OGK-6 GROUP
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2007

PRICEWATERHOUSECOOPERS

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Open Joint Stock Company "OGK-6":

We have audited the accompanying consolidated financial statements of OJSC "OGK-6" and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2007 and the related consolidated statement of income, of cash flows and 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 Group as at 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS

Emphasis of matter

Without qualifying our opinion:

- we draw your attention to Notes 2 and 28 to the accompanying consolidated financial statements. As at 31 December 2007, in accordance with the requirement of IAS 1.60(d), the Group has reclassified a RR 5,000 million bonded loan from non-current to current as a result of its reorganization. Subsequent to the year end, and following the expiry of the early redemption period, the outstanding loan in amount of RR 2,874 million has been reclassified back to non-current debt; and
- we draw your attention to Notes 1, 2 and 25 to the accompanying consolidated financial statements. The Government of the Russian Federation has an ultimate controlling interest in the Group and Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
11 June 2008

OGK-6 Group
Consolidated Balance Sheet as at 31 December 2007
(in thousand of Russian Roubles)

	Note	31 December 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	5	31,567,910	28,853,585
Other non-current assets	6	604,720	371,799
Total non-current assets		**32,172,630**	**29,225,384**
Current assets			
Cash and cash equivalents	7	648,427	143,258
Receivables and prepayments	8	1,699,708	1,142,492
Inventory	9	3,255,204	2,968,762
Other current assets	10	15,630,745	208,860
Total current assets		**21,234,084**	**4,463,372**
TOTAL ASSETS		**53,406,714**	**33,688,756**
EQUITY AND LIABILITIES			
EQUITY			
Share capital-ordinary shares	11	15,486,028	26,731,061
Treasury shares		(177)	-
Merger reserve		-	(9,937,275)
Share premium		18,239,259	
Retained earnings		6,957,503	2,282,917
Total equity		**40,682,613**	**19,076,703**
Non-current liabilities			
Deferred income tax liabilities	12	3,743,421	3,856,647
Pension liabilities	13	604,002	500,263
Other non-current liabilities	14	278,304	324,061
Total non-current liabilities		**4,625,727**	**4,680,971**
Current liabilities			
Current debt and current portion of non-current debt	15	5,000,000	6,515,341
Accounts payable and accrued charges	16	2,634,944	2,412,133
Income tax payable		-	222,360
Other taxes payable	17	463,430	781,248
Total current accounts payable		**8,098,374**	**9,931,082**
Total liabilities		**12,724,101**	**14,612,053**
TOTAL LIABILITIES AND EQUITY		**53,406,714**	**33,688,756**

General Director — V. M. Sanko

Deputy General Director for Finance — A. N. Selaykov

11 June 2008

The accompanying notes are an integral part of these financial statements

OGK-6 Group
Consolidated Income Statement for the year ended 31 December 2007
(in thousand of Russian Roubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Revenues	18	35,333,819	28,644,404
Operating expenses	19	(32,801,688)	(29,044,154)
Reversal of impairment	5	-	7,132,709
Other operating income	20	369,058	140,668
Operating profit		**2,901,189**	**6,873,627**
Finance costs, net	21	(581,293)	(982,790)
Profit before income tax		**2,319,896**	**5,890,837**
Income tax benefit/(expenses)	12	(773,293)	(1,799,394)
Net profit for the period		**1,546,603**	**4,091,443**
Attributable to:			
Minorities of the Group		-	749,504
Shareholders of the Group		**1,546,603**	3,341,939
Earnings per ordinary share related to the profit attributable to the shareholders of the Group - basic and diluted (in Russian Roubles)	22	**0.0578**	**0.1309**

General Director — V. M. Sanko

Deputy General Director for Finance — A. N. Selaykov

11 June 2008

The accompanying notes are an integral part of these financial statements

OGK-6 Group
Consolidated Statement of Cash Flow for the year ended 31 December 2007
(in thousand of Russian Roubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**2,319,896**	**5,890,837**
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation	5	2,792,664	2,443,687
Forgiveness of tax penalties	20	(313,825)	(18,091)
Interest expenses and effect of discounting	21	571,171	934,417
Reversal of the provision for PPE impairment	5	-	(7,132,709)
Other		61,692	(19,383)
Operating cash flows before working capital changes and income tax paid		**5,431,598**	**2,098,758**
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(618,855)	645,471
(Increase) in inventories		(335,722)	(625,471)
(Increase) in other assets		(101,496)	(28,268)
(Increase) / decrease in other non-current assets		(232,921)	(196,578)
Increase in accounts payable and accruals		90,101	398,169
(Increase) / decrease in other non-current liabilities		(3,749)	287,339
(Increase) / decrease in taxes payable other than income tax		(74,918)	(270,516)
Cash provided by operating activities before interest and taxes		**4,154,038**	**2,308,904**
Income tax paid		(1,509,677)	(433,580)
Net cash generated from operating activities		**2,644,361**	**1,875,324**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(5,444,970)	(1,665,456)
Short-term deposits		(14,919,590)	-
Proceeds from sale of property, plant and equipment and other non-current assets		61,784	13,352
Net cash used in investing activities		**(20,302,776)**	**(1,652,104)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		18,570,266	12,017,395
Issue of share capital		20,894,377	-
Repayment of borrowings		(20,062,316)	(10,940,475)
Treasury shares		(177)	-
Interest paid		(584,509)	(615,339)
Dividends paid		(654,057)	(813,542)
Net cash generated from financing activities		**18,163,584**	**(351,961)**
(Decrease) / increase in cash and cash equivalents		505,169	(128,741)
Cash and cash equivalents at the beginning of the year		143,258	271,999
Cash and cash equivalents at the end of the year		**648,427**	**143,258**

General Director V. M. Sanko

Deputy General Director for Finance A. N. Selaykov

11 June 2008

OGK-6 Group

Consolidated Statement of Changes in Equity for the year ended 31 December 2007

(in thousands of Russian Roubles)

	Attributable to the shareholders of the Group						
	Ordinary share capital	Merger reserve	Retained earnings	Share premium	Total share-holders' equity	Minority interest	Total equity
As at 1 January 2006	**23,008,617**	**(8,600,000)**	**(378,694)**	**-**	**14,029,923**	**1,318,841**	**15,348,764**
Net profit	-	-	3,341,939	-	3,341,939	749,504	4,091,443
Dividends	-	-	(680,328)	-	(680,328)	-	(680,328)
Issue of ordinary shares	3,722,444	(1,337,275)	-	-	2,385,169	(2,068,345)	316,824
As at 31 December 2006	**26,731,061**	**(9,937,275)**	**2,282,917**	**-**	**19,076,703**	**-**	**19,076,703**
As at 1 January 2007	**26,731,061**	**(9,937,275)**	**2,282,917**	**-**	**19,076,703**	**-**	**19,076,703**
Profit for the period	-	-	1,546,603	-	1,546,603	-	1,546,603
Decrease in share capital	(13,900,152)	9,937,275	3,845,485	-	(117,392)	-	(117,392)
Increase in share capital	2,655,119	-	-	18,239,259	20,894,378	-	20,894,378
Treasury shares	-	-	(177)	-	(177)	-	(177)
Dividends	-	-	(717,502)	-	(717,502)	-	(717,502)
As at 31 December 2007	**15,486,028**	**-**	**6,957,326**	**18,239,259**	**40,682,613**	**-**	**40,682,613**

General Director V. M. Sanko

Deputy General Director for Finance A. N. Selaykov

11 June 2008

Note 1. Group and its operations

Open Joint-Stock Company 'Sixth Power Generating Company on the Wholesale Energy Market' ("OJSC "OGK-6", or "the Company") was established on 17 March 2005 within the framework of the Russian electricity sector restructuring in accordance with the Resolution of the Chairman of the Management Board of OAO RAO Russian Open Joint-Stock Company for Energy and Electrification Unified Energy System of Russia ("RAO UES") dated 16 March 2005.

OJSC "OGK-6" and its subsidiaries form the OGK-6 Group ("the Group").

The Group is engaged in electricity and heat generation and sales at the established tariffs and in accordance with the dispatching plans of electricity and heat loads.

The registered office of OJSC "OGK-6" is located at 49, Bolshaya Sadovaya st., Rostov-on-Don.

The Company has a branch in Moscow (21 Mytnaya st., 115162, Moscow) which was set up following the Decision No. 1 of the Board of Directors dated 11 April 2005.

History of the Group. The Company was registered in the state register of the legal entities on 17 March 2005. By that moment the sole shareholder was RAO UES that made contributions to the Company's charter capital in the form of shares of OJSC "Novocherkasskaya GRES" ("Novocherkasskaya GRES"), OJSC "KiGRES" ("Kirishskaya GRES"), OJSC "Ryazanskaya GRES" ("Ryazanskaya GRES") and OJSC "KGRES-2" ("Krasnoyarskaya GRES-2").

On 17 March 2006, shareholders of the abovementioned entities adopted decisions on reorganization through absorption merger into the Company and were merged with and into the Company on 29 September 2006. Following these absorption mergers, all of the entities listed above ceased to exist as separate legal entities and became branches of the Company.

OJSC "GRES-24" ("GRES-24") was incorporated on 1 April 2005 by contribution of a separate business from OJSC "Mosenergo" (Mosenergo) which was the RAO UES subsidiary. On October 1, 2006 the Company signed management agreement with GRES-24 and started operations as an executive body. During the period 27 April 2006 to 29 May 2006 additionally issued shares of the Company were exchanged for the shares of GRES-24. As a result the Company obtained control over GRES-24 (52%). On 29 September 2006 GRES-24 merged into and became a branch of the Company.

OJSC "Cherepovetskaya GRES" ("Cherepovetskaya GRES") was incorporated on 1 October 2005 by contribution a separate business from OJSC "Vologdaenergo" (Vologdaenergo), related RAO UES company, whose business included generation, distribution and sales of electric and heat energy. On 1 January 2006 the Company signed management agreement with Cherepovetskaya GRES and started operations as an executive body. During the period 27 April 2006 to 29 May 2006 additionally issued shares of the Company were exchanged for the shares of Cherepovetskaya GRES. As a result Company obtained control over Cherepovetskaya GRES (84%). On 29 September 2006 Cherepovetskaya GRES merged into and became a branch of the Company.

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

Relations with the state and current regulation. As at 31 December 2007 the Russian Federation owned 52.68% of the shares of RAO UES. In turn, as at 31 December 2007 RAO UES owned 77.45% of the OJSC "OGK-6". The Russian Government is the ultimate controlling party of the Group.

The Group's customer base includes a large number of entities controlled by the State. Furthermore, 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 ("RSTs"), with respect to its heat sales. The operations of all generating facilities are coordinated by JSC System Operator – Central Dispatch Unit of Unified Energy System ("SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by RAO UES.

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 ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS"). In practice, tariff decisions were impacted significantly by social and political considerations, causing significant delays in tariff determinations and tariff increases that were lower than required to compensate for cost increases.

Starting from 2008, "cost-plus" method will be replaced by another approach: under regulated contracts, tariffs for electricity and capacity supplied by generating companies will be set according to the indexation method. Using this method, tariffs for the year 2008 were calculated by the indexation of prior year tariffs taking into consideration the inflation rate.

As discussed in Notes 2 and 25, the government's economic, social and other policies could materially effect the operations of the Company.

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

In 2007 RAO EES of Russia initiated a surge of its assets sales which shall be completed with the energy holding liquidation on 1 July 2008.

Federal Law No.35-FZ "On Electric Utilities" was amended in 2007 confirming that the reform will be continued and RAO EES 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 domimance.

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

Starting from 2007 the volumes of electricity power and electricity capacity traded in the wholesale market at regulated prices will begin to be substantially reduced. The pace of reduction was set by the Russian Federation Government according to socio-economic development forecasts. The period from 2006 to approximately 2011 is a transition period. After that, it is expected that a fully competitive wholesale market will develop.

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

Note 2. Financial condition

As at 31 December 2007, the Group's current assets exceeded its current liabilities by RR 13,135,710 thousand (as at 31 December 2006, the Group's current liabilities exceeded its current assets by RR 5,467,710 thousand).

On 9 November 2007 the Extraordinary General Meeting of Shareholders of JSC OGK-6 approved the decision to merge the Company and OJSC OGK-6 Holding (see Note 28). The followings requirements are stipulated by the Federal Law "On Joint-stock Companies":

- during 30 days from the date of the Extraordinary General Meeting of Shareholders JSC OGK-6 should inform its creditors about a reorganization of the Company,
- during 30 days from the date of notification, the creditors have the right to claim the early repayment of its debts.

Therefore as at 31 December 2007 the Company did not have the right to defer repayment of non-current debts for at least twelve months after the reporting date and had to reclassify its non-current debts to current. As at 31 December 2007 the amount of reclassified non-current debts was RR 5,000,000 thousand (Note 28).

Subsequent to the reporting date, the creditors had claimed the early repayment of 2,125,864 bonds from the Group (see Note 28). If the Group had made the reclassification of non-current debt only in amount of claimed bonds, then as at 31 December 2007 its current assets would have exceeded current liabilities by RR 16,009,846 thousand.

The Group is affected by Government policy through control of tariffs and other factors. The regional services on tariffs have not always permitted tariff increases in line with the Group's costs and thus some tariffs are insufficient to cover all the costs of generation and distribution of energy. Moreover, increases in 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.

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

- introduction of improved financial budgeting procedures; a strong focus on timely cash collection of current and debtor balances; restructuring liabilities for repayment purposes during a longer time period;
- negotiations with federal and regional authorities and regulators for real increases in tariffs to support adequate long term investment into the Group's generation, transmission and distribution assets (Note 1).
- enhancement of operating efficiency by implementing the programs on reduction of production costs and fuel savings;
- actions to conclude the long-term contracts for electricity supply;
- development of sales market to diversify the sales structure, sale of a part of electricity at public market.

The Group has raised the financing for investments in the assets used for generation, transmission and distribution of power. The raised financing was as follows:

- on 26 April 2007 a placement of 5 million bonds took place. The bonds were placed through public offering for the period of 5 years. The total amount of the placement was RR 5,000,000 thousand (Note 15).
- on 29 December 2007 OJSC "OGK-6" finalized the placement of the additional 5,531,497 thousand shares under public subscription. The price of one share is RR 3.8 the total amount of the transaction is RR 21,019,691 thousand (Note 11).

Note 3: Basis of preparation

Statement of compliance. These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention.

Each Group's entity 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 ("RAR"). The accompanying Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

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

Inflation accounting. Prior to 1 January 2003 non-monetary assets acquired and non-monetary liabilities incurred or assumed have been adjusted for the changes in the general purchasing power of the RR in accordance with International Accounting Standards 29 ("IAS") ("Financial Reporting in Hyperinflationary Economies").IAS 29 requires that the financial statements are prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring current unit at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

Predecessor Accounting. In May, 2005 RAO UES (hereinafter – the Parent) transferred to OGK-6 shares that were owned by RAO UES in subsidiaries Ryazanskaya GRES, Novocherkasskaya GRES, Kirishskaya GRES and Krasnoyarskaya GRES-2 leaving one share in each subsidiary in its ownership. In April-May 2006 the additional shares of the Company were exchanged for the shares of GRES-24 and Cherepovetskaya GRES including those owned by the Parent. As a result of the transfer the Company became the owner of 52% of shares of GRES-24 and of 84% of shares of Cherepovetskaya GRES. In these financial statements, the Group accounted for this business combination amongst entities under common control using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at their carrying value, as determined by the Parent in its IFRS consolidated financial statements. Information in respect of the comparative period has been restated as if the business combination took place at the beginning of the earliest period presented. On September 29, 2006 these entities were merged into OJSC "OGK-6" and became branches.

Thus, starting from January 1, 2005 Ryazanskaya GRES, Novocherkasskaya GRES, Kirishskaya GRES, Krasnoyarskaya GRES-2, GRES-24 and Cherepovetskaya GRES are aggregated into the Group's financial statements as branches of OJSC "OGK-6".

New accounting developments. Certain new IFRSs became effective for the Group from January 1, 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

- IFRS 7 Financial Instruments: Disclosures (effective from January 1, 2007). The IFRS introduces new disclosure requirements for financial instruments. The volume of disclosures will increase significantly with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures will provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures will cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaces 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 introduces disclosures about level of an entity's capital and how it manages capital.
- IFRIC 7, Applying the Restatement Approach under IAS 29, effective for annual periods beginning on or after March 1, 2006 (that is from January 1, 2007 for these financial statements). The Interpretation clarifies application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred income taxes in the opening balance sheet restated for hyperinflation in accordance with IAS 29.
- IFRIC 8, Scope of IFRS 2, effective for annual periods beginning on or after May 1, 2006 (that is from January 1, 2007 for these financial statements). The interpretation states that IFRS 2 also applies to

transactions in which the entity receives unidentifiable goods or services and that such items should be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).

- IFRIC 9, Reassessment of Embedded Derivatives, effective for annual periods beginning on or after June 1, 2006. The Interpretation clarifies that an entity should assess whether an embedded derivative should be accounted for separately from the host contract when the entity first becomes party to the contact. Only if the contact subsequently is significantly modified the entity reassesses whether to separate or not.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006). The interpretation clarifies that an entity should not reverse an impairment loss recognised in previous interim periods in respect of goodwill or an investment in a financial asset carried at cost.

The effect of adoption of the above new or revised standards and interpretations on the Group's financial position at December 31, 2007 and on the results of its operations was not material.

Other new standards or interpretations. The following standards interpretations are not yet effective and have not been applied in the preparation of these financial statements.

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation addresses how to apply IFRS 2 "Share-based payment" to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent).
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It does not address accounting for the government side of service concession arrangements.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The interpretation addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ("awards") to customers who redeem award credits.
- 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). The interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how a minimum refunding requirement might affect the availability of reductions in future contributions, and when a minimum refunding requirement might give rise to a liability.
- Amendment to IAS 23, Borrowing Cost (Amendment, applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009). The main change from the previous version 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.
- Amendment to 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 statement of operations 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. It 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.
- Amendment to IAS 32 and IAS 1, Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009). The objective of the Amendment is to improve the financial reporting of particular types of financial instruments that represent a residual interest in the entity but are, at present, classified as financial liabilities. The amendments classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions - puttable

financial instruments; instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

- Amendments to IFRS 2, Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009). The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- IFRS 3 (Revised), Business Combinations (effective for annual periods beginning on or after 1 July 2009).

Unless otherwise described above, these new standards and interpretations are not expected to significantly affect of Group`s financial statement.

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 future operations of the Group may be significantly affected by the current and future economic environment and the Group's financial condition as discussed above. 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. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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

Provision for impairment of property, plant and equipment and other assets. At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of income in the period in which the reduction is identified. If conditions change and management determines that the value of an asset other than goodwill has increased, the impairment provision will be fully or partially reversed. Management has used various assumptions in the calculation of the recoverable value of property, plant and equipment (for further details see Note 5).

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

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

Note 4: Summary of significant accounting policies

Principles of consolidation. These financial statements comprise the financial statements of OJSC "OGK-6" and the financial statements of those entities whose operations are controlled by OJSC "OGK-6". Control is presumed to exist when OJSC "OGK-6" controls directly or indirectly through subsidiaries, more than 50 percent 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 subsidiaries' financial statements have been adjusted to conform accounting policies with the Group. Minority interest is included in the Group's equity.

B) Transactions eliminated on consolidation

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

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

Seasonality. Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

Transfers of subsidiaries between parties under common control. Transfers of subsidiaries between parties under common control are accounted for using the predecessor basis of accounting method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets and the nominal value of share capital contributed is accounted for in these consolidated financial statements as an adjustment to equity (Note 11).

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

Property, plant and equipment. As at December 31, 2007 property, plant and equipment are stated at the carrying value determined in accordance with the IFRS as at the date of their transfer to the Group by the Predecessor, and adjusted taking into account further additions, disposals and depreciation charges.

Renewals and improvements are capitalized and the assets replaced are retired. The cost of capital repairs is capitalized as a separate component of PPE and depreciated during the expected useful life. The cost of repair not extending the useful life of assets 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. For the property, plant and equipment which were subject to the third party valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful life as at the valuation date.

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

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Electricity and heat generation	4-63	20-50
Electricity distribution	5-27	25
Heating networks	11-18	20
Other	8	10

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

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

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of the value added taxes which are payable to the tax authorities upon collection of such receivables. Trade and other receivables are adjusted for provision made for impairment of these receivables. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate at the date of origination of the receivables.

Value added tax on purchases and sales. Output VAT 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 current asset or 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 for tax purposes.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost.

Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

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

Deferred income taxes. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Accounts payable and accrued charges. Accounts payable are stated inclusive of value added tax. If accounts payable are restructured and the discounted present value of the cash flows under the restructured terms discounted using the original effective interest rate differs by more than ten percent from the discounted present value of the remaining cash flows of the original financial liability, then the fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms. The amount of the discount is credited to the statement of operations (finance costs, net) as a gain on restructuring, and the non-current portion of the discounted payable is reclassified to other non-current liabilities. The difference, if any, between the fair value of the restructured payable on its initial recognition and the maturity amount is amortised over the period until the maturity of the payable as an interest expense.

Debt. Debt is recognised initially at its fair value. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest rate method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of operations as an interest expense over the period of the debt obligation. All borrowing costs, including those on borrowings used to finance construction of property, plant and equipment are recognised as an expense in the period in which they are incurred.

Pension and post-employment benefits. In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred in employee benefit expenses and payroll taxes in the income statement.

A number of Group entities operate defined benefit plans that cover the majority of the Group's employees. Benefit plans define 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 recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and unrecognized 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, and that have terms to maturity approximating the terms of the related pension liabilities.

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

Past service costs are amortized over vesting period of 10.5 years.

Foreign currency. Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the balance sheet date, are translated into roubles at the exchange rates prevailing at that date. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of operations.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates exist. Any provision made is recognised at the best estimate of the outflow.

Revenue recognition. Revenue is recognized on the delivery of electricity, heat and on the dispatch of non-utility goods and services during the period. Revenue amounts are presented exclusive of value added tax. Revenue is based on the application of authorized tariffs for electricity sales as approved by the Regional Tariffs Authorities.

Social expenditure. To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in the income statement as incurred.

Segment reporting. The Group operates predominantly in a single geographical area and industry, the generation of electric power and heat in 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.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognized as rental income on a straight-line basis over the lease term.

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

Treasury shares. When buying out shares recognized within share capital, the compensation amount, including costs directly attributable to the acquisition, are deducted from the share capital. Any profits or losses from sales of treasury shares are recognized directly within equity belonging to OAO WGC-6 shareholders.

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

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

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

Financial assets. The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. 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.

(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 classified as trade and other receivables in the balance sheet.

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

Note 5. Property, plant and equipment

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Opening balance as at 31 December 2006	**36,301,128**	**2,317,267**	**192,263**	**9,247,807**	**840,249**	**48,898,714**
Additions	639,492	12,414	-	158,807	4,703,522	**5,514,235**
Transfers	22,549	100,226	-	191,528	(314,303)	-
Disposals	(15,905)	-	-	(10,554)	(1,687)	**(28,146)**
Closing balance as at 31 December 2007	**36,947,264**	**2,429,907**	**192,263**	**9,587,588**	**5,227,781**	**54,384,803**
Accumulated depreciation						
Opening balance as at 31 December 2006	**13,145,151**	**1,256,212**	**75,125**	**5,568,641**	-	**20,045,129**
Depreciation for the period	2,206,230	78,135	10,079	498,220	-	**2,792,664**
Disposals	(13,621)	-		(7,279)	-	**(20,900)**
Closing balance as at 31 December 2007	**15,337,760**	**1,334,347**	**85,204**	**6,059,582**	-	**22,816,893**
Net book value						
Closing balance as at 31 December 2006	**23,155,977**	**1,061,055**	**117,138**	**3,679,166**	**840,249**	**28,853,585**
Closing balance as at 31 December 2007	**21,609,504**	**1,095,560**	**107,059**	**3,528,006**	**5,227,781**	**31,567,910**

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Opening balance as at 31 December 2005	**35,227,210**	**2,375,203**	**191,607**	**8,383,724**	**960,960**	**47,138,704**
Additions	370,388	-	656	273,160	1,423,919	**2,068,123**
Transfers	733,184	26,562	-	648,972	(1,408,718)	-
Disposals	(29,654)	(84,498)	-	(58,049)	(135,912)	**(308,113)**
Closing balance as at 31 December 2006	**36,301,128**	**2,317,267**	**192,263**	**9,247,807**	**840,249**	**48,898,714**
Accumulated depreciation (including effect of impairment)						
Opening balance as at 31 December 2005	**17,811,968**	**1,445,912**	**65,649**	**5,513,428**	-	**24,836,957**
Depreciation for the period	1,941,754	71,535	9,985	420,413	-	**2,443,687**
Disposals	(13,615)	(44,802)	-	(44,389)	-	**(102,806)**
Release of impairment provision	(6,594,956)	(216,433)	(509)	(320,811)	-	**(7,132,709)**
Closing balance as at 31 December 2006	**13,145,151**	**1,256,212**	**75,125**	**5,568,641**	-	**20,045,129**
Net book value						
Closing balance as at 31 December 2005	**17,415,242**	**929,291**	**125,958**	**2,870,296**	**960,960**	**22,301,747**
Closing balance as at 31 December 2006	**23,155,977**	**1,061,055**	**117,138**	**3,679,166**	**840,249**	**28,853,585**

Construction in progress represents the carrying amount of property, plant and equipment that has not yet been put into operation. Heat and electricity generation business requires significant capital expenditures, and quite a number of the Group's power stations are technologically and physically obsolete and need to be periodically upgraded and repaired. The Company believes that required investments will have a significant effect on the Company's cash flows and operating results in the future. The construction in progress relates to the Group's capital investment program for the period through 2011 to build up capacity at GRES-24, Kirishskaya GRES, Novocherkasskaya GRES and Cherepovetskaya GRES.

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

The largest construction in progress assets are as follows:

	Year ended 31 December 2007
Reconstruction of water treatment system (Kirishskaja GRES)	413,324
Replacement of condensing plant ((Kirishskaja GRES)	254,355
Fume stack reconstruction unit #2 (Riazanskaja GRES)	207,443
Top steam-power of the power-generating unit 310 mW of gas turbine(GRES-24)	133,509
Construction of energoblock #9 (Novocherkasskaya GRES)	93,219
Construction of 2 stage (Cherepovetskaya GRES)	47,328

Construction in progress includes the advances in amount of RR 2,877,867 thousand paid for acquisition of equipment for GRES-24, Kirishskaja GRES and Novocherkasskaya GRES.

Depreciation is charged once property, plant and equipment is available for use in the production.

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

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated. The Group has the option to purchase this land upon application to the state registration body or to formalise the right for rent. As of 31 December 2007 the Group has obtained the ownership on the land plots located

- Municipality of Novomichurinskoe village of Pronsky district, Ryazan region of 3.3523 hectare.
- Novomichurinsk, Promzona, Ryazan district of 17.8514 hectare
- Novomichurinsk, Promzona, Ryazan district of 3.7227 hectare.

A portion of property, plant and equipment additions has been settled through mutual settlement, barter and other non-cash transactions. Non-cash transactions in respect of property, plant and equipment are as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Non-cash acquisitions	-	195,961
Non-cash proceeds from the sale of property, plant and equipment	-	529

Impairment provision for property, plant and equipment Management has used various assumptions in the calculation of the recoverable value of property, plant and equipment. Variations in these assumptions may give rise to a significantly different amount for the impairment provision.

Cost and accumulated depreciation of transferred assets including the impairment provision were accepted by the Group as at the time of assets transfer from the Predecessor, RAO UES.

In 2006 the management has concluded that at the reporting date there were indications for reversing previously recognized impairment losses based on significant changes with a favourable effect on the Group that have occurred or are expected to occur in the near future in the market and economic environment in which the Group operates. Such positive changes include:

- upward revisions, based on recent trends, in the expected growth of demand for electricity and heat in the regions in which the Group operates;
- higher degree of certainty about the free trading sector for electricity, which has been enacted by the government of the Russian Federation as of August 2006 (Note 1);

As at December 31, 2006 the impairment provision has been reversed in amount of RR 7,132,709 thousand.

These developments have resulted in a change to the assumptions that were used to determine the value in use of assets that comprise the cash generating units. An impairment review was carried out by comparing the recoverable amount of the individual cash generating units with their net book values. For the purposes of the review, each of the Group's power plants was used as the relevant cash generating unit. The recoverable amount was generally based on value in use, which was calculated based on estimated future cash flows using various assumptions including the following:

- Electricity tariffs in the regulated sector will be increased by 17.1 - 28.7%, 10.3 - 19.8%, 7.6 - 25.6% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Electricity tariffs in the free market sector will be increased by 8.4%, 11.9%, 17.2% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Heat tariffs will be increased by 17%, 18.2% and 18.4% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Gas price will be increased by 25%, 27.7% and 27.7% for the years ended December 31, 2008, 2009 and 2010, respectively;

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

- Growth of gas prices and other operating costs will be accounted for by the Regional Tariff Service in the course of establishing regulated electricity and heat tariffs on a "cost-plus" basis;
- Inflation rate will not exceed 6.5% year;
- Increase of major variable cost will exceed the inflation rate;
- The pre-tax discount rate used to determine assets value in use is equal to 13.28% up to the year 2009 and 14.16% in the years 2010-2025.

Gas price, heat tariffs and electricity tariffs (in the regulated sector) approved by respective regulators for 2007 indicates increases of 15%, 11.5% and 6.5%, respectively in comparison with the year ended 31 December 2006.

Operating leases. The Group leases a number of land areas owned by local government under operating lease. Land lease payments are determined by lease agreements. Operating land lease rentals are payable as follows:

	31 December 2007	31 December 2006
Less than one year	123,392	40,919
Between one and five years	472,026	124,244
More than five years	1,334,987	59,250
Total	**1,930,405**	**224,413**

Generally the leases run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

Operating lease rentals for other fixed assets are payable as follows:

	31 December 2007	31 December 2006
Less than one year	98,805	4,515
Between one and five years	202,107	568,114
More than five years	8,207	-
Total	**309,119**	**572,629**

Note 6. Other non-current assets

	31 December 2007	31 December 2006
Accounts receivable (less provision for bad debts amounting to RR 141,477 th. as at 31 December 2007 and RR 214,623 th. as at 31 December 2006)	596,579	216,765
Taxes recoverable (long-term part)	-	146,301
Other non-current assets	8,141	8,733
Total	**604,720**	**371,799**

Long-term trade receivables include overdue trade receivables from the customers in amount of RR 191,481 thousand (31 December 2006: RR 162,814 thousand) under initial trade contract terms that were restructured and for which the new contracts were signed. Under restructured terms these receivables are expected to be settled in the years 2008 – 2013. The recorded value approximates their fair value.

The management believes that Group will be able to realize the net receivable amount through direct collections and other non-cash settlements. Management considered non-collectible and, accordingly, fully impaired all the long-term accounts receivable aged more than 1 year overdue under the restructured terms or receivables that have never been restructured. The impaired receivables are mainly from the companies of RAO UES group which are in difficult economic situation.

Note 7. Cash and cash equivalents

	31 December 2007	31 December 2006
Cash at bank and in hand	648,427	143,258
Total	**648,427**	**143,258**

There are no cash equivalents.

Below is cash in settlement bank accounts as at the date of the balance sheet:

	Rating	Rating agency	31 December 2007	31 December 2006
RF Savings Bank	Baa2	Moody's	573,814	7,894
Rosbank	BB+	S&P	46,936	-
Promsvyazbank	B+	S&P	985	37,004
Settlement office of Russian Commodities and Raw Materials Exchange	-	-	1,122	27,257
Evrofinance Mosnarbank	Ba3	Moody's	2,024	45,706
Other	-	-	9,088	12,774
Total			**633,969**	**130,635**

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

Despite the lack of credit rating NKO Settlement office of Russian Commodities and Raw Materials Exchange is a reliable counterparty having a steady position at the Russian financial market and meeting all required criteria of credit solvency and capacity to pay.

Note 8. Accounts receivable and prepayments

	31 December 2007	31 December 2006
Trade receivables (net of provision for impairment of accounts receivable of RR 180,881 thousand as of 31 December 2007 and RR 124,401 thousand as of 31 December 2006)	547,457	502,186
VAT recoverable	342,241	86,861
Advances to suppliers and prepayments (net of provision for impairment of accounts receivable of RR 7,209 thousand as of 31 December 2007 and RR 50,957 thousand as of 31 December 2006)	725,136	254,124
Other receivables (net of provision for impairment of accounts receivable of RR 79,619 thousand as of 31 December 2007 and RR 78,598 thousand as of 31 December 2006)	84,874	299,321
Total	**1,699,708**	**1,142,492**

The provision for impairment of long- and short-term accounts receivable was calculated based on analysis of collectibility.

The movement of the provision is shown in the table below.

	31 December 2007	31 December 2006
As at 1 January	480,046	855,961
Reversal of provision	(70,861)	(375,915)
As at 31 December	**409,185**	**480,046**

As at 31 December 2007, trade receivables of RR 359,281 thousand (31 December 2006: RR 222,815 thousand) were past but no provision was made for these receivables. These receivables relate to a number of independent customers having no long-term overdue receivables. The aging analysis of these trade receivables is as follows:

	31 December 2007	31 December 2006
3 to 6 months	113,668	102,583
more then 6 months	245,613	120,232
Total	**359,281**	**222,815**

The Group's management believes that Group entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and that therefore the recorded value approximates their fair value. The individually impaired receivables mainly relate to energocompanies which are in difficult economic situation. The aging of these receivables is over 1 year old.

In 2007 and 2006 the Group wrote-off the accounts receivable with the expired limitation period and bad debts amounting to RR 127,690 thousand and RR 271,600 thousand respectively.

Note 9. Inventories

	31 December 2007	31 December 2006
Fuel supplies	2,297,047	2,053,934
Spare parts	577,748	529,937
Materials and supplies	368,797	369,921
Other inventories	28,931	14,970
Provision for slow-moving and obsolete inventory	(17,319)	-
Total	**3,255,204**	**2,968,762**

Inventory balances as of December 31, 2007 include inventories in the amount of RR 165,000 thousand and which were pledged as collateral under loan agreements.

Note 10. Other current assets

	31 December 2007	31 December 2006
Other current assets	310,357	208,860
Profit tax	400,798	-
Deposit	14,919,590	-
Total	**15,630,745**	**208,860**

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

As at 31 December 2007 cash in amount of RR 14,919,590 thousand received from additional issuance of ordinary shares (see Note 11) was deposited on several bank accounts.

Short-term deposits are placed in OAO AKB Rosbank:

- deposit amounting to RR 6,261,170 thousand was placed for the period of 330 days, interest rate – 8.25%;
- deposit amounting to RR 140,000 thousand was placed for the period of 31 days, interest rate – 7.25%.

Short-term deposits amounting to RR 8,518,420 thousand was placed in ZAO "Gazenergoprombank" for the period of 731 days, interest rate – 8.5%. According to the supplementary agreement to the Contract with ZAO "Gazenergoprombank" the Group has the right to reclaim the deposit and interest accrued ahead of schedule. The Group's management believes that the deposit will be reclaimed by the end of 2008.

Note 11. Equity

Share capital

	Number of shares issued and fully paid	31 December 2007	31 December 2006
Ordinary shares	32,262,558,936	15,486,028	26,731,061
Total	**32,262,558,936**	**15,486,028**	**26,731,061**

As at 1 January 2007, the number of issued ordinary shares amounted to 26,731,061,492 with a par value of RR 1.00 each.

On 10 April 2007 Shareholders of the Company resolved to decrease share capital of the Company from RR 26,731,061,492 to RR 12,830,909,516 by the way of decrease of the nominal value of the outstanding shares from RR 1 till RR 0.48. The decrease of the charter capital was performed in accordance with requirements of Federal Law "On Joint-stock Companies" which stipulates that net assets shall be equal or exceed Charter capital.

On 29 June 2007 the General Shareholders' Meeting of the Company made the decision to increase the Company's charter capital by placing additional shares.

During the period from 20 to 29 December 2007 the Company placed 5,531,497 thousand additional shares from which ZAO "Gazenergoprom-Invest" acquired 5,526,000 thousand shares of the Company that represents the affiliated company of OAO "Gazprom".

The placement price of a share was approved by the Board of Directors of the Company in amount of RR 3.80 for each additionally issued share that exceeded the nominal value by RR 3.32. As the result of additional issue the Company realized RR 21,019,690 thousand The resulted share premium amounted to RR 18,364,572 thousand.

Share premium.

	31 December 2007	31 December 2006
Share premium from placement of shares at price above the par value	18,364,572	-
Expenses associated with shares placement	(125,313)	-
Total	**18,239,259**	-

Expenses associated with placement of shares include remuneration to the lawyers, auditors and other professional consultants and represent costs associated with the issue of the respective equity instruments.

Due to additional issue of ordinary shares the share of RAO UES has reduced from 93.48% to 77.45%. The share of the new shareholder ZAO "Gazenergoprom-Invest" amounted to 17.13%.

As at 31 December 2007 the issued securities amounted to 32,262,558 thousand with par value of RR 0.48 each.

Dividends. The Group's statutory financial reports are the basis for profit distribution and other appropriations. The 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.

On 29 June 2007 the Annual Shareholders' meeting of JSC OGK-6 approved the dividends on the ordinary shares based on the results of 2006 and 1st quarter of 2007.

- The total amount of dividends approved for ordinary shares based on results of 2006 was RR 225,990 thousand.
- The amount of dividends approved based on results of 2006 per ordinary share is RR 0.00845417.
- The total amount of dividends approved for ordinary shares based on results of 1st quarter 2007 was RR 230,000 thousand.
- The amount of dividends approved based on results of 1st quarter 2007 per ordinary share is RR 0.00860422.

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

According to the decision of JSC OGK-6 the Annual Shareholders' meeting of 27 September 2007 it was decided to pay dividends of RR 0.00978311 per ordinary share of the Company based on the results of the first 6 months of 2007.

The total amount of dividends accrued on the issuer's ordinary shares based on the results of the first 6 months of 2007 made up RR 261,513 thousand.

Note 12. Income tax

	Year ended 31 December 2007	Year ended 31 December 2006
Income tax of current year	874,739	333,960
Income tax of previous years	11,780	434,119
Deferred income tax (benefit) / charge	(113,226)	1,031,315
Income tax charge	**773,293**	**1,799,394**

For the year ended 31 December 2007 a majority of the Group's members were subject to income tax rates of 24% on the taxable profit.

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

For the reporting purposes net profit before tax is reconciled with the tax charge as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Profit before tax	2,319,896	5,890,837
Theoretical tax charge at an average statutory tax rate of 24%	556,775	1,413,801
Tax effect of items which are not deductible for taxation purposes		
Effect of WEM imbalance and accounts receivable	86,176	258,344
Fines and penalties forgiven	(75,318)	(4,342)
Other items non-deductible for tax purposes	205,660	131,591
Total income tax charge	**773,293**	**1,799,394**

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 for income tax purposes. Deferred income tax liabilities (assets) are measured at 24%, the rate applicable when the asset or liability will reverse.

Deferred tax liabilities

	31 December 2006	Movement for the period recognized in the Income Statement	31 December 2007
Property, plant and equipment	(4,599,951)	364,147	(4,235,804)
Accounts receivable	325,467	(103,183)	222,284
Tax loss	226,649	(160,404)	66,245
Other	191,188	12,666	203,854
Total	**(3,856,647)**	**113,226**	**(3,743,421)**

	31 December 2005	Movement for the period recognized in the Income Statement	31 December 2006
Property, plant and equipment	(3,011,642)	(1,588,309)	(4,599,951)
Accounts receivable	209,705	115,762	325,467
Tax loss	-	226,649	226,649
Other	(23,395)	214,583	191,188
Total	**(2,825,332)**	**(1,031,315)**	**(3,856,647)**

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

Note 13. Pension liabilities

The tables below provide information about the benefit obligations, plan assets and actuarial assumptions used for the years ended 31 December 2007 and 2006.

	31 December 2007	31 December 2006
Present value of funded defined benefit obligations	958,948	811,012
Less: Fair value of plan assets	-	-
Deficit in plan	958,948	811,012
Unrecognized net actuarial loss	(236,392)	(149,574)
Unrecognised past service cost	(118,554)	(161,175)
Net liability in the balance sheet	**604,002**	**500,263**

Amounts recognized in the consolidated income statement:

	Year ended 31 December 2007	Year ended 31 December 2006
Current service cost	37,582	36,073
Interest cost	51,538	44,684
Expected return on plan assets	-	-
Net actuarial losses/(gains) recognised in period	4,727	-
Amortisation of past service cost	37,326	39,040
Settlement (gain)/loss	(111,572)	-
Immediate recognition of vested prior service cost	155,904	-
Other	-	115,912
Total	**175,505**	**235,709**

Other category includes the result of changing estimation of previous years. During the year 2006 more detailed information about the group's pension plans was obtained. As a result the group's liability increased and an additional charge of RR 115,912 thousand was recorded. The management has treated this as a change in estimate rather than an actuarial loss, which would be deferred, because this allows the financial statements to better reflect the position at December 31, 2006.

Liabilities changed due to the conclusion of new collective agreements since the beginning of 2007. Some liabilities related to certain benefits increased, and others decreased. Decreases in liabilities were interpreted as curtailment, and increases in liabilities – as past service cost (PSC). For the purposes of information disclosure, the curtailment date was considered to be 1 September 2007.

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

	31 December 2007	31 December 2006
Present value of defined benefit obligations (DBO) at beginning of year	811,012	403,408
Service cost	37,582	36,073
Interest cost	51,538	44,684
Plan participants' contributions	-	-
Actuarial (gain)/loss	121,285	131,863
Past service cost	179,758	160,730
Benefits paid	(71,766)	(81,658)
Settlement and curtailment (gain)/loss	(170,461)	-
Other	-	115,912
Defined benefit obligations	**958,948**	**811,012**

	31 December 2007	31 December 2006
Net liability at start of year	500,263	294,145
Adjustment to remove plan assets	-	52,067
Adjusted net liability at start of year	500,263	346,212
Net expense recognised in the income statement	175,505	235,709
Employer contributions	(71,766)	(81,658)
Net liability at the end of the year	**604,002**	**500,263**

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

Principal actuarial assumptions are as follows:

	31 December 2007	31 December 2006
Discount rate	6.75%	6.75%
Pension increase (excl. annuities via NSPF)	7.0%	7.0%
Inflation	6.0%	5.0%
Salary increase	5.0%	5.0%

Note 14. Other non-current liabilities

	31 December 2007	31 December 2006
Water tax	1,927	54,521
Income tax	148,616	164,165
VAT	107,955	97,048
Other	19,806	8,327
Total	**278,304**	**324,061**

Tax authorities carried out inspections, as a result of which accruals were made for the taxes listed above. The amounts mentioned are currently disputed in court. Results are expected in the following financial reporting periods.

Note 15. Current debt and current portion of non-current debt

	Currency	Interest rate	31 December 2007	31 December 2006
OJSC "Vneshtorgbank"	RR	10.00%	-	490,517
OJSC "AL'FA-BANK"	RR	10.5%-12.6%	-	1,232,156
OJSC "Transkreditbank"	RR	9.5%-11.5%	-	421,993
CJSC "Mezhdunarodnyi Moskovskii Bank"	RR	7.5%-11.75%	-	3,111,964
JSB "Rosbank"	RR	7.5%-13%	-	342,400
JS "Sberbank RF"	RR	13.50%	-	-
JSB "Evrofinans Mosnarbank"	RR	9.25%	-	400,000
JSB "MDM"	RR	8.5%-10.5%	-	516,311
Bonded loan	RR	7.55%	5,000,000	-
Total			**5,000,000**	**6,515,341**

On 26 April 2007, the Group placed interest-bearing documentary non-convertible bearer bonds, series 01, at MICEX. The bonds were issued under the state registration number 4-01-65106-D and have circulation period of 5 years with 3-year buy-back option. The securities are placed at par value of RR 1 thousand each. The number of actually placed bonds is 5 mln. bonds. The bonds are placed through public offering. The bond issue is arranged by ROSBANK, with the International Moscow Bank (UniCreditBank) as a co-arranger. The bonds are repaid on the 1,820 day from the date of placement.

As at 31 December 2007, the Group has made certain reclassification of non-current debts to current debts (Note 2 and 28).

The first coupon yield rate is 7.55%. On 25 October 2007 the Company fulfilled its obligations related to the payment of the first coupon yield on the bonds of series 01. The date of closing the list of the bonds owners eligible for first coupon yield is 16 October 2007. The amount of the coupon yield is RR 37.65 total amount paid is RR 188,250 thousand (Note 28).

Note 16. Accounts payable and accrued charges

	31 December 2007	31 December 2006
Trade payables	1,964,993	1,873,737
Payables to employees	139,488	92,342
Dividends payable	258,089	194,644
Other payables	272,374	251,410
Total	**2,634,944**	**2,412,133**

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

Note 17. Other taxes payable

	31 December 2007	31 December 2006
Value-Added Tax	65,746	75,646
Property tax	82,915	86,574
Payroll tax	33,361	27,654
Water tax	242,569	227,857
Current portion of restructured taxes	-	314,069
Other taxes	38,839	49,448
Total	**463,430**	**781,248**

Note 18. Revenues

	Year ended 31 December 2007	Year ended 31 December 2006
Electricity	28,884,856	25,393,814
Resale of purchased electricity	4,260,967	1,026,920
Heating	1,884,964	1,834,300
Other	303,032	389,370
Total	**35,333,819**	**28,644,404**

Note 19. Operating expenses

	Year ended 31 December 2007	Year ended 31 December 2006
Fuel expenses	17,898,648	16,596,339
Purchased heat and electricity	3,362,873	752,498
Depreciation charge	2,792,664	2,443,687
Repairs and maintenance	2,616,288	2,743,672
Employee benefit expenses and payroll taxes	2,457,263	2,304,191
Water usage expenses	916,310	1,074,134
Energy market infrastructure cost	505,088	447,544
Taxes	413,639	646,443
Other materials	362,468	381,821
Electricity transition	334,813	237,853
Rent and lease payments	318,112	261,845
Insurance cost	152,994	161,799
Transport costs	192,793	141,328
Security and fire safety cost	182,704	135,344
Consulting, legal and information services	101,864	59,948
Charity expenditure	75,699	75,655
Provision for bad debts	56,829	(104,315)
Inpairment of inventories	49,280	69,557
Reversal of previously written-off trade payables	-	161,189
Other	11,359	453,622
Total	**32,801,688**	**29,044,154**

Taxes and levies include:

	Year ended 31 December 2007	Year ended 31 December 2006
Property tax	335,032	389,435
Non-refundable VAT	46,644	137,813
Other taxes	31,963	119,195
Total	**413,639**	**646,443**

Employee benefits expenses comprise the following:

	Year ended 31 December 2007	Year ended 31 December 2006
Salaries and wages, payroll taxes	2,112,518	1,986,818
Financial aid to employees and pensioners	223,209	253,175
Non-governmental pension fund expenses	121,536	64,198
Total	**2,457,263**	**2,304,191**

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

Note 20. Other operating income

	Year ended 31 December 2007	Year ended 31 December 2006
Income from forgiveness of tax penalties	313,825	18,091
Other	55,233	122,577
Total	**369,058**	**140,668**

Note 21. Finance costs

	Year ended 31 December 2007	Year ended 31 December 2006
Interest expense	566,028	686,321
Discounting effect	5,143	248,096
Other	10,122	48,373
Total	**581,293**	**982,790**

Subsequent to the initial recognition, the discount is amortized over the period of restructuring as an expense.

Note 22. Earnings per share

	Year ended 31 December 2007	Year ended 31 December 2006
Weighted average number of ordinary shares issued (thousand)	26,761,372	25,528,040
Net profit attributable to the shareholders of OJSC "OGK-6"	1,546,603	3,341,939
Earnings per ordinary share for profit attributable to the shareholders of OJSC "OGK-6" – basic and diluted (in RR)	**0.0578**	**0.1309**

Note 23. Commitments

Sales commitments. The Group's entities sell electricity (power) on the two wholesale market sectors: free trading sector and regulated trading sector.

The tariffs (prices) for the electricity (power) sold/purchased in the regulated trading sector (including the sector of deviations) are set by the Russian Federal Service on Tariffs.

The Group has entered into a number of electricity sales agreements with AO-Energos, retail companies and large industrial customers.

Supply commitments.

The Group has signed a number of agreements for the fuel supplies. These agreements do not cover all the needs of the Group. The remaining part of the fuel required by the Group will be purchased on short-term agreements from a number of suppliers with immediate payment terms.

Gas supplies were mostly received from OOO "Ryazanregiongaz", OAO "Ryazanoblgaz", ZAO "Peterburgregiongaz", OOO "Vologdaregiongaz", OOO "Rostovregiongaz".

Coal supplies were mostly received from ZAO "MezhRegionProm", ZAO "Trading House Ellit", OOO "Mettransexpo", OOO "RusUgolProm", OOO "Yujnaja Toplivnaja Company".

The quantity of supplies was determined annually on the basis of fuel stocks requirements set by RAO UES.

Prices under the Group's natural gas and coal contracts were generally determined by reference to base amounts that were adjusted to reflect provisions for changes in regulatory prices, published inflation indices and current market prices.

Capital commitments. Future capital expenditures for which contracts have been signed, amount to RR 14,001,617 thousand and RR 480,541 thousand on 31 December 2007 and 31 December 2006, respectively.

Note 24. Contingencies

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

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

Legal proceedings. Group entities are bound to certain legal proceedings arising in the ordinary course of business. In the managements' opinion, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

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

Taxation. Russian tax, currency and customs 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 entities may be challenged by the relevant regional and federal authorities, in particular the existing way of calculation of water tax. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

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

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

Potential liabilities might arise as a result of changes in the legislation and regulations 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 25. Related party transactions

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

Parent

The Company is controlled by RAO UES which owns 77.45% of the Company's shares.

The remaining 22.55% of ordinary shares are placed among a large number of shareholders. RAO UES is the ultimate parent company of the Group of interrelated organizations of which the Company is a member.

Balances on operations with RAO UES were as follows:

	31 December 2007	31 December 2006
Accounts payable (dividends)	244,463	185,553
Total	**244,263**	**185,553**

Transactions with management and close family members

Compensation is paid to members of the Management Board of OJSC "OGK-6" (hereinafter – the "Management Board") for their services in full time management positions and is made up of a contractual salary, non-cash benefits, and a performance bonus depending on the results for the period according to Russian statutory financial statements. The compensation is approved by the Board of Directors of OJSC "OGK-6". Optional bonuses, which are approved by the Chairman of the Management Board according to his perception of the value of their contribution, are also payable to members of the Management Board.

Key management received the following remuneration during the years ended 31 December 2007 and 2006:

	Year ended 31 December 2007	Year ended 31 December 2006
Salaries and bonuses	132,897	93,771
Payroll taxes	2,656	2,815
Total	**135,553**	**96,586**

Transactions with the subsidiaries of OAO RAO UES of Russia

Transactions with the subsidiaries OAO RAO UES of Russia were as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Sales of electricity and heat	22,847,240	19,690,101
Purchases of electricity	3,359,647	653,786

Balances with the subsidiaries of OAO RAO UES of Russia were as follows:

	31 December 2007	31 December 2006
Accounts receivable and prepayments	459,898	427,802
Provision	(137,455)	(185,879)
Accounts payable and accruals	20,046	75,803

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

Operations with other state-controlled entities

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

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

	Year ended 31 December 2007	Year ended 31 December 2006
Fuel purchase	10,917,542	8,276,106
Interest expense	-	72,444
Payments of NOREM development costs	505,088	447,544
Total	**11,422,630**	**8,796,094**

	31 December 2007	31 December 2006
Accounts receivable and prepayments	1,628,827	1,049,893
Provision	(147,475)	(104,315)
Accounts payable and accruals	527,033	1,659,925

Note 26. Financial instruments and financial risk factors

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

Power and heat produced by the Group is sold on the internal market of Russian Federation with prices fixed in the currency of Russian Federation. Hence, the Group is 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. Financial assets, which subject the Group to potential credit risk, consist principally of trade receivables. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

Cash is placed in financial institutions, which are considered at the time of the deposit to have minimal risk of default.

Banks with cash in settlement bank accounts and bank's rating as at the date of the balance sheet are disclosed in the Note 7.

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The table below shows the balances of major trade receivables at the balance sheet date:

	Rating	31 December 2007	31 December 2006
OOO Ryazanregiongas	BBB	209,486	105,494
ZAO Center of financial estimation	BBB	233,410	109,436
OAO Nurenergo	BBB	100,568	15,520
OOO Vologdaregiongas	BBB	48,848	-
OAO Dagestanskaya energy distribution company	BBB	-	50,105
ZAO Peterburggeriongas	BBB	34,759	-
OAO Kabbalkenergo	BBB	-	67,316
OOO KirishiNefteorgSintez	BBB	-	49,371
OAO Silovye Mashiny	BBB	-	38,940
OAO Kalmenergo	BBB	162,051	-
Total		**789,122**	**436,182**

Interest rate risk. The Group's operating profits and cash flows from operating activity are substantially independent of the changes in market interest rates. The Group is exposed to interest rate risk through market value fluctuations of interest bearing short-term borrowings (Note 15). All of the Group's short-term borrowings are at fixed interest rates. The Group's significant interest bearing assets are disclosed in note 10. The Group has no borrowings at floating interest rate at the date of the balance sheet. The Group plans to raise short-term loans and borrowings at fixed interest rate. The global liquidity crisis which caused the increased cost of monetary funds at the financial markets did not significantly influence the Group's activity.

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

Liquidity risk. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

In the table below the Group's financial liabilities are grouped by relevant maturity dates based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2007				
Bonded loan	188,253	376,506	6,129,377*	-
Accounts payable	3,038,751	47,800	10,500	1,323
At 31 December 2006				
Bank borrowing	6,515,341	-	-	-
Accounts payables	3,216,821	198,911	9	-

*Although as at 31 December 2007 non-current bond loan at the amount RR 5,000,000 thousand were reclassified to current (Notes 2 and 28), the contractual terms for these debts have not been changed.

Fair values. Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for Group for similar financial instruments.

The maximum exposure for each risk is limited to the fair value of each class of financial instrument.

Financial instruments categories. Financial instruments include the following categories of financial assets and liabilities:

31 December 2007	Loans and receivables	Other financial liabilties	Total
Assets as per balance sheet			
Other non-current assets	191,481	-	191,481
Receivables and prepayments	632,331	-	632,331
Other current assets	14,919,590	-	14,919,590
Cash and cash equivalents	648,427	-	648,427
Total assets	**16,391,829**	-	**16,391,829**
Liabilities as per balance sheet	-		
Current debt and current portion of non-current debt	-	5,000,000	5,000,000
Accounts payable and accrued charges	-	1,964,993	1,964,993
Total liabilties	-	**6,964,993**	**6,964,993**
31 December 2006			
Assets as per balance sheet			
Other non-current assets	162,814	-	162,814
Receivables and prepayments	801,507	-	801,507
Cash and cash equivalents	143,258	-	143,258
Total assets	**1,107,579**	**0**	**1,107,579**
Liabilities as per balance sheet			
Current debt and current portion of non-current debt	-	6,515,341	6,515,341
Accounts payable and accrued charges	-	1,873,737	1,873,737
Total liabilties	**0**	**8,389,078**	**8,389,078**

Note 27. Capital risk management

The Group's objectives when managing capital are to ensure 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.

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

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

The gearing ratios at 31 December 2007 and at 31 December 2006 were as follows:

	31 December 2007	31 December 2006
Total borrowings	5,000,000	6,515,341
Less: cash and cash equivalents (Note 7)	(648,428)	(143,258)
Net debt	4,351,572	6,372,083
Total equity	40,682,613	19,076,703
Total capital	**45,034,185**	**25,448,786**
Gearing ratio	10%	25%

Note 28. Post balance sheet events

Additional issuance of ordinary shares. On 28 February 2008 the Board of Directors approved the decision on the additional issue of the registered non-documentary ordinary shares of OJSC "OGK-6" amounting to 25,022,100 shares with par value of RR 0.48 each, which are placed when spinning-off OJSC "OGK-6" from OAO RAO UES of Russia with subsequent merger of OJSC "OGK-6" Holding into OJSC "OGK-6" by converting the shares of OJSC "OGK-6" Holding into the shares OJSC "OGK-6" .

Upon the spin-off operation, the following RAO UES property is transferred to WGC-6 Holding's balance sheet, in accordance with RAO UES's separation balance sheet: securities, accounts receivable, investments into non-current assets, and rights of claim.

As a result of OAO WGC-6 Holding's merger with OAO WGC-6, the latter will be assigned all OAO WGC-6 Holding's property, rights and liabilities.

All shares of OAO WGC-6 Holding will be converted into the shares of OAO WGC-6 with the application of conversion ratios provided in the merger contract. The number of OAO WGC-6 ordinary shares to be received by each WGC-6 Holding's shareholder is calculated by dividing the number of OAO WGC-6 Holding's shares of a certain category in such shareholder's possession by the respective conversion ratio. Additionally placed shares of OAO WGC-6 for the conversion of the shares of the merged OAO WGC-6 Holding will provide the shareholders with the same rights as the shares of OAO WGC-6 already placed.

According to the separation balance sheet of OAO RAO UES of Russia, within the framework of the restructuring OAO "Centerenergoholding" that is affiliated with OAO Gazprom will receive 13,845 mln. shares of OAO WGC-6 (or 42.91% of the Charter capital), which will make it possible for OAO Gazprom to obtain control over OAO WGC-6 (more than 60% of the Charter capital) taking into account affiliates already owned by it (see Note 11).

Redemption of shares. On 21 February 2008 OJSC "OGK-6" completed the repurchasing the shares presented by the shareholders for repurchase. The total number of the repurchased shares is 135,868 shares amounting to RR 285,322.

Reclassification of non-current bond loan. On 9 November 2007 the Extraordinary General Meeting of Shareholders of JSC OGK-6 approved the decision to merge the Company and OJSC OGK-6 Holding. In accordance with Russian legislation the creditors during 30 days from the date of notification have the right to claim the early repayment of its debts (Note 2). Therefore the Group has made reclassification as at 31 December 2007 of non-current bonded loan to current debt (Note 15).

In April 2008 the Company repurchased 2,125,864 own bonds with par value of RR 1 thousand each. Considering the accumulated coupon yield (RR 73,427,342) RR 2,199,291,342 was used for repurchase purposes. The outstanding bonds amounted to 2,874,136 bonds have been reclassified later back to non-current debts.

Transaction from 10% to 25% of total assets. In March 2008 the Company concluded the agreement on construction of PGU-800 at Kirishskaya GRES with the general contractor. The contractual amount is RR 7,794 million. Based on the approved schedule of the works the construction project shall be put into operation in December 2010. As a result of the connection of the block to PGU its established capacity will increase from 300 mW to 800 mW. The implementation of the project will enable GRES to cover peak loads on a broad level and ensure the reliability of power supply to the consumers of Severo-Zapad OES and if necessary, the Central part under any weather conditions.