826,566	-	826,566
TOTAL FINANCIAL ASSETS	**9,242,581**	**96,455**	**9,339,036**
NON-FINANCIAL ASSETS			69,800,817
TOTAL ASSETS			**79,139,853**

Total amount of financial liabilities as at 30 June 2008 comprises RR 6,534,154 thousand (as at 31 December 2007: RR 7,247,117 thousand) and includes, beside trade payables, non-current borrowing (Note 15) and current borrowings and current portion of non-current borrowings (Note 17). All of the Group's financial liabilities as at 30 June 2008 and as at 31 December 2007 are carried at amortised cost.

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

Note 28. Post balance sheet events

The Company has signed a loan agreement with ABN AMRO B.V. of approximately 223 million Euros aimed at financing the construction of the 410 MW new combined cycle gas turbine at Sredneuralskaya GRES. The financing will be provided by the means of the credit line jointly with the insurance of the export credit agency arranged by Compañía Española de Seguros de Crédito a la Exportación, S.A. (Export Credit Agency of Spain).