

**OGK-2 GROUP  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)**

**OGK-2 Group**
**Interim Condensed Consolidated Statement of Financial Position as at 30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

	Notes	30 June 2010	31 December 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	34,752,878	34,845,586
Intangible assets		1,494,560	1,509,771
Other non-current assets	6	3,026,770	6,028,463
<b>Total non-current assets</b>		<b>39,274,208</b>	<b>42,383,820</b>
<b>Current assets</b>			
Cash and cash equivalents	7	702,470	1,553,428
Trade and other receivables	8	11,037,644	4,601,861
Inventories		2,518,335	2,246,001
Current income tax prepayments		274,566	130,898
Other current assets		3,512,500	3,200,000
<b>Total current assets</b>		<b>18,045,515</b>	<b>11,732,188</b>
<b>TOTAL ASSETS</b>		<b>57,319,723</b>	<b>54,116,008</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital			
Ordinary shares		11,872,828	11,872,828
Treasury shares		(5,579)	(5,579)
Share premium		23,916,508	23,916,508
Merger reserve		(377,383)	(377,383)
Retained earnings		4,562,862	2,042,077
<b>Total equity</b>		<b>39,969,236</b>	<b>37,448,451</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		2,097,872	2,120,813
Non-current debt		26	68
Retirement benefit obligations		586,563	554,566
Restoration provision		350,399	355,582
Other long-term liabilities		16,960	15,369
<b>Total non-current liabilities</b>		<b>3,051,820</b>	<b>3,046,398</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	10	11,493,430	9,576,509
Trade and other payables	11	2,215,356	3,343,687
Other taxes payable	12	524,052	666,509
Restoration provision		65,829	34,454
<b>Total current liabilities</b>		<b>14,298,667</b>	<b>13,621,159</b>
<b>Total liabilities</b>		<b>17,350,487</b>	<b>16,667,557</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>57,319,723</b>	<b>54,116,008</b>

General Director

A.A. Mityushov

Chief Accountant

L.V. Klisch



16 August 2010

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

**OGK-2 Group****Interim Condensed Consolidated Income Statement for the 6 months ended 30 June 2010****(unaudited)**

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

	Notes	6 months ended 30 June 2010	6 months ended 30 June 2009
Revenues	13	24,886,359	19,373,505
Operating expenses	14	(22,326,340)	(17,954,772)
Other operating items		(137,305)	(53,776)
<b>Operating profit</b>		<b>2,422,714</b>	<b>1,364,957</b>
Finance income	15	284,018	188,121
Finance cost	16	(392,378)	(422,971)
<b>Profit before income tax</b>		<b>2,314,354</b>	<b>1,130,107</b>
Total income tax charge		(522,657)	(309,323)
<b>Profit for the period</b>		<b>1,791,697</b>	<b>820,784</b>
Attributable to:			
Shareholders of OJSC "OGK-2"		1,791,697	820,784
Minority interest		-	-
<b>Earning per ordinary share for profit attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in Russian Roubles)</b>	17	<b>0.05</b>	<b>0.03</b>

General Director

A.A. Mityushov

Chief Accountant

L.V. Klisch



16 August 2010

**OGK-2 Group****Interim Condensed Consolidated Statement of Comprehensive Income for the 6 months ended  
30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

	6 months ended 30 June 2010	6 months ended 30 June 2009
<b>Profit for the period</b>	<b>1,791,697</b>	<b>820,784</b>
Available-for-sale investments	18,045	25,837
<b>Total comprehensive income for the period</b>	<b>1,809,742</b>	<b>846,621</b>
Attributable to:		
Shareholders of OJSC "OGK-2"	1,809,742	846,621
Minority interest	-	-

General Director

A.A. Mityushov

Chief Accountant

L.V. Klisch



A handwritten blue ink signature, likely belonging to L.V. Klisch, written in a cursive style.

16 August 2010

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Cash Flows for the 6 months ended 30 June 2010**  
**(unaudited)**  
(in thousands of Russian Roubles)

	Notes	6 months ended 30 June 2010	6 months ended 30 June 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		2,314,354	1,130,107
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	5	639,572	639,625
Reversal of property, plant and equipment impairment	5	(548)	-
Amortisation of intangible assets		24,066	15,867
(Reversal) / charge of provision for impairment of trade and other receivables	14	(121,054)	476,408
(Reversal) / charge of provision for inventory obsolescence	14	(6,507)	19,438
Finance income	15	(284,018)	(188,121)
Finance costs	16	392,378	422,971
Increase in retirement benefit obligations	14	56,060	47,196
Employee share option plan	9	1,355	3,561
Loss on disposal of assets	14	2,509	82,229
Other non-cash items		(1,986)	31,606
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>3,016,181</b>	<b>2,680,887</b>
Working capital changes:			
Decrease / (increase) in trade and other receivables		1,810,115	(1,052,946)
Payments in respect of retirement benefit obligations		(19,269)	(16,287)
(Increase) / decrease in inventories		(261,217)	506,509
Decrease in trade and other payables		(1,002,428)	(1,009,103)
(Decrease) / increase in taxes payable, other than income tax		(140,672)	277,597
Income tax (paid) / received in cash		(687,905)	78,860
<b>Net cash generated from operating activities</b>		<b>2,714,805</b>	<b>1,465,517</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(676,766)	(309,218)
Proceeds from sale of property, plant and equipment		632	1,124
Purchase of intangible assets		(8,855)	(1,472)
Increase in deposits		(4,512,500)	(300,000)
Proceeds from deposits		4,500,000	65,500
Interest received		67,744	95,470
<b>Net cash used in investing activities</b>		<b>(629,745)</b>	<b>(448,596)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings		9,300,000	1,100,000
Repayment of short-term borrowings		(7,600,000)	(1,100,000)
Repayment of long-term borrowings		(5,000,000)	-
Interest paid		(344,441)	(382,744)
Payments under finance lease		(1,265)	(16,278)
Refund of premium paid to secure settlement of share-based payments	9	709,688	-
<b>Net cash used in financing activities</b>		<b>(2,936,018)</b>	<b>(399,022)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(850,958)</b>	<b>617,899</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>1,553,428</b>	<b>3,161,417</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>702,470</b>	<b>3,779,316</b>

General Director

A.A. Mityushov

Chief Accountant

L.V. Klisch

16 August 2010



**OGK-2 Group**
**Interim Condensed Consolidated Statement of Changes in Equity for the 6 months ended**
**30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Merger reserve	Retained earnings	Total
<b>At 1 January 2009</b>	<b>11,872,828</b>	<b>(5,579)</b>	<b>23,916,508</b>	<b>(377,383)</b>	<b>913,542</b>	<b>36,319,916</b>
Profit for the period	-	-	-	-	820,784	820,784
Available-for-sale investments	-	-	-	-	25,837	25,837
<i>Total comprehensive income for the period</i>	-	-	-	-	846,621	846,621
Employee share option plan (Note 9)	-	-	-	-	3,561	3,561
<b>At 30 June 2009</b>	<b>11,872,828</b>	<b>(5,579)</b>	<b>23,916,508</b>	<b>(377,383)</b>	<b>1,763,724</b>	<b>37,170,098</b>
<b>At 1 January 2010</b>	<b>11,872,828</b>	<b>(5,579)</b>	<b>23,916,508</b>	<b>(377,383)</b>	<b>2,042,077</b>	<b>37,448,451</b>
Profit for the period	-	-	-	-	1,791,697	1,791,697
Available-for-sale investments	-	-	-	-	18,045	18,045
<i>Total comprehensive income for the period</i>	-	-	-	-	1,809,742	1,809,742
Employee share option plan (Note 9)	-	-	-	-	711,043	711,043
<b>At 30 June 2010</b>	<b>11,872,828</b>	<b>(5,579)</b>	<b>23,916,508</b>	<b>(377,383)</b>	<b>4,562,862</b>	<b>39,969,236</b>

General Director

A.A. Mityushov

Chief Accountant

L.V. Klisch



16 August 2010

**Note 1. The Group and its operations**

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

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

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

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

As at 30 June 2010 and 31 December 2009 the Company is controlled by Gazprom Group. 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 2010 and 31 December 2009.

**Note 2. Basis of preparation**

The interim condensed consolidated financial statements for the 6 months ended 30 June 2010 ("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 2009, 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 2009, 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 2010.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2010:

- IFRIC 17, Distribution of Non-Cash Assets to Owners;
- IFRIC 18, Transfers of Assets from Customers;
- IAS 27, Consolidated and Separate Financial Statements;
- IFRS 3, Business Combinations;
- Eligible Hedged Items - Amendment to IAS 39, Financial Instruments: Recognition and Measurement;
- IFRS 1, First-time Adoption of International Financial Reporting Standards;
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment;
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS;
- Improvements to International Financial Reporting Standards (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39).

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- Classification of Rights Issues - Amendment to IAS 32;

- IFRS 9, Financial Instruments Part 1: Classification and Measurement;
- Amendment to IAS 24, Related Party Disclosures;
- Prepayments of a minimum funding requirement - Amendments to IFRIC 14;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.

**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 significant 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 the Federal Service for Tariffs ("FST"), prices for electricity and capacity based on tariffs set by FST and also based on competitive take-off on the wholesale electricity (capacity) market. Bank loans are granted at market rates. Bank deposits are put at market rates.

##### **Transactions with Gazprom Group**

Transactions with Gazprom Group were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
<i>Sales:</i>		
Sales of electricity and capacity	305,123	252,127
Sales of heat	234	281
<i>Purchases:</i>		
Purchases of fuel	7,773,166	6,151,738
Other purchases	43,945	10,404
Other expenses	24,866	10,180

Balances with Gazprom Group were as follows:

	30 June 2010	31 December 2009
Trade and other receivables	116,812	749,247
Trade and other payables	133,438	11,954

Deposits held in banks related to Gazprom Group were as follows (including interest receivable):

	30 June 2010	31 December 2009
CJSB "Gazenergoprombank"	900,000	900,000

Interest income accrued on bank deposits for the 6 months ended 30 June 2010 was RR 51,113 thousand (for the 6 months ended 30 June 2009: RR 20,784 thousand).

##### **Transactions with state-controlled entities**

In the normal course of business in addition to transactions with Gazprom Group the Group enters into transactions with other entities under government control.



**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

Significant transactions with state-controlled entities were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
<i>Sales:</i>		
Sales of electricity, capacity, heat and other utility services	1,430,561	1,424,188
Other sales	3,287	1,143
<i>Purchases:</i>		
Dispatcher's fees	337,260	350,667
Other purchases	216,654	195,220
Other expenses	27,462	16,395
Reversal of provision for impairment of trade and other receivables	(404)	(121)
Charge of provision for impairment of trade and other receivables	684	282

Significant balances with state-controlled entities were as follows:

	30 June 2010	31 December 2009
Trade and other receivables, gross	86,256	86,165
Provision for impairment of trade and other receivables	(62,120)	(61,840)
Available-for-sale investments	69,379	51,334
Trade and other payables	261,202	256,839
Current debt to OJSB "Sberbank"	4,802,038	2,605,602

Interest expense accrued in respect of debt owed to state-controlled banks for the 6 months ended 30 June 2010 was RR 55,157 thousand (for the 6 months ended 30 June 2009: RR 163,009 thousand).

The Group had no deposits held in state-controlled banks as at 30 June 2010 and as at 31 December 2009. For the 6 months ended 30 June 2010 interest income on bank deposits equals zero (for the 6 months ended 30 June 2009: RR 22,993 thousand).

***Transactions with key management***

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial statements 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.

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 2010 was RR 43,494 thousand (for the 6 months ended 30 June 2009: RR 28,391 thousand).

In accordance with the Resolution of the Board of Directors the Company decided to terminate from 31 March 2010 the labour agreement with its previous General Director, appointed in 2008.

**OGK-2 Group**
**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended**
**30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

**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 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)
<b>Closing balance as at 30 June 2010</b>	<b>10,707,405</b>	<b>4,431,723</b>	<b>11,404,834</b>	<b>2,779,858</b>	<b>498,106</b>	<b>20,291,787</b>	<b>50,113,713</b>
<b>Accumulated depreciation (including impairment)</b>							
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
<b>Closing balance as at 30 June 2010</b>	<b>(3,587,719)</b>	<b>(2,586,660)</b>	<b>(6,943,207)</b>	<b>(1,468,819)</b>	<b>(332,574)</b>	<b>(441,856)</b>	<b>(15,360,835)</b>
<b>Net book value as at 30 June 2010</b>	<b>7,119,686</b>	<b>1,845,063</b>	<b>4,461,627</b>	<b>1,311,039</b>	<b>165,532</b>	<b>19,849,931</b>	<b>34,752,878</b>
<b>Net book value as at 31 December 2009</b>	<b>7,230,958</b>	<b>1,959,433</b>	<b>4,530,453</b>	<b>1,365,681</b>	<b>183,232</b>	<b>19,575,829</b>	<b>34,845,586</b>

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2009	10,713,056	4,452,932	11,132,577	2,598,243	462,175	19,049,174	48,408,157
Additions	12,023	72	-	4,497	13,553	365,828	395,973
Transfer	59,043	5,614	14,914	25,643	2,237	(107,451)	-
Disposals	(83,679)	-	(110)	(15,205)	(7,620)	(754)	(107,368)
Reclassification of advances	-	-	-	-	-	(7,494,364)	(7,494,364)
<b>Closing balance as at 30 June 2009</b>	<b>10,700,443</b>	<b>4,458,618</b>	<b>11,147,381</b>	<b>2,613,178</b>	<b>470,345</b>	<b>11,812,433</b>	<b>41,202,398</b>
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 1 January 2009	(3,257,218)	(2,230,270)	(6,158,336)	(1,158,703)	(267,115)	(551,378)	(13,623,020)
Charge for the period	(116,009)	(128,936)	(263,966)	(101,232)	(29,482)	-	(639,625)
Disposals	13,781	-	59	6,776	4,488	34	25,138
<b>Closing balance as at 30 June 2009</b>	<b>(3,359,446)</b>	<b>(2,359,206)</b>	<b>(6,422,243)</b>	<b>(1,253,159)</b>	<b>(292,109)</b>	<b>(551,344)</b>	<b>(14,237,507)</b>
<b>Net book value as at 30 June 2009</b>	<b>7,340,997</b>	<b>2,099,412</b>	<b>4,725,138</b>	<b>1,360,019</b>	<b>178,236</b>	<b>11,261,089</b>	<b>26,964,891</b>
<b>Net book value as at 31 December 2008</b>	<b>7,455,838</b>	<b>2,222,662</b>	<b>4,974,241</b>	<b>1,439,540</b>	<b>195,060</b>	<b>18,497,796</b>	<b>34,785,137</b>

As at 30 June 2010 the advances given to the major contractors OJSC "E4 Group" and CJSC "QUARTZ - Novie Technologii" in the framework of investment program implementation amount to RR 17,373,514 thousand (net of VAT) and are recognised within construction in progress (31 December 2009: RR 17,424,519 thousand). The respective long-term input VAT in the amount of RR 2,362,614 thousand is recognised within other non-current assets (31 December 2009: RR 2,740,024 thousand) and current input VAT in the amount of RR 764,619 thousand is recognised within trade and other receivables (31 December 2009: RR 396,389 thousand).

**Finance lease of property, plant and equipment**

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 2010 (unaudited)**

(in thousands of Russian Roubles)

	<b>30 June 2010</b>	<b>31 December 2009</b>
Energy machinery and equipment	57,463	59,425
Other machinery and equipment	45,141	51,350
Other	9,900	12,625
<b>Total</b>	<b>112,504</b>	<b>123,400</b>

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:

	<b>30 June 2010</b>	<b>31 December 2009</b>
Not later than one year	255,262	399,942
Later than one year and not later than five years	136,150	275,840
Later than five years and not later than ten years	94,597	210,102
Later than ten years	315,952	537,710
<b>Total</b>	<b>801,961</b>	<b>1,423,594</b>

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**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Long-term input VAT from advances paid	2,386,398	2,765,000
Long-term restructured trade and other receivables	349,807	727,818
(net of provision for impairment of trade and other receivables of RR 146,259 thousand as at 30 June 2010 and RR 221,120 thousand as at 31 December 2009)		
Prepayments / deposits for pensions	201,889	206,684
Long-term promissory notes	6,185	1,964,355
(nominal value of promissory notes is RR 11,694 thousand as at 30 June 2010 and RR 2,190,524 thousand as at 31 December 2009)		
Long-term bank deposits	-	300,000
Other	82,491	64,606
<b>Total</b>	<b>3,026,770</b>	<b>6,028,463</b>

As at 30 June 2010 the Group has long-term non-interest bearing promissory notes of OJSC "Ulaynovskenergo" with nominal value of RR 11,694 thousand maturing during the period from December 2011 to December 2020. As at 30 June 2010 promissory notes are stated at amortised cost in the amount of RR 6,185 thousand.

As at 30 June 2010 OJSC "NOMOS-BANK" and OJSC "Evrofinance Mosnarbank" the long-term non-interest bearing promissory notes with amortized cost of RR 1,976,259 thousand and RR 57,459 thousand respectively and maturity from the reporting date of less than 12 months were reclassified from other non-current assets into trade and other receivables.

The amortisation of the long-term non-interest bearing promissory notes for the 6 months ended 30 June 2010 in the amount of RR 75,548 thousand (for the 6 months ended 30 June 2009: RR 69,561 thousand) was recognised as a release of discounting effect within finance income (Note 15).

**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

As at 30 June 2010 the long-term deposit held in CJSC "Gazenergoprombank" in the amount of RR 300,000 thousand with maturity from the reporting date of less than 12 months was reclassified from other non-current assets into other current assets.

**Note 7. Cash and cash equivalents**

	Currency	30 June 2010	31 December 2009
Current bank accounts	RR	702,063	1,540,916
Current bank accounts	USD, EURO, GBP, KZT	407	12
Bank deposits with maturity of 3 months or less	RR	-	12,500
<b>Total</b>		<b>702,470</b>	<b>1,553,428</b>

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 June 2010*	30 June 2010	Credit rating on 31 December 2009*	31 December 2009
OJSC "Evrofinance Mosnarbank"	E+/Stable	553,828	E+/Stable	354,706
CJSC "Gazenergoprombank"	E+/Stable	64,668	E+/Stable	402,362
OJSC "Alfa-bank"	D/Negative	46,691	D/Negative	103,109
OJSC "Sberbank"	E+/Stable	32,360	D+/Stable	355,899
CJSC "Mezhdunarodny promyshlenny bank"	E+/Negative	4,362	E+/Negative	324,835
OJSC "NOMOS-BANK"	D-/Negative	559	D-/Negative	9
OJSC "Transcreditbank"	D-/ Stable	1	D-/Negative	8
OJSC "BANK "ROSSIYA", MOSCOW BRANCH	E+/Stable	1	-	-
<b>Total cash in bank</b>		<b>702,470</b>		<b>1,540,928</b>

\* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investors 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 2010*	30 June 2010	Interest rate	Credit rating on 31 December 2009*	31 December 2009
CJSC "Gazbank"	-	-	-	14.0%	Not-Prime	12,500
<b>Total bank deposits with maturity of 3 months or less</b>			<b>-</b>			<b>12,500</b>

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

**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

**Note 8. Trade and other receivables**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Promissory notes	2,391,275	1,964,355
(nominal value of promissory notes is RR 2,541,896 thousand as at 30 June 2010 and RR 2,190,524 thousand as at 31 December 2009)		
Trade receivables	2,010,161	3,484,778
(net of provision for impairment of trade receivables of RR 690,549 thousand as at 30 June 2010 and RR 862,025 thousand as at 31 December 2009)		
Interest receivable on deposits	179,919	41,960
Other receivables	5,433,453	118,097
(net of provision for impairment of other receivables of RR 138,510 thousand as at 30 June 2010 and RR 89,737 thousand as at 31 December 2009)		
<b>Total financial assets</b>	<b>10,014,808</b>	<b>5,609,190</b>
Input VAT	3,454,230	3,429,356
Advances to suppliers	288,181	1,005,322
(net of provision for impairment of advances to suppliers of RR 15,647 thousand as at 30 June 2010 and RR 13,757 thousand as at 31 December 2009)		
Prepaid value-added tax and other tax	18,787	10,948
Prepayments	4,028	4,218
<b>Total</b>	<b>13,780,034</b>	<b>10,059,034</b>
Less: Long-term input VAT from advances paid	(2,386,398)	(2,765,000)
Long-term restructured trade and other receivables	(349,807)	(727,818)
(net of provision for impairment of trade and other receivables of RR 146,259 thousand as at 30 June 2010 and RR 221,120 thousand as at 31 December 2009)		
Long-term promissory notes	(6,185)	(1,964,355)
(nominal value of promissory notes is RR 11,694 thousand as at 30 June 2010 and RR 2,190,524 thousand as at 31 December 2009)		
<b>Total</b>	<b>11,037,644</b>	<b>4,601,861</b>

As at 30 June 2010 other receivables include OJSC "NOMOS-BANK" balance in the amount of RR 5,196,200 thousand (see Note 10).

**Note 9. Equity**

**Dividends.** There were no dividends proposed or declared before the financial statements were authorized.

**Employee share option plan.** In 2009 the Company started a litigation in order to cancel the service agreement with OJSC "NOMOS-BANK" and claim back funds transferred to the bank in 2007 in the amount of RR 709,688 thousand. In January 2010 the Supreme Arbitration Court of the Russian Federation agreed to cancel the agreement and ordered OJSC "NOMOS-BANK" to return to the Company the cash transferred in 2007. In March 2010 the Company received cash in full. The transaction was recorded in the Interim Condensed Consolidated Statement of Changes in Equity.

During the 6 months ended 30 June 2010 the Group recognized a service cost in amount of RR 1,355 thousand with corresponding increase in retained earnings (during the 6 months ended 30 June 2009: RR 3,561 thousand).

**OGK-2 Group**
**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended**
**30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

**Note 10. Current debt and current portion of non-current debt**

	<b>Currency</b>	<b>Effective interest rate</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
Bonds	RR	7.7%-10.65%	4,999,165	4,968,721
OJSC "Sberbank"	RR	7.75%-13.3%	4,800,000	2,600,000
OJSC "Evrofinance Mosnarbank"	RR	5.5%-11.9%	1,500,000	1,500,000
CJSC "Mezhdunarodny promyshlenny bank"	RR	11.4%-13.9%	-	500,000
Interest payable	RR	5.5%-13.9%	194,019	6,657
Current portion of finance lease liability	RR	22.6%- 27.3%	246	1,131
<b>Total</b>			<b>11,493,430</b>	<b>9,576,509</b>

At the end of June 2010 the Company has transferred RR 5,196,200 thousand to the paying agent OJSC "NOMOS-BANK" to settle the bonds: RR 5,000,000 thousand – nominal value of issued bonds, RR 196,200 thousand - interest payable. The bonds were redeemable on 5 July 2010. As at 30 June 2010 the amount transferred to the paying agent is disclosed in other receivables.

The Company is subject to the covenant on receipt of revenue proceeds to current accounts under the credit facilities from OJSC "Sberbank" and OJSC "Evrofinance Mosnarbank". The Company was in compliance with the covenant as at 30 June 2010 and 31 December 2009.

**Note 11. Trade and other payables**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Trade payables	1,509,266	2,622,575
Accrued liabilities and other payables	375,031	459,058
<b>Total financial liabilities</b>	<b>1,884,297</b>	<b>3,081,633</b>
Salaries and wages payable	261,059	243,163
Advances from customers	70,000	18,891
<b>Total</b>	<b>2,215,356</b>	<b>3,343,687</b>

**Note 12. Other taxes payable**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Value added tax	253,979	369,521
Water tax	112,345	143,187
Environment pollution payments	70,384	48,510
Social funds contribution	37,747	34,547
Property tax	25,439	46,685
Personal income tax	22,469	22,974
Other taxes	1,689	1,085
<b>Total</b>	<b>524,052</b>	<b>666,509</b>

**Note 13. Revenues**

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Electricity and capacity	24,300,082	18,866,929
Heat	509,479	445,796
Other	76,798	60,780
<b>Total</b>	<b>24,886,359</b>	<b>19,373,505</b>

**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

**Note 14. Operating expenses**

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Fuel	14,281,677	11,627,817
Purchased electricity, capacity and heat	3,472,181	1,193,637
Employee benefits	1,455,709	1,380,018
Depreciation of property, plant, equipment and intangible assets	663,638	655,492
Repairs and maintenance	562,992	742,399
Taxes other than income tax	389,683	436,654
Dispatcher's fees	337,260	350,667
Raw materials and supplies	309,202	257,691
Ecological payments	189,251	116,449
Rent	95,481	92,926
Transport	28,907	24,562
Insurance	19,360	12,772
Consulting, legal and audit services	17,816	64,873
Loss on disposal of assets	2,509	82,229
(Reversal) / charge of provision for impairment of trade and other receivables	(121,054)	476,408
(Reversal) / charge of provision for inventory obsolescence	(6,507)	19,438
Reversal of property, plant and equipment impairment	(548)	-
Other expenses	628,783	420,740
<b>Total operating expenses</b>	<b>22,326,340</b>	<b>17,954,772</b>

Employee benefits expenses comprise the following:

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Salaries and wages	1,087,272	1,048,187
Social funds contribution	243,804	225,333
Financial aid to employees and pensioners	67,218	55,741
Non-state pensions and other long-term benefits	56,060	47,196
Employee share option plan	1,355	3,561
<b>Employee benefits</b>	<b>1,455,709</b>	<b>1,380,018</b>
Number of personnel at the end of the period	4,802	4,943

Included in social funds contribution are statutory pension contributions of RR 189,100 thousand (for the 6 months ended 30 June 2009: RR 174,802 thousand).

**Note 15. Finance income**

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Interest income on bank deposits and current bank account balances	205,703	117,108
Release of discounting effect of long-term promissory notes received (Note 6)	75,548	69,561
Foreign exchange differences	1,785	-
Other finance income	982	1,452
<b>Total finance income</b>	<b>284,018</b>	<b>188,121</b>

**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

**Note 16. Finance cost**

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Interest expense	366,047	413,457
Unwinding of the present value discount for provision for ash dump	26,192	-
Foreign exchange differences	-	7,610
Interest expense under finance lease agreements	139	1,904
<b>Total finance cost</b>	<b>392,378</b>	<b>422,971</b>

**Note 17. Earnings per share**

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Weighted average number of ordinary shares issued	32,733,468,382	32,733,468,382
Profit attributable to the shareholders of OJSC "OGK-2" (thousands of RR)	1,791,697	820,784
<b>Earning per ordinary share for profit attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)</b>	<b>0.05</b>	<b>0.03</b>

**Note 18. Capital commitments**

At the moment NP "Council Market" has approved the agency agreement with CJSC "Center for Finance Settlements" ("CFS"), OJSC "ATC", NP "Council Market" and OJSC "System Operator of the United Power System" ("SO UPS") for sale of investment capacity (capacity of the generating assets, which are under construction in accordance with the investment program of the Company), as well as the proforma contract for provision of capacity, which CFS will conclude on behalf of the Company under the agency agreement with the buyers of electricity (capacity), wholesale electricity market customers. Expected time for the conclusion of the given contracts is not later than 1 September 2010.

As at 30 June 2010 in the framework of the investment programme implementation the Group has capital commitments (including VAT) of RR 67,540,695 thousand (31 December 2009: RR 66,716,054 thousand). Within the amount of capital commitments disclosed above the Group provided guarantees to OJSC "Bank of Moscow" in the amount of EURO 85,942 thousand (30 June 2010: RR 3,281,799 thousand and 31 December 2009: RR 3,728,869 thousand) for OJSC "E4 Group" fulfilling its obligations under the agreement to open a letter of credit entered into between the bank and OJSC "E4 Group" in the framework of the general construction contract with the Group.

As at 30 June 2010 the Group has commitments of RR 227,932 thousand related to software implementation costs (31 December 2009: RR 233,710 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 a party in 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, water tax accounting, deductibility of certain expenses.



**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

As at 30 June 2010 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.** 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 posture 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 which is a foreign country. Therefore, the Group is subject to the environmental regulation of the country in respect of the usage of the ash dump. The Group is also periodically evaluates its obligations under Kazakhstan environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but can 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 provision has been recognised by the Group in these financial statements.

**Note 20. Segment information**

The Group gets its revenues from the generation of electricity and heat in one geographical segment - Russian Federation. The Group major customers are the regional electricity wholesalers. Management does not believe that the Group is dependent on any particular customer.

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 99.7% 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 five primary reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Pskovskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of valuation 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.

<b>6 months ended 30 June 2010</b>	<b>Surgutskaya GRES-1</b>	<b>Stavropol- skaya GRES</b>	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Pskovskaya GRES</b>	<b>Total</b>
Revenue	10,660,910	6,216,711	5,050,354	1,707,445	1,250,939	<b>24,886,359</b>
Segment operating profit/ (loss)	2,421,861	484,269	412,258	(15,623)	24,757	<b>3,327,522</b>
<b>6 months ended 30 June 2009</b>	<b>Surgutskaya GRES-1</b>	<b>Stavropol- skaya GRES</b>	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Pskovskaya GRES</b>	<b>Total</b>
Revenue	8,323,119	5,353,040	3,307,307	1,411,618	978,421	<b>19,373,505</b>
Segment operating profit	1,710,525	734,084	211,991	78,074	79,384	<b>2,814,058</b>

**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2010 (unaudited)**

(in thousands of Russian Roubles)

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

	<b>6 months ended 30 June 2010</b>	<b>6 months ended 30 June 2009</b>
Operating profit of reporting segments	3,327,522	2,814,058
Adjustments from different accounting policy:		
Share option plan	(685,083)	(3,561)
Depreciation adjustment	(331,811)	(306,265)
Provision for impairment of trade and other receivables	(60,538)	10,908
Other adjustments	(2,718)	(88,012)
Unallocated income / (expenses)	175,342	(1,062,171)
<b>Operating profit (IFRS)</b>	<b>2,422,714</b>	<b>1,364,957</b>

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Stavropol- skaya GRES	Troitskaya GRES	Serovskaya GRES	Pskovskaya GRES	Total
<b>30 June 2010</b>	3,816,519	2,529,089	14,462,535	8,048,581	2,481,850	<b>31,338,574</b>
<b>31 December 2009</b>	3,804,656	2,383,932	13,825,012	8,262,852	2,587,570	<b>30,864,022</b>

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

	<b>30 June 2010</b>	<b>31 December 2009</b>
Total assets of reporting segments	31,338,574	30,864,022
Adjustments from different accounting policy:		
Property, plant and equipment adjustments	5,899,772	6,198,707
Pensions adjustments	201,889	206,684
Impairment of intangible assets	(391,841)	(391,841)
Impairment of trade and other receivables	(326,232)	(265,694)
Discounting of promissory notes	(150,621)	(226,169)
Provision for inventory obsolescence	(38,717)	(45,224)
Other adjustments	(234,003)	(315,629)
Unallocated assets	21,020,902	18,091,152
<b>Total assets (IFRS)</b>	<b>57,319,723</b>	<b>54,116,008</b>

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

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