OGK-5 GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2007

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of OJSC "OGK-5" and its subsidiaries (the "OGK-5 Group") which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the OGK-5 Group as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
30 April 2008

OGK-5 Group
Consolidated Balance Sheet as at 31 December 2007
(in thousands of Russian Roubles)

	Notes	31 December 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	63,523,331	44,114,896
Investments in associates		42,361	40,309
Other non-current assets	7	842,678	220,783
Total non-current assets		**64,408,370**	**44,375,988**
Current assets			
Inventories	9	2,188,204	2,513,597
Trade and other receivables and other current assets	8	3,816,357	1,865,140
Current income tax prepayments		740,084	251,368
Short-term investments	10	7,160,272	13,052,210
Cash	11	826,566	325,481
Total current assets		**14,731,483**	**18,007,796**
TOTAL ASSETS		**79,139,853**	**62,383,784**
EQUITY AND LIABILITIES			
Equity	12		
Share capital		35,371,898	35,371,686
Treasury shares		(882,022)	(879,549)
Share premium		6,818,747	6,818,747
Retained earnings		5,960,697	3,941,562
Other reserves		14,017,044	3,653,696
Total equity		**61,286,364**	**48,906,142**
Non-current liabilities			
Non-current borrowings	14	5,000,000	5,000,000
Deferred income tax liability	13	8,953,566	5,422,380
Retirement benefit obligation	15	379,128	268,871
Other non-current liabilities		8,444	-
Total non-current liabilities		**14,341,138**	**10,691,251**
Current liabilities			
Current borrowings and current portion of non-current borrowings	16	87,767	620,977
Trade and other payables	17	2,879,541	1,584,075
Other taxes payable	18	545,043	581,339
Total current liabilities		**3,512,351**	**2,786,391**
Total liabilities		**17,853,489**	**13,477,642**
TOTAL EQUITY AND LIABILITIES		**79,139,853**	**62,383,784**

General Director A.V. Bushin

Chief Accountant M.V. Antipov

31 March 2008

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

OGK-5 Group
Consolidated Income Statement for the year ended 31 December 2007
(in thousands of Russian Roubles, except for earnings per ordinary share information)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Revenues	19	33,464,684	26,256,187
Operating expenses	20	(32,624,885)	(26,088,286)
Other operating income	21	927,849	243,805
Operating profit		**1,767,648**	**411,706**
Finance items (net)	22	309,958	(220,846)
Share of result of associates		2,052	309
Profit before income tax		**2,079,658**	**191,169**
Income tax (charge)/benefit	13	(84,401)	3,027,758
Profit for the year		**1,995,257**	**3,218,927**
Attributable to:			
Shareholders of OJSC "OGK-5"		1,995,257	3,211,358
Minority interest		-	7,569
Earnings per ordinary share for profit attributable to the shareholders of OJSC "OGK-5" – basic and diluted (in Russian Roubles)	23	0.06	0.10

General Director A.V. Bushin

Chief Accountant M.V. Antipov

31 March 2008

OGK-5 Group
Consolidated Cash Flow Statement for the year ended 31 December 2007
(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**2,079,658**	**191,169**
Adjustments for:			
Depreciation	6	2,068,382	2,018,120
Reversal for impairment of trade and other receivables	20	(2)	(522,779)
Property, plant and equipment write-off		-	312,849
Loss on fixed assets disposal		39,478	-
Finance items (net)	22	(309,958)	220,846
Employee share option plan		247,906	9,971
Share of result of associates		(2,052)	(309)
Other non-cash operating items		24,448	223,313
Operating cash flows before working capital changes		**4,147,860**	**2,453,180**
(Increase)/decrease in trade and other receivables		(1,913,928)	298,822
Decrease/(increase) in inventories		319,201	(899,228)
Increase in trade and other payables		1,495,313	356,761
(Decrease)/increase in taxes payable, other than income tax		(36,296)	(127,124)
Cash generated from operations		**4,012,150**	**2,082,411**
Income tax paid in cash		(314,567)	(667,002)
Payments under the Retirement benefit obligations plan		(190,816)	(126,674)
Net cash generated from operating activities		**3,506,767**	**1,288,735**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other non-current assets		(8,625,361)	(3,366,255)
Proceeds from sale of property, plant and equipment and other non-current assets		121,763	175,557
Establishment of subsidiaries and associates		-	(45,000)
Proceeds from sale of investments in other entities		-	160,676
Decrease/(increase) of short-term investments in banks	10	5,891,938	(13,052,210)
Interest received		740,896	65,162
Net cash used in investing activities		**(1,870,764)**	**(16,062,070)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current borrowings		900,005	5,507,000
Proceeds from non-current borrowings		-	4,999,050
Repayment of borrowings		(1,430,005)	(6,000,300)
Issue of ordinary shares		-	12,278,250
Costs of issuing ordinary shares		-	(359,503)
Purchase of treasury shares		-	(879,549)
Interest paid		(380,418)	(118,425)
Dividend paid by the Group to shareholders of OJSC «OGK-5»		(224,500)	(508,851)
Dividend paid by the Group to minority interest shareholders		-	(331)
Net cash (used)/generated (in)/from financing activities		**(1,134,918)**	**14,917,341**
Net increase in cash		501,085	144,006
Cash at the beginning of the year	11	325,481	181,475
Cash at the end of the year	11	826,566	325,481

General Director A.V. Bushin

Chief Accountant M.V. Antipov

31 March 2008

Открытое акционерное общество «Пятая генерирующая компания оптового рынка электроэнергии» г. Екатеринбург ИНН 6671156423

OGK-5 Group
Consolidated Statement of Changes in Equity for the year ended 31 December 2007
(in thousands of Russian Roubles)

		Attributable to the shareholders of OJSC "OGK-5"							
	Note	Ordinary share capital	Treasury shares	Share premium	Retained earnings	Other reserves	Total	Minority interest	Total equity
At 1 January 2006		**29,407,170**	-	-	**1,838,843**	**(15,537,266)**	**15,708,747**	**255,339**	**15,964,086**
Revaluation of property, plant and equipment	6	-	-	-	-	18,698,442	18,698,442	492,520	19,190,962
Profit for the year		-	-	-	3,211,358	-	3,211,358	7,569	3,218,927
Total recognised income for the year		-	-	-	3,211,358	**18,698,442**	**21,909,800**	**500,089**	**22,409,889**
Transactions with minorities	12	864,516	-	-	(601,608)	492,520	755,428	(755,428)	-
Issue of ordinary shares	5, 12	5,100,000	-	6,818,747	-	-	11,918,747	-	11,918,747
Purchase of treasury shares	5	-	(879,549)	-	-	-	(879,549)	-	(879,549)
Employee share option plan	5	-	-	-	9,971	-	9,971	-	9,971
Dividends	12	-	-	-	(517,002)	-	(517,002)	-	(517,002)
At 1 January 2007		**35,371,686**	**(879,549)**	**6,818,747**	**3,941,562**	**3,653,696**	**48,906,142**	-	**48,906,142**
Revaluation of property, plant and equipment	6	-	-	-	-	10,354,223	10,354,223	-	10,354,223
Profit for the year		-	-	-	1,995,257	-	1,995,257	-	1,995,257
Fair value gain on available for sale investments	7	-	-	-	-	9,125	9,125	-	9,125
Total recognised income for the year		-	-	-	**1,995,257**	**10,363,348**	**12,358,605**	-	**12,358,605**
Issue of ordinary shares	12	212	-	-	(212)	-	-	-	-
Transactions with treasury shares	12	-	(2,473)	-	684	-	(1,789)	-	(1,789)
Employee share option plan	5	-	-	-	247,906	-	247,906	-	247,906
Dividends	12	-	-	-	(224,500)	-	(224,500)	-	(224,500)
At 31 December 2007		**35,371,898**	**(882,022)**	**6,818,747**	**5,960,697**	**14,017,044**	**61,286,364**	-	**61,286,364**

General Director A.V. Bushin

Chief Accountant M.V. Antipov

31 March 2008

Открытое акционерное общество «Пятая генерирующая компания оптового рынка электроэнергии» г. Екатеринбург ИНН 66711564

Note 1. The Group and its operations

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

On 9 February 2007 the Board of Directors of RAO UES of Russia approved the change of RAO UES of Russia interest in OJSC "OGK-5" from 75.03% to 50% by disposing of 8,859,757,803 of ordinary non-documentary shares of OJSC "OGK-5" (25.03%) through the open auction sale.

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

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

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

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

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

Relations with the state and current regulation.

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

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

On 1 June 2007, shareholders of OJSC "OGK-5" approved additional number of authorized shares in the quantity of 1,000,000 shares with a par value of RR 1.00 each. The reason for this decision was the share swap which should take place during the merger of OJSC "OGK-5 Holding" with and into OJSC "OGK-5". On 3 September 2007, the Company actually issued 212,866 shares, details see in Note 11

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

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

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

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

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

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

Industry restructuring. Electric power as a component of the energy and utilities sector is one of the primary industries and its contribution into the country's GDP is 10–11%. Similar to other sectors of energy and utilities, electric power currently dominates in the production sphere.

In 2007 RAO UES of Russia initiated a surge of its assets sales which shall be completed with the energy holding liquidation on 1 July 2008. Strategic investors entered the energy industry in 2007 and 11 generating companies were sold by the end of the year.

Federal Law No.35-FZ "On Electric Utilities" was amended in 2007 confirming that the reform will be continued and RAO UES of Russia will be liquidated. The amendments also tightened state control over electricity suppliers' activities in terms of price manipulation in the free market and their dominance.

In 2007 the wholesale market still operated under the NOREM rules set out by Resolution of the Russian Government No. 529 dated 31.08.2006, the liberalisation rate was 5% and 10% in the first and second half of the year, respectively, with the specifics in terms of electricity volumes supplied to the population taken into account, and by 2011 liberalisation rate will reach 100%.

It is expected that in 2008 a Resolution of the Russian Government will be issued on the launch of the capacity market where available capacity volumes will be allowed to be traded at the transition auctions providing for the supplies during 2009-2011 and long-term auctions for 10 years supplies, given they pass through the competitive selection procedure in their respective free power flow zone. For the first time, the wholesale market agents will have the possibility of concluding non-regulated contracts for capacity supply.

The wholesale electricity market is expected to be fully liberalised at the end of the transition period by 2011.

Recent volatility in global financial markets. Since the second half of 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. Debtors of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Management is unable to reliably estimate the effects on the Group's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

Note 2. Financial condition

As discussed above the Group is affected by government policy through the control of tariffs and other factors. The FTS does not always permit tariff increases in excess of increases in the Group's costs and thus some tariffs are insufficient to cover all the costs of generation. Moreover, these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognised under an IFRS basis of accounting. As a result, tariffs may not consistently allow for an adequate return on investment and currently do not provide sufficient funds for the full replacement of property, plant and equipment. However, during 2006 and to date in 2007, the growing demand for electricity and capacity together with increasing free trading sector of the wholesale electricity market have resulted in a higher rate of revenue growth (see Industry restructuring in Note 1).

Note 3. Basis of preparation

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

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

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

Changes in presentation. In the consolidated financial statements for the year ended 31 December 2007, the comparative Income Statement for the year ended 31 December 2006 has been reclassified. The reclassification has been made to report the effect of gross-up presentation of revenue and cost of electricity purchased on wholesale market (NOREM), which had been previously presented net-off for the period since 1 September 2006 till 31 December 2006. The effect of reclassifications on the consolidated Income statement for the year ended 31 December 2006 was as follows:

In thousands of Russian Roubles	**As originally presented**	**Adjustment**	**As adjusted**
Revenues	24,811,272	1,444,915	26,256,187
Operating expenses	(24,643,371)	(1,444,915)	(26,088,286)

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

Predecessor Accounting. In December 2004, RAO UES of Russia (the Parent at that time) transferred to the Company 51.0% and 99.9% of the outstanding ordinary shares of Konakovo SDPP and Nevinnomyssk SDPP, respectively and, representing a business, the property, plant and equipment of two power plants (Sredneuralsk SDPP and Reftino SDPP) as a contribution to the Company's charter capital. The Group accounted for this business combination amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at the carrying value, as determined by the Parent in its IFRS financial statements. The difference between the nominal value of share capital paid, the IFRS carrying value of the contributed net assets and the minority interest has been recorded as a merger reserve within equity attributable to the Company's shareholders (see Note 12).

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 *"Financial Reporting in Hyperinflationary Economies"* ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Hyperinflation in the Russian Federation ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, prior to the adoption of revaluation as a basis for accounting for property, plant and equipment (See Note 4) on 1 January 2006, the amounts expressed in the measuring unit current at 31 December 2002 were treated as the basis for the carrying amounts of these financial statements.

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

- IFRS 7 *Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures* (effective from 1 January 2007). This IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these consolidated financial statements;

- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The effect of adoption of the above new standard and interpretations (except IFRS 7) on the Group's financial position at 31 December 2007 and 31 December 2006 and on the results of its operations for the periods ended on the specified dates was not significant.

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

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

- ***IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009)***. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group is currently assessing what impact the standard will have on segment disclosures in the consolidated financial statements.
- ***Puttable financial instruments and obligations arising on liquidation – IAS 32 and IAS 1 Amendment (effective from 1 January 2009)***. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.
- ***IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).*** The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amended standard on its financial statements.
- ***IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009)***. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies,

or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

- ***IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).*** The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.
- ***IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).*** The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.]
- ***Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2008).*** The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.
- ***IFRIC 13, Customer loyalty programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008).*** IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

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

- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

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

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

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

Property, plant and equipment. Fair value of property, plant and equipment has been determined by an independent appraiser based on the depreciated replacement cost method. Further, management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period when these assets will bring economic benefit to the Group. Carrying value and depreciation of property, plant and equipment are affected by the estimates of replacement cost, depreciated replacement cost, residual value and remaining useful lives, and actual results could differ from these estimates. See effect of these critical accounting estimates and assumptions in Note 6.

Provision for impairment of trade and other receivables. Provision for impairment of trade and other receivables is based on the Group's assessment of whether the collectibility of specific customer accounts worsened compared to prior estimates. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates. See effect of these critical accounting estimates and assumptions in Note 8.

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in these IFRS financial statements. See effect of these critical accounting estimates and assumptions in Note 25.

Note 4. Summary of significant accounting policies

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

A) Subsidiaries

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

B) Transactions eliminated on consolidation

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

C) Transactions with minority interest

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

D) Associates

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

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

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

A) Financial assets at fair value through profit or loss

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

B) Loans and receivables

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

C) Held to maturity investments

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

D) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

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

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

(in thousands of Russian Roubles)

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

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

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

Except for loans and receivables and available for sale investments, the Group did not have other financial assets in the year 2007.

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

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

Property, plant and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserves in equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement. The Company does not transfer revaluation surplus directly to retained earnings when the asset is derecognized or as the asset is used by the entity.

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

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

Renewals and improvements are capitalized and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred.

Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred.

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

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

Type of facility	
Electricity and heat generation	5-80
Electricity distribution	2-25
Heating networks	5-25
Other	5-40

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

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

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

Trade and other receivables. Accounts receivable are recorded inclusive of value added taxes. Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of provision for impairment account. When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related deferred VAT liability is maintained until the debtor is written off.

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

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

Income taxes

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

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

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

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

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

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

Borrowing Costs. Borrowing costs are recognized as an expense in the period in which they are incurred.

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

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

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

Defined benefit plans determine the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service cost. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

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

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

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

Revenue recognition. Revenue is recognised on the delivery of electricity and heat and on the dispatch of non-utility goods and services during the period. Revenue amounts are represented exclusive of value added tax.

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

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

Share-based payment transactions. The share option plan allows Group employees to acquire shares of OJSC "OGK-5". The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured based on the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

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

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

Note 5. Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2007 and the year ended 31 December 2006 or had significant balances outstanding at 31 December 2007 and 31 December 2006 are detailed below.

The open auction for the sale of 25.03% of OJSC "OGK-5" shares owned by RAO UES of Russia was held on 6 June 2007. Enel Investment Holding B.V. won the auction. On 11 July 2007 the share of participation Enel in the capital of Company has grown up to 29.9997%.

On 3 September 2007 reorganization of the Company took place and in structure of the share capital of the Company has appeared Russian Federation (26.43 %). Since that RAO UES of Russia is not the shareholder of the Company.

At 31 December 2007 the Company has major shareholders, which can exercise significant influence over the Company – Enel Investment Holding B.V. (37.15%) and Russian government (26.43%) and no Parent. (At 31 December 2006 RAO UES of Russia owned 75.03% of shares of OJSC "OGK-5".). After the balance sheet date Enel Investment Holding B.V. obtained control over the Company, details see in Note 27.

Operations with Enel Investment Holding B.V.

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

Operations with RAO UES of Russia and its subsidiaries

Russia Government is the ultimate controlling party of the RAO UES of Russia, owning 52.6832 %.

(in thousands of Russian Roubles)

For the year ended 31 December 2007 the Company had the following transactions and balances with RAO UES of Russia:

	For the period from 1 January 2007 to 2 September 2007	For the period from 3 September 2007 to 31 December 2007	Year ended 31 December 2006
Sales			
Other	-	-	10,860
Purchases			
Purchases of property, plant and equipment	-	-	402,125
Other	30	8	-

	Year ended 31 December 2007	Year ended 31 December 2006
Trade and other payables	48,034	65,087

Transaction with subsidiaries of the Group of RAO UES of Russia for the year ended 31 December 2007 and 31 December 2006 were as follows:

	For the period from 1 January 2007 to 2 September 2007	For the period from 3 September 2007 to 31 December 2007	Year ended 31 December 2006
Revenues			
Electricity	15,284,259	8,217,501	17,092,593
Heating	566,320	371,582	885,063
Other	74,971	42,510	134,239
Purchases			
Raw materials and supplies	465	-	188,745
SO CDU services	292,710	146,355	387,121
Electricity	903,885	42,393	-
Other	25,114	21,776	153,398
Interest expense	-	-	18,200

	31 December 2007	31 December 2006
Trade and other receivables	1,110,706	941,434
Provision for impairment of trade receivables	(429,953)	(429,953)
Trade and other payables	41,522	51,742

Transaction with other related parties for the year ended 31 December 2007 and 31 December 2006 were as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Revenues		
Other	831	6

	31 December 2007	31 December 2006
Trade and other payables	-	7

Reversal of provision for impairment of trade and other receivables recognized as income during the year ended 31 December 2007 is nil (during the year ended 31 December 2006 – RR 508,240 thousand).

State-controlled entities, other than RAO UES of Russia and its subsidiaries

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

(in thousands of Russian Roubles)

For the year ended 31 December 2007 and 31 December 2006, the Company had the following significant transactions and the following balances with state-controlled entities.

The information submitted below, does not include transactions and the balances with RAO UES of Russia and its subsidiaries. These transactions and balances are shown in Note 5 «Operations with RAO UES of Russia and its subsidiaries».

	Year ended 31 December 2007	Year ended 31 December 2006
Revenues		
Electricity	4,942	-
Heating	149,774	141,003
Other	7,266	5,186
Purchases		
Fuel	6,352,104	5,300,582
Raw materials and supplies	2,186	-
Purchases of property, plant and equipment	1,181	-
Other	862	-
Finance income	280,374	10,249
Finance cost	3,927	67,876

	31 December 2007	31 December 2006
Trade and other receivables	453,756	22,338
Trade and other payables	53,062	21,103
Current borrowings and current portion of non-current borrowings	-	530,566

Deposits held in state-controlled banks

	31 December 2007	31 December 2006
JSB "Russian Agricultural Bank" Yaroslavl Branch (OJSC)	1,750,000	1,000,000
JSB "Sberbank"	850,000	-
JSB "TransCreditBank" (OJSC)	500,000	1,000,000
JSB "Gazprombank" (CJSC)	-	3,000,000
Total	**3,100,000**	**5,000,000**

Transactions with key management

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

At 31 December 2007 interest-free loans receivable from key management were RR 3,588 thousand (at 31 December 2006: RR 6,356 thousand).

Total remuneration accrued and paid to the members of the Board of Directors and Management Board for the year ended 31 December 2007 and for the year ended 31 December 2006 was as follows:

	Year ended 31.12.2007		Year ended 31.12.2006	
	Expense	**Accrued liability**	**Expense**	**Accrued liability**
Remuneration	193,940	67,126	86,480	27,114
Share option plan	110,176	-	-	-
Retirement benefit obligation	5,298	3,486	3,294	1,919

At 31 December 2007 there were 11 members of the Board of Directors and 7 members of the Management Board.

(in thousands of Russian Roubles)

In February 2008 it was decided that 3 of key management personnel will to have their contracts terminated with effect from 31 March 2008. Details are disclosed in the Note 27 "Post balance sheet events".

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

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

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

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

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

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

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

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

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

Option can be exercised by a Plan participant in the period of 2 – 3 weeks from the date vested.

As at 31 December 2006, in the course of the Plan implementation the Group had purchased 350,383,660 treasury shares. Their purchase cost was RR 879,549 thousand. The shares were purchased by OOO "OGK-5 Finance" during the initial public offering of 5,100,000 thousand shares performed by the Company in 2006 (details see in Note 12).

	Quantity of shares	**Weighted average exercise price, RR**
Options, granted as at 31 December 2006	318,661,252	2.30
Options, granted during the year ended 31 December 2007	15,616,086	3.19
Options, forfeited during the year ended 31 December 2007	(6,890,183)	2.36
Options, granted at 31 December 2007	**327,387,155**	**2.34**

(in thousands of Russian Roubles)

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

	Options, granted as at 31.12.2007	Options, granted as at 31.12.2006
Share price (in Russian Roubles)	3.59-4.23	2.90
Exercise price (in Russian Roubles)	2.60-3.55	2.30
Expected volatility	27%-32%	27%
Option life	1,096 days	1,096 days
Risk-free interest rate	6.13%	6.13%
Fair value at measurement date (in Russian Roubles)	**1.51**	**1.11**

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

For options granted as of December 31, 2007, exercise price amounted from 2.30 roubles to 3.55 roubles for one share, and the average weighted for lead time amounted to 712 days.

During the year ended 31 December 2007, the Group recognised an expense of RR 247,906 thousand related to the fair value of the options (during the year ended 31 December 2006 – RR 9,971 thousand).

Part of the options belonging to key management personnel were realized advance in schedule in 2008. Details are disclosed in the Note 27 "Post balance sheet events".

Note 6. Property, plant and equipment

Appraisal value	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 1 January 2007	**32,122,077**	**1,836,558**	**447,429**	**2,666,462**	**9,046,882**	**46,119,408**
Additions	4,672	3,627	-	7,854,887	150,209	8,013,395
Transfer	2,195,061	270,429	-	(3,164,534)	699,044	-
Disposals	(15,296)	(1,185)	(153)	(80,771)	(92,084)	(189,489)
Elimination of accumulated depreciation	(2,354,952)	(336,260)	(36,710)	-	(1,316,038)	(4,043,960)
Revaluation	10,332,508	691,855	83,770	-	2,515,844	13,623,977
Closing balance as at 31 December 2007	**42,284,070**	**2,465,024**	**494,336**	**7,276,044**	**11,003,857**	**63,523,331**
Accumulated depreciation						
Opening balance as at 1 January 2007	**1,165,976**	**170,682**	**18,390**	**-**	**649,464**	**2,004,512**
Charge for the period	1,190,418	165,838	18,393	-	693,733	2,068,382
Disposals	(1,442)	(260)	(73)	-	(27,159)	(28,934)
Elimination of accumulated depreciation	(2,354,952)	(336,260)	(36,710)	-	(1,316,038)	(4,043,960)
Closing balance as at 31 December 2007	-	-	-	-	-	-
Net book value as at 1 January 2007	**30,956,101**	**1,665,876**	**429,039**	**2,666,462**	**8,397,418**	**44,114,896**
Net book value as at 31 December 2007	**42,284,070**	**2,465,024**	**494,336**	**7,276,044**	**11,003,857**	**63,523,331**

(in thousands of Russian Roubles)

Appraisal value	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 1 January 2006	24,274,709	3,271,178	426,312	1,192,149	6,368,376	35,532,724
Elimination of accumulated depreciation	(11,422,364)	(1,490,758)	(102,060)	-	(4,396,292)	(17,411,474)
Revaluation	18,764,497	22	122,535	-	6,364,212	25,251,266
Additions	57,353	807	642	2,864,259	159,187	3,082,248
Transfer	758,632	68,460	-	(1,384,858)	557,766	-
Disposals	(310,750)	(13,151)	-	(5,088)	(6,367)	(335,356)
Closing balance as at 31 December 2006	**32,122,077**	**1,836,558**	**447,429**	**2,666,462**	**9,046,882**	**46,119,408**
Accumulated depreciation						
Opening balance as at 1 January 2006	11,422,364	1,490,758	102,060	-	4,396,292	17,411,474
Elimination of accumulated depreciation	(11,422,364)	(1,490,758)	(102,060)	-	(4,396,292)	(17,411,474)
Charge for the period	1,177,266	172,060	18,390	-	650,404	2,018,120
Disposals	(11,290)	(1,378)	-	-	(940)	(13,608)
Closing balance as at 31 December 2006	**1,165,976**	**170,682**	**18,390**	**-**	**649,464**	**2,004,512**
Net book value as at 1 January 2006	**12,852,345**	**1,780,420**	**324,252**	**1,192,149**	**1,972,084**	**18,121,250**
Net book value as at 31 December 2006	**30,956,101**	**1,665,876**	**429,039**	**2,666,462**	**8,397,418**	**44,114,896**

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

Fair values were determined as at 31 December 2007 primarily based on the depreciated replacement cost method. The replacement cost of buildings, constructions and transfer devices has been estimated based on technical characteristics, unit construction cost and construction estimates. The replacement cost of equipment was estimated based on data of aggregative replacement cost of heat-power station, current purchase contracts and price-list of producers and trading companies. The economic obsolescence was estimated based on profitability test results for each cash-generating unit – Konakovo SDPP, Nevinnomyssk SDPP, Reftino SDPP, Sredneuralsk SDPP. The discount rate used was 12%, the forecast period – 18 years, long-term growth – 3%. As a result of the revaluation, the Group's equity increased by RR 10,354,223 thousand, comprising an increase in carrying value of property, plant and equipment of RR 13,623,977 thousand, net of related deferred tax of RR 3,269,754 thousand.

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

Cost	Heat and electricity generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Net book value as at 31 December 2007	12,709,060	1,790,488	283,783	7,276,044	2,058,621	24,117,996
Net book value as at 31 December 2006	12,065,703	1,683,121	304,391	2,666,461	2,006,620	18,726,296

The assets transferred to the Company upon privatization did not include the land on which the Company's buildings and facilities are situated. The Company is in the position to either acquire this land into property or formalize the respective lease rights. Currently in relation to Sredneuralsk SDPP, 5 lease contracts are executed for 19 land areas for the term until December 2008. During the period December 2006 - December 2007, 10 land areas were transferred into property at Nevinnomyssk SDPP. For the land occupied by Konakovo SDPP and Reftino SDPP, the right for perpetual use has been registered, while the title belongs to the state. In accordance with Russian legislation, the Group plans to reregister the perpetual use right to the tenancy right for these land, or to acquire title for them.

(in thousands of Russian Roubles)

As at 31 December 2007 and at 31 December 2006 no property, plant equipment balances were pledged as collateral according to loan agreements.

Property, plant and equipment write-off. On 20 December 2006 as a result of an emergency at Reftino SDPP was the partial collapse of roof of the turbine workshop. The write-off was recognised in the 2006 income statement totaling to RR 312,849 thousand. The right for insurance compensation arose in 2007. During the period starting from 1 January 2007 till issuance of these financial statements the Group received insurance compensation in the amount of RR 779,712 thousand, including RR 616,385 thousand, during the year ended 31 December 2007. Compensation for damaged and destroyed property, plant and equipment items is based on accounting values under Regulations on Accounting and Reporting of the Russian Federation. In the nearest future, the Group is expecting to bear additional expenses relating to this accident, which are expected to be compensated in full (as described above) per the agreement with the insurance company.

Impairment

In the cost model carrying value of property, plant and equipment would have been stated net of an impairment loss of RR 220,316 thousand at 31 December 2007 and of RR 237,173 thousand at 31 December 2006.

Management believes that there were no indications of impairment of the Group's principal operating assets at 31 December 2007, due to the following reasons:

- higher than expected growth of demand for electricity and heat in regions in which the Group operates, which is based on recent trends;
- higher certainty about the free trading sector for electricity, which has been enacted by the government of the Russian Federation as of August 2006 (see Note 1);
- the prices for gas, tariffs for electric energy and heat (in regulated sector), authorized by corresponding regulating bodies for 2007, have grown by 15.0%, 15.0 % and 16.5 % accordingly in comparison with the year ended 31 December 2006;
- the prices for gas, tariffs for electric energy and heat (in regulated sector), authorized by corresponding regulating bodies for 2008, have grown by 25.0 %, 12.0 % and 21.2 % respectively in comparison with the year ended 31 December 2007.

Operating leases

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

Operating lease rentals are payable as follows:

	31 December 2007	31 December 2006
Less than one year	5,260	8,233
Between one and five years	1,485	7,961
More than five years	7,438	7,856
Total	**14,183**	**24,050**

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

(in thousands of Russian Roubles)

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

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Total
Appraisal value as at 31 December 2006	149,989	1,245	625	439,151	591,009
Accumulated depreciation as at 31 December 2006	6,960	59	44	13,647	20,710
Net book value as at 31 December 2006	143,028	1,186	581	425,504	570,299
Appraisal value as at 31 December 2007	167,712	1,105	497	435,313	604,628
Accumulated depreciation as at 31 December 2007	14,480	104	53	32,322	46,959
Net book value as at 31 December 2007	153,232	1,001	444	402,967	557,644
Depreciation charge for the year ended 31 December 2007	7,735	65	50	19,724	27,575

Note 7. Other non-current assets

	31 December 2007	31 December 2006
Investments in other entities	96,455	86,237
Long-term loans issued	71,749	34,179
Total financial assets	**168,204**	**120,416**
Non-current portion of value added tax recoverable	616,726	64,589
Other	57,748	35,778
Total other non-current assets	**842,678**	**220,783**

Investments in other entities include available for sale investments in RAO UES of Russia (0.0066%) determined at fair value directly as changes in equity at the reporting date: at 31 December 2007 in the amount of RR 90,683 thousand and at 31 December 2006 in the amount of RR 81,320 thousand.

In the process of spin-off of Open Joint Stock Company «TGK-5» from RAO UES of Russia (which took place at the same day as spin-off of OGK-5), the Group received shares of Open Joint Stock Company «TGK-5», classified as «available-for-sale financial assets» and presented at fair value on 31 December 2007 in amount of RR 855 thousand . All available for sale investments represent the only class – equity securities of listed companies.

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

Note 8. Trade and other receivables and other current assets

	31 December 2007	31 December 2006
Trade receivables (net of provision for impairment of trade receivables of RR 429,953 thousand at 31 December 2007 and RR 429,953 thousand at 31 December 2006)	1,116,577	737,414
Accrued finance income	67,417	37,779
Total financial assets	**1,183,994**	**775,193**
Advances to suppliers	1,690,306	623,550
Other receivables (net of provision for impairment of other receivable of RR 5,516 thousand at 31 December 2007 and RR 5,518 thousand at 31 December 2006)	919,030	457,380
Value added tax recoverable	23,027	9,017
Total trade and other receivables and other current assets	**3,816,357**	**1,865,140**

(in thousands of Russian Roubles)

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

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

During the year ended 31 December 2007 RR 173,692 thousand of the Company's total accounts receivable was settled via non-cash settlements, mostly by promissory notes (the year ended 31 December 2006: RR 915,841 thousand, mostly by offsetting of counter-claims, and write-off of accounts receivable).

As at 31 December 2007 trade receivables of RR 215,303 thousand (as at 31 December 2006: RR 226,422 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is shown in the table below.

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

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

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

	Year ended 31 December 2007	**Year ended 31 December 2006**
As at 1 January	435,471	1,156,819
Trade receivables written-off during the year as uncollectible	-	(198,569)
Unused amounts reversed	-	(522,779)
As at 31 December	**435,471**	**435,471**

All impaired trade receivables are older than 1 year. The individually impaired receivables mainly relate to wholesalers, which are located in the Caucasus region and are in unexpected difficult economic situation.

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

Other receivables are mainly represented by prepayments for insurance.

The Group does not hold any collateral as security.

Note 9. Inventories

	31 December 2007	**31 December 2006**
Fuel supplies	1,307,323	1,651,233
Materials and supplies	252,195	222,998
Other inventories (net of provision for impairment of RR 9,595 thousand at 31 December 2007 and RR 3,403 thousand at 31 December 2006)	628,686	639,366
Total inventories	**2,188,204**	**2,513,597**

(in thousands of Russian Roubles)

At 31 December 2007 and at 31 December 2006 none of the inventory held were pledged as collateral according to loan agreements.

Note 10. Short-term investments

Short term investment are classified as financial assets category "loans and receivables".

	31 December 2007	31 December 2006	Rating 31 December 2007	Rating 31 December 2006	Rating agency
Bank deposits					
JSCB "International Moscow Bank " (CJSC)	1,904,772	1,752,210	BBB	BB/B	S & P
JSB "Russian Agricultural Bank" Yaroslavl Branch (OJSC)	1,750,000	1,000,000	Baa2	Baa1	Moody's
JSCB "Promsvyazbank" (CJSC)	400,000	1,500,000	Ba3	Ba3	Moody's
JSB "Sberbank"	850,000	-	Baa2	A2	Moody's
JSCB "International Industrial Bank" (CJSC)	500,000	1,000,000	B1	B1	Moody's
JSCB "Svyaz-Bank" (OJSC)	-	800,000	B2	Baa1	Moody's
JSCB "Petrocommerce" (OJSC)	450,000	1,700,000	Ba3	Ba3	Moody's
JSB "TransCreditBank" (OJSC)	500,000	1,000,000	Ba1	Ba3	Moody's
JSCB "Absolut Bank" (CJSC)	-	300,000	Baa3	B1	Moody's
JSB "Gazprombank" (CJSC)	-	3,000,000	Baa2	A3	Moody's
JSB "Nomos-Bank" (CJSC)	750,000	-	Ba3	B1	Moody's
JSCB "Region" (OJSC)	55 500	-	-		-
Total bank deposits	**7,160,272**	**12,052,210**	-		
Bank bills of exchange					
JSCB "CIT Finance Investment bank" (OJSC)	-	1,000,000	B2	-	Moody's
Total bank bills of exchange	-	**1,000,000**	-		
Total short-term investments	**7,160,272**	**13,052,210**	-		

In November – December 2006 and also in April and June 2007 the Company deposited its cash collected from the initial public offering, which took place in November 2006, with banks for less than one year period. Deposit interest rates are fixed and vary from 3.0 per cent per annum to 9.7 per cent per annum.

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

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

Note 11. Cash

	31 December 2007	31 December 2006
Letter of credit	670,958	-
Cash at bank and in hand	155,608	325,481
Total cash	**826,566**	**325,481**

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

The currency of cash is the Russian Roubles.

(in thousands of Russian Roubles)

Note 12. Equity

Share capital *Number of shares unless otherwise stated*	**Ordinary shares 31 December 2007**	**Ordinary shares 31 December 2006**
Issued shares	35,371,898,370	35,371,685,504
Par value (in RR)	1.00	1.00

Issue of shares

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

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

Total costs of issuing shares accounted for as a deduction from equity in 2006 amounted to RR 359,503 thousand.

In September, 2007 ordinary shares were issued by Company at the amount to 212,866 shares. Those shares were placed by conversion of shares of Open Joint Stock Company «OGK-5 Holding» to the shares of OJSC «OGK-5» in spin-off process of «OGK-5 Holding» from RAO UES of Russia, and with simultaneous merger of OJSC «OGK-5 Holding» to OJSC «OGK-5». (Details of the spin-off process are described in Note 1.).

Treasury shares

At the moment of the consolidation of OJSC «OGK-5 Holding» to OJSC «OGK-5» 17,685,842,752 treasury shares entered the balance of the Company at the book value of the merging company totaling to RR 57,727,590 thousand (50% of the share capital of the Company), paid by RAO UES of Russia as a contribution for the share capital of OJSC «OGK-5 Holding». The shares of OJSC «OGK-5 Holding» in the amount of 17,685,633,044 shares totaling to RR 57,726,906 thousand were converted into the Company's shares and placed among the shareholders of OJSC «OGK-5 Holding», while the non-placed part in the quantity of 209,708 ordinary registered shares of OJSC «OGK-5» remained in the balance of the Company. The book value of these treasury shares totaled to RR 684 thousand.

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

In total, during the year ended 31 December 2007, the Group obtained 1,378,622 shares totaled to RR 2,473 thousand, which is reflected in the Consolidated Statement of Changes in Equity in a separate line.

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

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

Nominal value of treasury shares as at 31 December 2007 was RR 351,770 thousand (as at 31 December 2006 – RR 350,383 thousand).

Transactions with minorities

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

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

(in thousands of Russian Roubles)

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

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

On 1 June 2007 the Annual General Meeting of OJSC "OGK-5" Shareholders determined the amount of dividends for the six months ended 31 December 2006 in the amount of RR 0.00634689 per ordinary share for the total of RR 224,500 thousand. These dividends were paid and deducted from equity at 31 December 2007.

Other reserves

	31 December 2007	31 December 2006
Merger reserve	(15,537,266)	(15,537,266)
Revaluation reserve	29,545,185	19,190,962
Fair value gain on available for sale investments	9,125	-
Total other reserves	**14,017,044**	**3,653,696**

Note 13. Income tax

Income tax (charge)/benefit	Year ended 31 December 2007	Year ended 31 December 2006
Current income tax benefit/(charge)	174,149	(282,002)
Deferred income tax (charge)/benefit	(258,550)	3,309,760
Total income tax (charge)/benefit	**(84,401)**	**3,027,758**

During the year ended 31 December 2007 the Group entities were subject to a 24% income tax rate on taxable profits.

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

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

	Year ended 31 December 2007	Year ended 31 December 2006
Profit before tax	2,079,658	191,169
Theoretical tax charge at the statutory tax rate of 24%	(499,118)	(45,881)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Tax loss carry forward	191,940	-
Differences occurred in prior periods and recognized in current period related to recalculation of Income tax for prior periods	246,001	-
Income tax interest and penalties	-	(63,954)
Effect of recognition of increase in tax value of property, plant and equipment related to prior period	-	3,277,824
Tax effect of value added tax on tariff imbalance reimbursed/(paid)	31,781	(31,781)
Tax effect of operating income and expenses which are not assessable for taxation purposes	(55,005)	(108,450)
Total income tax (charge)/ benefit	**(84,401)**	**3,027,758**

(in thousands of Russian Roubles)

Following favorable court rulings during the year ended 31 December 2006 the Company increased the tax base of property, plant and equipment of Sredneuralsk SDPP and Reftino SDPP to fair value at the date of contribution of these assets by the Parent. Previously predecessor tax base had been applied, which was the position of the tax authorities the Company was disputing. As a result of the recognition of increase in tax value of property, plant and equipment a deferred tax benefit of RR 3,277,824 thousand was recognized in the income statement for the year ended 31 December 2006.

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

	31 December 2006	Movement for the year recognised in the income statement	Movement for the year recognised in statement of changes in equity	31 December 2007
Total deferred tax liabilities	(5,611,972)	(536,172)	(3,272,636)	(9,420,780)
Total deferred tax assets	189,592	277,622	-	467,214
Deferred tax liabilities, net	**(5,422,380)**	**(258,550)**	**(3,272,636)**	**(8,953,566)**

The year ended 31 December 2007

Deferred income tax liabilities

	1 January 2007	Movement for the year recognized in the income statement	Movement for the year recognized in statement of changes in equity	31 December 2007
Property, plant and equipment	(5,595,447)	(551,814)	(3,269,754)	(9,417,015)
Other	(16,525)	15,642	(2,882)	(3,765)
Total deferred tax liabilities	**(5,611,972)**	**(536,172)**	**(3,272,636)**	**(9,420,780)**

Deferred income tax assets

	1 January 2007	Movement for the year recognized in the income statement	31 December 2007
Unused tax loss carryforward		196,846	196,846
Provision for impairment of trade receivables	75,962	5,709	81,671
Trade receivables	2,360	4,833	7,193
Trade and other payables	44,378	28,296	72,674
Retirement benefit obligation	64,529	26,462	90,991
Other	2,363	15,485	17,848
Total deferred tax assets	**189,592**	**277,622**	**467,214**

The year ended 31 December 2006

Deferred income tax liabilities

	1 January 2006	Movement for the year recognized in the income statement	Movement for the year recognized in the statement of changes in equity	31 December 2006
Property, plant and equipment	(3,025,506)	3,490,363	(6,060,304)	(5,595,447)
Inventories	-	(10,053)	-	(10,053)
Trade and other payables	(31,285)	31,285	-	-
Other	(11,998)	5,526	-	(6,472)
Total deferred tax liabilities	**(3,068,789)**	**(3,517,121)**	**6,060,304**	**5,611,972**

(in thousands of Russian Roubles)

Deferred income tax assets

	1 January 2006	Movement for the year recognized in the income statement	31 December 2006
Provision for impairment of trade receivables	174,081	(98,119)	75,962
Trade receivables	158,984	(156,624)	2,360
Trade and other payables	27,922	16,456	44,378
Retirement benefit obligation	-	64,529	64,529
Inventories	22,233	(22,233)	-
Other	13,733	(11,370)	2,363
Total deferred tax assets	**396,953**	**(207,361)**	**189,592**

Note 14. Non-current borrowings

At 31 December 2007 this line shows amounts payable on the Company's bonds issued. In October 2006 OJSC "OGK-5" performed public offering of ordinary documentary interest bearing non-convertible bonds, with a mandatory centralized custody.

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

Bonds are traded on MICEX. As at 31 December 2007 the quoted prices were 98.99% of nominal value.

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

Note 15. Retirement benefit obligation

The tables below provide information about the benefit obligations, plan assets and actuarial assumptions used for the year ended 31 December 2007. Amounts recognized in the consolidated balance sheet:

	31 December 2007	31 December 2006
Present value of defined benefit obligations (DBO)	1,214,960	1,222,179
Unrecognised actuarial losses	59,771	51,736
Unrecognised past service cost	(895,603)	(1,005,044)
Net liability in balance sheet	**379,128**	**268,871**

Benefit expenses recognized in the consolidated income statement:

	Year ended 31 December 2007	Year ended 31 December 2006
Current service cost	71,498	40,228
Interest cost	82,497	59,438
Amortisation of past service cost	113,998	66,210
Benefit plan amendment – immediate recognition of vested prior service cost	-	176,017
Total benefit expenses	**267,993**	**341,893**

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

	31 December 2007	31 December 2006
Present value of defined benefit obligations (DBO) at beginning of year	**1,222,179**	-
Current service cost	71,498	40,228
Interest cost	82,497	59,438
Actuarial (gain)/loss	(8,035)	(51,736)
Past service cost	4,556	784,931

(in thousands of Russian Roubles)

	31 December 2007	31 December 2006
Benefits paid	(157,735)	(73,022)
Benefit plan amendment	-	462,340
Present value of defined benefit obligations (DBO) at the end of year	**1,214,960**	**1,222,179**

Principal actuarial assumptions are as follows:

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

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

	31 December 2007	31 December 2006
Present value of defined benefit obligations (DBO)	1,214,96)	1,222,179
Deficit in plan	1,214,960	1,222,179
Losses arising from experience adjustments on plan liabilities	8,035	51,736

Expected payments under the schemes in 2008 are RR 212,312 thousand.

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

	31 December 2007	31 December 2006
Current borrowings	-	530,566
Current portion of non-current borrowings	87,767	90,411
Total current borrowings and current portion of non-current borrowings	**87,767**	**620,977**

Current portion of non-current borrowings represents accrued coupon yield payable on placed bonds (see Note 14) for the period from 5 October 2007 till 31 December 2007. A 7.5 per cent per annum fixed interest rate was determined at the competitive bidding conducted on the date of bond placement. According to Offering Memorandum the coupon period for the payment of coupon yield to securities holders is set at 182 days. Payment of the coupon yield for the first coupon period was made in April 2007, payment for the second coupon period was made in October 2007.

Note 17. Trade and other payables

	31 December 2007	31 December 2006
Trade payables	2,159,350	1,288,411
Total financial liabilities	**2,159,350**	**1,288,411**
Accrued liabilities and other payables	667,448	261,058
Advances received	32,799	15,032
Dividend payable	19,944	19,574
Total trade and other payables	**2,879,541**	**1,584,075**

Trade payables are classified as financial liabilities. Total amount of financial liabilities as at 31 December 2007 comprises RR 7,247,117 thousand (as at 31 December 2006: RR 6,909,388 thousand) and includes, beside trade payables, non-current borrowing (Note 14) and current borrowings and current portion of non-current borrowings (Note 16).

Management believes that the majority of suppliers, balances of which are included into trade payables, comprise the single class, as they bear the same characteristics. Those suppliers are mainly providers of repair and maintenance services.

(in thousands of Russian Roubles)

Note 18. Other taxes payable

	31 December 2007	31 December 2006
Property tax	161,197	205,160
Value added tax	105,791	121,710
Payroll taxes	23,649	20,942
Fines and interest	16,049	22,251
Other taxes	238,357	211,276
Total taxes payable	**545,043**	**581,339**

The value added tax amount represent deferred VAT, which only becomes payable to the authorities when the underlying receivable balances are either recovered or written off.

Note 19. Revenues

Revenues	Year ended 31 December 2007	Year ended 31 December 2006
Electricity	31,520,153	24,420,710
Heating	1,630,480	1,518,609
Rent	56,632	29,314
Water circulation	43,594	23,256
Other	213,825	264,298
Total revenues	**33,464,684**	**26,256,187**

Approximately 14 % of sales of electricity for the year ended 31 December 2007 relates to resale of purchased power on wholesale market NOREM (for the year ended 31 December 2006 – 6%).

Note 20. Operating expenses

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Fuel		16,957,413	15,916,160
Purchased power expenses for resale		4,953,688	1,461,170
Employee benefits		2,707,365	1,690,864
Depreciation	6	2,068,382	2,018,120
Repairs and maintenance		2,065,632	2,059,606
Taxes other than income tax and payroll taxes		718,196	868,823
Water usage expenses		699,728	578,863
Loss on liquidation of fire consequences in Reftino SDPP in December 2006		515,340	
SO CDU services		439,065	387,121
Insurance cost		322,598	176,347
Security services		169,752	141,266
Consulting, legal and audit services		146,432	75,509
Raw materials and supplies		132,118	143,068
Social expenses		22,961	25,673
Reversal of provision for impairment of trade and other receivables		(2)	(522,779)
Loss on fixed assets disposal		39,478	-
Other expenses		666,739	1,068,475
Total operating expenses		**32,624,885**	**26,088,286**

(in thousands of Russian Roubles)

Employee benefits expenses comprise the following:

	Year ended 31 December 2007	Year ended 31 December 2006
Salaries and wages, accrued bonuses, other short-term benefits and payroll taxes	2,273,963	1,398,438
Share option plan	247,906	9,971
Updating of the pension plan - the cost of the past services recognized at a time	-	176,017
Non-governmental pension fund expenses	185,496	106,438
Employee benefits	**2,707,365**	**1,690,864**

Included in employee benefits expenses are statutory pension contributions of RR 223,488 thousand (2006: RR 172,992 thousand).

Note 21. Other operating income

	Year ended 31 December 2007	Year ended 31 December 2006
Compensation from third parties for items of property, plant and equipment that were lost	616,385	-
Other operating income	311,464	243,805
Total other operating income	**927,849**	**243,805**

Note 22. Finance items (net)

	Year ended 31 December 2007	Year ended 31 December 2006
Finance income	770,534	102,897
Interest expense	(463,313)	(268,463)
Effect of discounting	2,737	(55,280)
Total finance items (net)	**309,958**	**(220,846)**

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

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

Note 23. Earnings per share

	Year ended 31 December 2007	Year ended 31 December 2006
Weighted average number of ordinary shares issued (thousands)	35,371,898	30,785,093
Adjustment for weighed average number of treasury shares (thousands)	(350,840)	(46,078)
Weighted average number of ordinary shares outstanding (thousands)	35,021,058	30,739,015
Profit attributable to the shareholders of OJSC «OGK-5»	1,995,257	3,211,358
Earnings per ordinary share for profit attributable to the shareholders of OJSC "OGK-5" – basic and diluted (in Russian Roubles)	**0.06**	**0.10**

Note 24. Commitments

Fuel commitments. The following long-term contracts on delivery of gas for the needs of production were concluded by the Company:

- for the branch Nevinnomyssk SDPP - for delivery of the «limited» gas for a term of 5 years (2008-2012) with the regional gas company of OJSC «Gazprom» - OOO «Stavropolregiongas»; for delivery of additional volumes of gas, for a term of 4 years (2008-2011) with the regional gas company of OJSC «Gazprom» - OJSC «Stavropolregiongas»;
- for the branch Konakovo SDPP - for delivery of the «limited» gas for a term of 5 years (2008-2012) with the regional gas company of OJSC «Gazprom» - OOO «Tverregiongas»;
- for the branch Sredneuralsk SDPP - for delivery of gas for a term of 8 years (2008-2015) with the OJSC «Uralsevergas» (Independent supplier of gas of the OOO «NGK «Itera»).

For provision of gas deliveries for the needs of the branches Nevinnomyssk SDPP and Konakovo SDPP a long-term contract (until 31.12.2011) for gas delivery with OJSC "Novatek" was concluded in 2006.

At the end of 2006 a contract with the LLC "Uralenergougol" for 2 years was concluded with possibility of subsequent prolongation for the same term.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 14,609,761 thousand at 31 December 2007 (at 31 December 2006: RR 1,076,610 thousand).

Note 25. Contingencies

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

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

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

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

As at 31 December 2007 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

As at 31 December 2007 management estimates that the Group has the number of possible tax obligations (other than remote) which primarily relate to implementation of accelerated tax depreciation since 2006 (which was reflected in an amended tax return for 2006), transaction of share exchange with minority shareholders of OAO Konakovskaya GRES in 2005, value added tax from tariff imbalance and value added tax for factoring operations in 2004 – 2005.

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

Environmental matters. The Company and its predecessor have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian

(in thousands of Russian Roubles)

Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluate its obligations under environmental regulations.

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

Note 26. Financial instruments and financial risks

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

Power and heat produced by the Group is sold on the internal market of Russian Federation with prices fixed in the currency of Russian Federation. Hence, the Group is little subject to the foreign currency exchange risk. The financial condition of the Company, its liquidity, financing sources and the results of activities do not considerably depend on currency rates as the Group activities are planned to be performed in such a way that its assets and liabilities be denominated in the national currency. Moreover, the Group does not plan to perform activities on the outer market. That is why the influence of changes in the domestic currency rate as related to foreign currency rates on the financial condition of the Group is estimated as insignificant.

Credit risk. Credit risk – is the risk of financial loss for the Group in the case of non-fulfilment by the Contractor the obligations on the financial instrument under the proper contract. Financial assets on which the Company has the potential maximum credit risk are represented by the accounts receivable of buyers and customers (in amount of RR 1,116,577 thousand), accrued finance income (in amount of RR 67,417 thousand), bank deposits (in amount of RR 7,160,272 thousand), long-term loans issued (in amount of RR 71,749 thousand), investments in other entities (in amount of RR 96,455 thousand) and cash (in amount of RR 826,566 thousand), totalling to RR 9,339,036 thousand. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provision for impairment of receivables already recorded.

The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. The Board of Directors approved the list of banks for deposits, as well as rules for the placement of deposits. Moreover, the Company constantly evaluates the financial condition, ratings assigned by independent agencies, background and other factors.

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

Risk of liquidity. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities. The Company adheres to the balanced model of financing of working capital – both at the expense of short-term sources and long-term sources. Temporarily free funds are placed into short-term financial instruments, mainly bank deposits and bills of exchange. Current liabilities are represented mainly by the account payable to suppliers and contractors. The obligation with repayment in 2011 (but with «put» option for proprietors in the October, 2009) is presented by the bond (See also Note 14).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant (see also Note 16).

At 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	374,000	374,000	5,748,000
Trade and other payables	2,879,541	-	
At 31 December 2006			
Borrowings	904,566	374,000	6,122,000
Trade and other payables	1,584,075	-	

(in thousands of Russian Roubles)

Interest rate risk. The Group's operating profits and cash flows from operating activity are largely not dependent on the changes in market interest rates. The Company is only exposed to fair value interest rate risk as all of its borrowings are at fixed interest rates. The Group's significant interest bearing assets are disclosed in note 10. To eliminate the adverse impact of changes in interest rates on its activities, the Company plans to raise long-term loans and borrowings to avoid negative influence of short-term fluctuations in interest rates.

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

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

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

As at 31 December 2007, the Group has been in compliance with the above share capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

	31 December 2007	**31 December 2006**
Total borrowings	5,087,767	5,620,977
Cash (Note 11)	826,566	325,481
Net debt	4,261,201	5,295,496
Total equity	61,286,364	48,906,142
Total capital	65,547,565	54,201,638
Gearing ratio	**7%**	**10%**

Decrease of gearing ratio within the year ended 31 December 2007 is caused by increase in cash due to the letter of credit.

Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2007:

	Loans and receivables	**Available-for-sale assets**	**Total**
ASSETS			
Trade receivables (Note 8)			
Trade receivables	1,116,577	-	1,116,577
Accrued finance income	67,417	-	67,417

(in thousands of Russian Roubles)

	Loans and receivables	Available-for-sale assets	Total
Short-term investments (Note 10)			
Bank deposits	7,160,272	-	7,160,272
Other non-current assets (Note 7)			
Long-term loans issued	71,749	-	71,749
Investments in other entities		96,455	96,455
Cash (Note 11)	826,566	-	826,566
TOTAL FINANCIAL ASSETS	**9,242,581**	**96,455**	**9,339,036**
NON-FINANCIAL ASSETS			69,800,817
TOTAL ASSETS			**79,139,853**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2006:

	Loans and receivables	Available-for-sale assets	Total
ASSETS			
Trade receivables (Note 8)			
Trade receivables	737,414	-	737,414
Accrued finance income	37,779	-	37,779
Short-term investments (Note 10)			
Bank deposits	12,052,210	-	12,052,210
Bank bills of exchange	1,000,000		1,000,000
Other non-current assets (Note 7)			
Long-term loans issued	34,179	-	34,179
Investments in other entities		81,320	81,320
Cash (Note 11)	325,481	-	325,481
TOTAL FINANCIAL ASSETS	**14,187,063**	**81,320**	**14,268,383**
NON-FINANCIAL ASSETS			48,115,401
TOTAL ASSETS			**62,383,784**

All of the Group's financial liabilities as at 31 December 2007 and as at 31 December 2006 are carried at amortised cost.

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

Note 27. Post balance sheet events

Parent. On October 26, 2007 Enel Investment Holding B.V. acquired 37.15% of ordinary shares of the Company. In accordance with the requirements of current legislation of the Russian Federation, on November 15, 2007 Enel Investment Holding B.V. sent to the minority shareholders a public offer regarding repurchase of shares of OJSC "OGK-5" (obligatory offer). On February 4, 2008 the term of obligatory offer has expired. Within the framework of realization of obligatory offer a part of participation of Enel Investment Holding B.V. in the authorized capital stock of the OJSC "OGK-5" has increased and amounts to 59.8%.

Termination payments. The Board of Directors decided to terminate the contracts with several members of the key management personnel since 31 March 2008. The amount of termination payments arising from this is RR 296,429 thousand. This will be expensed in 2008.

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