OGK-2 GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)

PRICEWATERHOUSECOOPERS

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

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Open Joint-Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC OGK-2):

Introduction
We have reviewed the accompanying interim condensed balance sheet of OJSC OGK-2 and its subsidiaries (the "OGK-2 Group") as of 30 June 2008, the related interim condensed consolidated statements of income, changes in equity and cash flows for the six months then ended. Group's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter
Without qualifying our conclusion, we draw your attention to Notes 1, 2 and 4 to the accompanying consolidated interim condensed financial information. The Government of the Russian Federation has an ultimate controlling interest in the OGK-2 Group and Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

28 August 2008

OGK-2 Group
Interim Condensed Consolidated Balance Sheet
as at 30 June 2008 (unaudited)
(in thousands of Russian Roubles)

	Notes	30 June 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	34,640,807	18,107,520
Intangible assets	6	1,930,015	678,442
Other non-current assets	7	5,274,050	4,129,686
Total non-current assets		**41,844,872**	**22,915,648**
Current assets			
Cash and cash equivalents	8	1,515,365	21,476,918
Trade and other receivables		2,094,931	2,068,636
Inventories		2,354,768	1,975,648
Current income tax prepayments		417,018	236,211
Other current assets	9	2,162,513	100,013
Total current assets		**8,544,595**	**25,857,426**
TOTAL ASSETS		**50,389,467**	**48,773,074**
EQUITY AND LIABILITIES			
Equity			
Share capital			
Ordinary shares	10	11,872,231	11,872,231
Treasury shares		(75,512)	(23,155)
Share premium		23,865,543	23,865,543
Merger reserve		(377,383)	(377,383)
Retained earnings		1,447,981	1,298,746
Total equity		**36,732,860**	**36,635,982**
Non-current liabilities			
Deferred income tax liabilities	11	2,577,926	2,561,979
Non-current debt	12	4,881,771	16,802
Retirement benefit obligations	14	377,904	355,820
Total non-current liabilities		**7,837,601**	**2,934,601**
Current liabilities			
Current debt and current portion of non-current debt	13	3,438,151	6,841,078
Trade and other payables		2,073,374	2,005,731
Other taxes payable		307,481	355,682
Total current liabilities		**5,819,006**	**9,202,491**
Total liabilities		**13,656,607**	**12,137,092**
TOTAL EQUITY AND LIABILITIES		**50,389,467**	**48,773,074**

General Director S.V. Neveynitsyn

Chief Accountant L.V. Klisch

28 August 2008

OGK-2 Group
Interim Condensed Consolidated Income Statement
for the 6 months ended 30 June 2008 (unaudited)

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

	Notes	6 months ended 30 June 2008	6 months ended 30 June 2007
Revenues	15	20,984,966	15,938,225
Operating expenses	16	(20,777,864)	(14,753,714)
Other operating items		(57,852)	1,207
Operating profit		**149,250**	**1,185,718**
Finance income	17	519,396	23,405
Finance costs	18	(291,327)	(228,553)
Profit before income tax		**377,319**	**980,570**
Total income tax charge	11	(275,857)	(301,864)
Profit for the period		**101,462**	**678,706**
Attributable to:			
Shareholders of OJSC OGK-2		101,462	678,706
Earning per ordinary share for profit attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)	19	**0.003**	**0.03**

General Director S.V. Neveynitsyn

Chief Accountant L.V. Klisch

28 August 2008

OGK-2 Group
Interim Condensed Consolidated Cash Flow Statement
for the 6 months ended 30 June 2008 (unaudited)
(in thousands of Russian Roubles)

	Notes	6 months ended 30 June 2008	6 months ended 30 June 2007
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**377,319**	**980,570**
Adjustments to reconcile profit before income tax to net cash (used in)/ generated from operating activities:			
Depreciation of property, plant and equipment	5	662,130	539,326
Amortisation of intangible assets		8,186	-
Reversal of provision for impairment of trade and other receivables		(110,015)	(22,070)
Increase / (decrease) of provision for inventory obsolescence		1,948	(24,743)
Finance income	17	(519,396)	(23,405)
Finance costs	18	291,327	228,553
Increase / (decrease) in retirement benefit obligations	14	32,327	(154,703)
Employee share option plan	10	47,773	-
Loss / (gain) on disposal of assets		2,297	(2,943)
Other non-cash items		10,564	(525)
Operating cash flows before working capital changes and income tax paid		**804,460**	**1,520,060**
Working capital changes:			
(Increase) /decrease in trade and other receivables		(2,341)	235,933
Payments in respect of retirement benefit obligations		(63,633)	(24,398)
Increase in inventories		(381,068)	(187,035)
Increase in long-term VAT from capital advances		(3,157,757)	(23,577)
Decrease in other current assets		-	867
Increase in trade and other payables		200,949	764,218
Decrease in taxes payable, other than income tax		(48,203)	(6,833)
Income tax paid in cash		(440,717)	(304,086)
Net cash generated from / (used in) operating activities		**(3,088,310)**	**1,975,149**
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest received		540,972	1,229
Purchase of property, plant and equipment		(17,332,553)	(620,930)
Proceeds from sale of property, plant and equipment and other non-current assets		1,598	2,695
Increase in deposits		(2,462,500)	-
Proceeds from deposits		2,512,400	-
Purchase of intangible assets		(1,259,759)	(34,051)
Net cash (used in)/generated from investing activities		**(17,999,842)**	**(651,057)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		4,802,000	450,000
Proceeds from long-term borrowings		2,260,950	1,200,000
Repayment of short-term debt		(5,586,968)	(3,160,225)
Interest paid		(255,813)	(215,486)
Payments under finance lease		(41,213)	(57,314)
Purchase of treasury shares		(52,357)	-
Dividends paid by the Group to shareholders of OJSC OGK-2		-	(75,851)
Net cash generated from financing activities		**1,126,599**	**(1,858,876)**
Net decrease in cash and cash equivalents		**(19,961,553)**	**(534,784)**
Cash and cash equivalents at the beginning of the period		**21,476,918**	**1,178,570**
Cash and cash equivalents at the end of the period		**1,515,365**	**643,786**

General Director S.V. Neveynitsyn

Chief Accountant L.V. Klisch

28 August 2008

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 6 months ended 30 June 2008 (unaudited)
(in thousands of Russian Roubles)

	Attributable to the shareholders of OJSC OGK-2					
	Ordinary share capital	**Treasury shares**	**Share premium**	**Merger reserve**	**Retained earnings**	**Total**
At 1 January 2007	**26,480,896**	**-**	**1,818,408**	**(17,508,697)**	**2,284,262**	**13,074,869**
Profit for the period	-	-	-	-	678,706	678,706
Dividends (Note 10)	-	-	-	-	(90,000)	(90,000)
Decrease in share capital	(16,876,275)	-	-	16,876,275	-	-
At 30 June 2007	**9,604,621**	**-**	**1,818,408**	**(632,422)**	**2,872,968**	**13,663,575**
At 1 January 2008	**11,872,231**	**(23,155)**	**23,865,543**	**(377,383)**	**1,298,746**	**36,635,982**
Profit for the period	-	-	-	-	101,462	101,462
Treasury shares	-	(52,357)	-	-	-	(52,357)
Employee share option plan (Note 10)	-	-	-	-	47,773	47,773
At 30 June 2008	**11,872,231**	**(75,512)**	**23,865,543**	**(377,383)**	**1,447,981**	**36,732,860**

General Director S.V. Neveynitsyn

Chief Accountant L.V. Klisch

28 August 2008

Note 1. The Group and its operations

Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2", or the "Company" and together with subsidiaries – the "Group") was established on 9 March 2005 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 Group's primary activities are generation and sale of electric and heat power. The Group consists of the following power stations: Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES and Surgutskaya GRES-1.

The Company is registered by the Izobilnensk District Inspectorate of the RF Ministry of Taxation of Stavropol Region.

The Company's office is located at 56, Profsoyuznaya str., 117393, Moscow, Russia.

Operating environment. Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain 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 2008 the Russian Federation owned 52.7% of the Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia ("RAO UES") (the "Parent"), which in its turn owned 65.47% of voting ordinary shares of OJSC OGK-2 (65.47% as at 31 December 2007). The Government of the Russian Federation is the ultimate controlling party of the Company.

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 suppliers.

The state directly influences the Group's activities through regulation of the electricity and capacity tariffs sold on the wholesale electricity (capacity) market through the Federal Tariff Service ("FTS") as well as through the Regional Tariff Services ("RTSs"), which sets tariffs for sale of heat. The generation is centrally coordinated by OJSC "System operator of the Unified energy system" ("SO UES") to provide sustaining operation of the unified electricity system of Russia and more efficient fulfilling of the demand electricity. Activities of SO UES are regulated by the state authorities and Administrator of the Trade System of electricity wholesale market.

Tariffs for electricity and heat power for the Group are set up in accordance with the respective state legislation and laws regulating of natural monopolies. Historically, such tariffs have been based on a "cost-plus" basis, meaning cost of service plus a margin, where costs are determined under the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS"). In practice, tariff decisions were impacted significantly by social and political considerations, causing significant delays in tariff determinations and tariff increases that were lower than required to compensate for cost increases.

The Government's economic, social and other policies could have material effects on the operations of the Company.

Sector restructuring. The Russian electric utilities industry is presently undergoing a restructuring process designed to introduce competition into the electricity and capacity sector and to create an environment in which the RAO UES Group and its successor companies (including OJSC OGK-2) can raise the capital required to maintain and expand current capacity.

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

From 2007 the volumes of electricity (power) traded in the wholesale market at regulated prices began to be substantially reduced. The pace of reduction was set by the Russian Federation Government according to socio-economic development forecasts. In 2008 75% of total base electricity production are traded at regulated prices. The period from 2006 to the end of 2010 is a transition period. After that, it is expected that a fully competitive wholesale market will develop. Electricity and capacity will be traded at non-regulated prices, excluding sales to the households, which will continue to be regulated by the state.

On 28 June 2008 the changes to the above mentioned Wholesale Electric Power (capacity) Market Rules of the Transition Period were approved by Resolution of the Government of the Russian Federation No.476, which provide that starting 1 July 2008 capacity exceeding the regulated contracts as well as that of new input generating capacities is traded at non-regulated prices on wholesale market. According to the Resolution of the Government of the Russian Federation, capacity can be traded in several ways, including by means of bilateral contract for the sale of electricity and capacity between the wholesale market participants, by means of increasing sales of electricity and capacity on the exchange, as well as by means of sales of capacity at auctions. Besides, capacity of the generating equipment, which is constructed within the approved investment program, can be traded based on the contracts concluded with the company providing commercial infrastructure functions.

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

Note 2. Financial condition

As at 30 June 2008, the Company's current assets exceeded its current liabilities by Russian Roubles ("RR") 2,725,589 thousand (as at 31 December 2007, the Company's current assets exceeded its current liabilities by RR 16,891,929 thousand).

As discussed above the Company is affected by government policy through the control of tariffs and other factors. The FTS does not always permit tariff increases in line with increases in the Company'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, during 2007 and to date in 2008 the growing demand for electricity and capacity together with increasing the free trading sector of the wholesale electricity market have resulted in a higher rate of revenue growth (see Sector restructuring in Note 1).

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

- introduction of improved financial budgeting procedures, a strong focus on timely cash collection of current and old debtor balances;
- 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 Company's generation, transmission and distribution assets;
- raising long-term debt/equity financing for investments in new generation assets.

Note 3. Basis of preparation

Applicable standards. The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRS.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008:

- *IFRIC 11, IFRS 2 - Group and Treasury Share Transactions*;
- *IFRIC 12, Service Concession Arrangements*;
- *IFRIC 14, IAS 19 - Defined Benefit Assets and Minimum Funding Requirementsl*

The effect of adoption of the above interpretations on these financial statements was not significant.

Going concern. The accompanying interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Company's assets, as well as the future operations of the Company, may be significantly affected by the current and future economic environment. The accompanying financial statements do not include any adjustments should the Company be unable to continue as a going concern.

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

Provision for impairment of trade and other receivables

Provision for impairment of trade and other receivables is based on the Company's assessment of whether the collectability of specific customer accounts worsened compared to prior estimates. If there is a 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 property, plant and equipment and assets under construction

At each balance sheet date the Company assesses whether there is any indication that the recoverable amount of the Company's property, plant and equipment and assets under construction has declined below the carrying value. The recoverable amount of property, plant and equipment and assets under construction 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 property, plant and equipment and assets under construction has increased, the impairment provision will be fully or partially reversed. As described in Notes 1, 2, 20 and 21, the Government's economic, social and other policies could have material effects on the operations of the Company.

Useful lives of property, plant and equipment

The estimation of the useful lives of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of assets, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Tax contingencies

Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Company management believes it is probable that their interpretation of the relevant legislation and the Company'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 21.

(in thousands of Russian Roubles)

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

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 Company.

Note 4. Related Parties

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions in the 6 months ended 30 June 2008 and in the 6 months ended 30 June 2007 or had significant balances outstanding at 30 June 2008 and at 31 December 2007 are detailed below.

Parent

Transactions with the Parent were as follows:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Dividends accrued	-	72,837

Balances with Parent at the end of the periods were as follows:

	30 June 2008	31 December 2007
Trade and other payables	97,384	97,384

Transactions with the Parent's subsidiaries

Transactions with the Parent's subsidiaries were as follows:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Sales:		
Sales of electricity	11,309,332	11,637,503
Sales of heat	205,434	181,536
Other sales	15,579	11,424
Purchases:		
Dispatcher's fees	285,983	220,128
Repair and construction work	78,571	115,192
Electricity and heat	8,208	3,790
Other purchases	114,093	87,564

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

	30 June 2008	31 December 2007
Trade and other receivables, gross	705,709	649,582
Provision for impairment of trade and other receivables	(265,984)	(372,339)
Trade and other payables	57,345	154,148

Other 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. Bank loans are granted at market rates. Taxes are charged and paid under the Russian tax legislation.

(in thousands of Russian Roubles)

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

	6 months ended 30 June 2008	6 months ended 30 June 2007
Sales of electricity, heat, condensate and utilities services	91,520	36,497
Purchase of fuel	5,658,183	3,227,639

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

	30 June 2008	31 December 2007
Trade and other receivables	520,884	574,509
Bad debt provision	(58,858)	(59,943)
Trade and other payables	80,881	330,034
Current debt and current portion of non-current debt OJSC "Sberbank"	2,000,000	500,000
Interest payable OJSC "Sberbank"	6,503	

Interest expense accrued for the 6 months ended 30 June 2008 was RR 46,897 thousands (for the 6 months ended 30 June 2007: RR 63,682 thousands).

Deposits held in state-controlled banks:

	30 June 2008	31 December 2007
OJSC "Sberbank"	-	1,012,400
OJSC "Gazprombank"	-	4,000,000
CJSC "Gazenergoprombank"	900,000	1,100,000
Total	**900,000**	**6,112,400**

Tax balances are disclosed in the balance sheet. Tax transactions are disclosed in the Company's income statement.

Transactions with key management

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial statements. The compensation is approved by the Board of Directors. Discretionary bonuses are also payable to members of the Management Board, which are approved by the Chairman of the Management Board according to his assessment of the value of their contribution.

Fees, compensation or allowances to the members of the Board of Directors for their services in that capacity and for attending Board meetings are paid depending on results for the year.

Total remuneration in the form of salary and bonuses accrued to the members of the Board of Directors and Management Board for the 6 months ended 30 June 2008 was RR 67,551 thousand (for the 6 months ended 30 June 2007 – RR 20,933 thousand).

The Board of Directors decided to terminate the contract with the General Director from 30 May 2008. In addition a number of senior management personnel decided to have their contracts terminated with effect from 29 May 2008. The amount of termination benefits arising from this is RR 510,573 thousand, out of which RR 332,214 thousand relate to former members of the Company's Management Board. This is expensed in 2008.

Note 5. Property, plant and equipment

In April 2008 the Company made advances to two main contractors OJSC Group E4 and CJSC Quartz-Tyumen in amount of RR 7,494,364 thousand (net of VAT) and 9,446,477 thousand (net of VAT) respectively using funds from matured short-term and long-term deposits. These capital advances are recognised in Construction in progress.

(in thousands of Russian Roubles)

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2008	10,676,052	3,820,845	10,796,868	2,331,812	397,371	2,516,670	30,539,618
Additions	574	1,233	1,581	22,028	13,778	17,161,084	17,200,278
Transfer	20,876	103,901	163,479	133,332	19,564	(441,152)	-
Disposals	(4,071)	(40)	-	(6,854)	(5,354)	(69)	(16,388)
Closing balance as at 30 June 2008	**10,693,431**	**3,925,939**	**10,961,928**	**2,480,318**	**425,359**	**19,236,533**	**47,723,508**
Accumulated depreciation							
Opening balance as at 1 January 2008	(2,995,140)	(2,029,359)	(5,658,689)	(940,736)	(210,058)	(598,116)	(12,432,098)
Charge for the period	(145,805)	(113,680)	(253,357)	(115,120)	(34,168)	-	(662,130)
Disposals	852	37	-	6,466	4,172	-	11,527
Closing balance as at 30 June 2008	**(3,140,093)**	**(2,143,002)**	**(5,912,046)**	**(1,049,390)**	**(240,054)**	**(598,116)**	**(13,082,701)**
Net book value as at 30 June 2008	**7,553,338**	**1,782,937**	**5,049,882**	**1,430,928**	**185,305**	**18,638,417**	**34,640,807**
Net book value as at 1 January 2008	**7,680,912**	**1,791,487**	**5,138,179**	**1,391,076**	**187,313**	**1,918,554**	**18,107,520**

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2007	10,602,651	3,787,386	10,508,491	1,760,848	319,022	1,779,314	28,757,712
Additions	-	739	1,353	8,839	22,531	479,375	512,837
Transfer	47,715	7,374	47,241	88,573	17,557	(208,460)	-
Disposals	-	-	(1)	(40)	(78)	(1,494)	(1,613)
Closing balance as at 30 June 2007	**10,650,366**	**3,795,499**	**10,557,084**	**1,858,220**	**359,032**	**2,048,735**	**29,268,936**
Accumulated depreciation							
Opening balance as at 1 January 2007	(2,793,015)	(1,862,809)	(5,185,253)	(807,500)	(164,994)	(598,116)	(11,411,687)
Charge for the period	(119,282)	(85,779)	(244,536)	(67,118)	(22,611)	-	(539,326)
Disposals	-	-	-	34	61	-	95
Closing balance as at 30 June 2007	**(2,912,297)**	**(1,948,588)**	**(5,429,789)**	**(874,584)**	**(187,544)**	**(598,116)**	**(11,950,918)**
Net book value as at 30 June 2007	**7,738,069**	**1,846,911**	**5,127,295**	**983,636**	**171,488**	**1,450,619**	**17,318,018**
Net book value as at 1 January 2007	**7,809,636**	**1,924,577**	**5,323,238**	**953,348**	**154,028**	**1,181,198**	**17,346,025**

Management has concluded that at 31 December 2007 there were no indicators of impairment losses for fixed assets owned by the Group.

The assets transferred to the Group did not include the land on which the Company's buildings and facilities are located. The Group has the right for rent of this land. In accordance with Russian legislation this right should be formalized either into purchase of this land upon application to the state registration body, or into an extension of a lease of this land before 1 January 2010 (in 2007 the date was extended from 1 January 2008 to 1 January 2010).

As at 30 June 2008 the Group owns 0.7 hectares of a land plot (included in group "Other") with a cost of RR 18,033 thousand that was purchased in 2007.

(in thousands of Russian Roubles)

Leased property, plant and equipment

The Company leased certain equipment under a number of finance lease agreements. At the end of the leases the Company has the option to purchase the equipment at a beneficial price, in other cases at the end of the leases the Company receives the equipment in its ownership without additional payments. The net book value of leased property, plant and equipment is presented below:

	30 June 2008	31 December 2007
Energy machinery and equipment	65,315	67,278
Other machinery and equipment	46,684	103,272
Other	17,176	26,237
Total	**129,175**	**196,787**

The leased equipment secures lease obligations.

Operating lease

The Company leases a number of land plots owned by local governments under operating leases. Land lease payments are determined by lease agreements. Lease agreements are concluded for the different periods. Part of the lease contracts is concluded for the year with right of future prolong, maximum lease period is 49 years.

Non-cancelable operating lease rentals are payable as follows:

	30 June 2008	31 December 2007
Not later than one year	18,698	15,114
Later than one year and not later than five years	62,185	57,791
Later than five years and not later than ten years	72,157	71,367
Later than ten years	423,144	407,451
Total	**576,184**	**551,723**

The land areas leased by OJSC OGK-2 are the territories on which the Group's electric power stations, heating stations and other assets are located. Lease payments are reviewed regularly to reflect market rentals.

Note 6. Intangible assets

In the first half 2008 the Group continued an implementation of new subsystems of SAP R-3. The Group is also implementing of a Unified Reference Information Management System. These activities resulted in an increase of intangible assets carrying value.

Note 7. Other non-current assets

	30 June 2008	31 December 2007
Restructured trade and other receivables (net of provision for impairment of trade and other receivables of 225,679 thousand as at 30 June 2008 and 261,818 thousand as at 31 December 2007)	249,390	202,229
Promissory notes	1,747,194	1,640,005
Long-term VAT from capital advances (see Note 5)	3,049,351	-
Prepayments / deposits for pensions	187,765	134,375
Long-term bank deposits	-	2,112,400
Other	40,350	40,677
Total	**5,274,050**	**4,129,686**

Group has promissory notes of OJSC "Nomos-Bank" with nominal value of RR 2,116,396 thousand and OJSC "Eurofinance Mosnarbank" with nominal value of RR 62,434 thousand. As at 30 June 2008, promissory notes are stated at amortised cost in amount of RR 1,747,194 thousand. Difference between nominal and fair values promissory notes OJSC "Eurofinance Mosnarbank" in the amount of RR 18,138 thousand was recognised as Finance costs (see Note 18). From the date of acquisition until reporting date the Group has recognised finance income from amortisation of the non-interest bearing promissory notes in the amount of RR 63,451 thousand (Note 17).

The long-term VAT from capital advances is recognised at its nominal value.

Assets on solidarity accounts and on individual accounts in non-state pension fund in respect of current employees were recognized as "Prepayments / deposits for pensions". These prepayments / deposits for pensions are disclosed gross of retirement benefit obligations for both periods presented.

A decrease of Long-term bank deposits is bond with prepayment to OJSC Group E4 and CJSC Kvartz-Tyumen for the capital construction (see Note 5).

Note 8. Cash and cash equivalents

Decrease in cash and cash equivalents resulted mainly from payment of long-term advances to OJSC Group E4 and CJSC Kvartz-Tyumen for capital construction projects (See Note 5).

Note 9. Other current assets

Change in other current assets is due to increase of short-term deposits with the banks.

Note 10. Equity

Repurchase of Company's shares. Company has received claims to repurchase own shares from shareholders who voted against approval of contractor's agreement for construction of two power generating units at Troitskaya GRES and two power generating units at Stavropolskaya GRES. Total amount of shares claimed to be repurchased equal to 16,001,974 shares at RR 3.0006 per share for total amount of RR 48,016 thousand. Group has repurchased claimed shares in full in March 2008.

Reorganization of the Company. In October 2007 the Extraordinary shareholders meeting approved a decision to reorganize OJSC OGK-2 in a form of a merger with OJSC OGK-2 Holding (the "Merging Company"), which was spun-off from OJSC RAO UES. Also the Merger agreement between OJSC OGK-2 and OJSC OGK-2 Holding was approved. Lists of property, rights and obligations to be transferred to OJSC OGK-2, were prepared as at 31 March 2007 with valuation based on their balance sheet carring amounts, prepared under Russian Accounting Rules. OJSC OGK-2 became a successor of all rights and obligations in accordance with the act of transfer. If rights and/or obligations of the Merging Company were to change from the date of the act of transfer until the date of reorganization completion, they will be treated as transferred to OJSC OGK-2 at the completion date of reorganization.

As at 15 February 2008 the Company's Board of Directors approved to enter into a joint and several liability agreement for contingent liabilities with companies, which received assets as a result of OJSC RAO UES reorganization. The agreement stipulates joint and several liability in respect of contingent liabilities of OJSC RAO UES which could crystallise as a result of legal claims against OJSC RAO UES in respect of events, which has happened before the date of reorganisation. The Company's share of liability in case it arises is equal to 2.5117%. The amount for which the Company could be liable is not reasonably assessable.

At the October 2007 Extraordinary shareholders meeting it was also agreed to increase the share capital of OJSC OGK-2 by issue of additional shares in total amount of 24,900,629 shares with par value of RR 0.3627. The shares were issued in the process of conversion of OJSC OGK-2 Holding shares during the process of merger in accordance with the merger agreement. The reorganisation was completed on 1 July 2008. 1 646 469 shares have been issued. The merger of the Company did not have significant effect on the financial statements of the Group. See also Note 22 "Post balance sheet events".

The Group has satisfied claims to repurchase Company's shares from shareholders, who voted against reorganization of the Company. Total amount of repurchased shares as at 31 December 2007 was equal to 5,591,898 shares at RR 3.1431 per share totalling to RR 17,576 thousand. Total claims received were equal to 6,973,231 shares with total value of RR 21,918 thousand. In January 2008 the Group has repurchased 1,381,333 shares for total amount of RR 4,341 thousand.

(in thousands of Russian Roubles)

Dividends

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

In June 2007 the Company declared final dividends for the year ended 31 December 2006 of RR 0.001873 per share for the total of RR 49,599 thousand, out of which RR 40,140 thousand and RR 9,459 thousand were payable to the Parent and other Company's shareholders respectively. These dividends were accrued at 31 December 2007.

In June 2007 the Company declared interim dividends for the three months ended March 31, 2007 of RR 0.0015257 per share for the total of RR 40,401 thousand, out of which RR 32,697 thousand were payable to the Parent and RR 7,704 thousand were payable to other Company's shareholders. These dividends were accrued at 31 December 2007.

There were no further dividends proposed or declared before these financial statements were authorized.

Employee share option plan

Due to termination of contracts with the number of key management personnel on 30 May 2008 (see Note 4) the number of shares under the program decreased to 277 298 102. During the 6 months ended 30 June 2008, the Group recognized an expense of RR 47,773 thousand with corresponding increase in retained earnings related to the fair value of the option (during the 6 months ended 30 June 2007: nil).

Note 11. Income tax

Income tax charge	**6 months ended 30 June 2008**	**6 months ended 30 June 2007**
Current income tax charge	259,910	306,036
Deferred income tax expense/(benefit)	15,947	(4,172)
Total income tax charge	**275,857**	**301,864**

During the 6 months ended 30 June 2008 the Group was 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.

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

Deferred tax liabilities

	31 December 2007	**Movement for the period recognized in the income statement**	**30 June 2008**
Property, plant and equipment	(2,748,366)	85,743	(2,662,623)
Intangible assets (SAP R-3)	(101,930)	(1,615)	(103,545)
Prepayments / deposits	(32,250)	(12,814)	(45,064)
Other	(2,710)	347	(2,363)
Total	**(2,885,256)**	**71,661**	**(2,813,595)**

(in thousands of Russian Roubles)

Deferred tax assets

	31 December 2007	Movement for the period recognized in the income statement	30 June 2008
Other non-current assets	114,470	(10,875)	103,595
Provision for impairment of trade and other receivables	45,839	(61,930)	(16,091)
Trade and other payables	64,362	(11,647)	52,715
Retirement benefit obligations	47,978	2,812	50,790
Finance lease liabilities	19,329	(7,751)	11,578
Unused tax losses	12,766	(40)	12,726
Inventory	3,311	1,030	4,341
Other	15,222	793	16,015
Total	**323,277**	**(87,608)**	**235,669**

	31 December 2007	Movement for the period recognized in the income statement	30 June 2008
Total deferred tax liabilities	(2,885,256)	71,661	(2,813,595)
Total deferred tax assets	323,277	(87,608)	235,669
Deferred tax liabilities, net	**(2,561,979)**	**(15,947)**	**(2,577,926)**

Note 12. Non-current debt

	Currency	Effective interest rate	Due	30 June 2008	31 December 2007
Bonds	RR	7.7% - 10.62%	2010*	4,876,378	4,988,216*
Finance lease liability	RR	26.32% - 26.53%	2008-2012	5,393	16,802
Total non-current debt				**4,881,771**	**5,005,018**
Less current portion of long- term debt	RR			-	(4,988,216)*
Total				**4,881,771**	**16,802**

* As at 31 December 2007 payable on demand (see explanation below).

Maturity table

	30 June 2008	31 December 2007
Due for repayment		
Between one and two years	5,171	16,057
Between two and three years	4,876,574	678
Between three and four years	26	65
Between four and five years	-	2
Total	**4,881,771**	**16,802**

During July 2007 the Group has issued 5,000,000 of ordinary documentary interest bearing non-convertible bonds with nominal value of RR 1,000 per bond and maturity of 1,096 days from the date of issue. The coupon was identified during market placement of bonds and was fixed at 7.7% p.a. for 1-6 coupons. Costs directly attributable to bonds issue equaled to RR 13,589 thousand.

Following the resolution of the October 2007 Extraordinary shareholders meeting (see Note 10) to reorganize the Company, its creditors were informed about this resolution, about creditors' rights to demand earlier repayments of Group's liabilities and about conditions of how these rights could be executed. As at 31 December 2007 the Group has re-classified bonds related liability as a short-term due to the fact that the Group did not have any unconditional rights to delay repayment of these bonds for the period more than 12 months after this date.

(in thousands of Russian Roubles)

Total amount of earlier demands for redemption of bonds received from bonds' holders equalled to RR 2,384,968 thousand, accumulated coupon income – RR 48,318 thousand. These demands for redemption of bonds were redeemed by the Group in March – April 2008. All these bonds, were issued again at the end of April 2008 at 94.80% of nominal value with effective interest rate of 10.62%. Bonds are redeemable on 5 July 2010.

Leasing. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Finance lease liabilities – minimum lease payments	**30 June 2008**	**31 December 2007**
Due for repayment		
Less than one year	49,315	77,522
Between one year and five years	5,959	18,902
Future finance charges on finance lease	(7,033)	(15,886)
Present value of lease liabilities	**48,241**	**80,538**

Management believes that total current value of non-current debt approximates its fair value since actual interest rates approximate current market interest rates available to the Company for similar financial instruments.

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

	Currency	**Effective interest rate**	**30 June 2008**	**31 December 2007**
OJSC Sberbank	RR	11.9%	2,000,000	500,000
OJSC Eurofinance Mosnarbank	RR	10.5%-11.5%	700,000	1,100,000
CJSC Mezhdunarodni promishleni bank	RR	11.9%	500,000	-
Current portion of finance lease liability	RR	26.32% - 26.53%	42,848	63,736
Current portion of long-term debt	RR		-	4,988,216
Interest payable	RR		195,303	189,126
Total			**3,438,151**	**6,841,078**

All of the above bank loans were obtained at fixed interest rates.

Credit facilities in OJSC "Sberbank" (the Lender) were restricted by covenants (transfer of revenue to account in OJSC "Sberbank"). During 6 months 2008 the Group several times defaulted to meet covenants of credit facilities. As a result, the Lender had the option to call these loans earlier. However, none of available options were used by the Lender, and the Lender waived its rights shortly after defaults.

Note 14. Retirement benefit obligations

The post employment and post retirement program of the company consists of the occupational pension plan and various post employment, long-term and jubilee benefits. This is a defined benefit plan, under which the participants accrue pension entitlements on the basis of a formula or defined rule. The occupational pension program comprises the main part of the program. According to the pension formulae, the pension benefit is dependent on the past service of participants and their final salary. Employees born before 1967 are entitled to the occupational pension benefits.

The defined benefit pension plan provides old age retirement pension and disability pension. The plan's old age retirement pension is conditional on the member qualifying for the State old age pension.

(in thousands of Russian Roubles)

The company also provides various long-term and post employment benefits including death in service and death in occupational pension benefit, lump sum payments upon retirement and jubilee benefits to active employees.

Additionally the company provides financial support payments of a defined benefit nature to its former employees, who have reached the age of the State old age pension. Such benefits are paid to both those who qualify for the occupational pension plan and those who do not. The company also provides jubilee benefits to its retired former employees.

As at 31 December 2007, there were 4,788 active employees eligible to participate in the post retirement defined benefit program of the company and 2,623 recipients of the financial support benefits.

The last independent full actuarial valuation of pension and other post employment and long-term benefits in accordance with the provisions of IAS 19 was performed in February 2008, with valuation date of 31 December 2007 using individual members' census data as at the valuation date. Valuation of pension liability as of 30 June 2008 was made based on extrapolation of 31 December 2007 data.

Amounts recognised in the Balance Sheets are as follows:

	30 June 2008	31 December 2007
Present value of defined benefit obligations (DBO)	463,933	444,040
Fair value of plan assets	-	-
Present value of unfunded obligations	463,933	444,040
Unrecognised actuarial losses	(77,378)	(79,114)
Unrecognised past service cost	(8,651)	(9,106)
Net liability at the end of the period	**377,904**	**355,820**
Employees' average remaining working life (years)	10	10

Amounts recognised in the Income Statements are as follows:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Current service cost	14,842	21,622
Interest cost	15,295	19,451
Expected return on plan assets	-	-
Net actuarial losses recognised in the period	1,735	4,683
Amortisation of past service cost	455	921
Immediate recognition of vested past service cost	-	-
Settlement/curtailment gain	-	(201,380)
Net (income)/expense recognised in the income statement (DB only)	**32,327**	**(154,703)**

Movements in the net liability recognised in the balance sheet are as follows:

	30 June 2008	31 December 2007
Net liability at the beginning of the period	355,820	461,754
Net expense/(income) recognised in the income statement	32,327	(85,449)
Benefits paid	(10,243)	(20,485)
Net liability at the end of the period	**377,904**	**355,820**

(in thousands of Russian Roubles)

The key actuarial assumptions used were as follows:

	30 June 2008	31 December 2007
Discount rate at the period end	6,60% p.a.	6,60% p.a.
Future salary increases	9,20% p.a.	9,20% p.a.
Future pension increases	n/a	n/a
Future financial support benefits increases	5,00% p.a.	5,00% p.a.
Staff turnover	5% p.a.	5% p.a.
Mortality	Russia 1998	Russia 1998

Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	30 June 2008	31 December 2007
Present value of defined benefit obligations (DBO) at the beginning of year	444,040	579,145
Service cost	14,841	43,243
Interest cost	15,295	32,146
Plan participants' contributions	-	-
Actuarial loss	-	47,235
Past service cost	-	-
Benefits paid	(10,243)	(20,485)
Settlement and curtailment gain	-	(237,244)
Present value of defined benefit obligations (DBO) at the end of year	**463,933**	**444,040**

Funded status of the pension and other post employment and long-term obligations as well as gains/losses arising of experience adjustments is as follows:

	30 June 2008	31 December 2007
Present value of defined benefit obligations (DBO)	463,933	444,040
Fair value of plan assets	-	-
(Surplus)/deficit in plan	463,933	444,040
Gains/(losses) arising from experience adjustments on plan liabilities	-	(47,235)
Gains/(losses) arising from experience adjustments on plan assets	-	-

Note 15. Revenues

	6 months ended 30 June 2008	6 months ended 30 June 2007
Electricity	20,545,502	15,525,172
Heating	389,844	352,010
Other	49,620	61,043
Total	**20,984,966**	**15,938,225**

(in thousands of Russian Roubles)

Note 16. Operating expenses

	6 months ended 30 June 2008	6 months ended 30 June 2007
Fuel	11,864,721	8,747,132
Purchased electricity and heat	3,429,298	2,174,500
Employee benefits	2,080,662	832,794
Repairs and maintenance	750,930	749,424
Depreciation of property, plant, equipment and intangible assets	670,316	539,326
Taxes other than income tax	470,726	422,601
Raw materials and supplies	393,613	330,790
Dispatcher's fees	285,983	220,129
Ecology payments	140,349	66,230
Consulting, legal and audit services	130,796	101,759
Rent	80,482	76,444
Transport	63,140	69,602
Insurance	14,334	29,232
Increase/(decrease) in a provision for inventory obsolescence	1,948	(24,743)
Reversal of a provision for impairment for trade and other receivables	(110,015)	(22,070)
Other expenses	510,581	440,564
Total operating expenses	**20,777,864**	**14,753,714**

Employee benefits expenses comprise the following:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Salaries and wages	1,687,350	753,198
Payroll taxes	234,384	172,015
Financial aid to employees and pensioners	78,828	62,284
Employee share option plan expenses (Note 10)	47,773	-
Non-state pensions and other long-term benefits(Note 14)	32,327	(154,703)
Employee benefits	**2,080,662**	**832,794**
Number of personnel at the end of the period	4,788	4,740

Included in payroll taxes are statutory pension contributions of RR 187,143 thousand (6 months 2007: RR 129,508 thousand).

Note 17. Finance income

	6 months ended 30 June 2008	6 months ended 30 June 2007
Interest income on bank deposits and current bank account balances	455,217	23,405
Effect of discounting promissory notes purchased/received (Note 7)	63,451	-
Foreign exchange differences	728	-
Total finance income	**519,396**	**23,405**

(in thousands of Russian Roubles)

Note 18. Finance costs

	6 months ended 30 June 2008	6 months ended 30 June 2007
Interest expense on debt	(264,527)	(211,760)
Effect of discounting of promissory notes received (Note 7)	(18,138)	-
Interest expense under finance lease agreements	(8,489)	(16,793)
Other finance costs	(173)	-
Total finance cost	**(291,327)**	**(228,553)**

Note 19. Earnings per share

	6 months ended 30 June 2008	6 months ended 30 June 2007
Weighed average number of ordinary shares issued	32,714,564,202	26,480,895,818
Profit attributable to the shareholders of OJSC OGK-2 (thousands of RR)	101,462	678,706
Earnings per ordinary share for profit attributable to the shareholders of OJSC OGK-2 – basic and diluted (in RR)	**0.003**	**0.03**

Note 20. Commitments

Sales commitments. The Group trades electricity (capacity) on the wholesale market by means of regulated contracts as well as on non-regulated market, which includes "one-day-ahead" market, balancing market and capacity market. Share of sales of electricity and capacity on non-regulated market increases every year with the similar decrease of sales on regulated market. The tariffs for the electricity sold/purchased in the regulated trading are set by FTS.

The Company has not entered into sales agreements with duration of more than one year.

Fuel commitments. The Company has signed long-term contracts for supply natural gas with OJSC "Gazprom" and other independent suppliers which will last for the period from 4 to 5 years starting from 1 January 2008. Some suppliers sell natural gas according to short-term contracts. The supply of coal is under contracts which lasted 1 year with different suppliers. Prices under the Company's natural gas and coal contracts are generally determined by reference to base amounts adjusted to reflect provisions for changes in regulatory prices, published inflation indices and current market prices.

Capital commitments. The Company has capital commitments (including VAT) of RR 80,999,983 thousand and RR 100,727,461 thousand as of 30 June 2008 and as of 31 December 2007, respectively. As at 30 June 2008 the Company has commitments of RR 227,933 thousand in respect of SAP R-3 implementation costs (as at 31 December 2007 - RR 352,072 thousand).

Note 21. 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 Russian Federation.

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 Company is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Company.

The Company entered into a joint and several liability agreement for the contingent liabilities of OJSC Tumenenergo from which Surgutskaya GRES-1 power plant has been spun off. The agreement stipulates a joint and several liabilitiy over the contingent liabilities of OJSC Tumenenergo which could crystallise as a result of legal claim against OJSC Tumenenergo in respect of events happened before the date of spun-off. The Company's share of liability in case it arises is equal to 18.7%. The amount for which the Company could be liable is not reasonably assessable.

The Company entered into a joint and several liability agreement for the contingent liabilities of OJSC Sverdlovenergo from which Serovskaya GRES power plant spun off. The agreement stipulates a joint and several liabilitiy over the contingent liabilities of OJSC Sverdlovenergo which could crystallise as a result of legal claim against OJSC Sverdlovenergo in respect of events happened before the date of spun-off. The Company's share of liability in case it arises equals to 13.39%. The amount for which the Company could be liable is not reasonably assessable.

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 (management fees, SAP R-3 implementation costs). 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.

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

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

Pledge of promissory notes. Under agreement with OJSC Nomos-Bank for Group's stock option program servicing, on 30 May 2008 the Group pledged non-interest bearing promissory notes of OJSC Nomos-Bank with total nominal value of RR 1,000,000 thousand.

Note 22. Post balance sheet events

The change of majority shareholder. Reorganization of RAO UES has been finished on 30 June 2008. As a consequence of RAO UES reorganization Gazprom Group has become a majority shareholder of OGK-2 Group starting from 1 July 2008.

Note 23. Other events

OJSC OGK-2 has signed and sent for discussion to counterparties a three-party long-term contract for supply of capacity to the wholesale market with CJSC Center for Finance Settlements (hereinafter CFS) and OJSC Administrator of the Trade System of the Electricity Wholesale Market. Under this agreement the Group is obliged to provide (supply) and CFS is obliged to accept capacity produced by generation equipment which was put into operations after 2008.

Cummulative capacity to be supplied to the wholesale market amounts to 2,580 MWt. Location, maximum technical characteristics of generating equipment and a time schedule of capacity supply are defined in the contract. In case of a breach of the contract the Group will be obliged to compensate real losses incurred by CFS and caused by purchase of missing capacity. Total amount of compensation can not exceed RR 29,850,200 thousand. Cumulative amount of capacity proposed for supply to CFS equals to a minimum installed capacity of generation equipment, which will be built in accordance with the Group's announced investment program.

Management of the Group does not see any reason for non-fulfillment in full or in part of this announced investment program. The date of cease of this liability for capacity supply is the date when one year period of appropriate fulfillment by the Group of its obligations to supply capacity from respective power generating eqipment expires, but not later than 31 December 2021.