

**RUSHYDRO GROUP**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION  
(UNAUDITED)  
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2008**

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## REVIEW REPORT OF THE AUDITORS

To the Shareholders and the Board of Directors of Open Joint Stock Company RusHydro:

### *Introduction*

We have reviewed the accompanying consolidated interim condensed balance sheet of Open Joint Stock Company RusHydro and its subsidiaries (the "RusHydro Group") as of 30 June 2008 and the related consolidated interim condensed income statement, statements of cash flows and of changes in equity for the six months then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review. Management has issued consolidated interim condensed financial information for the first time as of and for the period ended 30 June 2008 and hence we did not perform a review of interim financial information as of and for the period ended 30 June 2007.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information of RusHydro Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

25 November 2008

**RusHydro Group**  
**Consolidated Interim Condensed Balance Sheet as at 30 June 2008 (Unaudited)**  
(in thousands of Russian Rubles unless noted otherwise)

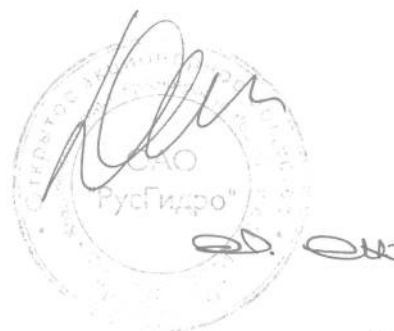
	Note	30 June 2008	31 December 2007 (not reviewed)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	279,587,857	268,600,150
Investments in associates and jointly controlled entities		6,447,552	6,105,985
Other non-current assets		8,288,092	2,089,726
<b>Total non-current assets</b>		<b>294,323,501</b>	<b>276,795,861</b>
<b>Current assets</b>			
Cash and cash equivalents		19,420,399	6,996,112
Accounts receivable and prepayments		21,697,780	19,485,135
Inventories		811,223	765,625
Other current assets		873,440	4,479,795
<b>Total current assets</b>		<b>42,802,842</b>	<b>31,726,667</b>
<b>TOTAL ASSETS</b>		<b>337,126,343</b>	<b>308,522,528</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	195,860,497	156,864,374
Treasury shares	7	(7,212,088)	(5,427,507)
Share premium		12,005,098	12,005,098
Merger reserve	7	(57,220,268)	(51,855,901)
Retained earnings and other reserves		97,711,236	94,119,635
<b>Equity attributable to shareholders of OJSC RusHydro</b>		<b>241,144,475</b>	<b>205,705,699</b>
<b>Minority interest</b>		<b>715,961</b>	<b>32,053,678</b>
<b>TOTAL EQUITY</b>		<b>241,860,436</b>	<b>237,759,377</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		32,241,729	32,524,611
Non-current debt	9	20,073,012	20,607,692
Other non-current liabilities		989,995	969,121
<b>Total non-current liabilities</b>		<b>53,304,736</b>	<b>54,101,424</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	9	25,737,191	4,006,730
Accounts payable and accruals		14,356,373	11,717,776
Current income tax payable		147,041	63,877
Other taxes payable		1,720,566	873,344
<b>Total current liabilities</b>		<b>41,961,171</b>	<b>16,661,727</b>
<b>TOTAL LIABILITIES</b>		<b>95,265,907</b>	<b>70,763,151</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>337,126,343</b>	<b>308,522,528</b>

Member of Management Board

S.A. Yushin

Chief Accountant

O.V. Otto



25 November 2008

**RusHydro Group**  
**Consolidated Interim Condensed Income Statement for the six months ended 30 June 2008**  
**(Unaudited)**

(in thousands of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007 (not reviewed)
Revenue	10	35,734,571	28,878,546
Operating expenses	11	(26,235,358)	(21,616,991)
<b>Operating profit</b>		<b>9,499,213</b>	<b>7,261,555</b>
Finance income		804,124	323,269
Finance costs		(1,071,925)	(1,181,649)
<b>Finance costs, net</b>		<b>(267,801)</b>	<b>(858,380)</b>
Share of profit of associates and jointly controlled entities		341,558	-
<b>Profit before income tax</b>		<b>9,572,970</b>	<b>6,403,175</b>
Total income tax charge	8	(2,648,724)	(1,564,184)
<b>Profit for the period</b>		<b>6,924,246</b>	<b>4,838,991</b>
Attributable to:			
Shareholders of OJSC RusHydro		6,905,695	4,886,056
Minority interest		18,551	(47,065)
Earnings per ordinary share for profit attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	12	0.0364	0.0341

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25 November 2008

**RusHydro Group**  
**Consolidated Interim Condensed Cash Flow Statement for the six months ended 30 June 2008**  
**(Unaudited)**  
(in thousand of Russian Rubles)

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007 (not reviewed)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before tax		9,572,970	6,403,175
Depreciation of property, plant and equipment	6,11	4,555,922	4,186,452
Loss on disposal of property, plant and equipment	11	167,534	162,050
Interest expense, net		267,801	858,380
Gain on disposal of subsidiary		-	(270,565)
(Reversal)/charge for impairment of accounts receivable	11	(301,690)	298,724
Share of profit of associates and jointly controlled entities		(341,558)	-
Share option plan, expense	5	542,575	-
Pension expenses		242,660	127,402
Other		235,790	37,799
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>14,942,004</b>	<b>11,803,417</b>
Working capital changes:			
Increase in accounts receivable and prepayments		(1,918,529)	(2,584,572)
Increase in other current assets		(1,437)	(464,225)
Increase in inventories		(71,441)	(233,944)
Decrease in other non-current assets		564,065	136,456
Increase in accounts payable and accruals		3,269,625	6,590,931
Increase in taxes payable		847,222	52,469
Decrease in other non-current liabilities		(932,271)	(641,756)
Income tax paid		(3,846,227)	(2,519,755)
<b>Net cash generated by operating activities</b>		<b>12,853,011</b>	<b>12,139,021</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale of property, plants and equipment		25,105	20,776
Purchase of property, plant and equipment		(11,286,912)	(13,714,980)
Purchase of promissory notes and other short-term investments		(5,937,188)	(1,935,527)
Proceeds from promissory notes redemption		3,607,793	-
Purchase of entities under common control		(3,410,948)	-
Acquisition of subsidiaries from third parties, net of cash acquired		(1,297,242)	(867,240)
Loans issued		(29,851)	-
Proceeds from loan redemption		48,525	-
Interest received		556,600	154,600
<b>Net cash used in investing activities</b>		<b>(17,724,118)</b>	<b>(16,342,371)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term debt		22,651,685	7,849,099
Proceeds from long-term debt		50,000	1,500,000
Repayment of debt		(1,806,074)	(1,852,889)
Interest paid		(504,052)	(789,611)
Dividends paid		(7,758)	(1,276,299)
Purchase of treasury shares		(1,558,359)	-
Repayment of advances to RAO UES under Investment agreements		(625,866)	(3,755,544)
Finance lease payments		(904,182)	(105,102)
<b>Net cash generated by financing activities</b>		<b>17,295,394</b>	<b>1,569,654</b>
<b>Increase in cash and cash equivalents</b>		<b>12,424,287</b>	<b>(2,633,696)</b>
Cash and cash equivalents at the beginning of the period		6,996,112	6,251,987
<b>Cash and cash equivalents at the end of the period</b>		<b>19,420,399</b>	<b>3,618,291</b>

Member of Management Board

S.A. Yushin

Chief Accountant

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25 November 2008

**RusHydro Group**  
**Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2008 (Unaudited)**  
(in thousands of Russian Rubles unless noted otherwise)

	Share capital	Treasury shares	Share premium	Merger reserve	Revaluation reserve	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Minority interest	Total equity
<b>As at 1 January 2007</b>	<b>140,954,760</b>	-	<b>391,080</b>	<b>(51,080,440)</b>	-	<b>13,366,754</b>	<b>103,632,154</b>	<b>23,392,349</b>	<b>127,024,503</b>
Revaluation of property, plant and equipment (Note 6)	-	-	-	-	74,128,830	-	74,128,830	14,039,951	88,168,781
Disposal of subsidiary to entity under joint control	-	-	-	-	(218,395)	2,598,803	2,380,408	(2,380,408)	-
Effect of changes in minority interest	-	-	-	-	-	(1,158,565)	(1,158,565)	85,996	(1,072,569)
Profit for the period	-	-	-	-	-	4,886,056	4,886,056	(47,065)	4,838,991
Dividends declared	-	-	-	-	-	(1,210,490)	(1,210,490)	(172,982)	(1,383,472)
<b>As at 30 June 2007 (not reviewed)</b>	<b>140,954,760</b>	-	<b>391,080</b>	<b>(51,080,440)</b>	<b>73,910,435</b>	<b>18,482,558</b>	<b>182,658,393</b>	<b>34,917,841</b>	<b>217,576,234</b>
<b>As at 1 January 2008</b>	<b>156,864,374</b>	<b>(5,427,507)</b>	<b>12,005,098</b>	<b>(51,855,901)</b>	<b>73,971,905</b>	<b>20,147,730</b>	<b>205,705,699</b>	<b>32,053,678</b>	<b>237,759,377</b>
Share issuance (Note 7)	38,996,123	-	-	(1,953,419)	13,852,720	(19,756,575)	31,138,849	(31,138,849)	-
Purchase of treasury shares (Note 7)	-	(1,784,581)	-	-	-	226,222	(1,558,359)	-	(1,558,359)
Effect of changes in minority interest	-	-	-	-	-	1,820,964	1,820,964	(227,831)	1,593,133
Purchase of subsidiaries (Note 7)	-	-	-	(3,410,948)	-	-	(3,410,948)	10,412	(3,400,536)
Effect of share option plan (Note 5)	-	-	-	-	-	542,575	542,575	-	542,575
Profit for the period	-	-	-	-	-	6,905,695	6,905,695	18,551	6,924,246
<b>As at 30 June 2008</b>	<b>195,860,497</b>	<b>(7,212,088)</b>	<b>12,005,098</b>	<b>(57,220,268)</b>	<b>87,824,625</b>	<b>9,886,611</b>	<b>241,144,475</b>	<b>715,961</b>	<b>241,860,436</b>

Member of Management Board

S.A. Yushin

Chief Accountant

O. V. Otto

25 November 2008

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

Open Joint Stock Company RusHydro (OJSC RusHydro - hereinafter referred to as “the Company”) was founded by the sole founder party – the Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as “RAO UES”) on 26 December 2004, based on the Decision of the Board of Directors of RAO UES dated 24 December 2004 in accordance with the Resolution of the Russian Government No 526 dated 11 July 2001 “On reforming the Russian Federation electric utilities industry” and Resolutions of the Russian Government No 1254-r dated 1 September 2003 and No 1367-r dated 25 October 2004.

RusHydro Group (hereinafter referred to as “the Group”) was formed for the purpose of implementation of the Russian Federation government policy in the hydropower industry, creating the conditions for effective functioning of wholesale electricity generation market, implementation of a strategy toward attracting of funds and capital raising for the purpose of development of the hydropower industry, development and realization of scientific and technological policy and implementation of new progressive types of equipment and technology, including exploration of renewable sources of electric energy.

The Group’s primary activity is the generation and sale of electricity (power).

The Company’s registered office is located at 51, Respubliki Street, Krasnoyarsk, Krasnoyarsk region, the Russian Federation.

As at 30 June 2008 the Group consists of the Company, which has 20 branches across the Russian Federation, and its subsidiaries. The Group’s principal subsidiaries are presented in Note 2.

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The ordinary shares of the Company are traded on the Moscow Interbank Currency Exchange and the Russian Commodities and Raw Materials Exchange.

**Operating environment of the Group.** The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation. Management is unable to predict all developments which could have an impact on the utilities sector and consequently what effect, if any, they could have on the financial position of the Group. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

**Relations with the State and current regulation.** As at 30 June 2008, RAO UES owned 77.93% of the voting ordinary shares of the Company (as at 31 December 2007 – 96.16%) and the Russian Federation owned 1.53% (as at 31 December 2007 – 1.84%). The Group’s customer base includes a number of entities controlled by the State (Note 5).

In addition, the Government affects the Group’s operations through:

- participation of its representatives on the Board of Directors of the Company;
- its tariff regulation within wholesale electricity markets;
- agreement procedures for investment assets, volume and sources of their financing, control over implementation of the Company’s investment programme;
- existing antimonopoly regulation.

The Federal Service on Tariffs (hereinafter referred to as “FST”) regulates electricity (capacity) and heat tariffs by setting maximum electricity tariff levels for final consumers and on the wholesale market, and the Regional services on tariffs (hereinafter referred to as “RSTs”) set tariffs for electricity and heat for final consumers and tariffs for electricity distribution through the low voltage grids on regional retail markets. Although there is now some free trading of limited volumes of electricity, currently for the great majority of sales the tariffs which the Group may charge for sales of electricity (capacity) are governed both by regulations specific to the electricity industry and by regulations applicable to natural monopolies.

The Group’s investment programme is subject to agreement with state regulators: Russian Ministry of Energy (former Russian Ministry of Industry and Energy before restructuring), Russian Ministry of Economic Development and Trade and Federal Tariff Agency.

The Company’s investment programme is determined in accordance with the General scheme of location of electricity sites for the period through 2020 which was taken by the Russian Government as the basis as of 19 January 2007 (approved by resolution of the Russian Government No. 215-r dated 22 February 2008).

## RusHydro Group

Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)  
(in thousand of Russian Rubles unless noted otherwise)

In accordance with the resolution of the Russian Government (minutes of the Russian Government's meeting No. 27 dated 3 August 2006), construction of the most significant hydropower projects in 2007 through 2008 is financed by including special-purpose investment funds into the revenue from electricity sale in the wholesale market.

As described above the Russian Government's economic, social and other policies could have material effect on the Group's operations.

**Sector restructuring.** The Russian electric utilities industry is presently undergoing a restructuring process designed to introduce competition into the electricity and capacity sector and to create an environment in which electric utilities sector companies can raise the capital required to maintain and expand current capacity. On 28 June 2008 the changes to the Wholesale Electric Power (capacity) Market Rules of the Transition Period were approved by Resolution of the Government of the Russian Federation No.476, which provide that starting 1 July 2008 capacity exceeding the regulated contracts as well as that of new input generating capacities is traded at non-regulated prices on wholesale market. According to the Resolution of the Government of the Russian Federation, the capacity can be traded in several ways, including by means of bilateral contracts for the sale of electricity and capacity between the wholesale market participants, by means of increasing sales of electricity and capacity on the exchange, as well as by means of sales of capacity at auctions.

Thus, from 1 July 2008 up to 25% of electricity could be sold at market prices, then the schedule of the power market liberalization coincides with that of the electricity market liberalization approved by Resolution of the Russian Government No. 643. By 1 January 2011 100% of electricity and power will be sold at market prices.

**Seasonality of business.** The Group's own electricity (power) generation depends on water content of rivers and weather conditions. In spring and in summer (flood period) electricity production is significantly higher than in autumn and in winter. Demand for electricity (power) varies with seasons and weather conditions. The seasonal nature of electricity generation has a significant influence on the volume of energy generated and purchased by the Group. For the six months ended 30 June 2008, the level of sales represented 76% (six months ended 30 June 2007: 61%) of the annual level of sales in the year ended 31 December 2007.

**Recent volatility in global and Russian financial markets.** The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial market, has also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The debtors of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding debts. Deteriorating operating conditions for debtors may also have an impact on Management's cash flow forecasts, future capital expenditure and assessment of the impairment of financial and non-financial assets.

The uncertainty in the global markets combined with other local factors has during 2008 led to very high volatility in the Russian Stock Markets and at times much higher than normal interbank lending rates.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

### Note 2. Principal subsidiaries and segment information

The following are the principal subsidiaries which have been consolidated into this consolidated interim condensed financial information. All subsidiaries are incorporated and operate in the Russian Federation, except for HydroOGK Power Company Ltd and HydroOGK Aluminium Company Ltd which are established under legislation of the Republic of Cyprus.

	30 June 2008		31 December 2007	
	% of ownership	% of voting	% of ownership	% of voting
OJSC Bureiskaya HPP**	-	-	94.64%	94.64%
OJSC Cheboksarskaya HPP*	-	-	100% - 1 share	100% - 1 share
OJSC Dagestanskaya Regional Hydrogenerating Company*	-	-	51.00%	51.00%
CJSC EOZ*	-	-	99.98%	99.98%
OJSC Kabbalk HPP*	-	-	50.34%	50.34%
OJSC Kabbalk Hydrogenerating Company**	-	-	65.27%	65.27%
OJSC Kamskaya HPP*	-	-	100% - 1 share	100% - 1 share



**RusHydro Group**
**Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)**
*(in thousand of Russian Rubles unless noted otherwise)*

	30 June 2008		31 December 2007	
	% of ownership	% of voting	% of ownership	% of voting
OJSC Kaskad VV HPPs*	-	-	100% - 1 share	100% - 1 share
OJSC Nizhegorodskaya HPP*	-	-	100% - 1 share	100% - 1 share
OJSC Saratovskaya HPP*	-	-	100% - 1 share	100% - 1 share
OJSC Severo-Osetinskaya Hydrogenerating Company*	-	-	97.43%	97.43%
OJSC Sayano-Shushenskaya HPP named after P.S. Neporozhny*	-	-	78.90%	82.78%
OJSC Stavropolskaya Electric Hydrogenerating Company*	-	-	55.12%	71.93%
OJSC Sulakenergo*	-	-	71.74%	71.74%
OJSC Volzhskaya HPP*	-	-	83.31%	86.39%
OJSC Votkinskaya HPP*	-	-	59.84%	74.20%
OJSC Zagorskaya HAEPP*	-	-	50.90%	50.90%
OJSC Zeiskaya HPP*	-	-	56.39%	72.20%
OJSC Zelenchukskie HPPs*	-	-	99.97%	99.97%
OJSC Zhigulevskaya HPP*	-	-	84.11%	86.86%
OJSC B.E.Vedeneev Russian Research Institute of Hydrotechnic Engineering	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
CJSC Boguchanskaya HPP	100.00%	100.00%	100.00%	100.00%
CJSC Boguchanskaya HPP Construction Organizer	51.00%	51.00%	51.00%	51.00%
CJSC Boguchansky Aluminium Plant Construction Customer	51.00%	51.00%	51.00%	51.00%
OJSC ChuvashEnergoSbyt**	100.00%	100.00%	100.00%	100.00%
OJSC Electroremont VKK	100.00%	100.00%	84.11%	86.86%
OJSC ESKO UES	100.00%	100.00%	100.00%	100.00%
OJSC Geoterm	71.61%	71.61%	71.61%	71.61%
OJSC Gidroinvest (former OJSC Lengidroproekt)	100.00%	100.00%	100% - 1 share	100% - 1 share
OJSC Gidroremont VKK	100.00%	100.00%	84.11%	86.86%
HydroOGK Power Company Ltd	100.00%	100.00%	100.00%	100.00%
HydroOGK Aluminium Company Ltd	100.00%	100.00%	100.00%	100.00%
OJSC Karachaevo-Cherkesskaya Hydrogenerating Company	99.97%	99.97%	99.97%	99.97%
OJSC Kaskad NCh HPP**	83.23%	83.23%	65.27%	65.27%
OJSC Malaya Mezenskaya TidalPP	100.00%	100.00%	100.00%	100.00%
OJSC Mosoblhidroproekt	62.60%	62.60%	-	-
OJSC Nizhne-Bureiskaya HPP	100.00%	100.00%	99.99%	99.99%
OJSC Nizhne-Zeiskaya HPP	100.00%	100.00%	99.99%	99.99%
OJSC Novy binarny energoblok	100.00%	100.00%	100% - 1 share	100% - 1 share
OJSC Prometey	100.00%	100.00%	51.00%	51.00%
OJSC REMIK	100.00%	100.00%	56.39%	72.20%
OJSC RusHydro Management Company	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
OJSC RyazanEnergoSbyt**	49.00%	49.00%	49.00%	49.00%
OJSC Sayano-Shushensky avtotransportnyi ceh	100.00%	100.00%	78.90%	82.78%
OJSC Sayano-Shushensky gidroremont	100.00%	100.00%	78.90%	82.78%
OJSC Scientific Research Institute of Energy Structures	100% - 1 share	100% - 1 share	100% - 1 share	100% - 1 share
LLC Spetsenergосervice	100.00%	100.00%	-	-
OJSC Sulaksky gidrokaskad	100.00%	100.00%	71.74%	71.74%
CJSC Technopark Rumyantsevo***	100.00%	100.00%	-	-
OJSC Turboremont VKK	100.00%	100.00%	83.31%	86.39%
OJSC Verhne-Mutnovskaya GeoES	56.03%	56.03%	56.03%	56.03%
OJSC Zagorskaya HAEPP-2	100.00%	100.00%	99.99%	99.99%
OJSC Zaramagskie HPPs	95.45%	95.45%	95.45%	95.45%
OJSC Yuzhno-Yakutsky GEK	100.00%	100.00%	99.99%	99.99%

Differences between the actual ownership interest and voting interest held in subsidiaries normally represent the effect of preference shares.

**RusHydro Group**

*Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)*  
*(in thousand of Russian Rubles unless noted otherwise)*

On 9 January, 2008, 18 subsidiaries marked with \* above, and OJSC Bureiskaya HPP and OJSC Kabbalk Hydrogenerating Company, ceased to exist as legal entities and merged into the Company forming a single legal entity. That reorganization was accounted for prospectively. The Group acquired control over OJCS Bureiskaya HPP and the OJSC Kabbalk Hydrogenerating Company simultaneously with the legal merger; immediately before the merger both of these companies were controlled by RAO UES. The acquisition of OJCS Bureiskaya HPP and the OJSC Kabbalk Hydrogenerating Company has been accounted for as a business combination under common control using the predecessor value method (Note 3).

In this reporting period the Group acquired a 100% interest in OJSC ChuvashEnergoSbyt and a controlling interest of 49% in OJSC RyazanEnergoSbyt for a cash consideration of RR 650,000 thousand and RR 630,000 thousand respectively. The acquisition of the 2 companies was made by the Group through the New Energy Fund, which is a jointly controlled entity of the Group, acting on behalf and at the expense of the Group in a fiduciary capacity. Consequently, the Group has accounted for the acquisition as if the acquisition was made directly by the Group. Immediately before the acquisition both of these companies were controlled by RAO UES and the acquisition was accounted for as a business combination under common control using the predecessor value method (Note 3). The Group controls OJSC RyazanEnergoSbyt through the ability to appoint the majority members of the Board of Directors of OJSC RyazanEnergoSbyt, including the chairman of the Board of Directors and the ability to draw additional vote, if necessary.

In June 2008 the Group acquired additional interest resulting in a controlling interest in OJSC Kaskad NCh HPP from OJSC KabbalkEnergO for a cash consideration of RR 2,130,947 thousand. Before and after the acquisition OJSC KabbalkEnergO and the Group are controlled by RAO UES and therefore the Group accounted this acquisition as a business combination under common control using the predecessor value method (Note 3).

In the reporting period the Group purchased 100% interest in LLC Spetsenergосervice, which has 62.60% of shares of OJSC Mosoblhidroproekt (Note 7).

The companies marked with \*\* are accounted for under predecessor values method and the ownership and % of voting as at 31 December 2007 reflect the % of the predecessor as at this date.

The subsidiary marked with \*\*\* above is in substance an acquisition of land and is accounted for as an asset acquisition (Note 7).

**Segment information.** As the result of the acquisition of two electricity retailing companies (OJSC ChuvashEnergoSbyt and OJSC RyazanEnergoSbyt) during the six months ended 30 June 2008 there are two reporting segments identified for the purposes of the consolidated interim condensed financial information: generation and retailing. Prior to the acquisition of the retailing companies all of the Group's operations related to a single segment.

<b>Six months ended 30 June 2008</b>					
<b>Operations</b>	<b>Generation</b>	<b>Retailing</b>	<b>Unallocated</b>	<b>Consolidation adjustment</b>	<b>Total</b>
Revenue	28,783,947	6 180 211	770,413	-	35,734,571
Inter-segment revenue	810 367	-	1,642,232	(2,452,599)	-
<b>Total Revenues</b>	<b>29,594,314</b>	<b>6,180,211</b>	<b>2,412,645</b>	<b>(2,452,599)</b>	<b>35,734,571</b>
<b>Segment operating profit/(loss)</b>	<b>9,616,827</b>	<b>(158,882)</b>	<b>41,268</b>	<b>-</b>	<b>9,499,213</b>

<b>Six months ended 30 June 2007</b>					
<b>Operations</b>	<b>Generation</b>	<b>Retailing</b>	<b>Unallocated</b>	<b>Consolidation adjustment</b>	<b>Total</b>
Revenue	22,713,132	5 489 054	676,360	-	28,878,546
Inter-segment revenue	165,050	-	12,832,843	(12,997,893)	-
<b>Total Revenues</b>	<b>22,878,182</b>	<b>5,489,054</b>	<b>13,509,203</b>	<b>(12,997,893)</b>	<b>28,878,546</b>
<b>Segment operating profit/(loss)</b>	<b>7,441,155</b>	<b>(300,571)</b>	<b>120,971</b>	<b>-</b>	<b>7,261,555</b>

### **Note 3. Basis of preparation**

#### **Statement of compliance**

This Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, "Interim financial reporting". The Consolidated Interim Condensed Financial Information should be read in conjunction with the annual combined and consolidated financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

#### **Predecessor accounting**

In this Consolidated Interim Condensed Financial Information the Group accounted for the acquisition of businesses under the control of RAO UES and its subsidiaries as business combinations amongst entities under common control under an accounting policy using the predecessor values method (Note 4). Accordingly, assets and liabilities of the contributed entity were accounted for at the carrying value as determined by RAO UES 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.

In this reporting period OJSC Bureiskaya HHP, OJSC ChuvashEnergSbyt, OJSC RyazanEnergSbyt, OJSC Kabbalk Hydrogenerating Company and OJSC Kaskad NCh HPP were accounted for using the predecessor values method.

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### **Note 4. Accounting policies**

Except for as described below, the accounting policies applied are consistent with those of the annual combined and consolidated financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The Group has acquired land for the first time in this reporting period and will carry land at historical cost, less impairment provision if any.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group will apply the new amendment from 1 January 2009 and is currently assessing what impact the new IFRS will have on the Group's accounts;
- Amendment to IAS 23, "Borrowing Cost" (effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation 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. The Group will apply the new amendment from 1 January 2009 and is currently assessing what impact the new IFRS will have on the Group's accounts;
- 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 income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements;
- 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;
- IFRS 3 (Revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates" and IAS 31, "Interest in Joint Ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation of associates and joint ventures on the Group;
- Amendments to IFRS 1, "First Time Adoption of IFRS" and IAS 27, "Consolidated and Separate Financial Statements" (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements;
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective from 1 January 2009). This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge;
- IFRIC 15, "Agreements for the Construction of Real Estate" (effective from 1 January 2009). The interpretation clarifies whether IAS 18, "Revenue" or IAS 11, "Construction contracts" should be applied to particular transactions;
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group;
- The amendments to the IFRSs which are the part of the IASB's annual improvements project published in May 2008 (effective from 1 January 2009).

On 13 October 2008, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" that under limited circumstances, permit the reclassification of certain financial assets previously classified as 'held for trading' or 'available for sale' to another category of financial assets. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. The Group will apply the amendment from 1 July 2008 in accordance with the transitional rules.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but did not result in a significant impact for the Group:

- IFRIC 12, "Service Concession Agreements", effective for annual periods beginning on or after 1 January 2008;
- IFRIC 13, "Customer Loyalty Programmes", which is effective for annual periods beginning on or after 1 January 2008;
- IFRIC 14, IAS 19, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", which is effective for annual periods beginning on or after 1 January 2008.

**RusHydro Group**

*Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)*  
*(in thousand of Russian Rubles unless noted otherwise)*

**Note 5. Related party transactions**

The Group's principal related parties for the period were RAO UES and its subsidiaries, enterprises controlled by the state and directors of the Group.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions in six months ended 30 June 2008 and in six months ended 30 June 2007 or had significant balances outstanding at 30 June 2008 or at 31 December 2007 are detailed below.

**RAO UES (immediate controlling party)**

Balances with RAO UES were as follows:

*Short-term*

	30 June 2008	31 December 2007
Trade and other accounts receivable	23,184	24,860
Promissory notes receivable: effective interest rate: 11.6% p.a. (included in accounts receivable and prepayments)	-	2,023,409
Advances received	772	1,120,866
Accounts payable	769	6.650,594

**RAO UES's subsidiaries and associates**

Balances with subsidiaries and associates of RAO UES were as follows:

*Long-term*

	30 June 2008	31 December 2007
Accounts payable	12,274	18,411

*Short-term*

	30 June 2008	31 December 2007
Trade and other accounts receivable	893,422	2,014,345
Promissory notes receivable: effective interest rate: 11.6% p.a. (included in accounts receivable and prepayments)	2,285,868	4,389,290
Promissory notes receivable: yield to maturity 9.8-13.2% p.a. (included in other current assets)	752,012	752,012
Advances received	32,446	152,713
Trade and other accounts payable	3,208,036	631,842

Transactions with subsidiaries and associates of RAO UES were as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
Electricity (power) revenue (Note 10)	9,819,160	13,275,285
Other revenue (Note 10)	10,823	112,952
Purchased power expenses (Note 11)	556,250	773,911
Services of SO-CDU, NP ATS, CFR (Note 11)	787,028	559,345
Other expenses (Note 11)	-	2,474

**The Group associates and jointly controlled entities**

Balances with associates and jointly controlled entities and transactions with them:

*Long-term*

	30 June 2008	31 December 2007
Other non-current assets	277,533	89,296

**RusHydro Group**

**Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)**

(in thousand of Russian Rubles unless noted otherwise)

*Short-term*

	30 June 2008	31 December 2007
Trade and other accounts receivable	472,496	460,300
Promissory notes receivable	5,295,596	2,967,898
Trade and other accounts payable	159,095	298,004

**The Group key management**

Compensation is paid to members of 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 year based on key efficiency indicators approved by the Board of Directors, and share-based payments under the share option programme. The compensation is approved by the Board of Directors.

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 to the members of the Board of Directors and Management Board for the six months ended 30 June 2008 was RR 26,635 thousand (for the six months ended 30 June 2007 - RR 32,460 thousand).

The Share Option Programme of the Company (hereinafter referred to as "the Programme") provides for the granting of share options at predetermined exercise price to the members of the Company's Management Board and other key employees of the Group (hereinafter referred to as "the Programme participants") starting from the date of signing of the first share option contract, i.e. from 3 September 2007.

The Programme participants will be rewarded for their work in the Group over the period of 3 years, starting from 3 September 2007.

The exercise price of the share option is RR 1.73 per share which was the actual price of the Company's ordinary shares issued in 2007.

The Programme participant can exercise the share option at any time over the period of 2 September 2010 through 16 April 2011.

A total of up to 3,137,287,475 ordinary shares ultimately allocated under the Programme were allocated from treasury shares purchased by the Group for this purpose by LLC EZOP - operator of the Share Option Programme.

The number of undistributed shares at 30 June 2008 was 334,826,267.

Starting from the second half of year 2007 the Company issued to the members of the Company's Management Board interest free loans for the prepayments for the share options agreements. The loans were issued with the maturity till 31 March 2011. As at 30 June 2008 the amount of loans issued to employees was RR 160,928 thousand (Net of discount of RR 57,529 thousand, effective interest rate - 11.8%). As at 31 December 2007 the amount of loans issued to employees was RR 121,027 thousand (Net of discount of RR 52,653 thousand, effective interest rate - 11.8%).

**RusHydro Group****Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)***(in thousand of Russian Rubles unless noted otherwise)*

Changes in amounts of options granted are described in the table below:

<b>All options granted under the Programme</b>	<b>Attributed to members of the Management Board</b>	
Number of options at 1 January 2008	1,685,127,092	917,656,581
Option agreements signed in 6 months of year 2008	1,229,347,156	-
Options forfeited in 6 months of year 2008	(112,013,040)	(99,027,792)
Reclassification out of Management Board category	-	(86,275,405)
<b>Number of options outstanding at 30 June 2008</b>	<b>2,802,461,208</b>	<b>732,353,384</b>

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

Share price (in RR)	1.73
Exercise price (in RR)	1.73
Expected volatility	27%
Option life	1,096 days
Risk-free interest rate	6.13%
<b>Fair value of the option at measurement date (in RR)</b>	<b>0.45</b>

The measure of historical volatility used in the option pricing model is the annualised standard deviation of logarithms of daily changes in share price over a period of time comparable with expected lifetimes of the options granted under the Programme. To determine volatility the Group used the historical volatility of the share prices of publicly traded shares of peer group companies.

In the six month ended 30 June 2008 the Group recognised an expense of RR 542,575 thousand within employee costs related to the fair value of the options.

**State-controlled entities**

In the normal course of business the Group enters into transactions with entities under Government control. Prices for electricity and heat are based on tariffs set by FST and RST. Bank loans are granted at market rates. Taxes are charged and paid under the Russian tax legislation.

During the six months ended 30 June 2008 the Group sold electricity to a number of state-controlled entities in the amount of RR 605,494 (for six months ended 30 June 2007 - RR 668,200 thousand). The major customers were LLC Transneftservice-S, LLC RusEnergoSbyt, OJSC Yaroslavskaya EnergoSbytovaya Companiya, OJSC Nijnovatomenergobit and OJSC Nevinnomisskiy Azot. The Group enters into various transactions with State Ministries, local and federal authorities as disclosed on other parts of the consolidated interim condensed financial information.

**RusHydro Group**

**Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)**  
(in thousand of Russian Rubles unless noted otherwise)

**Note 6. Property, plant and equipment**

Cost	Production buildings	Hydrotechnical buildings	Electricity grids	Substation's equipment	Assets under construction	Other	Total
<b>Opening balance as at 31 December 2007</b>	<b>57,029,079</b>	<b>108,010,864</b>	<b>2,664,198</b>	<b>64,115,454</b>	<b>44,823,676</b>	<b>10,798,671</b>	<b>287,441,942</b>
Additions	21,010	634,585	318	19,899	13,785,845	1,339,136	15,800,793
Transfers	150,085	156,057	21,939	540,202	(1,037,176)	168,893	-
Disposals	(17,159)	-	(3,004)	(141,812)	(72,123)	(41,090)	(275,188)
<b>Closing balance as at 30 June 2008</b>	<b>57,183,015</b>	<b>108,801,506</b>	<b>2,683,451</b>	<b>64,533,743</b>	<b>57,500,222</b>	<b>12,265,610</b>	<b>302,967,547</b>
<b>Accumulated depreciation (including impairment)</b>							
<b>Opening balance as at 31 December 2007</b>	<b>(2,387,581)</b>	<b>(2,253,773)</b>	<b>(235,799)</b>	<b>(6,096,773)</b>	<b>(5,225,595)</b>	<b>(2,642,271)</b>	<b>(18,841,792)</b>
Charge for the period	(705,012)	(996,237)	(59,191)	(2,220,596)	-	(574,886)	(4,555,922)
Transfers	(4,048)	(5,756)	-	-	14,745	(4,941)	-
Disposals	707	-	150	8,800	-	8,367	18,024
<b>Closing balance as at 30 June 2008</b>	<b>(3,095,934)</b>	<b>(3,255,766)</b>	<b>(294,840)</b>	<b>(8,308,569)</b>	<b>(5,210,850)</b>	<b>(3,213,731)</b>	<b>(23,379,690)</b>
<b>Net book value as at 30 June 2008</b>	<b>54,087,081</b>	<b>105,545,740</b>	<b>2,388,611</b>	<b>56,225,174</b>	<b>52,289,372</b>	<b>9,051,879</b>	<b>279,587,857</b>
<b>Net book value as at 31 December 2007</b>	<b>54,641,498</b>	<b>105,757,091</b>	<b>2,428,399</b>	<b>58,018,681</b>	<b>39,598,081</b>	<b>8,156,400</b>	<b>268,600,150</b>
Cost	Production buildings	Hydrotechnical buildings	Electricity grids	Substation's equipment	Assets under construction	Other	Total
<b>Opening balance as at 31 December 2006</b>	<b>26,745,966</b>	<b>58,515,614</b>	<b>2,901,906</b>	<b>56,009,190</b>	<b>63,579,059</b>	<b>10,653,193</b>	<b>218,404,928</b>
Elimination of accumulated depreciation	(8,704,600)	(13,994,832)	(852,183)	(25,514,354)	-	(4,456,237)	(53,522,206)
Revaluation reserve	31,693,192	50,425,236	438,527	31,119,708	-	2,334,891	116,011,554
Additions	829,524	2,308,238	-	75,693	12,987,610	304,231	16,505,486
Transfers	4,516,992	158,792	3,883	756,511	(5,897,569)	461,391	-
Disposals	(18,361)	-	(488)	(106,564)	(53,531)	(28,139)	(207,083)
Transfer from joint venture	162,120	-	101,588	387,810	34,518	303,922	989,958
Disposal of subsidiary to entity under common control*	(752,501)	-	(34,478)	(87,750)	(28,859,944)	(684,994)	(30,419,667)
<b>Closing balance as at 30 June 2007</b>	<b>54,472,332</b>	<b>97,413,048</b>	<b>2,558,755</b>	<b>62,640,244</b>	<b>41,790,143</b>	<b>8,888,448</b>	<b>267,762,970</b>
<b>Accumulated depreciation (including impairment)</b>							
<b>Opening balance as at 31 December 2006</b>	<b>(9,707,750)</b>	<b>(14,377,947)</b>	<b>(944,571)</b>	<b>(27,250,042)</b>	<b>(18,615,103)</b>	<b>(5,932,602)</b>	<b>(76,828,015)</b>
Elimination of accumulated depreciation	8,704,600	13,994,832	852,183	25,514,354	-	4,456,237	53,522,206
Charge for the period	(695,303)	(894,917)	(60,326)	(1,947,856)	-	(588,050)	(4,186,452)
Disposals	436	-	54	3,904	-	12,844	17,238
Transfer from joint venture	(89,131)	-	(32,927)	(161,521)	-	(97,809)	(381,388)
Disposal of subsidiary to entity under common control*	43,334	-	887	6,822	13,389,508	33,412	13,473,963
<b>Closing balance as at 30 June 2007</b>	<b>(1,743,814)</b>	<b>(1,278,032)</b>	<b>(184,700)</b>	<b>(3,834,339)</b>	<b>(5,225,595)</b>	<b>(2,115,968)</b>	<b>(14,382,448)</b>
<b>Net book value as at 30 June 2007</b>	<b>52,728,518</b>	<b>96,135,016</b>	<b>2,374,055</b>	<b>58,805,905</b>	<b>36,564,548</b>	<b>6,772,480</b>	<b>253,380,522</b>
<b>Net book value as at 31 December 2006</b>	<b>17,038,216</b>	<b>44,137,667</b>	<b>1,957,335</b>	<b>28,759,148</b>	<b>44,963,956</b>	<b>4,720,591</b>	<b>141,576,913</b>

\*In June 2007 the Company transferred its interest in OJSC Boguchanskaya HPP, which was a subsidiary of the Group, to the jointly controlled BoGES Group.



**RusHydro Group****Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)***(in thousand of Russian Rubles unless noted otherwise)*

Construction in progress represents the carrying amount of property, plant and equipment that have not yet been put into operation, including generating stations under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2008 such advances amounted to RR 6,583,790 thousand (as at 31 December 2007 – RR 5,478,024 thousand).

Depreciation is charged once an asset is available for service.

Other property, plant and equipment include motor vehicles, land, 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 relationships of use and alienability of the land are regulated by the Land Code of the Russian Federation. According to the Land Code the plots of land located under hydraulic engineering structures are limited in their alienability and shall not be conveyed to become private property, except for the cases established by federal laws.

**Revaluation.** Starting from 1 January 2007 the Group has adopted the revaluation model for property, plant and equipment (except for construction in progress). Fair values were determined by independent appraisers primarily based on the depreciated replacement cost method. The replacement cost of buildings, constructions, machinery and equipment and transfer devices were estimated based on technical characteristics, unit construction cost and construction estimates. The replacement cost of equipment was estimated based on data of aggregative replacement cost, current purchase contracts and price-list of producers and trading companies. The economic obsolescence was estimated based on profitability test results for each cash-generating unit. The discount rate used in the profitability tests varied from 10.5 to 19.1%. The forecast period is 19 - 20 years for all Group companies. The long-term rate of growth in sales volumes is approximately 3% for all Group companies.

As a result of the revaluation, the Group's equity increased by RR 88,168,781 thousand, comprising an increase in the carrying value of property, plant and equipment of RR 116,011,554 thousand, net of a related deferred tax liability of RR 27,842,773 thousand.

For each revalued class of property, plant and equipment stated at revalued amount in this financial information, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

	Production buildings	Hydrotechnical buildings	Electricity grids	Substation's equipment	Assets under construction	Other	Total
Net book value as at 30 June 2008	24,036,944	55,566,047	1,936,440	29,568,811	52,289,372	20,752,595	184,150,209
Net book value as at 31 December 2007	24,109,117	55,642,198	1,987,003	29,906,448	39,598,081	6,186,729	157,429,576

Construction in progress and land are not revalued. Land was first purchased by the Group in the reporting period ended 30 June 2008.

**Leased property, plant and equipment.** The Group leases property, plant and equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. As at 30 June 2008 the net book value of leased property plant and equipment was RR 5,536,363 thousand (as at 31 December 2007 – RR 4,859,751 thousand). The leased equipment is pledged as a security for the lease obligation.

**Operating lease.** The Group leases a number of land areas owned by local governments under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2008	31 December 2007
Less than one year	435,684	333,495
Between one year and five years	1,163,382	1,236,412
After five years	10,257,947	11,272,813
<b>Total</b>	<b>11,857,013</b>	<b>12,842,720</b>

The land areas leased by the Group are the territories on which the Group's hydroelectric power stations and other assets are located. The leases typically 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.

**Note 7. Equity**

**Basis of presentation of movements in equity.** The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting (Note 3), the principal component of the net equity recognised for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. Similarly, for the purpose of comparability, the equity of the Group has been presented for comparative period and as at 1 January 2007 as if the current Group structure had existed from 1 January 2007 (Note 2 and Note 3). In accordance with the predecessor basis of accounting, the effect of such additions to equity is offset by a corresponding adjustment in the merger reserve and recognition of minority interest.

	Ordinary shares 30 June 2008	Ordinary shares 31 December 2007
Number of issued ordinary shares	195,860,496,735	156,864,373,776
Par value (in RR)	1.00	1.00

On 9 January 2008, 18 subsidiaries of the Group, OJSC Bureiskaya HPP and OJSC Kabbalk Hydrogenerating Company merged into the Company and became one legal entity as a result of legal reorganisation (Note 2). According to the results of the share conversion, 38,996,122,959 additional shares of the Company were placed and share capital increased to RR 195,860,497 thousand. Minority stakes in these companies were exchanged for ordinary shares of the Company. Major movements in minority interest for the reporting period result from the above reorganisation.

**Treasury shares.** Treasury shares as at 30 June 2008 represent 4,280,938 ordinary shares in the amount of RR 7,212,088 thousand (RR 5,427,507 thousand as at 31 December 2007 allocated for Share Option Programme (Note 5)).

**Merger reserve.** Based on the application of predecessor accounting (Note 3) the difference of RR 57,220,268 thousand between the statutory value of share capital issued and the IFRS carrying value of the contributed assets and minority interest has been recorded as a merger reserve within equity as at 30 June 2008.

**Acquisition of subsidiaries.** In the reporting period the Group acquired OJSC Kaskad NCh HPP, OJSC ChuvashEnergoSbyt and OJSC RyazanEnergoSbyt for cash consideration (Note 2) and accounted for these transactions as business combinations under common control.

In the reporting period the Group acquired 100% of the share capital of CJSC Technopark Rumyantsevo from a third party for a cash consideration of RR 1,061,779 thousand. CJSC Technopark Rumyantsevo owns 5.8 hectares of land, which is its main asset. This transaction is not a business combination as the acquiree is not a business and was accounted as an acquisition of assets.

In the reporting period the Group acquired 100% of the share capital of LLC Spetsenergосervice from a third party for a cash consideration of RR 352,651 thousand. At the time of acquisition LLC Spetsenergосervice owned 62.60% of shares of OJSC Mosoblgidroproekt, which is a research and design institute. LLC Spetsenergосervice and OJSC Mosoblgidroproekt have not prepared IFRS financial statements before and the disclosure of IFRS values of acquired assets, liabilities and contingent liabilities is impracticable. As the acquisition date was close to the reporting date of 30 June 2008 the Group has begun the process of purchase price allocation and have provisionally accounted for the assets, liabilities and contingent liabilities of the acquiree as of 30 June 2008. The disclosure of the provisional purchase price allocation has not been made due to immateriality, and is mostly attributable to goodwill and intangible assets included in other non-current assets. Provisional accounting will be completed within 12 months from the acquisition date. The effect of the acquired business on the Group's profit and revenue was insignificant.

**Dividends.** In accordance with Russian legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as net profit. However, this legislation and other statutory laws and regulations 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 this financial information.

**Note 8. Income tax**

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual effective income tax rate used for the six months ended 30 June 2008 is 28% (the estimated average annual effective income tax rate for the six months ended 30 June 2007 was 24%).

**RusHydro Group****Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)***(in thousand of Russian Rubles unless noted otherwise)*

Income tax charge is as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
Current income tax expense	2,931,606	2,760,180
Deferred income tax expense/ (benefit)	(282,882)	(1,195,996)
<b>Total income tax charge</b>	<b>2,648,724</b>	<b>1,564,184</b>

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

**Note 9. Current and non-current debt***Non-current debt*

	Currency	Effective interest rate	Due date	30 June 2008	31 December 2007
EBRD (tranche 1)	RR	3.65%+ MOSPRIME	2020	2,012,174	2,000,015
EBRD (tranche 2)	RR	2.75%+ MOSPRIME	2014	850,000	850,000
EBRD (tranche 3)	RR	3.05%+ MOSPRIME	2016	3,150,000	3,150,000
Bonds issue (OJSC RusHydro Management Company)	RR	8.10%	2011	5,000,000	5,000,000
Morgan Stanley Bank International Ltd	RR	8.75%	2013	3,000,000	3,000,000
Morgan Stanley Bank International Ltd	RR	1.5%+ MOSPRIME	2014	1,500,000	1,500,000
CF Structured products B.V. Municipal authority of Kamchatka region	USD	10.50%	2013	1,407,438	1,472,772
Ministry of Railways of Russia	RR	LIBOR+3%	2035	920,000	964,528
Other long-term debt	RR	12.00%	2009	971,269	971,269
Finance lease liabilities	RR	various	-	275,733	183,567
		11.10%	-	2,946,797	3,276,550
<b>Total</b>				<b>22,033,411</b>	<b>22,368,701</b>
Less current portion of finance lease liabilities				(1,419,470)	(1,218,087)
Less current portion of non-current debt				(540,929)	(542,922)
<b>Total non-current debt</b>				<b>20,073,012</b>	<b>20,607,692</b>

*Current debt*

	Currency	Effective interest rate	30 June 2008	31 December 2007
OJCB Otkritie	RR	12.00%	22,213,271	649,729
OJSC Mezhtopenergobank	RR	11.00% - 14.30%	1,023,400	872,818
OJSC Alfa-bank	RR	11.70%	-	250,000
Other current debt	RR	various	5,360	4,604
Finance lease liabilities	RR	11.10%	1,419,470	1,218,087
Current portion of non-current debt			540,929	542,922
Interest payable			534,761	468,570
<b>Total current debt and current portion of non-current debt</b>			<b>25,737,191</b>	<b>4,006,730</b>

In the reporting period the Group issued short term interest-free promissory notes to OJCB Otkritie at the amount of RR 21,000,000 thousand for the purpose of attracting short-term financing for the Group's investment programme. This liability was settled as of 1 July 2008 as part of RAO UES's restructuring process.

As at 30 June 2008 the Group had an investment in long-term promissory notes of LLC FC Otkritie included in other non-current assets balance at the amount of RR 6,034,183 thousand with an average effective interest rate of 12% and redemption dates from October 2009 to December 2010.

The Group was in compliance with all covenants in its debt facilities.

**RusHydro Group****Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)***(in thousand of Russian Rubles unless noted otherwise)***Debt maturity**

<b>Due for repayment</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
Between two and three years	471,269	471,269
Between three years and four years	5,275,732	5,183,566
Between four years and five years	4,407,438	4,472,772
After five years	8,391,245	8,421,622
<b>Total</b>	<b>18,545,684</b>	<b>18,549,229</b>

**Effective interest rate.** The effective interest rate is the market interest rate applicable to the loans at the date of origination for fixed rate loans and the current market rate for floating rate loans. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

**Finance lease liabilities.** Minimum lease payments under finance leases and their present values are as follows:

	<b>Due in 1 year</b>	<b>Due between 2 and 5 years</b>	<b>Due after 5 years</b>	<b>Total</b>
<b>Minimum lease payments at 30 June 2008</b>	<b>1,645,847</b>	<b>1,770,761</b>	<b>59,471</b>	<b>3,476,079</b>
Less future finance charges	(226,377)	(294,904)	(8,001)	(529,282)
<b>Present value of minimum lease payments at 30 June 2008</b>	<b>1,419,470</b>	<b>1,475,857</b>	<b>51,470</b>	<b>2,946,797</b>
<b>Minimum lease payments at 31 December 2007</b>	<b>1,378,119</b>	<b>2,161,060</b>	<b>60,837</b>	<b>3,600,016</b>
Less future finance charges	(160,032)	(159,271)	(4,163)	(323,466)
<b>Present value of minimum lease payments at 31 December 2007</b>	<b>1,218,087</b>	<b>2,001,789</b>	<b>56,674</b>	<b>3,276,550</b>

**Note 10. Revenue**

	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
Sales of electricity (power)	34,964,158	28,202,186
Other revenue	770,413	676,360
<b>Total revenue</b>	<b>35,734,571</b>	<b>28,878,546</b>

**RusHydro Group**

*Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)*  
*(in thousand of Russian Rubles unless noted otherwise)*

**Note 11. Operating expenses**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Purchased power expenses	9,266,172	6,644,661
Depreciation of property, plant and equipment	4,555,922	4,186,452
Employee benefit expenses and payroll taxes	3,386,455	2,379,051
Third parties services, including:	3,521,921	3,092,429
Services of SO-CDU, NP ATS, CFR	978,500	757,018
Repairs and Maintenance	776,718	738,836
Rent	390,362	232,492
Consulting, legal and information expenses	348,032	171,999
Insurance cost	314,588	259,264
Security expenses	249,440	225,612
Transportation expenses	74,531	50,242
Other third parties services	389,750	656,966
Taxes other than income tax	2,411,484	1,383,322
Electricity distribution expenses	1,827,050	1,741,441
Other materials	345,221	480,473
Water usage expenses	395,036	485,657
Social charges	169,824	125,232
Loss on disposals of property, plant and equipment, net	167,534	162,050
(Reversal)/ charge for impairment of accounts receivable	(301,690)	298,724
Other expenses	490,429	637,499
<b>Total operating expenses</b>	<b>26,235,358</b>	<b>21,616,991</b>

**Note 12. Earnings per share**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Weighted average number of ordinary shares issued (thousand of shares)	189,955,443	143,435,910
Profit attributable to the shareholders of OJSC RusHydro (in thousand RR)	6,905,695	4,886,056
Weighted average earnings per share – basic and diluted* (in RR)	0.0364	0.0341

\*Effect of share option programme of the Group (Note 5) is antidilutive for the periods presented.

**Note 13. Commitments**

**Social commitments.** Group entities contribute to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

**Capital commitments.** In May 2006 RAO UES, the Company and RUSAL Group concluded an agreement on the mutual financing, construction and exploitation of Boguchanskaya HPP and the Boguchansky Aluminium Plant. The total investment to be contributed by the RusHydro and RUSAL Groups amounts to RR 132,123 million (USD 5,383 million). Both RusHydro Group and RUSAL Group has committed to finance the construction equally. Other future capital expenditures in accordance with contractual obligations amounted to RR 24,752,769 thousand at 30 June 2008 (31 December 2007 - RR 7,572,914 thousand).

**Note 14. Contingencies**

**Political environment.** The operations and earnings of the Group entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the 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 for those risks for which it does not have insurance.

## **RusHydro Group**

**Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)**  
(in thousand of Russian Rubles unless noted otherwise)

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

**Tax contingencies.** Russian tax, currency and customs legislation is subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. 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.

Due to the fact, that the tax and other legislation do not fully cover all the aspects of the Group reorganisation, there might be respective legal and tax risks.

As at 30 June 2008 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 this financial information.

**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 regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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

**Guarantees.** The Company provided certain counterparties with guarantees in respect to the following amounts of borrowings of its jointly controlled entity CJSC Boguchansky Aluminium Plant:

<b>Name of counterparty</b>	<b>30 June 2008</b>	<b>31 December 2007</b>
BARCLAYS BANK PLC	6,100,005	6,712,212
AVERA T&D S.A.	1,232,300	-
SOLIOS ENVIRONMENT SA	778,611	-
Bronchot SA	51,494	-
S.T.A.S. (Societe Des Technologies De L'Aluminium Du Saguenay Inc.)	26,835	-
<b>Total</b>	<b>8,189,245</b>	<b>6,712,212</b>

The guarantee to BARCLAYS BANK PLC was issued to guarantee the loan of USD 520 million raised by CJSC Boguchansky Aluminium Plant, an entity jointly controlled by the Group with Rusal Group entities, to finance BEMA project. The loan period is 3 years, average interest rate is LIBOR + 0.825%. The raised borrowings are used for construction of Boguchansky Aluminium Plant and completion of Boguchanskaya HPP. The Company's guarantee provides for 50 percent of the borrower's liabilities under the loan agreement; the remaining 50 percent of liabilities are secured by the guarantee and surety provided by the RUSAL Group entities.

### **Note 15. Subsequent events**

#### **RAO UES Liquidation**

At the final step of reformation of RAO UES on 1 July 2008 two holding companies OJSC State Holding HydroWGC and OJSC Minority Holding HydroWGC (hereinafter referred to as "Holdings") were established by RAO UES. On the same day RAO UES transferred 100% shares of both holdings to the Company and on this day those holdings were merged into the Company. As a result the Company obtained 100% share of LLC Index Energetiki with investments in various utilities companies, which were contributed by RAO UES into the above mentioned Holdings, including 21.71 % interest in Wholesale generating company-1.

On 1 July 2008 RAO UES was liquidated. Shares of the Company held by RAO UES were transferred to the state. As at 1 July 2008 the share of the state in the Company was 60.37 %. The share capital of the Company amounted to RR 245,014,059 thousand and was divided into 245,014,059,191 ordinary shares with par value of 1 rouble each.

## **RusHydro Group**

**Notes to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008 (Unaudited)**  
(in thousand of Russian Rubles unless noted otherwise)

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### **Merger with OJSC Irganaiskaya HPP and OJSC Kaskad NCh HPP**

On 1 July 2008 OJSC Irganaiskaya HPP and OJSC Kaskad NCh HPP were reorganized and merged into the Company. The shares in the reorganized companies were converted into the Company's shares. Together with OJSC Irganaiskaya HPP the Group obtained control over OJSC Lengidroproekt HydroOGK, OJSC Kolymaenergo, OJSC Ust'srednekangestroy, OJSC Ust'srednekanskaya HPP, OJSC ChirkeyGesStroy, OJSC Krasnoyarskenergosbyt and accounted for these transactions as business combinations under common control.

### **Additional share issue**

On 17 November 2008 the shareholders' meeting took the decision to increase the Company's charter capital via additional placement of 10,000,000,000 registered ordinary shares with a par value of RR 1 per share for the total of RR 10,000,000,000 payable in cash, through a public offering.

In addition, the shareholders' meeting took the decision to increase the Company's charter capital via additional placement of 16,000,000,000 registered ordinary shares with a par value of RR 1 per share for the total of RR 16,000,000,000 payable in cash, through a public offering.

The share price is based on the market value of RusHydro's shares. In accordance with the legislation the offering price cannot be lower than the par value of RusHydro's shares (RR 1). These decisions are not mutually exclusive and imply consistent implementation.

### **Other**

Included in cash and cash equivalents as at 30 June 2008 are 8,300,000 th RR of short-term bank deposits in OJSB "KIT Finance", OJSC "VTB 24" and OJSC "Aleamar-Bank" which terms were extended till the end of November-December 2008.