

**OGK-2 GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)**

OGK-2 Group

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2011 (unaudited)

(in thousands of Russian Roubles)

	Notes	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	40,356,868	36,677,606
Intangible assets		1,458,208	1,475,327
Other non-current assets	6	3,920,811	2,608,089
Total non-current assets		45,735,887	40,761,022
Current assets			
Cash and cash equivalents	7	1,603,044	3,023,466
Trade and other receivables	8	4,181,405	6,012,009
Inventories		2,872,748	2,293,939
Current income tax prepayments		357,555	28,035
Total current assets		9,014,752	11,357,449
TOTAL ASSETS		54,750,639	52,118,471
EQUITY AND LIABILITIES			
Equity			
Share capital			
Ordinary shares		11,872,828	11,872,828
Treasury shares		(12,037)	(12,037)
Share premium		23,916,508	23,916,508
Retained earnings		7,252,770	4,590,133
Total equity		43,030,069	40,367,432
Non-current liabilities			
Deferred income tax liabilities		1,952,515	1,995,773
Non-current debt	10	163,710	5,000,000
Retirement benefit obligations		666,978	632,397
Restoration provision		514,712	518,038
Other long-term liabilities		5,660	59,747
Total non-current liabilities		3,303,575	8,205,955
Current liabilities			
Current debt and current portion of non-current debt	11	5,029,271	-
Trade and other payables		2,609,669	3,144,644
Other taxes payable	12	687,928	351,700
Restoration provision		90,127	48,740
Total current liabilities		8,416,995	3,545,084
Total liabilities		11,720,570	11,751,039
TOTAL EQUITY AND LIABILITIES		54,750,639	52,118,471

Deputy General Director on economics and finance

Chief Accountant



N.V. Vaytulenis
L.V. Klisch

N.V. Vaytulenis

L.V. Klisch

25 August 2011

OGK-2 Group
Interim Condensed Consolidated Income Statement for the 6 months ended 30 June 2011
(unaudited)

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

	Notes	6 months ended 30 June 2011	6 months ended 30 June 2010
Revenues	13	27,960,765	22,893,441
Operating expenses	14	(24,193,362)	(20,333,422)
Other operating items		15,370	(137,305)
Operating profit		3,782,773	2,422,714
Finance income	15	99,253	284,018
Finance costs	16	(275,902)	(392,378)
Profit before income tax		3,606,124	2,314,354
Income tax charge		(770,045)	(522,657)
Profit for the period		2,836,079	1,791,697
Attributable to:			
Shareholders of OJSC "OGK-2"		2,836,079	1,791,697
Earning per ordinary share for profit attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in Russian Roubles)	17	0.09	0.05

OGK-2 Group
Interim Condensed Consolidated Statement of Comprehensive Income for the 6 months ended
30 June 2011 (unaudited)
(in thousands of Russian Roubles)

	6 months ended 30 June 2011	6 months ended 30 June 2010
Profit for the period	2,836,079	1,791,697
Net change in fair value of available-for-sale investments (net of income tax)	(13,831)	18,045
Total comprehensive income for the period	2,822,248	1,809,742
Attributable to:		
Shareholders of OJSC "OGK-2"	2,822,248	1,809,742

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

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows for the 6 months ended 30 June 2011
(unaudited)
(in thousands of Russian Roubles)

	Notes	6 months ended 30 June 2011	6 months ended 30 June 2010
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		3,606,124	2,314,354
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	5	687,753	639,572
Reversal of property, plant and equipment impairment	5	-	(548)
Amortisation of intangible assets		26,959	24,066
Reversal of provision for impairment of trade and other receivables	14	(48,513)	(121,054)
Reversal of provision for inventory obsolescence	14	(781)	(6,507)
Finance income	15	(99,253)	(284,018)
Finance costs	16	275,902	392,378
Increase in retirement benefit obligations	14	58,135	56,060
Employee share option plan		-	1,355
Loss on disposal of assets	14	17,329	2,509
Other non-cash items		1,065	(1,986)
Operating cash flows before working capital changes and income tax paid		4,524,720	3,016,181
Working capital changes:			
Decrease in trade and other receivables		728,241	1,810,115
Payments in respect of retirement benefit obligations		(49,913)	(19,269)
Increase in inventories		(639,404)	(261,217)
Decrease in trade and other payables		(413,764)	(1,002,428)
Increase / (decrease) in taxes payable, other than income tax		339,969	(140,672)
Income tax paid in cash		(1,142,823)	(687,905)
Net cash generated from operating activities		3,347,026	2,714,805
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,514,815)	(676,766)
Proceeds from sale of property, plant and equipment		3,038	632
Purchase of intangible assets		(9,842)	(8,855)
Increase in deposits		-	(4,512,500)
Proceeds from deposits		-	4,500,000
Increase in other non-current assets		(1,700)	-
Interest received		22,944	67,744
Net cash used in investing activities		(4,500,375)	(629,745)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		8,410,000	9,300,000
Repayment of short-term borrowings		(8,410,000)	(7,600,000)
Repayment of long-term borrowings		-	(5,000,000)
Interest paid		(233,980)	(344,441)
Payments under finance lease		(16,049)	(1,265)
Finance lease advance		(17,044)	-
Refund of premium paid to secure settlement of share-based payments		-	709,688
Net cash used in financing activities		(267,073)	(2,936,018)
Net decrease in cash and cash equivalents		(1,420,422)	(850,958)
Cash and cash equivalents at the beginning of the period	7	3,023,466	1,553,428
Cash and cash equivalents at the end of the period	7	1,603,044	702,470

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

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity for the 6 months ended
30 June 2011 (unaudited)
(in thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Retained earnings	Total
At 1 January 2010	11,872,828	(5,579)	23,916,508	1,664,694	37,448,451
Profit for the period	-	-	-	1,791,697	1,791,697
Available-for-sale investments	-	-	-	18,045	18,045
Total comprehensive income for the period	-	-	-	1,809,742	1,809,742
Employee share option plan	-	-	-	711,043	711,043
At 30 June 2010	11,872,828	(5,579)	23,916,508	4,185,479	39,969,236
At 1 January 2011	11,872,828	(12,037)	23,916,508	4,590,133	40,367,432
Profit for the period	-	-	-	2,836,079	2,836,079
Available-for-sale investments	-	-	-	(13,831)	(13,831)
Total comprehensive income for the period	-	-	-	2,822,248	2,822,248
Dividends (Note 9)	-	-	-	(159,611)	(159,611)
At 30 June 2011	11,872,828	(12,037)	23,916,508	7,252,770	43,030,069

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

OGK-2 Group

Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended

30 June 2011 (unaudited)

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2", or the "Company") was established on 9 March 2005 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

OJSC "OGK-2" and its following subsidiaries form the OGK-2 Group ("the Group"):

	% owned	
	30 June 2011	31 December 2010
OJSC "Chaika"	100%	100%
LLC "OGK-2 Finans"	100%	100%

The Group's primary activities are generation and sale of electric and heat power. The Group consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Adlerskaya TES.

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

The Company's office is located at 101-3, Vernadskogo Avenue, 119526, Moscow, Russian Federation.

Relations with the state and current regulation. As at 30 June 2011 the Company is controlled by Gazprom, the largest Russian gas production company.

Until 1 July 2008, Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia ("RAO UES") owned 65.47% of the Company, on 1 July 2008 as part of electric industry restructuring process RAO UES ceased to exist as a separate legal entity. Also as a result of the restructuring process Gazprom Group has obtained control over the Company at this date.

Gazprom Group, in its turn, is controlled by the Russian Federation; therefore, the Russian Government is the ultimate controlling party of the Group as at 30 June 2011 and 31 December 2010.

The Group's customer base includes a large number of entities controlled by or related to the State. The list of the Group's major fuel suppliers includes subsidiaries of Gazprom.

A part of the Group's revenue is based on regulated tariffs. The state directly affects the Group's operations through regulation by the Federal Service for Tariffs ("FST") with respect to its wholesale energy (capacity) sales under the terms of Regulated Contracts, and by the Tariffs regulation Executive authorities with respect of its heat sales. Operations of all generation facilities are centrally coordinated by OJSC "System Operator of the Unified Power System" ("SO UPS") in order to meet system requirements in an efficient manner. SO UPS is controlled by the Russian Federation.

Tariffs which the Group may charge for sales of electric energy (capacity), supplied under Regulated bilateral Contracts, and heat are governed by regulations specific to the electricity and heat industry. Depending on a generator's status the tariffs for Regulated Contracts are set either using the "indexation" method or in accordance with the Procedure of prices determination for electricity and capacity produced by a generating unit, which supplies electricity and capacity in a forced regime (set by the Order of the FST № 484-e of October 13, 2010, hereinafter – the Price determination procedure for "constrained" generators). The "indexation" method means an increase in production cost for the previous regulated period by state appreciation indexes of fuel and other costs, also perhaps including investment expenses out of profit. According to the Price determination procedure for "constrained" generators a tariff includes economically justified expenses, all other expenses are included by a standard cost method. Thereby 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").

Furthermore the Government regulates capacity prices for generators, which declared the highest prices during the Competitive capacity takeoff, and for generators working in a forced regime. In such cases prices are calculated in accordance with the Price determination procedure for "constrained" generators and Capacity price determination methodology set by the Order of the Federal Tariff Service №483-e of October 13, 2010.

The Government currently pursues an active policy of tariff (price) containment.

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

Changes in the industry. In 2010 Russia's electric power industry approached the completion of reforms aimed at creating a competitive electricity and capacity market and an environment in which the successors to RAO UES (including the Company) will be able to attract the resources required to maintain and expand their production facilities.

Russian Government Resolution 238 "Pricing strategy of capacity trading on the wholesale electricity (capacity) market during the transition period" of 13 April, 2010, determines the pricing parameters for the long-term capacity market (LCM), and, taken together with Russian Government Resolution 89, "On certain issues regarding the organization of the long-term competitive capacity takeoff in the wholesale electricity (or capacity) market" of 24 February, 2010, determines the rules of operation for the long-term capacity market.

The long-term market is based on annual competitive capacity takeoff held four years in advance (i.e., for the year starting four full years after the competitive takeoff). The competitive capacity takeoff process is run by SO UPS. To determine what capacity the energy system will need in four years' time, SO UPS determines (taking account of applications from major consumers) the consumption forecast and structure, plus the amount of capacity reserve required, and produces the demand curve. To take part in a competitive capacity takeoff, suppliers have to submit price bids for the sale of capacity, creating a supply curve.

The new Rules of the wholesale electricity and capacity market, approved by the Russian Federation Government Resolution №1172 of December 27, 2010 and published April 5, 2011, became a crucial step in development of a competitive electricity and capacity market model. The entry into force of this Resolution is a base for further organizational activities and operational support of the wholesale market after termination of a transitional period of the power industry restructuring.

Since 1 January, 2011, a competitive wholesale market has been in operation, where electricity and capacity are sold at free, unregulated prices, except for volumes of electricity and capacity sold to the public and categories of consumers of an equivalent status, for whom government tariff regulation still applies.

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 6 months ended 30 June 2011 ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS.

Note 3. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2010, except for those policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2011.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

- IAS 24 Related Party Disclosures;
- Amendments to IFRIC 14: *IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;
- Improvements to International Financial Reporting Standards.

The effect of adoption of the above new standards, amendments to standards on these financial statements was not significant.

The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- Classification of Rights Issues - Amendment to IAS 32 *Financial Instruments: Presentation*;

OGK-2 Group
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30 June 2011 (unaudited)
(in thousands of Russian Roubles)

- IFRS 9 Financial Instruments;
- Transfers of Financial Assets - Amendment to IFRS 7 *Disclosures*;
- Deferred Tax: Recovery of Underlying Assets - Amendment to IAS 12 *Income taxes*;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

Change in presentation.

Equity

Effective 1 January 2010 the Group started to present merger reserve as part of retained earnings. The comparative information has been reclassified to conform with the current presentation. The effects of this reclassification are disclosed below:

	At 1 January 2010		
	As previously reported	Change in presentation	As adjusted
Merger reserve	(377,383)	377,383	-
Retained earnings	2,042,077	(377,383)	1,664,694

Revenues

Effective 1 January 2010 the Group started to present electricity purchases entered into to support a delivery of non-regulated bilateral contracts net within revenue. The comparative information has been reclassified to conform with the current presentation. The effects of this reclassification are disclosed below:

	For the 6 months ended 30 June 2010		
	As previously reported	Change in presentation	As adjusted
Revenues	24,886,359	(1,992,918)	22,893,441
Operating expenses	(22,326,340)	1,992,918	(20,333,422)

The management of the Group believes that the revised presentation provides more relevant and meaningful information about the changes in the financial performance of the Group.

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

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

Note 4. Related Parties

Information on transactions and balances with related parties is presented below. All transactions were made in Russian Federation and in Russian Roubles. Transactions with related parties have been made on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and heat are based on tariffs set by FST, prices for electricity and capacity are based on tariffs set by FST and also based on competitive take-off on the wholesale electricity (capacity) market.

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended
30 June 2011 (unaudited)**

(in thousands of Russian Roubles)

Transactions with Gazprom Group

Transactions with Gazprom Group were as follows:

	6 months ended 30 June 2011	6 months ended 30 June 2010
<i>Sales:</i>		
Sales of electricity and capacity	3,864,528	305,123
Sales of heat	200	234
Other sales	16	-
<i>Purchases:</i>		
Purchases of gas	11,169,734	7,773,166
Other purchases	310,436	43,945
Other expenses	-	24,866

Balances with Gazprom Group were as follows:

	30 June 2011	31 December 2010
Trade and other receivables	239,328	96,041
Trade and other payables	410,775	417,460

There were no deposits held in banks related to Gazprom Group as at 30 June 2011 as well as at 31 December 2010.

Interest income on bank deposits accrued for the 6 months ended 30 June 2011 equals zero (for the 6 months ended 30 June 2010: RR 51,113 thousand).

Transactions with state-controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), included sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales and purchases of electricity and capacity) are not significant neither individually nor collectively. Information concerning sales and purchases of electricity and capacity with state-controlled entities is presented below:

	6 months ended 30 June 2011	6 months ended 30 June 2010
Sales of electricity and capacity	5,758,925	1,404,166
Purchases of electricity and capacity	2,175,437	-

Significant balances with state-controlled entities were as follows:

	30 June 2011	31 December 2010
Trade and other receivables, gross	1,130,568	95,177
Provision for impairment of trade and other receivables	(399,021)	(60,738)
Trade and other payables	339,933	132,324

Transactions with key management

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

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

OGK-2 Group
**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended
30 June 2011 (unaudited)**

(in thousands of Russian Roubles)

Total remuneration in the form of salary and bonuses accrued to the members of the Board of Directors and Management Board for the 6 months ended 30 June 2011 was RR 99,850 thousand (for the 6 months ended 30 June 2010: RR 43,494 thousand).

Note 5. Property, plant and equipment

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2011	10,773,107	4,605,595	11,863,310	3,285,774	515,860	21,377,612	52,421,258
Additions	-	-	7	217,949	20,740	4,143,725	4,382,421
Transfer	10,196	45,814	486,853	527,251	4,002	(1,074,116)	-
Disposals	(17,533)	(2,164)	(4,995)	(4,166)	(3,271)	(3,073)	(35,202)
Closing balance as at 30 June 2011	10,765,770	4,649,245	12,345,175	4,026,808	537,331	24,444,148	56,768,477
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2011	(3,709,100)	(2,648,084)	(7,161,678)	(1,556,972)	(339,242)	(328,576)	(15,743,652)
Charge for the period	(130,363)	(127,551)	(261,027)	(150,771)	(18,041)	-	(687,753)
Disposals	9,808	1,731	1,467	3,627	3,163	-	19,796
Closing balance as at 30 June 2011	(3,829,655)	(2,773,904)	(7,421,238)	(1,704,116)	(354,120)	(328,576)	(16,411,609)
Net book value as at 30 June 2011	6,936,115	1,875,341	4,923,937	2,322,692	183,211	24,115,572	40,356,868
Net book value as at 31 December 2010	7,064,007	1,957,511	4,701,632	1,728,802	176,618	21,049,036	36,677,606
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2010	10,705,604	4,438,920	11,200,449	2,723,124	497,748	20,018,233	49,584,078
Additions	5,184	-	4	11,341	3,294	533,613	553,436
Transfer	2,286	5,176	205,087	46,840	585	(259,974)	-
Disposals	(5,669)	(12,373)	(706)	(1,447)	(3,521)	(85)	(23,801)
Closing balance as at 30 June 2010	10,707,405	4,431,723	11,404,834	2,779,858	498,106	20,291,787	50,113,713
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2010	(3,474,646)	(2,479,487)	(6,669,996)	(1,357,443)	(314,516)	(442,404)	(14,738,492)
Charge for the period	(116,326)	(115,734)	(273,734)	(112,631)	(21,147)	-	(639,572)
Reversal of impairment	-	-	-	-	-	548	548
Disposals	3,253	8,561	523	1,255	3,089	-	16,681
Closing balance as at 30 June 2010	(3,587,719)	(2,586,660)	(6,943,207)	(1,468,819)	(332,574)	(441,856)	(15,360,835)
Net book value as at 30 June 2010	7,119,686	1,845,063	4,461,627	1,311,039	165,532	19,849,931	34,752,878
Net book value as at 31 December 2009	7,230,958	1,959,433	4,530,453	1,365,681	183,232	19,575,829	34,845,586

As at 30 June 2011 the advances given to major contractors: OJSC "E4 Group" to build a power unit on site of Serovskaya GRES amounted to RR 7,217,993 thousand (net of VAT) and CJSC "QUARTZ-Novie Technologii" to build a power unit on site of Troitskaya GRES amounted to RR 12,727,214 thousand (net of VAT) (as at 31 December 2010: RR 7,217,993 thousand (net of VAT) OJSC "E4 Group" and RR 9,859,636 thousand (net of VAT) CJSC "QUARTZ-Novie Technologii"). The respective input VAT is recognised within other non-current assets balance (see Note 6).

Finance lease

The Group leased certain equipment under a number of finance lease agreements. At the end of the leases the Group has the option to purchase the equipment at a beneficial price. The net book value of leased property, plant and equipment is presented below:

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2011 (unaudited)**

(in thousands of Russian Roubles)

	30 June 2011	31 December 2010
Energy machinery and equipment	50,078	55,499
Other machinery and equipment	214,539	42,147
Other	16,991	4,524
Total	281,608	102,170

The leased equipment secures lease obligations.

Operating lease

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

Operating lease rentals are payable as follows:

	30 June 2011	31 December 2010
Not later than one year	127,010	194,375
Later than one year and not later than five years	213,313	203,097
Later than five years and not later than ten years	156,426	162,310
Later than ten years	948,711	920,139
Total	1,445,460	1,479,921

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

Note 6. Other non-current assets

	30 June 2011	30 December 2010
Long-term input VAT from advances paid	3,350,268	2,102,955
Prepayments / deposits for pensions	252,197	225,839
Long-term promissory notes (nominal value of promissory notes is RR 523,066 thousand as at 30 June 2011 and RR 474,770 thousand as at 31 December 2010)	237,070	185,732
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 9,965 thousand as at 30 June 2011 and RR 9,585 thousand as at 31 December 2010)	6,233	6,359
Other	75,043	87,204
Total	3,920,811	2,608,089

Other non-current assets mainly include an investment in 45,227,455 ordinary shares of JSC "RusHydro" (available-for-sale investments) with par value of RR 0.001 thousand amounted to RR 60,297 thousand as at 30 June 2011 (as at 31 December 2010: RR 74,128 thousand).

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended
30 June 2011 (unaudited)

(in thousands of Russian Roubles)

Note 7. Cash and cash equivalents

	Currency	30 June 2011	31 December 2010
Current bank accounts	RR	1,593,044	3,023,465
Current bank accounts	KZT	-	1
Bank deposits with maturity of 3 months or less	RR	10,000	-
Total		1,603,044	3,023,466

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 June 2011*	30 June 2011	Credit rating on 31 December 2010*	31 December 2010
OJSC "Evrofinance Mosnarbank"	E+/ Stable	838,909	E+/ Stable	281,332
OJSC BANK "ROSSIYA"	E+/ Stable	657,357	E+/ Stable	2,591,303
OJSC "Alfa-bank"	D/ Stable	79,580	D/ Stable	20,295
OJSC "Sberbank"	D+/ Stable	12,830	D+/ Stable	126,217
CJSC "Mezhdunarodny promyshleny bank"	-	4,271	-	4,272
OJSC "Transcreditbank"	D-/ Stable	90	D-/ Stable	10
OJSC "NOMOS-bank"	D-/ Stable	7	D-/ Stable	35
OJSC "URALSIB"	-	-	E+/Stable	2
Total cash in bank		1,593,044		3,023,466

* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

Credit quality of bank deposits is presented below:

Bank deposits with maturity of 3 months or less	Interest rate	Credit rating on 30 June 2011*	30 June 2011	Interest rate	Credit rating on 31 December 2010*	31 December 2010
OJSC "Sberbank"	3.2%	Not-Prime	10,000	-	-	-
Total bank deposits with maturity of 3 months or less			10,000			-

* Short-term rating of foreign currency deposits, determined by Moody's Investors Service.

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Note 8. Trade and other receivables

	30 June 2011	31 December 2010
Trade receivables (net of provision for impairment of trade receivables of RR 762,386 thousand as at 30 June 2011 and RR 827,467 thousand as at 31 December 2010)	3,128,816	2,018,965
Promissory notes (nominal value of promissory notes is RR 754,947 thousand as at 30 June 2011 and RR 3,148,994 thousand as at 31 December 2010)	468,866	2,794,690
Other receivables (net of provision for impairment of other receivables of RR 1,225,434 thousand as at 30 June 2011 and RR 1,219,601 thousand as at 31 December 2010)	72,553	53,401
Financial assets	3,670,235	4,867,056
Input VAT	3,763,966	3,198,619
Advances to suppliers (net of provision for impairment of advances to suppliers of RR 116,279 thousand as at 30 June 2011 and RR 105,544 thousand as at 31 December 2010)	335,064	225,272
Prepaid other tax and social funds contribution	5,711	11,564
Prepayments	-	4,544
Total	7,774,976	8,307,055
Less: Long-term input VAT from advances paid	(3,350,268)	(2,102,955)
Long-term promissory notes (nominal value of promissory notes is RR 523,066 thousand as at 30 June 2011 and RR 474,770 thousand as at 31 December 2010)	(237,070)	(185,732)
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 9,965 thousand as at 30 June 2011 and RR 9,585 thousand as at 31 December 2010)	(6,233)	(6,359)
Total	4,181,405	6,012,009

Note 9. Equity

Dividends

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

In June 2011 OJSC "OGK-2" declared final dividends for the year ended 31 December 2010 of RR 0.0048759 per share for the total of RR 159,611 thousand. These dividends were recognized as liability and deducted from equity at 30 June 2011.

Employee share option plan

1 May 2011 is the end-date of the employee share option plan program, there are no exercised stock options of this program.

Reorganisation of the Group / Exchange of shares transaction

In June 2011 the annual shareholders meeting approved a decision to reorganize OJSC "OGK-2" in a form of a merger with OJSC "OGK-6". The merger is planned on the 4th quarter 2011. The share capital of OJSC "OGK-2" will be increased by an additional ordinary shares issue. As compared with 31 December

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2010 number of additional ordinary shares was increased by 14,570,458,192 shares with par value of RR 0.3627.

Note 10. Non-current debt

	Currency	Effective interest rate	Due	30 June 2011	31 December 2010
Loan	RR	8.4%	2015	5,000,000*	5,000,000
Finance lease liability	RR	14.11%-19.63%	2012-2016	163,710	-
Total non-current debt				5,163,710	5,000,000
Less current portion of long-term debt	RR			(5,000,000)*	-
Total				163,710	5,000,000

* As at 30 June 2011 payable on demand (see explanation below).

Maturity table

	30 June 2011	31 December 2010
Due for repayment		
Between one and two years	34,974	-
Between two and three years	41,790	-
Between three and four years	44,109	-
Between four and five years	42,837	5,000,000
Total	163,710	5,000,000

Following the decision of the June 2011 the annual shareholders meeting (see Note 9) to reorganize the Company, its creditors were informed about this resolution, about creditors' rights to demand earlier repayments of Group's liabilities and about conditions of how these rights could be executed. As at 30 June 2011 the Group has re-classified loan as a short-term due to the fact that the Group did not have any unconditional rights to delay repayment of loan for the period more than 12 months after this date.

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

Finance lease liabilities – minimum lease payments	30 June 2011	31 December 2010
Due for repayment		
Less than one year	61,655	-
Between one year and five years	226,006	-
Future finance charges on finance lease	(94,680)	-
Present value of lease liabilities	192,981	-

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

Note 11. Current debt and current portion of non-current debt

	Currency	Effective interest rate	30 June 2011	31 December 2010
Current portion of long-term debt	RR	8.4%	5,000,000	-
Current portion of finance lease liability	RR	14.11%-19.63%	29,271	-
Total			5,029,271	-

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Note 12. Other taxes payable

	30 June 2011	31 December 2010
Value added tax	318,284	5,712
Water usage tax	118,018	182,803
Social funds contribution	107,543	30,054
Environment pollution payments	56,785	62,441
Property tax	48,293	44,373
Personal income tax	37,366	24,539
Other taxes	1,639	1,778
Total	687,928	351,700

Note 13. Revenues

	6 months ended 30 June 2011	6 months ended 30 June 2010
Electricity and capacity	27,376,460	22,307,164
Heating	480,643	509,479
Other	103,662	76,798
Total	27,960,765	22,893,441

Note 14. Operating expenses

	Notes	6 months ended 30 June 2011	6 months ended 30 June 2010
Fuel		16,595,102	14,281,677
Purchased electricity, capacity and heat		2,196,400	1,479,263
Employee benefits		1,807,962	1,455,709
Depreciation and amortisation of property, plant, equipment and intangible assets		714,712	663,638
Repairs and maintenance		612,090	562,992
Taxes other than income tax		417,560	389,683
Dispatcher's fees		394,439	337,260
Raw materials and supplies		393,628	309,202
Transport		151,032	28,907
Ecological payments		130,387	189,251
Rent		104,056	95,481
Consulting, legal and audit services		59,304	17,816
Insurance		34,588	19,360
Loss on disposal of assets		17,329	2,509
Reversal of provision for impairment of trade and other receivables		(48,513)	(121,054)
Reversal of provision for inventory obsolescence		(781)	(6,507)
Reversal of property, plant and equipment impairment	5	-	(548)
Other expenses		614,067	628,783
Total		24,193,362	20,333,422

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Employee benefits expenses comprise the following:

	6 months ended 30 June 2011	6 months ended 30 June 2010
Salaries and wages	1,313,837	1,087,272
Social funds contribution	388,982	243,804
Non-state pensions and other long-term benefits	58,135	56,060
Financial aid to employees and pensioners	47,008	67,218
Employee share option plan expenses	-	1,355
Employee benefits	1,807,962	1,455,709
Number of personnel at the end of the period	4,631	4,802

Included in social funds contribution are statutory pension contributions of RR 281,156 thousand (for the 6 months ended 30 June 2010: RR 189,100 thousand).

Note 15. Finance income

	6 months ended 30 June 2011	6 months ended 30 June 2010
Release of discounting effect of long-term promissory notes received	72,349	75,548
Interest income on bank deposits and current bank account balances	22,944	205,703
Foreign exchange differences	3,740	1,785
Other finance income	220	982
Total	99,253	284,018

Note 16. Finance costs

	6 months ended 30 June 2011	6 months ended 30 June 2010
Interest expense on debt	225,460	366,047
Unwinding of the present value discount for provision for ash dump	38,060	26,192
Interest expense under finance lease agreements	8,256	139
Effect of discounting of long-term promissory notes received	4,126	-
Total	275,902	392,378

Note 17. Earnings per share

	6 months ended 30 June 2011	6 months ended 30 June 2010
Weighted average number of ordinary shares issued	32,726,598,082	32,733,468,382
Profit attributable to the shareholders of OJSC "OGK-2" (thousands of RR)	2,836,079	1,791,697
Earning per ordinary share attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)	0.09	0.05

Note 18. Capital commitments

As at 30 June 2011 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 39,814,237 thousand (as at 31 December 2010: RR 43,068,198 thousand).

As at 30 June 2011 the Group has commitments of RR 257,999 thousand in respect of software implementation costs (as at 31 December 2010: RR 227,932 thousand).

Note 19. Contingencies

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

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

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

Tax contingency. Russian tax and currency legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting of water tax, deductibility of certain expenses.

As at 30 June 2011 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

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

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

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and is subject to the environmental regulations in this country in respect of the usage of the ash dump. As such, the Group periodically evaluates its obligations under Kazakhstan environmental regulations and accrues the respective provision.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental remediation in excess of those amounts for which the provision has been recognised by the Group in these financial statements.

Note 20. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 99,6% of the Group revenue. The technology of electricity and heat production does not allow segregation of electricity and heat segments. Due to significant decentralization and distances between Company branches, the Group identifies six primary reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Pskovskaya GRES and Adlerskaya TES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main difference is the estimation of the value of property, plant and equipment. The Group does not have inter-segment revenue.

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6 months ended 30 June 2011	Surgutskaya GRES-1	Stavropol- skaya GRES	Troitskaya GRES	Serovskaya GRES	Pskovskaya GRES	Adler- skaya TES	Total operating segments
Revenue	12,817,620	7,969,037	3,347,365	2,368,224	1,458,519	-	27,960,765
Segment operating profit / (loss) before income tax	3,762,087	1,128,208	(244,956)	118,989	61,132	(30,263)	4,795,197

6 months ended 30 June 2010	Surgutskaya GRES-1	Stavropol- skaya GRES	Troitskaya GRES	Serovskaya GRES	Pskovskaya GRES	Adler- skaya TES	Total operating segments
Revenue	9,572,106	5,754,225	4,775,969	1,659,069	1,132,072	-	22,893,441
Segment operating profit / (loss) before income tax	2,421,861	484,269	412,258	(15,623)	24,757	-	3,327,522

A reconciliation of management financial information prepared in accordance with RAR to IFRS financial information is provided below:

	6 months ended 30 June 2011	6 months ended 30 June 2010
Segment operating profit	4,795,197	3,327,522
Adjustments, arised from different accounting policy:		
Depreciation adjustment	(253,629)	(331,811)
Provision for impairment of trade and other receivables	(46,611)	(60,538)
Share option plan	-	(685,083)
Other adjustments	(77,425)	(2,718)
Unallocated (expenses) / income	(634,759)	175,342
Operating profit (IFRS)	3,782,773	2,422,714

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Stavropol- skaya GRES	Troitskaya GRES	Serovskaya GRES	Pskovskaya GRES	Adler- skaya TES	Total assets
30 June 2011	4,110,426	2,751,089	22,621,153	10,118,353	2,319,651	5,934	41,926,606
31 December 2010	4,039,167	2,502,992	17,977,793	9,896,458	2,390,110	2,441	36,808,961

A reconciliation of management financial information to IFRS financial information is provided below:

	30 June 2011	31 December 2010
Total assets for reportable segment	41,926,606	36,808,961
Adjustments, arised from different accounting policy:		
Property, plant and equipment adjustment	6,074,812	6,055,379
Prepayments / deposits for pensions	252,197	225,839
Discounting of promissory notes	(286,081)	(354,304)
Impairment of trade and other receivables	(191,027)	(144,416)
Provision for inventory obsolescence	(31,235)	(32,016)
Other adjustments	(748,664)	(630,769)
Unallocated assets	7,754,031	10,189,797
Total assets (IFRS)	54,750,639	52,118,471

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short – term and long - term trade receivables, cash in bank, deposits, inventories and items of property, plant and equipment which are subject to the headquarters control.

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Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

Note 21. Subsequent events

Shareholders who voted against the merger (see Note 9) in August 2011 made claims to the Company to repurchase its shares. Total claims received were equal to 11,637,430,084 shares totalling to RR 20,016,380 thousand, that amount more than 10% of the Company net assets. According to federal law of Russian Federation of December 26, 1995 № 208-FZ "On Joint Stock Companies" the Company cannot repurchase shares for the amount exceeding 10% of the Company's net assets. The Company will repurchase 2,351,934,227 shares at RR 1.72 per share totalling to RR 4,045,327 thousand in August-September 2011.