OGK-5 GROUP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2006

PRICEWATERHOUSECOOPERS

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REVIEW REPORT OF THE AUDITORS

To the shareholders and the Board of Directors of OJSC "OGK-5"

1 We have reviewed the accompanying interim consolidated balance sheet of OJSC "OGK-5" and its subsidiaries (the "Group") as of 30 June 2006 and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the six months then ended. These interim consolidated financial statements as set out on pages 3 to 26 are the responsibility of the Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

2 We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as of 30 June 2006, and of the results of its operations and its cash flows for the period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
29 September 2006

OGK-5 Group
Interim Consolidated Balance Sheet as at 30 June 2006
(in thousands of Russian Roubles)

	Notes	30 June 2006	31 December 2005
ASSETS			
Non-current assets			
Property, plant and equipment	6	42,953,084	18,121,250
Deferred tax assets	10	406,516	396,953
Other non-current assets		239,222	53,221
Total non-current assets		**43,598,822**	**18,571,424**
Current assets			
Cash		402,594	181,475
Accounts receivable and prepayments	7	2,025,267	1,668,413
Inventories	8	2,017,014	1,618,501
Current income tax prepayments		300,243	46,446
Total current assets		**4,745,118**	**3,514,835**
TOTAL ASSETS		**48,343,940**	**22,086,259**
EQUITY AND LIABILITIES			
Equity			
Share capital - ordinary shares	9	30,271,685	29,407,170
Retained earnings		4,992,387	1,838,843
Other reserves	9	3,653,696	(15,537,266)
Equity attributable to shareholders of OJSC OGK-5		**38,917,768**	**15,708,747**
Minority interest		-	255,339
Total equity		**38,917,768**	**15,964,086**
Non-current liabilities			
Deferred tax liabilities	10	5,842,896	3,068,789
Non-current debt	11	33,000	96,988
Total non-current liabilities		**5,875,896**	**3,165,777**
Current liabilities			
Current debt and current portion of non-current debt	12	1,841,380	897,135
Accounts payable and accruals	13	1,122,284	1,348,993
Current income tax liabilities		21,865	1,805
Other taxes payable	14	564,747	708,463
Total current liabilities		**3,550,276**	**2,956,396**
Total liabilities		**9,426,172**	**6,122,173**
TOTAL EQUITY AND LIABILITIES		**48,343,940**	**22,086,259**

General Director A.V. Bushin

Chief Accountant M.V. Antipov

29 September 2006

OGK-5 Group
Interim Consolidated Income Statement for the six months ended 30 June 2006
(in thousands of Russian Roubles, except for earning per ordinary share information)

	Notes	Six months ended 30 June 2006	Six months ended 30 June 2005
Revenues	15	12,478,107	4,866,639
Operating expenses	16	(11,613,954)	(4,573,472)
Other operating income		100,511	95,418
Operating profit		**964,664**	**388,585**
Finance costs	17	(102,078)	(87,269)
Profit before income tax		**862,586**	**301,316**
Income tax benefit/(charge)	10	3,100,136	(53,329)
Profit for the period		**3,962,722**	**247,987**
Attributable to:			
Shareholders of OJSC OGK-5		3,955,153	155,131
Minority interest		7,569	92,856
Earning per ordinary share for profit attributable to the shareholders of OJSC OGK-5 – basic and diluted (in Russian Roubles)	18	0.133	0.006

General Director A.V. Bushin

Chief Accountant M.V. Antipov

29 September 2006

OGK-5 Group
Interim Consolidated Cash Flow Statement for the six months ended 30 June 2006
(in thousands of Russian Roubles)

	Notes	Six months ended 30 June 2006	Six months ended 30 June 2005
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**862,586**	**301,316**
Adjustments for non-cash items:			
Depreciation	6	1,006,085	622,256
Provision for impairment of accounts receivable	16	(29,104)	5,621
Interest expense and effect of discounting	17	102,078	87,269
Expensed value added tax	16	78,759	12,511
Other non-cash items		(53,859)	(163,098)
Operating cash flows before working capital changes and income tax paid		**1,966,545**	**865,875**
Working capital changes:			
Increase in accounts receivable and prepayments		(327,750)	(2,296,057)
Increase in inventories		(398,513)	(36,895)
(Decrease)/increase in accounts payable and accruals		(426,711)	87,716
(Decrease)/increase in taxes payable, other than income tax		(143,716)	462,600
Income tax paid in cash		(432,897)	(99,422)
Net cash generated from/(used in) operating activities		**236,958**	**(1,016,183)**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(833,009)	(107,249)
Proceeds from sale of property, plant and equipment and other non-current assets		17,614	10,942
Net cash used in investing activities		**(815,395)**	**(96,307)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		3,077,000	3,070,911
Repayment of debt		(2,228,600)	(2,852,146)
Interest paid		(48,513)	(55,708)
Dividend paid by the Group to shareholders of OJSC OGK-5		-	(161,230)
Dividend paid by the Group to minority interest shareholders		(331)	(17,110)
Settlement of previously unpaid share capital		-	1,401,361
Net cash generated from financing activities		**799,556**	**1,386,078**
Net increase in cash		221,119	273,588
Cash at the beginning of the period		181,475	75,247
Cash at the end of the period		402,594	348,835

General Director A.V. Bushin

Chief Accountant M.V. Antipov

29 September 2006

OGK-5 Group
Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2006
(in thousands of Russian Roubles)

	Attributable to the shareholders of OJSC OGK-5 Ordinary share capital	Unpaid share capital	Treasury shares	Retained earnings	Other reserves	Total	Minority interest	Total equity
At 1 January 2005	**29,407,170**	**(4,268,931)**	**-**	**(1,042,055)**	**(15,537,266)**	**8,558,918**	**1,128,102**	**9,687,020**
Profit for the period*	-	-	-	155,131	-	155,131	92,856	247,987
Payment of share capital	-	1,401,361	-	-	-	1,401,361	-	1,401,361
Issuance of treasury shares	-	2,867,570	(2,867,570)	-	-	-	-	-
Dividends	-	-	-	-	-	-	(47,316)	(47,316)
At 30 June 2005	**29,407,170**		**(2,867,570)**	**(886,924)**	**(15,537,266)**	**10,115,410**	**1,173,642**	**11,289,052**
At 1 January 2006	**29,407,170**	**-**	**-**	**1,838,843**	**(15,537,266)**	**15,708,747**	**255,339**	**15,964,086**
Revaluation of property, plant and equipment (Note 6)	-	-	-	-	18,698,442	18,698,442	492,520	19,190,962
Profit for the period	-	-	-	3,955,153	-	3,955,153	7,569	3,962,722
Total recognised income for the period				**3,955,153**	**18,698,442**	**22,653,595**	**500,089**	**23,153,684**
Transactions with minorities (Note 9)	864,515	-	-	(601,607)	492,520	755,428	(755,428)	-
Dividends	-	-	-	(200,002)		(200,002)	-	(200,002)
At 30 June 2006	**30,271,685**	**-**	**-**	**4,992,387**	**3,653,696**	**38,917,768**	**-**	**38,917,768**

*The amount of total recognised income for the period is equal to profit for the period.

General Director — A.V. Bushin

Chief Accountant — M.V. Antipov

29 September 2006

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint-Stock Company OGK-5 (OJSC "OGK-5", or the "Company") was established on 27 October 2004 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

The OGK-5 Group (the "Group") operates 4 power plants and its principal activity is electricity and heat generation. The Group consists of OJSC OGK-5 and its subsidiaries. The Group's principal subsidiaries as at 31 December 2005 were two State-District Power Plants (the "SDPP"):

	Ownership, %
OJSC Konakovo SDPP (Konakovo SDPP)	88.7
OJSC Nevinnomyssk SDPP (Nevinnomyssk SDPP)	99.9

In November 2005 the shareholders of OJSC OGK-5, Konakovo SDPP and Nevinnomyssk SDPP approved the merger of these companies, which took place on 1 April 2006 (see Note 9). As at 30 June 2006 the Company did not have material subsidiaries.

The Company is registered by the Lenin District Inspectorate of the RF Ministry of Taxation of Yekaterinburg, Sverdlovsk Region. The Company's office is located at bld. 2, 10-A, 4th Setunsky proezd, 119136, Moscow, Russia.

Operating environment. Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and changes, which can occur frequently.

Relations with the state and current regulation. As at 30 June 2006 the Russian Federation owned 52.7% of RAO UES of Russia (the "Parent"), which in its turn owned 87.7% of OJSC OGK-5. The Russian government is the ultimate controlling party of the Group.

The Group's customer base includes a large number of entities controlled by or related to the state. Moreover, the state controls a number of the Group's fuel and other suppliers.

The government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service on Tariffs ("FST"), with respect to its wholesale energy sales. Tariffs which the Group entities may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies.

As described in Notes 2, 19 and 20, the government's economic, social and other policies could have material effects on the operations of the Group.

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

The regulatory framework governing the process of reforming the Russian Federation electric utilities industry and the functioning of the industry, both during the transition period and subsequent to the completion of reforms, is set forth in the following legislation: Federal Law No. 35-FZ of 26 March 2003 "On the Electric Utilities" and Federal Law No. 36-FZ of 26 March 2003 "On the Specifics of the Functioning of Electric Utilities During the Transition Period and the Introduction of Amendments to Certain Russian Federation Legislative Acts and the Invalidation of Certain Russian Federation Legislative Acts in Connection with the Adoption of the Law "On the Electric Utilities of the Russian Federation".

In June 2003 the government issued Resolution No. 1254-r "On formation of generation companies of the wholesale electricity market" which approved composition of wholesale generating companies of the wholesale electricity market, including a list of the four power plants to be contributed into the Group.

In October 2003, the Russian Federation Government issued Resolution No. 643 "On the Rules for the Wholesale Electricity Market during the Transition Period". According to the rules adopted, there will be two sectors within the Federal Wholesale Electricity Market (FOREM): regulated trading sector and free trading sector. Within the free trading sector, electricity suppliers will be able to sell electricity generated with the use of facilities and equipment accounting for 15% of the working capacity. Since November 2003, the non-commercial partnership "Trade System Administrator of the Wholesale Electricity Market", in accordance with the rules for the wholesale electricity market during the transition period, has been holding electricity bidding in the free trading sector. The Group participates in this free trading scheme. According to the laws underlying the electric utilities reform, subsequently free trading would be extended over the whole volume of trading.

As part of reforming of the operation of the wholesale electricity (power) market in August 2006 the Government issued Resolution No. 529 "On the Improvement of the Operation of the Wholesale Electricity Market" which introduced changes in the Rules for the Wholesale Electricity Market during the Transition Period from 1 September 2006. Effective as of September 2006 there will be changes in pricing and abolition of limitation on sale of power in the free trading sector. Specifically, the Resolution stipulates a gradual reduction (5% to 15% per annum) of the share of electricity sales on the wholesale market at regulated prices (tariffs) and a corresponding increase of trading of electricity at free market prices.

As at 29 May 2003, the Board of Directors of RAO UES of Russia approved a "Concept of RAO UES of Russia strategy for the period from 2003 through 2008". In February 2006 the Board of Directors approved an Appendix to the Concept of RAO UES Strategy: "Generating companies of the Wholesale Electricity Market (OGKs)". This document provides a detailed description of the major changes that are planned to take place in respect of wholesale generation companies during the electric utilities reform program. In accordance with this Concept, RAO UES of Russia is developing the first stage of its own reorganisation which assumes a spin-off of 2-3 generating companies (including OJSC OGK-5) with proportional distribution of shares of the separated companies between the shareholders of RAO UES of Russia. It also assumes a disposal of 25% plus 1 share of OJSC OGK-5.

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

Note 2. Financial condition

As discussed above the Group is affected by government policy through the control of tariffs and other factors. The FST does not always permit tariff increases in excess of increases in the Group's costs and thus some tariffs are insufficient to cover all the costs of generation. Moreover, these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognized under an IFRS basis of accounting. As a result, tariffs may not consistently allow for an adequate return on investment and currently do not provide sufficient funds for the full replacement of property, plant and equipment. However, the growing demand for electricity and capacity together with increasing free trading sector of the wholesale electricity market result in a revenue growth during the reporting period.

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

- introduction of improved financial budgeting procedures;
- discussions with strategic investors, and identification and assessment of projects requiring investment funds;
- negotiations with federal and regional governments and regulators for real increases in tariffs to support adequate long term investment into the Group's generation assets; and
- raising long-term debt/equity financing for investments in new generating assets.

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

Note 3. Basis of preparation

Statement of compliance. This interim financial information for the six months ended 30 June 2006 has been prepared in accordance with IAS 34 "Interim Financial Reporting". These interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2005.

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.

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

Predecessor Accounting. In December 2004, the Parent transferred to the Company 51.0% and 99.9% of the outstanding ordinary shares of Konakovo SDPP and Nevinnomyssk SDPP, respectively. The Group accounted for this business combination amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at the carrying value, as determined by the Parent in its IFRS financial statements.

In December 2004 the Parent transferred the property, plant and equipment of two power plants (Sredneuralsk SDPP and Reftino SDPP) as a contribution to the Company's charter capital. These assets were rented out by the Group to another subsidiary of the Parent (TGK-9) until 1 January 2006 and the transfer included the rental agreement. Starting from 1 January 2006 the Company hired the personnel previously employed by TGK-9, purchased inventories from TGK-9 by 31 December 2005, and started conducting a full operational activity at these plants. This transaction was accounted for as a business combination amongst entities under common control. This combination was also accounted for under the predecessor values method as a matter of accounting policy.

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

New accounting developments. During the period December 2003 to September 2006, the International Accounting Standards Board ("IASB") made 26 revisions to its standards and issued 7 new standards. In addition, the International Financial Reporting Interpretations Committee ("IFRIC") issued ten new interpretations, one of which was subsequently withdrawn.

These consolidated interim financial statements has been prepared by applying the accounting policies consistent with those of the annual financial statements for the year ended 31 December 2005, except for:

- the policies regarding the measurement of the property, plant and equipment, which was changed voluntarily (see disclosure in Note 6 "Property, plant and equipment"), and

- those policies which were changed to comply with the new or amended standards and interpretation that are in force for the year beginning on 1 January 2006.

These new or amended standards and interpretation that are in force for the year beginning on 1 January 2006 and their impact on the current period or any prior period is described below:

- Amendment to IAS 19, "Actuarial gains and losses, group plans and disclosures", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to IAS 39, Amendment to "The fair value option", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to IAS 21, Amendment "Net investment in a foreign operation", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to IAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to IAS 39 and IFRS 4, Amendment "Financial guarantee contracts", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- IFRS 6, "Exploration for and evaluation of mineral resources", effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group;

- IFRIC 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning on or after 1 January 2006. This amendment did not have a material effect on the Group's financial statements;

- IFRIC 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds", effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and

- IFRIC 6, "Liabilities arising from participating in a specific market – waste electrical and electronic equipment", effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC 7, "Applying the Restatement Approach under IAS 29", effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;

- IFRIC 8, "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of IFRIC 8 on the Group's operations;

- IFRIC 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006. Management do not expect the interpretation to be relevant for the Group; and

- IFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1 January 2007. IAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

Going concern. The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying Financial Statements do not include any adjustments should the Group be unable to continue as a going concern.

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

Useful lives of 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 and remaining useful lives, and actual results could differ from these estimates.

Provision for impairment of accounts receivable. Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibility of specific customer accounts worsened compared to prior estimates. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

Provision for impairment of other assets. At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of income in the period in which the reduction is identified. If conditions change and management determines that the value of an asset other than goodwill has increased, the impairment provision will be fully or partially reversed.

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

Note 4. Summary of significant accounting policies

Principles of consolidation. The Financial Statements comprise the financial statements of OJSC OGK-5 and the financial statements of those entities whose operations are controlled by OJSC OGK-5. Control is presumed to exist when OJSC OGK-5 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

A) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The minority interest has been disclosed as part of equity.

B) Transactions eliminated on consolidation

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

C) Transactions with minority interest

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

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

Investments. Investments intended to be held for an indefinite period of time are classified as available-for sale; these are included in other non-current assets, unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, they will need to be sold to raise operating capital or they mature within 12 months, in which case they are included in other current assets. Management determines the appropriate categorization, current or non-current, at the time of the purchase and re-evaluates it based on maturity or the date of expected realisation at each reporting date.

Available-for sale investments principally comprise non-marketable securities, which are not publicly traded or listed on the Russian stock exchange. For these investments, fair value is estimated by reference to a variety of methods including those based on their earnings and those using the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at each balance sheet date. Investments in equity securities that are not quoted on a stock exchange, and where fair value cannot be estimated on a reasonable basis by other means, it is stated at cost less impairment losses.

Purchases and sales of investments are initially measured at fair value and recognised on the settlement date, which is the date that the investment is delivered to or by the Group. Cost of purchase includes transaction costs. The available-for sale investments are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of these investments are included in the fair value reserve in shareholders' equity in the period in which they arise. Realised gains and losses from the disposal of available-for sale investments are included in the income statement in the period in which they arise.

The Group does not hold any investments that are held-to-maturity or for trading purposes.

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

As at 30 June 2006, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the RR and the US Dollar ("USD") was RR 27.08: USD 1.00 (31 December 2005: RR 28.78: USD 1.00), between the RR and EURO RR 33.98: EURO 1.00 (31 December 2005: RR 34.19: EURO 1.00). As at the balance sheet date, exchange restrictions and currency controls existed relating to converting the Russian Rouble into other currencies. The Russian Rouble is not freely convertible in most countries outside of the Russian Federation.

(in thousands of Russian Roubles)

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

Property, plant and equipment. In 2004 property, plant and equipment were recognized at the carrying value determined in accordance with the IFRS at the date of their transfer to the Company by the Parent.

Following finalization of the Group structure and starting full operational activity at all of its plants from 1 January 2006 (see Note 3, *Predecessor accounting*), the Group changed its accounting policy to revaluing its property, plant and equipment, excluding construction in progress, from 1 January 2006. Management believes that it would result in a more meaningful presentation of the Group's financial position and financial performance.

Property, plant and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset.

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

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

Renewals and improvements are capitalized and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use.

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

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997	Revised starting from 1 January 2006
Electricity and heat generation	4-50	20-50	5-80
Electricity distribution	14-27	25	2-25
Heating networks	17-20	20	5-17
Other	8-10	10	5-40

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

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

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

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value added taxes which are payable to tax authorities upon collection of such receivables. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of the receivables.

Value added tax on purchases and sales. Value added taxes ("VAT") related to sales is payable to tax authorities upon collection of receivables from customers. Input VAT is reclaimable against sales VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (deferred VAT) is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor's balance, including VAT. The related deferred VAT liability is maintained until the debtor is written off for tax purposes.

Treasury shares. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity. Treasury shares are stated at weighted average cost. 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 tax.

The income tax expense represents the sum of the tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

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

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

Deferred tax is not provided for the undistributed earnings of subsidiaries, as the Group requires profits to be reinvested, and only insignificant dividends are expected to be declared from future profits of the subsidiaries. Neither these future profits nor the related taxes are recognised in these financial statements.

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

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

Borrowing Costs. The Group applies the benchmark treatment of IAS 23 "Borrowing costs" and recognises all borrowing costs as an expense in the period in which they are incurred.

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

Pension and post-employment benefits. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

The Group has also a contract with a non-governmental pension fund. Contributions to the non-governmental defined contribution pension scheme are expensed when incurred.

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 recognized on the delivery of electricity and heat during the period. Revenue amounts are represented exclusive of value added tax.

Social expenditure. To the extent that the Group's contributions to social programs benefit the community at large without creating constructive obligation to provide such benefits in the future and are not restricted to the Group's employees, they are recognized in the income statement as incurred.

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

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the parent company of the Group by the weighted average number of ordinary shares outstanding during the reporting period.

Interest. Interest income and expense are recognized in the income statement for all debt instruments on an accrual basis using the effective rate of interest method. Interest income includes nominal interest and amortised discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(in thousands of Russian Roubles)

Fair value measurement. The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrowers at the reporting date.

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the close of business on the reporting date.

Seasonality. Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, although less intense, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power.

Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

Note 5. Related Parties

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during six months ended 30 June 2006 and six months ended 30 June 2005 or had significant balances outstanding at 30 June 2006 and 31 December 2005 are detailed below.

Parent

As 30 June 2006 and 31 December 2005 the Group owned 2,860,038 shares of RAO UES of Russia.

Transactions with RAO UES of Russia were as follows:

	Six months ended 30 June 2006	Six months ended 30 June 2005
Purchases of property, plant and equipment	432,425	-

Balances with RAO UES of Russia were as follows:

	30 June 2006	31 December 2005
Accounts receivable	-	22,114
Accounts payable	65,127	-

Parent's subsidiaries

Transactions with the Parent's subsidiaries were as follows:

	Six months ended 30 June 2006	Six months ended 30 June 2005
Sale of electricity	8,364,958	1,952,787
Sale of heat	476,314	46,289
Rent	3,070	819,420
Other sales	89,071	60,545
Purchase of inventories	118,745	-
Purchase of construction in progress	115,570	-
Other purchase	11,174	15,380

(in thousands of Russian Roubles)

Balances with other related parties at the end of the period were as follows:

	30 June 2006	31 December 2005
Accounts receivable, gross	1,440,597	1,970,877
Provision for impairment of accounts receivable	(909,088)	(1,136,762)
Accounts payable	326,632	635,000

Provision for impairment of accounts receivable recognised as an income during six months ended 30 June 2006 was RR 29,104 thousands (six months ended 30 June 2005: an expense of RR 5,621 thousands).

State-controlled entities

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

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

	Six months ended 30 June 2006	Six months ended 30 June 2005
Electricity and heat sales	23,950	60,121
Purchase of electricity	14,293	-
Purchase of fuel	2,293,024	1,974,573

	30 June 2006	31 December 2005
Accounts receivable and prepayments	49,193	10,893
Accounts payable and accruals	14,280	6,211
Non-current debt	33,000	96,988
Current debt	1,339,633	384,000

Tax balances are disclosed in the balance sheet and Note 14. Tax transactions are disclosed in the income statement and Note 16.

Transactions with key management and close family members

There are no transactions or balances with key management and close family members except loans and their remuneration in the form of salary, bonuses and compensations for key management's participation in the meetings. At 30 June 2006 interest-free loans receivable from key management were RR 21,005 thousands (at 31 December 2005: RR 3,100 thousands).

Total remuneration in the form of salary, bonuses and compensations for key management's participation in the meetings paid to the members of the Board of Directors and Management Board for six months ended 30 June 2006 was RR 137,058 thousand (six months ended 30 June 2005: RR 49,817 thousand).

At 30 June 2006 and at 31 December 2005 were 11 members of the Board of Directors and 5 members of the Management Committee.

(in thousands of Russian Roubles)

Note 6. Property, plant and equipment

Appraisal value or cost	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2005	24,274,709	3,271,178	426,312	1,192,149	6,368,376	35,532,724
Elimination of accumulated depreciation	(11,422,364)	(1,490,758)	(102,060)	-	(4,396,292)	(17,411,474)
Revaluation	18,764,497	22	122,535	-	6,364,212	25,251,266
Additions	840	61	-	582,948	4,657	588,506
Transfer	27,619	1,098	-	(91,249)	62,532	-
Disposals	(134)	-	-	-	(1,998)	(2,132)
Closing balance as at 30 June 2006	31,645,167	1,781,601	446,787	1,683,848	8,401,487	43,958,890
Accumulated depreciation						
Opening balance as at 31 December 2005	11,422,364	1,490,758	102,060	-	4,396,292	17,411,474
Elimination of accumulated depreciation	(11,422,364)	(1,490,758)	(102,060)	-	(4,396,292)	(17,411,474)
Charge for the period	589,425	84,733	9,167	-	322,760	1,006,085
Disposals	(7)	-	-	-	(272)	(279)
Closing balance as at 30 June 2006	589,418	84,733	9,167	-	322,488	1,005,806
Net book value as at 31 December 2005	12,852,345	1,780,420	324,252	1,192,149	1,972,084	18,121,250
Net book value as at 30 June 2006	31,055,749	1,696,868	437,620	1,683,848	8,078,999	42,953,084

Cost	Heat and electricity generation	Electricity distribution	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2004	22,495,461	3,218,652	401,598	1,760,461	5,878,928	33,755,100
Additions	761	-	-	104,610	10,619	115,990
Transfer	288,379	39,037	6,512	(389,375)	55,447	-
Disposals	(5,267)	(12,516)	-	(5,122)	(12,478)	(35,383)
Closing balance as at 30 June 2005	22,779,334	3,245,173	408,110	1,470,574	5,932,516	33,835,707
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2004	17,060,208	1,430,580	81,616	-	3,832,074	22,404,478
Charge for the period	285,958	76,903	10,772	-	248,623	622,256
Additions	-	-	-	-	-	-
Disposals	(408)	(8,533)	-	-	(7,789)	(16,730)
Closing balance as at 30 June 2005	17,345,758	1,498,950	92,388		4,072,908	23,010,004
Net book value as at 31 December 2004	5,435,253	1,788,072	319,982	1,760,461	2,046,854	11,350,622
Net book value as at 30 June 2005	5,433,576	1,746,223	315,722	1,470,574	1,859,608	10,825,703

The Group changed its accounting policy to revaluing its property, plant and equipment, excluding construction in progress, from 1 January 2006. Independent appraisers engaged by the Group have estimated fair value of the Group's property, plant and equipment, excluding construction in progress, at RR 42,180 million as at 1 January 2006. This change was accounted for prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", therefore comparatives were not restated.

(in thousands of Russian Roubles)

Fair values were determined primarily based on the depreciated replacement cost method. As a result of the revaluation, the Group's equity increased by RR 19,190,962 thousand, comprising in increase in carrying value of property, plant and equipment of RR 25,251,266 thousand, net of related deferred tax of RR 6,060,304 thousand.

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 has the right to purchase this land upon application to the state registration body or to formalize the right for rent after the right expiry date, which is 1 January 2008 according to the Russian legislation.

Property, plant and equipment balances as at 30 June 2006 included RR 223,905 thousand of assets which were pledged as collateral according to loan agreements (at 31 December 2005: RR 387,127 thousand).

Carrying value of property, plant and equipment at 31 December 2005 is stated net of an impairment loss of RR 263,272 thousand.

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 2006
Less than one year	14,837
Between one and five years	72,759
More than five years	501,514
Total	**589,110**

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. Lease payments are reviewed regularly to reflect market rentals.

Note 7. Accounts receivable and prepayments

	30 June 2006	**31 December 2005**
Advances to suppliers	980,862	229,997
Trade receivables (net of provision for impairment of accounts receivable of RR 931 203 thousand at 30 June 2006 and RR 1 158 876 thousand at 31 December 2005)	637,847	639,123
Value added tax recoverable	60,697	331,620
Other receivables	345,861	467,673
Total	**2,025,267**	**1,668,413**

(in thousands of Russian Roubles)

Management has determined the provision for impairment of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows. Management of the Company believes that the Company will be able to realize the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value approximates their fair value.

During the six months ended 30 June 2006 RR 239,231 thousand of the Company's total accounts receivable was settled via non-cash settlements (six months ended 30 June 2005: RR 124,779 thousand).

Note 8. Inventories

	30 June 2006	31 December 2005
Fuel supplies	1,178,976	762,114
Materials and supplies	205,428	222,048
Other inventories (net of provision for impairment of RR 2,263 thousand at 30 June 2006 (at 31 December 2005:nil))	632,610	634,339
Total	**2,017,014**	**1,618,501**

At 30 June 2006 the inventory balances did not include inventories which were pledged as collateral according to loan agreements. As at 31 December 2005 the inventory balances included RR 61 thousand of inventories pledged as collateral.

Note 9. Equity

Share capital *Number of shares unless otherwise stated*	Ordinary shares 30 June 2006	Ordinary shares 31 December 2005
Issued shares	30,271,685,504	29,407,170,459
Par value (in RR)	1.00	1.00

As at 30 June 2006 number of issued ordinary shares is 30,271,685,504 with a par value of RR 1.00 each. As at 30 June 2006 the Company has no authorised and not yet issued ordinary shares.

Of RR 4,268,931 thousand of share capital unpaid as at 1 January 2005, RR 1,401,361 thousand were paid in cash in January 2005. Share capital of RR 2,867,570 thousand had not been paid by the Parent within the period stipulated by the Company's foundation documents (three months from the date of incorporation) and in accordance with the Russian legislation became treasury shares in January 2005. In September 2005 these treasury shares were exchanged for a 37.7% minority stake in Konakovo SDPP. As a result of this transaction, the Company's share in Konakovo SDPP increased to 88.7%.

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

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

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

In September 2006 the Company declared dividends for the six months ended 30 June 2006 of RR 0.01047183 per share for the total of RR 317,000 thousands. These dividends were not recognized as a liability and deducted from equity at 30 June 2006.

(in thousands of Russian Roubles)

Other reserves

	30 June 2006	31 December 2005
Merger reserve	(15,537,266)	(15,537,266)
Revaluation reserve	19,190,962	-
Other reserves	**3,653,696**	**(15,537,266)**

Note 10. Income tax

Income tax charge	Six months ended 30 June 2006	Six months ended 30 June 2005
Current income tax charge	199,160	149,944
Deferred income tax benefit	(3,299,296)	(96,615)
Income tax (benefit)/charge	**(3,100,136)**	**53,329**

During the six months ended 30 June 2006 the Group entities were subject to a 24% income tax rate on taxable profits.

In accordance with Russian tax legislation, tax losses in different Group companies may not be offset against taxable profits of other Group companies. Accordingly, tax may accrue even where there is a net consolidated tax loss.

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

	Six months ended 30 June 2006	Six months ended 30 June 2005
Profit before tax	862,586	301,316
Theoretical tax charge at the statutory tax rate of 24%	207,021	72,316
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of change in tax value of property, plant and equipment	(3,277,824)	-
Other net non-deductible and non-taxable items	(29,333)	(18,987)
Total income tax charge	**(3,100,136)**	**53,329**

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

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets and liabilities are measured at 24%, the rate applicable when the temporary differences will reverse.

(in thousands of Russian Roubles)

Deferred tax liabilities

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

	31 December 2004	Movement for the period recognized in the income statement	30 June 2005
Property, plant and equipment	1,606,262	(84,998)	1,521,264
Accounts payable	44,629	113,225	157,854
Other	25,873	15,687	41,560
Total	**1,676,764**	**43,914**	**1,720,678**

Deferred tax assets

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

	31 December 2004	Movement for the period recognized in the income statement	30 June 2005
Provision for impairment of accounts receivable	269,607	(88,675)	180,932
Accounts payable	31,218	73,371	104,589
Trade receivables	29,226	84,520	113,746
Inventories	8,690	14,637	23,327
Other	10,886	55,676	66,562
Total	**349,627**	**139,529**	**489,156**

Note 11. Non-current debt

The line represents a RR denominated loan payable in 2007. Interest rate set as of 30 June 2006 was 10.5% per annum. Property, plant and equipment was pledged as collateral for this debt (see Note 6).

(in thousands of Russian Roubles)

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

This line represents short-term RR loans obtained for operating purposes, with interest rates ranging from 6.5% to 10.5% per annum. Inventories were pledged as collateral at 31 December 2005 (see Note 8).

Note 13. Accounts payable and accruals

	30 June 2006	31 December 2005
Trade payables	665,793	944,808
Accrued liabilities and other payables	242,292	389,606
Dividend payable	214,199	14,579
Total	**1,122,284**	**1,348,993**

Note 14. Taxes payable

	30 June 2006	31 December 2005
Value added tax	210,533	461,305
Property tax	124,851	106,997
Employee taxes	22,195	11,997
Fines and interest	22,251	22,949
Other taxes	184,917	105,215
Total	**564,747**	**708,463**

The value added tax figure at 30 June 2006 includes RR 161,583 thousand of deferred VAT (31 December 2005: RR 364,740 thousand), which only becomes payable to the authorities when the underlying receivable balances are either recovered or written off.

Note 15. Revenues

Revenues	Six months ended 30 June 2006	Six months ended 30 June 2005
Electricity	11,488,779	3,631,501
Heating	850,752	255,402
Rent	3,070	819,420
Repairs and maintenance	-	37,046
Water circulation	8,119	9,742
Other	127,387	113,528
Total other revenues	**12,478,107**	**4,866,639**

During six months ended 30 June 2005 the Group derived revenues from renting property, plant and equipment of Reftino SDPP and Sredneuralsk SDPP.

(in thousands of Russian Roubles)

Note 16. Operating expenses

	Notes	Six months ended 30 June 2006	Six months ended 30 June 2005
Fuel		7,979,361	2,223,949
Depreciation	6	1,006,085	622,256
Repairs and maintenance		648,959	310,397
Employee benefits		594,810	272,545
Taxes other than income tax		338,865	255,553
Water usage expenses		247,898	241,467
Expensed value added tax		78,759	12,511
Raw materials and supplies		45,252	116,005
Insurance cost		41,533	22,559
Social overhead costs		11,768	18,100
Consulting, legal and audit services		10,793	20,727
Provision for impairment of accounts receivable		(29,104)	5,621
Other expenses		638,975	451,782
Total operating expenses		**11,613,954**	**4,573,472**

Employee benefits expenses comprise the following:

	Six months ended 30 June 2006	Six months ended 30 June 2005
Salaries and wages, payroll taxes	557,101	241,022
Financial aid to employees and pensioners	25,194	21,123
Non-governmental pension fund expenses	12,515	10,400
Employee benefits	**594,810**	**272,545**

Note 17. Finance costs

	Six months ended 30 June 2006	Six months ended 30 June 2005
Effect of discounting	35,555	36,693
Interest expense	66,523	50,576
Total finance costs	**102,078**	**87,269**

Note 18. Earning per share

	Six months ended 30 June 2006	Six months ended 30 June 2005
Weighed average number of ordinary shares issued (thousands of shares)	29,717,632	26,348,114
Profit attributable to the shareholders of OJSC OGK-5 (thousands of RR)	3,955,153	155,131
Earning per ordinary share – basic and diluted	0.133	0.006

Note 19. Commitments

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

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

Fuel commitments. The Group has a number of outstanding contracts to purchase natural gas and coal, which are supplied under annual contracts. The quantity of natural gas to be supplied is annually allocated by RAO UES of Russia in coordination with OJSC GAZPROM given the capacity of utilization of alternative fuel and the required fuel reserve fixed by RAO UES of Russia. The purchase price of gas is fixed by the Federal Service of Tariffs.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 683,142 thousand at 30 June 2006 (at 31 December 2005: RR 55,219 thousand).

Note 20. Contingencies

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

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

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

Tax contingency. Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management' interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

As at 30 June 2006, management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Financial Statements.

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

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

Note 21. Financial instruments and financial risks

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

Credit risk. Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded.

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

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

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

Note 22. Post balance sheet events

On 31 August 2006 the Company's shareholders approved an issue of an additional 5,100 million of ordinary shares.

In July 2006 the Company's Board of Directors approved the issuance of RR denominated bonds of RR 5,000 million. Management expects that the Group receives the funds in October 2006.

In August 2006 the Company's shareholders approved its participation in creation of OJSC Energeticheskaya Severnaya Companiya (ESC) jointly with OJSC Novatek. The Company will participate in the tender for construction and further maintenance of the combined cycle generating power plant Tarko-Sale with total capacity of 600 mVt. ESC is expected to be a 40% associate of the Company.