

**OGK-2 GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)**

OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position as at 30 June 2012 (unaudited)

(in thousands of Russian Roubles)

	Notes	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	109,210,934	106,497,335
Intangible assets		1,292,928	1,297,359
Other non-current assets		2,933,381	3,211,158
Total non-current assets		113,437,243	111,005,852
Current assets			
Cash and cash equivalents	6	199,389	359,116
Trade and other receivables	7	13,156,664	13,585,399
Inventories		6,460,358	6,158,002
Current income tax prepayments		712,538	894,405
Total current assets		20,528,949	20,996,922
TOTAL ASSETS		133,966,192	132,002,774
EQUITY AND LIABILITIES			
Equity			
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Share capital			
Ordinary shares		21,518,239	21,518,239
Treasury shares		(4,058,856)	(4,058,238)
Share premium		23,916,508	23,916,508
Retained earnings		41,286,254	41,097,814
Total equity		82,662,145	82,474,323
Non-current liabilities			
Deferred income tax liabilities		6,234,346	6,234,194
Non-current debt	9	30,291,486	27,168,240
Retirement benefit obligations		1,795,923	1,682,222
Restoration provision		516,359	521,670
Other long-term liabilities	10	327,999	241,261
Total non-current liabilities		39,166,113	35,847,587
Current liabilities			
Current debt and current portion of non-current debt	11	1,718,365	5,601,708
Trade and other payables	12	9,614,771	7,431,510
Other taxes payable	13	710,920	597,478
Restoration provision		93,878	50,168
Total current liabilities		12,137,934	13,680,864
Total liabilities		51,304,047	49,528,451
TOTAL EQUITY AND LIABILITIES		133,966,192	132,002,774

Deputy General Director on economics and finance

N.V. Vaytulenis

Chief Accountant

B.Z. Dolgoarshinnih



28.08.2012.

OGK-2 Group**Interim Condensed Consolidated Income Statement for the 6 months ended 30 June 2012****(unaudited)**

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

	Notes	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Revenues	14	48,113,104	54,286,093
Operating expenses	15	(46,157,030)	(49,440,953)
Other operating items		(57,411)	(153,200)
Operating profit		1,898,663	4,691,940
Finance income	16	65,701	118,037
Finance costs	17	(1,445,846)	(725,576)
Profit before income tax		518,518	4,084,401
Income tax (charge) / reversal		(89,926)	90,959
Profit for the period		428,592	4,175,360
Attributable to:			
Shareholders of OJSC OGK-2		428,592	4,175,360
Earning per ordinary share for profit attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)	18	0.008	0.07

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

OGK-2 Group
Interim Condensed Consolidated Statement of Comprehensive Income for the 6 months ended
30 June 2012 (unaudited)
(in thousands of Russian Roubles)

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Profit for the period	428,592	4,175,360
Net change in fair value of available-for-sale investments (net of income tax)	(13,127)	(24,896)
Total comprehensive income for the period	415,465	4,150,464
Attributable to:		
Shareholders of OJSC OGK-2	415,465	4,150,464

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

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows for the 6 months ended 30 June 2012
(unaudited)

(in thousands of Russian Roubles)

	Notes	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		518,518	4,084,401
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment		2,437,539	1,780,696
Amortisation of intangible assets		45,996	35,049
Reversal of property, plant and equipment impairment	5	(4)	-
Charge of provision for impairment of trade and other receivables	15	45,446	256,558
Reversal of provision for inventory obsolescence	15	(2,641)	(848)
Finance income	16	(65,701)	(118,037)
Finance costs	17	1,445,846	725,576
Increase in retirement benefit obligations	15	87,048	74,747
Loss on disposal of assets	15	41,115	54,738
Other non-cash items		15,088	(103,550)
Operating cash flows before working capital changes and income tax paid		4,568,250	6,789,330
Working capital changes:			
Decrease in trade and other receivables		587,555	127,106
Payments in respect of retirement benefit obligations		(62,079)	(100,081)
Increase in inventories		(339,113)	(341,360)
Increase in other current assets		-	(27,362)
Increase / (decrease) in trade and other payables		1,937,184	(333,638)
Increase in taxes payable, other than income tax		149,437	364,796
Income tax received / (paid) in cash		59,380	(1,611,182)
Net cash generated from operating activities		6,900,614	4,867,609
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,894,252)	(7,802,965)
Proceeds from sale of property, plant and equipment		13,949	3,888
Purchase of intangible assets		(43,849)	(12,906)
Proceeds from deposits		-	24,670
Increase in other non-current assets		-	(27,550)
Interest received		16,999	39,484
Net cash used in investing activities		(4,907,153)	(7,775,379)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		2,090,923	9,150,715
Proceeds from long-term borrowings		3,084,981	1,187,000
Repayment of short-term borrowings		(6,023,473)	(9,150,715)
Interest paid		(1,064,983)	(648,268)
Payments under finance lease		(61,438)	(44,508)
Finance lease advance		(9,328)	(17,044)
Expenses for share issue		(170,120)	-
Proceeds from sale of treasure shares		250	-
Net cash (used in) / generated from financing activities		(2,153,188)	477,180
Net decrease in cash and cash equivalents		(159,727)	(2,430,590)
Cash and cash equivalents at the beginning of the period	6	359,116	5,362,378
Cash and cash equivalents at the end of the period	6	199,389	2,931,788

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

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity for the 6 months ended
30 June 2012 (unaudited)
(in thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Retained earnings	Total
At 1 January 2011 (Restated)	11,872,828	(12,037)	23,916,508	51,121,762	86,899,061
Profit for the period	-	-	-	4,175,360	4,175,360
Available-for-sale investments	-	-	-	(24,896)	(24,896)
Total comprehensive income for the period	-	-	-	4,150,464	4,150,464
Dividends	-	-	-	(301,633)	(301,633)
At 30 June 2011 (Restated)	11,872,828	(12,037)	23,916,508	54,970,593	90,747,892
At 1 January 2012	21,518,239	(4,058,238)	23,916,508	41,097,814	82,474,323
Profit for the period	-	-	-	428,592	428,592
Available-for-sale investments	-	-	-	(13,127)	(13,127)
Total comprehensive income for the period	-	-	-	415,465	415,465
Sale of treasure shares	-	250	-	-	250
Expenses for share issue	-	-	-	(170,120)	(170,120)
Dividends	-	-	-	(56,905)	(56,905)
Acquisition of treasury shares	-	(868)	-	-	(868)
At 30 June 2012	21,518,239	(4,058,856)	23,916,508	41,286,254	82,662,145

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

OGK-2 Group

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

30 June 2012 (unaudited)

(in thousands of Russian Roubles)

Note 1. The Group and its operations

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

On 21 June 2011 the General Shareholders Meeting of OJSC "OGK-2" made a decision to merge OJSC "OGK-2" with another company controlled by Gazprom, Open Joint Stock Company "The Sixth Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-6") in accordance with terms specified in the OJSC "OGK-2" and OJSC "OGK-6" merger agreement. OJSC "OGK-6" was established on 17 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 merger resulted in the transfer of assets and liabilities of OJSC "OGK-6" to OJSC "OGK-2". Upon the completion of the merger OJSC "OGK-6" ceased to exist. The merger has been completed on 1 November 2011.

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

	% owned	
	30 June 2012	31 December 2011
LLC "OGK-InvestProekt"	100%	100%
LLC "OGK-2 Finance"	100%	100%

The Group's primary activities are generation and sale of electric and heat power. The Group consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Adlerskaya TES, Kirishskaya GRES, Ryazanskaya GRES, Novochoercasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES.

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

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

Relations with the state and current regulation. As at 30 June 2012 the Company is controlled by Gazprom, the largest Russian gas production company.

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

Gazprom Group, in its turn, is controlled by the Russian Federation; therefore, the Russian Government is the ultimate controlling party of the Group as at 30 June 2012 and 31 December 2011.

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

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Service on Tariffs ("FST") and the Tariffs regulation Executive authorities. JSC "System Operator of the United Power System" ("SO UPS"), which is controlled by the Russian Federation, regulates operations of generating assets of the Group.

As described in Note 20, the government's economic, social and other policies could have material effects on the operations of the Group.

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 6 months ended 30 June 2012 ("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 2011, which have been prepared in accordance with IFRS.

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2012 (unaudited)**

(in thousands of Russian Roubles)

Restatement. These financial statements have been prepared as if the merger of OJSC "OGK-2" and OJSC "OGK-6" described in Note 1 had been completed prior to 1 January 2010.

The comparative information has been restated for the effect of the merger of OJSC "OGK-2" and OJSC "OGK-6" as described below:

	As previously reported, 6 months ended 30 June 2011, in thousand RR	Retrospective consolidation of OJSC "OGK-6", in thousand RR	As restated, 6 months ended 30 June 2011, in thousand RR
Revenues	27,960,765	26,325,328	54,286,093
Operating expenses	(24,193,362)	(25,247,591)	(49,440,953)
Other operating items	15,370	(168,570)	(153,200)
Operating profit	3,782,773	909,167	4,691,940
Finance income	99,253	18,784	118,037
Finance costs	(275,902)	(449,674)	(725,576)
Profit before income tax	3,606,124	478,277	4,084,401
Income tax (charge) / benefit	(770,045)	861,004	90,959
Profit for the period	2,836,079	1,339,281	4,175,360
Earning per ordinary share for profit attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)	0.09	0.05	0.07

Note 3. Accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2011, 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 2012.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets*.

The effect of adoption of the above amendment to standard on these financial statements was not significant.

The following new standards and amendments to standards have been issued but are not effective and have not been early adopted by the Group:

- IAS 19 (2011) *Employee Benefits*;
- IAS 28 (2011) *Investments in Associates and Joint Ventures*;
- IFRS 9 *Financial Instruments*;
- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IFRS 13 *Fair Value Measurement*;
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*;
- *Improvements to IFRSs*.

The Group is currently assessing the impact of the standards and amendments to standards on the consolidated financial statements.

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2012 (unaudited)**

(in thousands of Russian Roubles)

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

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

Note 4. Related Parties

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

Transactions with Gazprom Group and its associates

Transactions with Gazprom Group were as follows:

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
<i>Sales:</i>		
Sales of electricity and capacity	3,058,422	5,156,653
Sales of heat	224	200
Other sales	12,592	16
<i>Other income</i>	18	8,369
<i>Purchases:</i>		
Purchases of gas	17,599,375	20,707,166
Other purchases	964,011	440,509
<i>Other expenses</i>	9,696	1

Balances with Gazprom Group were as follows:

	30 June 2012	31 December 2011
Trade and other receivables	103,223	564,467
Trade and other payables	2,365,073	601,901
Loans (non-current debt)	9,986,858	6,901,877
Interest payable	174,120	-
Cash OJSC "Gazprombank"	3,277	823

Interest expense accrued in respect of loans for the 6 months ended 30 June 2012 was RR 311,953 thousand (for the 6 months ended 30 June 2011: RR 4,464 thousand).

The guarantee from OJSC "Gazprombank" equals RR 2,946 thousand as at 30 June 2012 (as at 31 December 2011: nil).

Transactions with state-controlled entities and its associates

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales and purchases of electricity and capacity) are not significant either individually or collectively.

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended****30 June 2012 (unaudited)**

(in thousands of Russian Roubles)

Information concerning sales and purchases of electricity and capacity with state-controlled entities is presented below:

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Sales of electricity and capacity	10,329,507	9,394,813
Charge of provision for impairment of trade receivables	283,532	360,307
Reversal of provision for impairment of trade receivables	(50,474)	-
Purchases of electricity and capacity	3,859,604	4,568,146

Significant balances with state-controlled entities were as follows:

	30 June 2012	31 December 2011
Trade and other receivables, gross	3,761,064	3,436,396
Provision for impairment of trade and other receivables	(2,015,056)	(1,856,575)
Trade and other payables	631,766	725,758

The guarantee from OJSC «VTB» equals RR 37,900 thousand as at 30 June 2012 (as at 31 December 2011: RR 3,300,000 thousand).

The guarantees from OJSC "Sberbank" equal RR 3,561,926 thousand as at 30 June 2012 (as at 31 December 2011: nil).

Transactions with key management

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

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

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 2012 was RR 40,661 thousand (for the 6 months ended 30 June 2011: RR 149,044 thousand).

Transactions with other related parties

Transactions with other related parties represent transactions with the pension fund of energy industry (NPF Electroenergetiki). For the 6 months ended 30 June 2012 the Group's expenses from transactions with NPF Electroenergetiki equals zero (for the 6 months ended 30 June 2011: RR 77,845 thousand).

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended
30 June 2012 (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 2012	31,912,121	16,787,828	28,667,762	15,133,297	1,549,213	60,030,913	154,081,134
Additions	-	-	168	9,037	137,974	5,070,859	5,218,038
Transfer	1,996,380	1,563,311	12,970,878	2,223,284	13,889	(18,767,742)	-
Disposals	(54,203)	(83,414)	(12,486)	(28,946)	(13,415)	(4)	(192,468)
Closing balance as at 30 June 2012	33,854,298	18,267,725	41,626,322	17,336,672	1,687,661	46,334,026	159,106,704
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2012	(13,650,264)	(9,451,315)	(15,914,039)	(7,271,973)	(966,573)	(329,635)	(47,583,799)
Charge for the period	(350,501)	(377,439)	(1,049,446)	(629,194)	(43,078)	-	(2,449,658)
Reversal of impairment	-	-	-	-	-	4	4
Disposals	33,052	58,835	9,721	24,176	11,899	-	137,683
Closing balance as at 30 June 2012	(13,967,713)	(9,769,919)	(16,953,764)	(7,876,991)	(997,752)	(329,631)	(49,895,770)
Net book value as at 30 June 2012	19,886,585	8,497,806	24,672,558	9,459,681	689,909	46,004,395	109,210,934
Net book value as at 1 January 2012	18,261,857	7,336,513	12,753,723	7,861,324	582,640	59,701,278	106,497,335
Cost							
Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2011 (Restated)	31,645,204	16,029,174	29,082,518	12,298,686	1,365,105	45,906,647	136,327,334
Additions	-	59,128	11	235,137	89,662	8,180,187	8,564,125
Transfer	67,138	77,231	606,474	647,566	4,194	(1,402,603)	-
Disposals	(49,157)	(84,437)	(5,020)	(10,781)	(5,567)	(526,028)	(680,990)
Closing balance as at 30 June 2011 (Restated)	31,663,185	16,081,096	29,683,983	13,170,608	1,453,394	52,158,203	144,210,469
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2011 (Restated)	(13,083,487)	(8,731,090)	(15,663,231)	(5,558,085)	(859,914)	(328,576)	(44,224,383)
Charge for the period	(309,698)	(295,425)	(626,006)	(479,551)	(70,016)	-	(1,780,696)
Disposals	22,874	22,036	1,487	9,931	5,442	-	61,770
Closing balance as at 30 June 2011 (Restated)	(13,370,311)	(9,004,479)	(16,287,750)	(6,027,705)	(924,488)	(328,576)	(45,943,309)
Net book value as at 30 June 2011 (Restated)	18,292,874	7,076,617	13,396,233	7,142,903	528,906	51,829,627	98,267,160
Net book value as at 1 January 2011 (Restated)	18,561,717	7,298,084	13,419,287	6,740,601	505,191	45,578,071	92,102,951

Finance lease

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

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements for the 6 months ended
30 June 2012 (unaudited)

(in thousands of Russian Roubles)

	30 June 2012	31 December 2011
Energy machinery and equipment	46,398	48,238
Other machinery and equipment	212,891	196,287
Other	259,920	117,042
Total	519,209	361,567

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 48 years.

Operating lease rentals are payable as follows:

	30 June 2012	31 December 2011
Not later than one year	719,491	616,193
Later than one year and not later than five years	1,873,145	1,489,902
Later than five years and not later than ten years	1,057,225	620,992
Later than ten years	5,345,134	1,973,651
Total	8,994,995	4,700,738

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. Cash and cash equivalents

	Currency	30 June 2012	31 December 2011
Current bank accounts	RR	196,161	337,816
Bank deposits with maturity of 3 months or less	RR	-	20,000
Other cash equivalents	RR	3,228	1,300
Total		199,389	359,116

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 June 2012*	30 June 2012	Credit rating on 31 December 2011*	31 December 2011
OJSC "Alfa-bank"	D/ Stable	100,908	D/ Stable	90,549
OJSC "BANK "ROSSIYA"	E+/ Stable	78,018	E+/Stable	148,749
OJSC "Sberbank"	D+/ Stable	9,355	D+/ Stable	21,074
CJSC "International Industrial Bank "	-	4,271	-	4,271
OJSC "Gazprombank"	D-/ Stable	3,277	E+/Stable	823
OJSC "Transcreditbank"	D-/ Stable	192	D-/Stable	199
CJSC "VTB 24"	D-/ Negative	85	D-/Negative	926
OJSC "Promsvyazbank" (PSB)	D/ Negative	53	D/Stable	41
OJSC "Eurofinance Mosnarbank"	E+/ Negative	2	E+/Ratings Under Review	71,112
OJSC "Nomos-bank"	D-/ Stable	-	D-/Stable	70
OJSC "URALSIB"	E+/ Stable	-	D-/Stable	2
Total cash in bank		196,161		337,816

OGK-2 Group

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

30 June 2012 (unaudited)

(in thousands of Russian Roubles)

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

Credit quality of bank deposits is presented below:

Bank deposits with maturity of 3 months or less	Interest rate	Credit rating on 30 June 2012*	30 June 2012	Interest rate	Credit rating on 31 December 2011*	31 December 2011
OJSC "Sberbank"	-	-	-	5.84%	Not-Prime	8,000
OJSC "BANK "ROSSIYA"	-	-	-	5.75%	Not-Prime	12,000
Total bank deposits with maturity of 3 months or less			-			20,000

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

Note 7. Trade and other receivables

	30 June 2012	31 December 2011
Trade receivables (net of provision for impairment of trade receivables of RR 2,591,814 thousand as at 30 June 2012 and RR 2,603,520 thousand as at 31 December 2011; effect of discounting of long-term trade receivables of RR 48,000 thousand as at 30 June 2012 and nil as at 31 December 2011)	6,570,317	6,578,502
Other receivables (net of provision for impairment of other receivables of RR 1,264,916 thousand as at 30 June 2012 and RR 1,268,972 thousand as at 31 December 2011)	4,315,669	4,297,505
Promissory notes (nominal value of promissory notes is RR 1,365,513 thousand as at 30 June 2012 and RR 1,063,749 thousand as at 31 December 2011)	961,054	671,326
Financial assets	11,847,040	11,547,333
Input VAT	3,632,482	3,895,759
Advances to suppliers (net of provision for impairment of advances to suppliers of RR 16,145 thousand as at 30 June 2012 and RR 16,637 thousand as at 31 December 2011)	192,162	418,799
Prepaid other tax and social funds contribution	90,320	554,208
Total	15,762,004	16,416,099
Less: Long-term input VAT from advances paid	(2,033,878)	(2,200,226)
Long-term promissory notes (nominal value of promissory notes is RR 783,817 thousand as at 30 June 2012 and RR 998,642 thousand as at 31 December 2011)	(405,897)	(610,518)
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 12,285 thousand as at 30 June 2012 and RR 13,752 thousand as at 31 December 2011, effect of discounting of long-term trade receivables of RR 48,000 thousand as at 30 June 2012 and nil as at 31 December 2011)	(165,565)	(19,956)
Total	13,156,664	13,585,399

Note 8. Equity

Share capital

In June 2012 the General shareholders meeting approved a decision to increase the share capital of the Company by public offering of additional shares in total amount of 110,000,000,000 shares with par value of RR 0.3627.

Dividends

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

In June 2012 OJSC "OGK-2" declared final dividends for the year ended 31 December 2011 of RR 0.000998761 per share for the total of RR 56,905 thousand. These dividends were recognized as liability and deducted from equity at 30 June 2012.

Note 9. Non-current debt

	Currency	Effective interest rate	Due	30 June 2012	31 December 2011
Loans	RR	7.25%-8.40%	2015-2022	30,086,858	27,001,877
Finance lease liability	RR	14.00%-27.90%	2013-2016	204,628	166,363
Total				30,291,486	27,168,240

Maturity table

	30 June 2012	31 December 2011
Due for repayment		
Between one and two years	103,292	56,826
Between two and three years	56,589	42,357
Between three and four years	13,643,592	13,647,363
Between four and five years	6,501,155	6,519,817
More than five years	9,986,858	6,901,877
Total	30,291,486	27,168,240

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

Finance lease liabilities – minimum lease payments

	30 June 2012	31 December 2011
Due for repayment		
Less than one year	184,292	111,088
Between one year and five years	263,751	219,883
Future finance charges on finance lease	(125,050)	(95,450)
Present value of lease liabilities	322,993	235,521

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

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Note 10. Other long-term liabilities

	30 June 2012	31 December 2011
Trade payables	318,137	230,885
Accrued liabilities and other payables	9,862	10,376
Total finance liabilities	327,999	241,261

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

	Currency	Effective interest rate	30 June 2012	31 December 2011
OJSC "BANK "ROSSIYA"	RR	5.8%-7.25%	1,600,000	4,000,000
Current portion of finance lease liability	RR	14.00%-27.90%	118,365	69,158
Bonds	RR	7.25%	-	1,532,550
Total			1,718,365	5,601,708

All of the above bank debt is obtained at fixed interest rates.

The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

Note 12. Trade and other payables

	30 June 2012	31 December 2011
Trade payables	8,236,382	5,972,946
Accrued liabilities and other payables	538,233	728,692
Interest payable	174,120	21,917
Dividend payable	60,137	3,726
Financial liabilities	9,008,872	6,727,281
Salaries and wages payable	580,539	671,985
Advances from customers	25,360	32,244
Total	9,614,771	7,431,510

Trade payables, accrued liabilities and other payables are classified as financial liabilities. The Group's management believes that the majority of suppliers, whose balances are included in trade and other payables balance, relate to the same class of reliable suppliers with similar characteristics.

Note 13. Other taxes payable

	30 June 2012	31 December 2011
Social tax	221,293	252,625
Property tax	208,434	97,475
Value added tax	76,392	-
Water usage tax	75,163	129,108
Environment pollution payment	68,212	46,215
Personal income tax	38,392	54,991
Other taxes	23,034	17,064
Total	710,920	597,478

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Note 14. Revenues

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Electricity and capacity	45,876,888	51,943,957
Heating	1,784,010	1,861,162
Other	452,206	480,974
Total	48,113,104	54,286,093

Note 15. Operating expenses

	Notes	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Fuel		28,833,476	31,655,164
Purchased electricity, capacity and heat		3,957,625	4,546,229
Employee benefits		3,612,681	3,903,152
Depreciation and amortisation of property, plant, equipment and intangible assets		2,483,535	1,815,745
Repairs and maintenance		1,497,007	1,689,777
Taxes other than income tax		1,003,265	1,038,687
Raw materials and supplies		1,121,063	1,043,990
Dispatcher's fees		814,920	809,490
Transport		417,572	445,260
Rent		280,983	244,939
Ecological payments		220,911	173,107
Consulting, legal and audit services		108,769	125,589
Insurance		103,998	98,054
Loss on disposal of property, plant, equipment		56,684	84,682
Provision for impairment of trade and other receivables		45,446	256,558
Reversal of impairment provision for property, plant, equipment	5	(4)	-
Reversal of provision for inventory obsolescence		(2,641)	(848)
Profit on disposal of other assets		(15,569)	(29,944)
Other expenses		1,617,309	1,541,322
Total operating expenses		46,157,030	49,440,953

Employee benefits expenses comprise the following:

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Salaries and wages	2,696,721	2,887,431
Social funds contribution	761,363	780,596
Non-state pensions and other long-term benefits	87,048	74,747
Financial aid to employees and pensioners	67,549	160,378
Employee benefits	3,612,681	3,903,152
Number of personnel at the end of the period	10,165	10,124

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Included in social funds contribution are statutory pension contributions of RR 591,967 thousand (for the 6 months ended 30 June 2011: RR 617,825 thousand).

Note 16. Finance income

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Release of discounting effect of long-term promissory notes received	25,402	75,751
Foreign exchange differences	17,900	2,582
Interest income on bank deposits and current bank account balances	17,593	39,461
Effect of discounting of long-term restructured trade receivables	4,649	-
Other finance income	157	243
Total finance income	65,701	118,037

Note 17. Finance costs

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Interest expense on debt	(1,179,952)	(639,503)
Interest on employee benefit obligations	(101,875)	(33,556)
Effect of discounting of long-term restructured trade receivables	(52,649)	-
Unwinding of the present value discount - provision for ash dump	(38,400)	(38,060)
Effect of discounting of long-term promissory notes received	(37,438)	(4,126)
Interest expense under finance lease agreements	(35,532)	(10,331)
Total finance costs	(1,445,846)	(725,576)

Note 18. Earnings per share

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Weighted average number of ordinary shares issued	56,966,718,358	59,319,956,660
Profit attributable to the shareholders of OJSC "OGK-2" (thousand of RR)	428,592	4,175,360
Earning per ordinary share attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)	0.008	0.07

Note 19. Capital commitments

As at 30 June 2012 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 63,423,719 thousand (as at 31 December 2011: RR 66,616,100 thousand).

As at 30 June 2012 the Group has no commitments in respect of software implementation costs (as at 31 December 2011: RR 76,685 thousand).

Note 20. Contingencies

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

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

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

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

As at 30 June 2012 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

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

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

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

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

Note 21. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 99.1% 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 discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Novocherkasskaya GRES, Ryazanskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main difference is the estimation of the value of property, plant and equipment. The Group does not have inter-segment revenue.

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6 months ended 30 June 2012	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	10,988,218	7,662,023	2,913,379	1,581,574	6,604,330
Segment operating profit / (loss)	2,405,913	505,268	(552,315)	(98,325)	651,256
6 months ended 30 June 2012	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments	
Revenue	5,732,643	6,222,385	6,408,552	48,113,104	
Segment operating profit / (loss)	349,081	86,632	157,991	3,505,501	
6 months ended 30 June 2011 (Restated)	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	12,778,336	7,944,613	3,337,106	2,360,966	6,886,246
Segment operating profit / (loss)	3,762,087	1,128,208	(244,956)	118,989	972,962
6 months ended 30 June 2011 (Restated)	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments	
Revenue	7,287,762	7,546,261	6,144,803	54,286,093	
Segment operating profit / (loss)	692,291	538,948	(71,941)	6,896,588	

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

	6 months ended 30 June 2012	6 months ended 30 June 2011 (Restated)
Segment operating profit	3,505,501	6,896,588
Adjustments, arising from different accounting policy:		
Provision for impairment of trade and other receivables	(1,556)	(351,353)
Depreciation adjustment	(486,902)	(386,098)
Gain / (loss) on disposal of assets	29,829	(42,975)
Other adjustments	257,292	(130,411)
Unallocated expenses:	(1,405,501)	(1,293,811)
Provision for impairment of trade and other receivables	(223,267)	299,544
Employee benefit	(323,790)	(404,426)
Rent	(146,825)	(71,104)
Consulting, legal and audit services	(98,609)	(44,033)
Other corporate expense	(613,010)	(1,073,792)
Operating profit (IFRS)	1,898,663	4,691,940

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
30 June 2012	4,176,099	3,074,419	27,526,930	9,983,627	21,644,765
31 December 2011	4,136,252	2,887,087	25,899,355	9,996,699	21,545,458
	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total assets	
30 June 2012	16,861,345	12,287,948	8,939,056	104,494,189	
31 December 2011	16,107,227	12,554,617	9,032,526	102,159,221	

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

	30 June 2012	31 December 2011
Total assets for reportable segment	104,494,189	102,159,221
Adjustments, arising from different accounting policy:		
Property, plant and equipment adjustment	13,882,009	14,578,216
Prepayments / deposits for pensions	250,519	263,663
Discounting of promissory notes and long term trade receivables	(452,459)	(392,423)
Impairment of trade and other receivables	(13,043)	(14,599)
Provision for inventory obsolescence	(50,709)	(53,350)
Other adjustments	821,039	(154,857)
Unallocated assets	15,034,647	15,616,903
Total assets (IFRS)	133,966,192	132,002,774

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

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