

REVIEW REPORT OF THE AUDITORS

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

- 1 We have reviewed the accompanying interim consolidated balance sheet of OJSC "OGK-3" and its subsidiaries (the "Group") as of 30 September 2006 and the related interim consolidated statements of income, cash flows and changes in shareholders equity for the nine month then ended. These interim consolidated financial statements as set out on pages 3 to 27 are the responsibility of the Group's management. Our responsibility is to issue a report on this interim financial statements based on our review. Management has issued interim financial statements for the first time for 30 September 2006 and hence we did not perform a review of interim financial statements as of 30 September 2005.
- 2 We conducted our review in accordance with 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 enquiries 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 September 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
22 December 2006

OGK-3

Interim Combined and Consolidated Balance Sheet as at 30 September 2006

(in thousands of Russian Roubles)

	Notes	30 September 2006	31 December 2005
ASSETS			
Non-current assets			
Property, plant and equipment	6	11 855 118	12 272 288
Deferred tax assets	10	-	596 032
Other non-current assets		199 813	399 530
Total non-current assets		12 054 931	13 267 850
Current assets			
Cash		127 372	117 625
Accounts receivable and prepayments	7	2 251 933	1 373 123
Inventories	8	2 200 505	1 598 953
Other current assets		7 088	24 160
Total current assets		4 586 898	3 113 861
TOTAL ASSETS		16 641 829	16 381 711
EQUITY AND LIABILITIES			
Equity			
Share capital	9	29 487 999	27 608 088
Share premium		450 818	450 818
Other reserves		(8 357 873)	(8 357 873)
Retained earnings		(11 092 017)	(9 485 548)
Equity attributable to shareholders of OJSC OGK-3		10 488 927	10 215 485
Minority interest		-	618 475
Total equity		10 488 927	10 833 960
Non-current liabilities			
Deferred tax liabilities	10	313 807	777 496
Non-current debt		300 000	50 000
Restructured tax and penalty liability	20	-	101 480
Pension liabilities	11	107 273	98 947
Other non-current liabilities		32 645	7 298
Total non-current liabilities		753 725	1 035 221
Current liabilities			
Current debt and current portion of non-current debt	12	2 300 475	1 695 921
Accounts payable and accruals	14	2 450 829	1 610 370
Provision for liabilities and charges	15	323 306	313 442
Taxes payable	16	324 567	892 797
Total current liabilities		5 399 177	4 512 530
Total liabilities		6 152 902	5 547 751
TOTAL EQUITY AND LIABILITIES		16 641 829	16 381 711

General Director

Maxim Kuznetsov

Chief Accountant

Margarita Komarova

22 December 2006



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

OGK-3

Interim Combined and Consolidated Income Statement for 9 months ended 30 September 2006

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

	Notes	9 months ended 30 September 2006	9 months ended 30 September 2005
Revenues			
Electricity		14 373 425	11 406 740
Heat		365 187	327 559
Other		122 992	141 222
Total revenue		14 861 604	11 875 521
Operating expenses	17	(14 816 531)	(12 464 943)
Other operating income		229 139	159 881
Operating profit/ (loss)		274 212	(429 541)
Finance costs	18	(156 874)	(378 338)
Profit/(loss) before income tax		117 338	(807 879)
Income tax	10	(457 839)	(95 684)
Loss for the year		(340 501)	(903 563)
Attributable to:			
Shareholders of OJSC OGK-3		(340 501)	(681 594)
Minority interest		-	(221 969)
Loss per ordinary share for loss attributable to the shareholders of OJSC OGK-3 – basic and diluted (in Russian Roubles)	19	(0,01)	(0,04)

General Director

Chief Accountant



(Handwritten signatures of Maxim Kuznetsov and Margarita Komarova)

Maxim Kuznetsov

Margarita Komarova

22 December 2006

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Interim Combined and Consolidated Cash Flow Statement for the 9 months ended
30 September 2006

(in thousands of Russian Roubles)

	Notes	9 months ended 30 September 2006	9 months ended 30 September 2005
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit/(loss) before income tax		117 338	(807 879)
Adjustments for non-cash items:			
Depreciation	6	822 626	941 780
Provision for impairment of accounts receivable		(68 678)	224 771
Finance cost	18	156 874	378 338
Forgiveness of tax penalties		(159 376)	(61 660)
Loss on disposal of fixed assets		96 595	257 363
Other non-cash items		19 200	112 245
Operating cash flows before working capital changes and income tax paid		984 579	1 044 958
Working capital changes:			
Increase in accounts receivable and prepayments		(810 132)	(569 149)
Increase in inventories		(605 495)	(190 015)
Decrease in other assets		212 476	120 540
Increase in accounts payable and accruals		1 086 934	699 480
Decrease in taxes payable, other than income tax		(404 177)	453 866
(Decrease)/ Increase in other non-current liabilities		66 830	(263 693)
Income tax paid in cash		(489 549)	(398 519)
Net cash generated from operating activities		41 466	897 468
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(492 714)	(552 574)
Proceeds from sale of property, plant and equipment and other non-current assets		2 672	10 213
Interest received		19 253	2 356
Net cash used in investing activities		(470 789)	(540 005)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		3 214 949	2 699 962
Repayment of debt		(2 360 382)	(2 714 332)
Interest paid		(163 601)	(132 186)
Dividend paid to shareholders of OJSC OGK-3		(241 160)	(227 270)
Dividend paid to minority interest shareholders		(10 736)	(78 664)
Settlement of previously unpaid share capital		-	15 000
Net cash generated from / used in financing activities		439 070	(437 490)
Net increase in cash		9 747	(80 027)
Cash at the beginning of the year		117 625	151 507
Cash at the end of the year		127 372	71 480

General Director

Chief Accountant



Maxim Kuznetsov

Margarita Komarova

22 December 2006

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

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Interim Combined and Consolidated Statement of Changes in Equity for the 9 months ended 30 September 2006
 (in thousands of Russian Roubles)

Attributable to the shareholders of OJSC OGK-3

	Share capital	Unpaid share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
At 1 January 2005	17 614 702	(15 000)	40 443	(8 357 873)	(429 988)	8 852 284	3 272 631	12 124 915
Loss for the year*					(681 594)	(681 594)	(221 969)	(903 563)
Payment of share capital (Note 9)		15 000				15 000		15 000
Dividends							(154 125)	(154 125)
At 30 September 2005	17 614 702	-	40 443	(8 357 873)	(1 111 582)	8 185 690	2 896 537	11 082 227
At 31 December 2005	27 608 088	-	450 818	(8 357 873)	(9 485 548)	10 215 485	618 475	10 833 960
Loss for the year*					(340 503)	(340 503)	-	(340 503)
Transactions with minorities (Note 9)	1 879 911				(1 261 436)	618 475	(618 475)	-
Dividends					(4 530)	(4 530)		(4 530)
At 30 September 2006	29 487 999	-	450 818	(8 357 873)	(11 092 017)	10 488 927	-	10 488 927

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



General Director

Maxim Kuznetsov

Chief Accountant

Margarita Komarova

22 December 2006

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**

(in thousands of Russian Roubles)

Note 1. The Company and its operations

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

The OGK-3 operates 6 power plants and its principal activity is electricity and heat generation. Till 31 March 2006 the Company operated as a Group which consisted of OJSC OGK-3 and its subsidiaries. The Company's principal subsidiaries were six State-District Power Plants (the "SDPP"):

Ownership till 31.03.2006, %

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

In November 2005 the shareholders of OJSC OGK-3, Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP and Gusinooserskaya SDPP approved the merger of these companies through conversion the shares of the Company's subsidiaries into the ordinary shares of OJSC OGK-3. On April 1 2006 the above merger was completed resulting in affiliation of the Company's six branches (see Note 9).

Since April 1 2006 the Company operates 6 power plants, former subsidiaries, as branches and does not have other material subsidiaries. All the references to "Group" and to "Subsidiaries" for any time after 1 April 2006 refers to the "Company" and its "branches".

The Company is registered by the District Inspectorate of the RF Ministry of Taxation of Republic of Buryatiya. The Company's office is located at bld. 165, Mozhaiskoe shosse, 121596, Moscow, Russia.

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

Relations with the state and current regulation. As at 30 September 2006 the Russian Federation owned 52.7% of RAO UES of Russia (the "Parent"), which in its turn owned 59.72 % of OJSC OGK-3. The Russian government is the ultimate controlling party of the OJSC OGK-3.

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

The government of the Russian Federation directly affects the Company's operations through regulation by the Federal Service on Tariffs ("FST"), with respect to its wholesale energy sales. Tariffs which the Company's 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.

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006

(in thousands of Russian Roubles)

As described in Notes 2, 21 and 22, the government's economic, social and other policies could have material effects on the operations of the Company.

Regulatory issues and sector restructuring. The Russian electric utilities industry in general and the Company 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 September 2003 the Government issued Resolution No. 1254-r "On formation of generation companies of the wholesale electricity market" which approved composition of wholesale generating companies of the wholesale electricity market, including a list of the six power plants to be contributed into the Company.
- 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 Company's participates in this free trading scheme. According to the laws underlying the electric utilities reform, subsequently free trading would be extended over the whole volume of trading.
- As part of reforming of the operation of the wholesale electricity (power) market in August 2006 the Government issued Resolution No. 529 "On the Improvement of the Operation of the Wholesale Electricity Market" which introduced changes in the Rules for the Wholesale Electricity Market during the Transition Period from 1 September 2006. Effective as of September 2006 there will be changes in pricing and abolition of limitation on sale of power in the free trading sector. Specifically, the Resolution stipulates a gradual reduction (5% to 15% per annum) of the share of electricity sales on the wholesale market at regulated prices (tariffs) and a corresponding increase of trading of electricity at free market prices.
- As at 29 May 2003, the Board of Directors of RAO UES of Russia approved a "Concept of RAO UES of Russia strategy for the period from 2003 through 2008". In February 2006 the Board of Directors approved an Appendix to the Concept of RAO UES Strategy: "Generating companies of the Wholesale Electricity Market (OGKs)". This document provides a detailed description of the major changes that are planned to take place in respect of wholesale generation companies during the electric utilities reform program. In accordance with this Concept, RAO UES of Russia is developing the first stage of its own reorganisation which assumes a spin-off of 2-3 generating companies (including OJSC OGK-3) with proportional distribution of shares of the separated companies between the shareholders of RAO UES of Russia. It also assumes a disposal of 37.9 % of OJSC OGK-3, which is expected to be completed in 2007.

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

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006 (in thousands of Russian Roubles)

Note 2. Financial condition

At 30 September 2006, the Company's current liabilities exceeded its current assets by RR 812 279 thousand Russian Roubles (at 31 December 2005: RR 1 398 663 thousands). As discussed above the Company 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 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, the growing demand for electricity and capacity together with increasing free trading sector of the wholesale electricity market result in a higher rate of revenue growth during 2005 to date.

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

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

Note 3. Basis of preparation

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

Each enterprise of the Company 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.

Predecessor Accounting. In January 2005, the Parent transferred to the Company 99.9%, 99.9%, 51.0%, 51.0% and 55.8% of the outstanding ordinary shares of Kharanorskaya SDPP, Gusinozerskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP and Cherepetskaya SDPP respectively. In December 2005 the Parent additionally transferred to the Company 49.0% of the outstanding ordinary shares of Yuzhnouralskaya SDPP. In 2005 combined and consolidated financial statements, the OJSC OGK-3 accounted for this business combination amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at the carrying value, as determined by the Parent in its IFRS consolidated financial statements. Information in respect of 2004 was restated as if the business combination took place at the beginning of 2004.

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

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

Inflation accounting. Prior to 1 January 2003 non-monetary assets acquired and non-monetary liabilities incurred or assumed have been adjusted for the changes in the general purchasing power of the RR in

accordance with International Accounting Standards 29 ("IAS") ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these Financial Statements.

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

As of 1 January 2006, the Company adopted all of those IFRSs, amendments and IFRICs which are relevant to its operations and are in force as at 30 September 2006 with insignificant effect.

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

- IFRS 7 "Financial Instruments: Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure about the Group's financial instruments.
- Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's capital.
- IFRIC 7 "Applying the Restatement Approach under IAS 29", which is effective for periods beginning on or after 1 March 2006, that is from 1 January 2007. The Interpretation clarifies application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred income taxes in the opening balance sheet restated for hyperinflation in accordance with IAS 29.
- IFRIC 8, Scope of IFRS 2, which is effective for periods beginning on or after 1 May 2006, that is from 1 January 2007. The interpretation states that IFRS 2 also applies to transactions in which the entity receives unidentifiable goods or services and that such items should be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).
- IFRIC 9 "Reassessment of Embedded Derivatives", which is effective for annual periods beginning on or after 1 June 2006. The Interpretation clarifies that an entity should assess whether an embedded derivative should be accounted for separately from the host contract when the entity first becomes party to the contract. Only if the contract subsequently is significantly modified the entity reassesses whether to separate or not.
- IFRIC 10 "Interim Financial Reporting and Impairment" which is effective for periods beginning on or after 1 November 2006, that is from 1 January 2007. The interpretation clarifies that an entity should not reverse an impairment loss recognised in a previous interim periods in respect of goodwill or an investment in a financial asset carried at cost.
- IFRIC 11 IFRS 2 "Group and Treasury Shares Transactions" which is effective for periods beginning on or after 1 March 2007. This Interpretation addresses how to apply IFRS 2 "Share-based Payment" to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (eg. equity instruments of its parent).

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months
ended 30 September 2006
(in thousands of Russian Roubles)

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

Unless otherwise described above, the analysis in respect of these new standards and interpretations has been carried out by the Company, and they are not expected to significantly affect the Company's financial statements.

Going concern. The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The 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 recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Provision for impairment of accounts receivable. Provision for impairment of accounts receivable is based on the Company'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.

Provisions for impairment of non-financial assets. At each balance sheet date the Company assesses whether there is any indication that the recoverable amount of the Company'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.

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

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

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

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.

Note 4. Summary of significant accounting policies

Principles of consolidation. The Financial Statements comprise the financial statements of OJSC OGK-3 and the financial statements of those entities whose operations are controlled by OJSC OGK-3. Control is presumed to exist when OJSC OGK-3 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

A) Subsidiaries

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

B) Transactions eliminated on consolidation

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

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

Foreign currency. Monetary assets and liabilities, which are held by the Company's 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 September 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 26.78: 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.

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

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

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

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

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**

(in thousands of Russian Roubles)

subject to an independent valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives.

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

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Electricity and heat generation	4-63	25 -50
Electricity distribution	6-30	30
Heating networks	4-22	25
Other	8	10

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

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

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

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

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

Value added tax on purchases and sales. Before 1 January 2006 value added tax ("VAT") related to sales was payable to tax authorities upon collection of receivables from customers, input VAT was reclaimable against sales VAT upon payment for purchases. The tax authorities permitted the settlement of VAT on a net basis. VAT related to sales and purchases which had not been settled at the balance sheet date (deferred VAT) was recognized in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision was made for impairment of receivables, the impairment loss was recorded for the gross amount of the debtor's balance, including VAT. The related deferred VAT liability was maintained until the debtor was written off for tax purposes.

In 2006 VAT related to sales is payable to tax authorities upon dispatch of goods and provision of services, input VAT is reclaimable against sales VAT upon purchase of goods and services on accrual basis.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost. Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

Income tax

The income tax expense represents the sum of the tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company'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 Company requires profits to be reinvested, and only insignificant dividends are expected to be declared from future profits of the subsidiaries. Neither these future profits nor the related taxes are recognised in these financial statements.

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

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

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

Actuarial gains and losses arising from changes in actuarial estimations and exceeding 10% of the defined benefit obligations are charged or credited to the statement of operations over the average remaining service lives of employees starting from the next reporting period.

Provisions. Provisions are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

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

Social expenditure. To the extent that the Company'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 Company's employees, they are recognized in the income statement as incurred.

Segment reporting. The Company 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 OJSC OGK-3 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.

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 Company for similar financial instruments. The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the close of business on the reporting date.

Seasonality. Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, although less intense, concentration of electricity sales occurs within the same period.

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**
(in thousands of Russian Roubles)

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 Company.

Note 5. Related Parties

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions in 9 months 2006 and in 9 months 2005 or had significant balances outstanding at 30 September 2006 and at 31 December 2005 are detailed below.

Parent

Sales of electricity to the Parent for 9 months ended 30 September 2006 were RR 0 thousand (9 months ended 30 September 2005: 330 910 thousand); accounts receivable from the Parent at 30 September 2006 were RR 16 776 thousand (31 December 2005: RR 34 206 thousand).

Transactions with the Parent's subsidiaries

Transactions with the Parent's subsidiaries were as follows:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Sales of electricity	9 428 063	7 351 538

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

	30 September 2006	31 December 2005
Accounts receivable, gross	332 200	395 716
Provision for impairment of accounts receivable	(34)	(18 000)
Accounts payable	49 382	104 627

Provision for impairment of accounts receivable recognized as an expense during 9 months ended 30 September 2006 was RR 17 966 thousand (31 December 2005: RR 18 154 thousand).

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 with state-controlled entities:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Electricity and heat sales	221 107	249 456
Purchases of fuel	4 704 345	4 089 217
Interest accrued for loan	40 151	1 524

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006

(in thousands of Russian Roubles)

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

	30 September 2006	31 December 2005
Accounts receivable and prepayments	370 211	256 793
Accounts payable and accruals	-	11 426
Current debt and current portion of non-current debt	997 142	421 600

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

Transactions with key management and close family members

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for 9 months ended 30 September 2006 was RR 58 990 thousand (for 9 months ended 30 September 2005 – RR 70 627 thousand).

Note 6. Property, plant and equipment

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2005	29 102 022	3 762 324	870 474	2 038 502	6 401 706	42 175 028
Additions	20 398	863	49 830	397 978	34 694	503 763
Transfer	121 923	11 459	-	(144 486)	11 104	-
Disposals	(45 440)	(4 159)	-	(84 215)	(54 750)	(188 564)
Closing balance as at 30 September 2006	29 198 903	3 770 487	920 304	2 207 779	6 392 754	42 490 227
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2005	(20 586 530)	(3 190 446)	(698 320)	(138 122)	(5 289 322)	(29 902 740)
Charge for the period	(414 470)	(40 312)	(20 386)	-	(347 458)	(822 626)
Impairment transferred from CIP	(167)	(2 965)	-	4 512	(1 380)	-
Disposals	32 768	3 573	-	5 706	48 210	90 257
Closing balance as at 30 September 2006	(20 968 399)	(3 230 150)	(718 706)	(127 904)	(5 589 950)	(30 635 109)
Net book value as at 30 September 2006	8 230 504	540 337	201 598	2 079 875	802 804	11 855 118
Net book value as at 31 December 2005	8 515 492	571 878	172 154	1 900 380	1 112 384	12 272 288

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2004 (Unaudited)	28 335 895	3 719 591	866 328	2 640 473	6 482 363	42 044 650
Additions	29 768	-	-	433 064	28 628	491 460
Transfer	395 187	27 527	993	(530 539)	106 832	-
Disposals	(42 142)	(500)	-	(263 150)	(238 008)	(543 800)
Closing balance as at 30 September 2005	28 718 708	3 746 618	867 321	2 279 848	6 379 815	41 992 310
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2004	(20 160 550)	(3 067 881)	(680 579)	(157 431)	(4 949 895)	(29 016 336)
Charge for the period	(417 318)	(106 695)	(19 077)	-	(398 690)	(941 780)

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**

(in thousands of Russian Roubles)

Impairment transferred from CIP	(502)	(2 229)	-	2 781	(50)	-
Disposals	25 770	489	-	(3 787)	162 699	185 171
Closing balance as at 30 September 2005	(20 552 600)	(3 176 316)	(699 656)	(158 437)	(5 185 936)	(29 772 945)
Net book value as at 30 September 2005	8 166 108	570 302	167 665	2 121 411	1 193 879	12 219 365
Net book value as at 31 December 2004	8 175 345	651 710	185 749	2 483 042	1 532 468	13 028 314

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 (except for the land at Moscow) upon application to the state registration body or to formalize the right for rent after the right expiry date, which is 1 January 2008.

During 9 months ended 30 September 2006 the OJSC OGK-3 recognised the disposal loss of 96 million in respect of fixed assets and construction in progress (in 9 months ended 30 September 2005: RR 257 million).

The impairment provision included in accumulated depreciation balance as at 30 September 2006 and 31 December 2005 was RR 11 367 834 thousand and RR 12 149 788 thousand, accordingly.

Operating leases

The OJSC OGK-3 leases a number of land areas owned by local governments under operating lease. Land lease payments are determined by lease agreements.

Non-cancelable operating lease rentals are payable as follows:

	30 September 2006
not later than one year	23 644
later than one year and not later than five years	133 982
later than five years	19 200
Total	176 826

The land areas leased by the OJSC OGK-3 are the territories on which the Company's electric power stations, heating stations and other assets are located. Lease payments are reviewed regularly to reflect market rentals.

Note 7. Accounts receivable and prepayments

	30 September 2006	31 December 2005
Trade receivables (net of provision for impairment of accounts receivable of RR 569 518 thousand as at 30 September 2006 and RR 520 107 thousand as at 31 December 2005)	1 691 732	818 169
Value added tax recoverable	27 625	220 984
Advances to suppliers (net of provision for impairment of accounts receivable of RR 0 thousand as at 30 September 2006 and RR 7 648 thousand as at 31 December 2005)	235 333	137 458
Other receivables (net of provision for impairment of accounts receivable of RR 61 200 thousand as at 30 September 2006 and RR 860 124 thousand as at 31 December 2005)	297 243	196 512
Total	2 251 933	1 373 123

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**

(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 OJSC OGK-3 believes that Company's entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value approximates their fair value.

Note 8. Inventories

	30 September 2006	31 December 2005
Fuel supplies	1 357 258	782 193
Materials and supplies	256 406	327 058
Other inventories	586 841	489 702
Total	2 200 505	1 598 953

Inventories balances as at 30 September 2006 and 31 December 2005 included RR 52 000 thousand and RR 546 424 thousand, respectively, of inventory which were pledged as collateral according to loan agreements.

Note 9. Equity

<i>Share capital (Number of shares unless otherwise stated)</i>	Ordinary shares 30 September 2006	Ordinary shares 31 December 2005
Issued shares	29 487 999 252	27 608 088 279
Par value (in RR)	1.00	1.00

As at 30 September 2006 number of issued ordinary shares was 29 487 999 252 with a par value of RR 1.00 each. (as at 31 December 2005: 27 608 088 279 with a par value of RR 1.00 each)

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

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

In 2005 ordinary shares for total amount of RR 27 587 588 thousand were paid in kind of shares in the Company's subsidiaries (which were subsequently merged with and into the Company as branches – see Note 3). The values of shares in the Company's subsidiaries, as determined by independent appraisers, were equal to RR 28 038 406 thousand. Share premium of RR 450 818 thousand equaled to difference between the appraisers' value of the contributions to the share capital and nominal value of the shares issued.

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

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

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

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**

(in thousands of Russian Roubles)

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

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

Transactions with minorities.

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

In March 2006, the Company issued additional share capital of RR 1 879 911 thousand in exchange for the remaining minority shareholders' shares of 7,37%, 1,47%, 2,42%, 26,26% in Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP and Yuzhnouralskaya SDPP, respectively. The coefficients used for the shares exchange were approved by the Company's Board of Directors and by the concluded Merger Agreements. The above coefficients were based on the independent appraisers' evaluation. As a result of shares exchange no share premium was recognized. The difference of RR 1 261 436 thousand between the book value of the minority interest of RR 618 475 thousand and the additional share capital was charged to retained earnings.

As a result of merger completed on 1 April 2006 Kharanorskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP, Yuzhnouralskaya SDPP and Gusinooserskaya SDPP were affiliated into OJSC OGK-3, and OJSC OGK-3 became a single legal entity.

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.

At the end of 2005 the Company declared dividends for 9 months of 2005 ended 30 September 2005 of RR 0.013 per share for the total to RR 221 002 thousand. These dividends were recognized in the combined and consolidated financial statements for the year ended 31 December 2005 (balance sheet as at 31 December 2005 is presented in these financial statements as comparatives).

In 2006 the Company declared additional dividends for the year ended 31 December 2005 of RR 0.0132895 per share for the total to RR 4 530 thousand. These dividends were recognized in these interim combined and consolidated financial statements.

The other amounts of dividends recognized in the interim combined and consolidated financial statements represented dividends accrued by the Company's subsidiaries.

Note 10. Income tax

	9 months ended 30 September 2006	9 months ended 30 September 2005
Current income tax charge	(325 496)	(215 954)
Deferred income tax charge / (benefit)	(132 343)	120 270
Income tax charge	(457 839)	(95 684)

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006

(in thousands of Russian Roubles)

During 9 months ended 30 September 2006 the Company entities were subject to a 24% income tax rate on taxable profits.

In accordance with Russian tax legislation, tax losses in different Company's subsidiaries may not be offset against taxable profits of other Company's subsidiaries. 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:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Profit/(loss) before income tax	117 338	(807 879)
Theoretical tax (charge)/benefit at the statutory tax rate of 24%	(28 161)	193 891
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of changes in WEM imbalance	(131 795)	(167 112)
Effect of changes in provisions for liabilities and charges	(3 089)	(9 460)
Effect of changes in Pensions liabilities	(1 998)	(603)
Tax fines and penalties forgiven	38 250	14 798
Non-deductible loss from write-off of assets	(55 197)	(112 019)
Other non-deductible items	(275 849)	(15 179)
Income tax charge	(457 839)	(95 684)

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.

Since the date of the merger, 1 April 2006, the Company became a single tax payer in terms of both past and future tax obligations. Accordingly, as of 30 September 2006 the Company estimates its current and deferred income tax obligations on net basis as follows (31 December 2005 presented gross):

Deferred tax liabilities

	31 December 2005	Movement for the year recognized in the income statement	30 September 2006
Property, plant and equipment	(777 496)	300 045	(477 451)
Total	(777 496)	300 045	(477 451)

Deferred tax assets

	31 December 2005	Movement for the year recognized in the income statement	30 September 2006
Property, plant and equipment	388 503	(388 503)	-
Accounts receivables including provision for impairment	183 828	(49 924)	133 904
Accounts payable	21 561	(15 777)	5 784
Inventories	255	(255)	-
Other	1 885	22 071	23 956
Total	596 032	(432 388)	163 644
Net deferred tax liabilities	(181 464)	(132 343)	(313 807)

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006

(in thousands of Russian Roubles)

Prior to the merger the company estimated and settled its tax obligations for each entity, therefore gross presentations of deferred tax assets and liabilities is shown for 30 September 2005.

Deferred tax liabilities

	31 December 2004	Movement for the year recognized in the income statement	30 September 2005
Property, plant and equipment	(814 305)	53 358	(760 947)
Accounts payable	(1 555)	1 555	-
Other	(15 834)	6 485	(9 349)
Total	(831 694)	61 398	(770 296)

Deferred tax assets

	31 December 2004	Movement for the year recognized in the income statement	30 September 2005
Property, plant and equipment	307 786	105 115	412 901
Accounts receivables including provision for impairment	214 171	(63 289)	150 882
Accounts payable	5 371	1 225	6 596
Inventories	627	8 907	9 534
Other	-	6 914	6 914
Total	527 955	58 872	586 827
Net deferred tax liabilities	(303 739)	120 270	(183 469)

Note 11. Pension liabilities

The tables below provide information about the benefit obligation, plan assets and actuarial estimations used for 9 months ended 30 September 2006 and for the month ended 30 September 2005.

Amounts recognized in the interim Combined and Consolidated Balance Sheet:

	30 September 2006	31 December 2005
Defined benefit obligations	141 365	136 673
Fair value of plan assets	-	-
Funded status	141 365	136 673
Unrecognised net actuarial loss	(961)	(961)
Unrecognised past service cost	(33 131)	(36 765)
Net liability in balance sheet	107 273	98 947

Amounts recognized in the Income Statement:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Current service cost	4 077	2 551
Interest cost	7 063	5 313
Recognised actuarial (gain)/loss	-	-
Recognised past service cost	3 635	724
Settlement (gain)/loss	-	-
Total	14 775	8 588

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**Notes to Interim Combined and Consolidated Financial Statements for the 9 months
ended 30 September 2006**
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Changes in the present value of the Company's defined benefit obligation and plan assets are as follows:

	30 September 2006	31 December 2005
Benefit obligations		
Benefit obligations as at 1 January 2006 (1 January 2005)	136 673	102 819
Current service cost	4 077	2 551
Interest cost	7 063	6 904
Actuarial loss	0	156
Amendments	0	29 463
Benefits paid	(6 448)	(5 220)
Benefit obligations as at 30 September 2006 (30 September 2005)	141 365	136 673

The Company expects to contribute RR 74 756 thousand to the defined benefit plans in 2006.

Principal actuarial estimations are as follows:

	30 September 2006	31 December 2005
Discount rate	6.89	6.89
Salary increase	7.1	7.1
Pension increase	7.1	7.1

There were no changes in actuarial assumptions during 2004 - 2005. Thus actuarial gains and losses arising during this period correspond to experience adjustments in full.

	30 September 2006	30 September 2005	31 December 2004
Defined benefit obligation	(141 365)	(136 673)	(102 818)
Plan assets	-	-	-
Surplus/(deficit)	(141 365)	(136 673)	(102 818)
Experience adjustments on plan liabilities	-	(156)	(805)
Experience adjustments on plan assets	-	-	-

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

Name of creditor	Currency	Effective interest rate, %	30 September 2006	31 December 2005
Alfa Bank	RR	8,1 - 10,4	663 500	301 959
OJSC Bank "Petrocommerce"	RR	10-11	110 000	317 000
Sberbank	RR	9,8 - 11	50 041	421 600
Eurofinance	RR	8,45 - 10	500 000	380 000
Gazprombank	RR	9,0 - 10	947 101	20 000
Vneshtorgbank	RR	11	-	120 000
Ukhtabank	RR	8,5-10	29 350	134 879
Other	RR		483	483
Total			2 300 475	1 695 921

Short term loans issued to the Company were secured as at 30.09.2006 by inventories totaling RR 52 000 thousand (as at 31.12.2005 – RR 546 424 thousand) used as collateral.

Note 13. Other non-current debt

Name of creditor	Currency	Effective interest rate, %	Maturity	30 September 2006	31 December 2005
Eurofinance Mosnarbank	RR	12	2007	0	50 000
Alfa Bank	RR	11,2	2007	300 000	0
TOTAL				300 000	50 000

The fair value of debt approximates the carrying value.

Note 14. Accounts payable and accruals

	30 September 2006	31 December 2005
Trade payables	2 115 687	882 334
Accrued liabilities and other payables	334 222	478 622
Dividend payable	920	249 414
Total	2 450 829	1 610 370

Note 15. Provision for liabilities and charges

Movements in provision for liability and charges are as follows:

<i>In thousands of Russian Roubles</i>	Notes	Tax risks	Legal claims	Total
Carrying amount at 1 January 2005		165 000	135 496	300 496
Additions charged to profit or loss	16	-	12 946	12 946
Carrying amount at 1 January 2006		165 000	148 442	313 442
Additions charged to profit or loss	16		9 864	9 864
Carrying amount at 30 September 2006		165 000	158 306	323 306

All of the above provision were classified as a current liabilities because the OJSC OGK-3 does not have any conditional rights to defer settlements beyond one year. Expected timing of the cash outflows is indicated below.

Tax risks. Management assessed, based on their interpretation of the relevant tax legislation, that it is probable that certain tax positions taken by the Company would not be sustained, if challenged by the tax authorities. Accordingly, Company created provisions for the associated not assessed taxes and the related penalties and interest. The balance at 30 September 2006 is expected to be either fully utilised or released within one years (2005: within two years).

Legal claims. Provision for legal claims relates to the claims brought against the Company by fuel suppliers and services providers. The balance at 30 September 2006 is expected to be utilised by the end of 2006 (31 December 2005: by end of 2006). In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

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Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006
(in thousands of Russian Roubles)

Note 16. Taxes payable

	30 September 2006	31 December 2005
Value added tax	49 971	487 832
Property tax	36 711	39 236
Employee taxes	42 167	26 211
Income tax	16 110	89 400
Fines and interest	16 862	8 432
Land tax	4 892	1 159
Water usage tax	146 069	144 552
Dividend tax	1 070	22 851
Other taxes	10 715	46 085
Current portion of taxes restructured to long-term liabilities	-	27 039
Total	324 567	892 797

The value added tax figure at 30 September 2006 includes RR 42 230 thousand of deferred VAT (31 December 2005: RR 430 899 thousand), which only becomes payable to the authorities when the underlying receivable balances are either recovered or written off.

Note 17. Operating expenses

	Notes	9 months ended 30 September 2006	9 months ended 30 September 2005
Fuel		(8 991 247)	(6 901 803)
Depreciation	6	(822 626)	(941 780)
Repairs and maintenance		(550 395)	(603 819)
Employee benefits		(1 786 659)	(1 522 066)
Taxes other than income tax		(322 385)	(376 166)
Water usage expenses		(471 025)	(374 387)
Raw materials and supplies		(341 356)	(327 894)
Consulting, legal and audit services		(89 949)	(14 617)
Insurance cost		(88 774)	(94 799)
Social overhead costs		(36 584)	(32 510)
Impairment of accounts receivable		68 678	(224 771)
Change in provision for liabilities and charges	15	(9 864)	(12 946)
Loss on disposal of fixed assets		(96 595)	(257 363)
Provisions for obsolete and slow-moving inventory		(3 943)	(55 435)
Security services		(77 271)	(26 385)
Transportation of gas		(194 419)	(153 787)
Fire protection		(23 986)	(24 072)
Charity expenses		(22 640)	(8 578)
Gain/(loss) related to restructuring process		(2 176)	62 612
Telecommunication services		(12 085)	(12 837)
Operating lease		(54 460)	(34 615)
Other expenses		(886 770)	(526 925)
Total operating expenses		(14 816 531)	(12 464 943)

Employee benefits expenses comprise the following:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Salaries and wages, payroll taxes	(1 768 615)	(1 508 790)
Financial aid to employees and pensioners	(3 270)	(7 962)
Non-governmental pension fund expenses	(14 774)	(5 314)
Employee benefits	(1 786 659)	(1 522 066)

OGK-3**Notes to Interim Combined and Consolidated Financial Statements for the 9 months ended 30 September 2006**
(in thousands of Russian Roubles)**Note 18. Finance costs**

	9 months ended 30 September 2006	9 months ended 30 September 2005
Interest expense	(144 348)	(129 830)
Effect of discount	(12 526)	(248 508)
Total finance costs	(156 874)	(378 338)

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

	9 months ended 30 September 2006	9 months ended 30 September 2005
Loss attributable to the shareholders of OJSC OGK-3 (thousands of RR)	(340 501)	(681 594)
Weighted average number of ordinary shares issued (thousands of shares)	28 865 970	17 614 702
Loss per ordinary share for loss attributable to the shareholders of OJSC OGK-3 – basic and diluted (in Russian Roubles)	(0,01)	(0,04)

Note 20. Restructured taxes and penalties liability

As at 30 September 2006, the OJSC OGK-3 fulfilled all the conditions of the agreements for restructured taxes and penalties liabilities.

Based on the RF Government resolutions the restructured debt for penalties and fines in the amount of RR 327 898 thousand as of 30 September 2006 (as of 31 December 2005: RR 628 218 thousand), representing the nominal amount before discounting, were forgiven and written off the balance sheet. The net amount of RR 159 376 thousand at 30 September 2006, which represents the difference between the nominal amount of gain from forgiveness of restructured tax liability and the unamortized discount of RR 168 522 thousand in 2005, was recognized as other operating income in the income statement. The interest expenses accrued in the income statement amounted to RR 23 133 thousand.

Note 21. Commitments

Sales commitments. The Company'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 Company 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 Company 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 411 087 thousand at 30 September 2006 (at 31 December 2005: RR 352 512 thousand).

Note 22. Contingencies

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

Insurance. The 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 entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding and not provided for which, upon final disposition, will have a material adverse effect on the financial position of the 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 September 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 interim combined and consolidated financial statements.

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

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

Note 23. 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.

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**Notes to Interim Combined and Consolidated Financial Statements for the 9 months
ended 30 September 2006**
(in thousands of Russian Roubles)

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

Note 24. Post balance sheet events

On 24 October 2006 the Board of Directors of OJSC OGK-3 approved issuance of nonconvertible coupon bonds. On 15 December 2006 the Company issued 3 000 000 bonds (Series 01) with a nominal value of RR 1000 per bond and circulation period of 1820 days (5 years). Underwriter of the issuance was OJSC "Gazprombank".

The interest rate for the bonds' first coupon was stated at the level of 7% per annum. According to the Basic Parameters of Bonded Debt, the interest rates of the subsequent coupons 2-10 are to be determined not later than 10 days before the end of the previous coupon period.

The bonds were placed by public subscription and purchased at their par value. Therefore RR 3 000 000 thousand were raised as a result of the bonds issuance.

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