WGC-3 GROUP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

PRICEWATERHOUSECOOPERS

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of the Open Joint Stock Company "Third Generation Company of the Wholesale Electricity Market" (JSC "WGC-3"):

Introduction
We have reviewed the accompanying interim consolidated financial statements of JSC "WGC-3" and its subsidiaries (the "WGC-3 Group") which comprise the consolidated balance sheet as at 30 June 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the six months then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. Management has issued interim consolidated financial statements for the first time as of and for the period ended 30 June 2007 and hence we did not perform a review of interim financial information as of and for the period ended 30 June 2006.

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 interim consolidated financial statements do not present fairly, in all material respects, the financial position of the WGC-3 Group as at 30 June 2007, and its financial performance and its cash flows for the six months period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

28 September 2007

WGC-3 Group
Interim Consolidated Balance Sheet as at 30 June 2007 (unaudited)
(in thousands of Russian Roubles)

	Notes	30 June 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	18 600 314	18 392 001
Other non-current assets	7	2 491 243	595 661
Total non-current assets		**21 091 557**	**18 987 662**
Current assets			
Inventories	8	2 178 568	2 292 782
Accounts receivable and prepayments	9	2 909 130	1 172 568
Deposits	10	77 500 000	-
Loans issued		381 660	-
Current income tax prepayments		221 810	286 146
Cash		1 260 138	354 892
Total current assets		**84 451 306**	**4 106 388**
TOTAL ASSETS		**105 542 863**	**23 094 050**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	47 487 999	29 487 999
Share premium	11	63 235 272	450 818
Other reserves		(8 357 873)	(8 357 873)
Fair value reserve		33 566	25 642
Retained earnings		(5 299 142)	(6 350 801)
Total equity		**97 099 822**	**15 255 785**
Non-current liabilities			
Deferred tax liabilities	12	1 703 753	1 545 753
Pension liabilities	13	260 829	240 545
Other non-current liabilities		51 033	33 342
Total non-current liabilities		**2 015 615**	**1 819 640**
Current liabilities			
Current debt and current portion of non-current debt	14	2 909 022	3 704 008
Accounts payable and accruals	15	2 974 119	1 702 122
Provision for liabilities and charges	16	142 030	233 343
Taxes payable	17	402 255	379 152
Total current liabilities		**6 427 426**	**6 018 625**
Total liabilities		**8 443 041**	**7 838 265**
TOTAL EQUITY AND LIABILITIES		**105 542 863**	**23 094 050**

General Director — Ivan Blagodyr'

Chief Accountant — Margarita Komarova

28 September 2007

WGC-3 Group
Interim Consolidated Income Statement for the six months ended 30 June 2007 (unaudited)
(in thousands of Russian Roubles, except for earning/(loss) per ordinary share information)

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006
Revenues			
Electricity		14 505 023	9 940 812
Heat		351 905	343 018
Other		241 711	242 132
Total revenue		**15 098 639**	**10 525 962**
Operating expenses	18	(13 471 757)	(10 282 649)
Operating profit/(loss)		**1 626 882**	**243 313**
Finance income	10	1 080 764	39 758
Finance costs	19	(158 200)	(84 947)
Profit/(loss) before income tax		**2 549 446**	**198 124**
Income tax	12	(797 786)	(496 977)
Profit/(loss) for the period		**1 751 660**	**(298 853)**
Attributable to:			
Shareholders of OJSC WGC-3		**1 751 660**	**(298 853)**
Earning/(loss) per ordinary share for profit/(loss) attributable to the shareholders of OJSC WGC-3 – basic and diluted (in Russian Roubles)	**20**	**0.045**	**(0.011)**

General Director — Ivan Blagodyr'

Chief Accountant — Margarita Komarova

28 September 2007

(in thousands of Russian Roubles)

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit / (loss) before income tax		**2 549 446**	**198 124**
Adjustments for non-cash items:			
Depreciation	6	610 033	536 312
Provision for impairment of accounts receivable	18	59 173	81 271
Finance cost	19	158 200	84 947
Forgiveness of tax penalties		-	(134 137)
Finance income	10	(1 080 761)	(12 241)
Impairment loss reversed during the year		(355 027)	-
Other non-cash items		(138 132)	(145 318)
Operating cash flows before working capital changes and income tax paid		**1 802 932**	**608 958**
Working capital changes:			
Increase in accounts receivable and prepayments		(1 350 106)	(257 994)
Decrease in inventories		98 690	178 916
Decrease in other long term assets		(13 545)	325 871
Increase in accounts payable and accruals		499 911	(259 008)
Increase in taxes payable, other than income tax		45 848	(387 385)
Decrease in other non-current liabilities		37 976	276 938
Income tax paid in cash		(600 696)	(519 509)
Net cash generated from operating activities		**521 010**	**(33 213)**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(2 298 992)	(144 560)
Proceeds from sale of property, plant and equipment and other non-current assets		12 074	2 831
Deposited to banks	10	(77 500 000)	-
Loans issued		(381 660)	-
Interest received		705 200	12 241
Net cash used in investing activities		**(79 463 378)**	**(129 488)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase from short-term borrowings		2 663 491	2 057 365
Repayment of debt		(3 458 477)	(1 530 198)
Interest paid		(141 770)	(85 331)
Dividends paid to shareholders of OJSC WGC-3		(13)	(240 282)
Dividend paid to minority interest shareholders		(70)	(13 845)
Share issuance		80 784 453	-
Net cash generated from financing activities		**79 847 614**	**187 709**
Net increase in cash		**905 246**	**25 008**
Cash at the beginning of the period		**354 892**	**117 625**
Cash at the end of the period		**1 260 138**	**142 633**

General Director — Ivan Blagodyr'

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28 September 2007

Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2007

(in thousands of Russian Roubles)

	Attributable to the shareholders of OJSC WGC-3							
	Share capital	Share Premium	Other reserves	Retained earnings	Fair value reserve	Total	Minority interest	Total equity
At 1 January 2006	**27 608 088**	**450 818**	**(8 357 873)**	**(9 485 548)**	-	**10 215 485**	**618 475**	**10 833 960**
Profit/(loss) for the period	-	-	-	(298 853)	-	(298 853)	-	(298 853)
Payment of share capital (Note 11)	-	-	-	-	-		-	-
Transactions with minorities (Note 11)	1 879 911	-	-	(1 261 436)	-	618 475	(618 475)	-
Dividends (Note 11)	-	-	-	(4 530)	-	(4 530)	-	(4 530)
At 30 June 2006	**29 487 999**	**450 818**	**(8 357 873)**	**(11 050 367)**	-	**10 530 577**	-	**10 530 577**
At 1 January 2007	**29 487 999**	**450 818**	**(8 357 873)**	**(6 350 801)**	**25 642**	**15 255 785**	-	**15 255 785**
Profit for the period	-	-	-	1 751 660	-	1 751 660	-	1 751 660
Payment of share capital (Note 11)	18 000 000	62 784 454				80 784 454		80 784 454
Available-for-sale investments:								
Change in fair value of available-for-sale investments	-	-	-	-	10 427	10 427	-	10 427
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	(2 503)	(2 503)	-	(2 503)
Dividend relating to 2006 (Note 11)	-	-	-	(700 001)	-	(700 001)	-	(700 001)
At 30 June 2007	**47 487 999**	**63 235 272**	**(8 357 873)**	**5 299 142**	**33 566**	**97 099 822**	-	**97 099 822**

General Director — Ivan Blagodyr'

Chief Accountant — Margarita Komarova

28 September 2007

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint-Stock Company WGC-3 (OJSC "WGC-3", or the "Company") was established on 23 November 2004 within the framework of the Russian electricity sector restructuring in accordance with Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

Branches. The WGC-3 Group (the "Group") operates 6 power plants and its principal activity is electricity and heat generation. The Group consisted of OJSC WGC-3 and its subsidiaries. The Group's principal subsidiaries as at 31 March 2005 were six State-District Power Plants (the "SDPP"):

	Ownership till 31.03.2006, %		
	Total	Transferred from RAO UES	Acquired from minority shareholders
OJSC Kostromskaya SDPP (Kostromskaya SDPP)	92.63	51.00	41.63
OJSC Cherepetskaya SDPP (Cherepetskaya SDPP)	98.53	55.79	42.74
OJSC Pechorskaya SDPP (Pechorskaya SDPP)	97.58	51.00	46.58
OJSC Kharanorskaya SDPP (Kharanorskaya SDPP)	99.99	99.99	-
OJSC Yuzhnouralskaya SDPP (Yuzhnouralskaya SDPP)	73.74	49.00	24.74
OJSC Gusinooserskaya SDPP (Gusinooserskaya SDPP)	99.99	99.99	-

In November 2005 the shareholders of OJSC WGC-3, Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP and Gusinooserskaya SDPP approved the merger of these companies through conversion the shares of the Company's subsidiaries into the ordinary shares of OJSC WGC-3. On 1 April, 2006 the above merger was completed resulting in affiliation of the Company's six subsidiaries.

Starting from 1 April, 2006 the Company has six power generating stations, incorporated as production branches.

Subsidiaries. The Company has 13 subsidiaries which are service companies and operate in the regions where power plants are situated. All subsidiaries are 99.9-100% controlled and their income is mainly generated by intra-group operations.

Principal shareholders. Company has no ultimate parent as at 30 June 2007. As at 30 June 2007 the Company's principal shareholders are the Group "MMC "Norilsk Nickel" (46.62% of shares) and the RAO UES of Russia (37.08% of shares). The rest of shares are held by individual and nominee holders (16.30% of shares) (see Note 11).

The Company is registered by the District Inspectorate of the RF Ministry of Taxation of Republic of Buryatiya. The Company's office is located at bld. 165, bld. 1, Mozhayskoye Highway., Moscow, 121596, Russia.

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

Relations with the state and current regulation. As at 30 June 2007 the Russian Federation owned 52.68 % of RAO UES of Russia (54.99% of the ordinary shares issued), which in its turn owned 37.08% of OJSC WGC-3. The Russian government was the ultimate controlling party of the Company until March 2007. As at 30 June 2007 RAO UES of Russia, the shareholder of the Company, is recognized in Financial Statements as related party (see Note 5).

As at 31 December 2006 the Russian Federation owned 52.68% of RAO UES of Russia (54.99% of the ordinary shares issued), which in its turn owned 59.72 % of OJSC WGC-3.

The Group's customer base includes a large number of entities controlled by or related to the state. Moreover, the state controls a number of the Group's fuel and other suppliers.

The government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service on Tariffs ("FST"), with respect to its wholesale energy sales. Tariffs which the Group may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies.

As described in Notes 2, 21 and 22, the government's economic, social and other policies could have material effects on the operations of the Group.

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

- The regulatory framework governing the process of reforming the Russian Federation electric utilities industry and the functioning of the industry, both during the transition period and subsequent to the completion of reforms, is set forth in the following legislation: Federal Law No. 35-FZ of 26 March 2003 "On the Electric Utilities" and Federal Law No. 36-FZ of 26 March 2003 "On the Specifics of the Functioning of Electric Utilities During the Transition Period and the Introduction of Amendments to Certain Russian Federation Legislative Acts and the Invalidation of Certain Russian Federation Legislative Acts in Connection with the Adoption of the Law "On the Electric Utilities of the Russian Federation".

- In June 2003 the government issued Resolution No. 1254-r "On formation of generation companies of the wholesale electricity market" which approved composition of wholesale generating companies of the wholesale electricity market, including a list of the six power plants to be contributed into the Group.

- In October 2003, the Russian Federation Government issued Resolution No. 643 "On the Rules for the Wholesale Electricity Market during the Transition Period". According to the rules adopted, there will be two sectors within the Federal Wholesale Electricity Market (FOREM): regulated trading sector and free trading sector. Within the free trading sector, electricity suppliers will be able to sell electricity generated with the use of facilities and equipment accounting for 15.00% of the working capacity. Since November 2003, the non-commercial partnership "Trade System Administrator of the Wholesale Electricity Market", in accordance with the rules for the wholesale electricity market during the transition period, has been holding electricity bidding in the free trading sector. The Group participates in this free trading scheme. According to the laws underlying the electric utilities reform, subsequently free trading would be extended over the whole volume of trading.

- As at 1 September 2006 a new liberalized model of the wholesale and retail electricity (power) markets has been launched according to the Russian Government's Resolution No. 529 "On Improvement of the Procedure for Functioning of Wholesale Electricity (Power) Market" and No. 530 "On Rules for the Functioning of Retail Electricity Markets". Under the new wholesale market model, the existing electricity and power purchase-and-sale relations in the regulated market sector are to be replaced by a regulated bilateral contract system. From 1 September 2006 regulated contracts covered all volumes of electricity and power produced and consumed. From 2007 the volumes of electricity (power) traded in the wholesale market at regulated prices will substantially reduce. The pace of reduction will be set annually by the Russian Federation Government according to socio-economic development forecasts. In 2007 up to 95.00% of the forecasted production volumes will be traded at regulated prices. The period from 2006 to approximately 2013 is a transition period. After that it will become possible to launch a fully competitive wholesale market. The new market model implies two ways of electricity trading: at free prices, being free bilateral contracts and a day – ahead market. Under free bilateral contracts market participants have the right to choose contracting parties, prices and supply volumes. The day-ahead market is based on competitive selection of bids submitted by suppliers and buyers a day before the electricity is actually supplied. The competitive selection is performed by the non-commercial partnership "Trade System Administrator of the Wholesale Electricity Market". If there are deviations from the day-ahead forecast, participants are obliged to sell excess amounts or buy missing ones in the balancing market. As a whole, the day-ahead market replaces the free trade sector that was previously operating. Consumption and production planning held by System operator CDU UES is based on the results of bidding.

- As at 29 May 2003, the Board of Directors of RAO UES of Russia approved a "Concept of RAO UES of Russia strategy for the period from 2003 through 2008". In February 2006 the Board of Directors approved an Appendix to the Concept of RAO UES Strategy: "Generating companies of the Wholesale Electricity Market (WGCs)". This document provides a detailed description of the major changes that are planned to take place in respect of wholesale generation companies during the electric utilities reform program. In accordance with this Concept, RAO UES of Russia was developing the first stage of its own reorganization which assumes a spin-off of 2-3 generating companies (including OJSC WGC-3) with proportional distribution of shares of the separated companies between the shareholders of RAO UES of Russia. It also assumed a disposal of 40.29% of OJSC WGC-3 to take its holding from 59.70% to 19.41%.

- As at 2 March 2007, the Board of Directors of RAO UES has approved the basic structure for the second (final) phase of the Company's reorganisation which assumes that in 2007-2008 the Company will complete the restructuring of RAO UES assets and spin off all companies which will comprise the ultimate sector structure, following which RAO UES will cease its activity. The Board of Directors of RAO UES considered and approved a plan that envisages that the Group or successor entities raise funds for future capital expenditures by selling existing shares in the share capital of all the WGCs and TGCs, except for OJSC Federal Hydrogenation HydroWGC, WGC-5 and TGC-5, in the amount not exceeding the effective share of the Russian Federation in RAO UES.

Note 2. Financial condition

At 30 June 2007, the Group's current assets exceeded its current liabilities by RR 78 023 880 thousand (at 31 December 2006: current liabilities exceeded its current assets by RR 1 912 237 thousand). The reason for exceeding of current assets as at 30 June 2007 is effect of additional shares issued sale at market price which is above par value of shares (see Note 11).

As discussed above the Group is affected by government policy through the control of tariffs and other factors. The FST does not always permit tariff increases in excess of increases in the Group's costs and thus some tariffs are insufficient to cover all the costs of generation. Moreover, these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognized under an IFRS basis of accounting.

However, the growing demand for electricity and capacity together with increasing free trading sector of the wholesale electricity market result in a higher rate of revenue growth during the six months ended 30 June 2006 to date. Management considered recent favorable changes in operation of the Russian electricity market. According to new liberalized model of the wholesale and retail electricity (power) markets (see also Note1) the share of free market activity in all operations of the Group increased in the reporting period and it will increase in near future. These assumptions were used in determining the need for impairment of property, plant and equipment reversal at 31 December 2006 (see Note 6).

Management in recent years has improved the absolute level of settlements for current sales. Currently substantially all settlements of accounts receivable are made in cash.

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

- introduction of improved financial budgeting procedures;
- discussions with strategic investors, and identification and assessment of projects requiring investment funds;
- raising financing for investments in new generating assets.

Note 3. Basis of preparation

Statement of compliance. These interim consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Each enterprise of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The accompanying Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Predecessor Accounting. In January 2005 RAO UES of Russia transferred to the Company 99.90%, 99.90%, 51.00%, 51.00% and 55.80% of the outstanding ordinary shares of Kharanorskaya SDPP, Gusinoozerskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP and Cherepetskaya SDPP respectively. In December 2005 RAO UES of Russia additionally transferred to the Company 49.00% of the outstanding ordinary shares of Yuzhnouralskaya SDPP. In the 2005 combined and consolidated financial statements, OJSC OGK-3 accounted for this business combination amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at the carrying value, as determined by RAO UES of Russia in its IFRS consolidated financial statements. Information in respect of 2004 was restated as if the business combination took place at the beginning of 2004.

Therefore Kharanorskaya SDPP, Gusinoozerskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP, Cherepetskaya SDPP and Yuzhnouralskaya SDPP were consolidated into the Group combined and consolidated financial statements starting 1 January 2004.

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

Inflation accounting. Prior to 1 January 2003 non-monetary assets acquired and non-monetary liabilities incurred or assumed have been adjusted for the changes in the general purchasing power of the RR in accordance with International Accounting Standards 29 ("IAS") ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these Financial Statements.

New accounting developments. These interim consolidated financial statements have been prepared by applying the accounting policies consistent with those of the annual financial statements for the year ended 31 December 2006, except for those policies which were changed to comply with the new or amended standards and interpretation that are in force for the year beginning on 1 January 2007.

These new or amended standards and interpretations that are in force for the periods beginning on 1 January 2007 and their impact on the current period or any prior period is described below:

- IFRIC 7, "Applying the Restatement Approach under IAS 29", effective for annual periods beginning on or after 1 March 2006. This amendment did not have a material effect on the Group's financial statements;

- IFRIC 8, "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006. This amendment did not have a material effect on the Group's financial statements;

- IFRIC 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006. This amendment did not have a material effect on the Group's financial statements;

- IFRIC 10, "Interim financial reporting and impairment", effective for annual periods beginning on or after 1 November 2006. This amendment did not have a material effect on the Group's financial statements;

- IFRIC 11, "IFRS 2 - Group and Treasury share transactions ", effective for annual periods beginning on or after 1 March 2007. This amendment did not have a material effect on the Group's financial statements;

- IFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1 January 2007. IAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1 January 2007.

The following new Standards and Interpretations are not yet effective or the Company has not early adopted them and they have not been applied in preparing these interim consolidated financial statements:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information;
- Amendment to IAS 23 "Borrowing Cost" effective for borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale;

- 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 but to have no impact on the recognition or measurement of specific transactions and balances.

- IFRIC 13 "Customer Loyalty Programs", which is effective for annual periods beginning on or after 1 January 2008;

- IFRIC 12, "Service concession agreements", 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.

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.

Going concern. The interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying Financial Statements do not include any adjustments should the Group be unable to continue as a going concern.

Critical accounting estimates and assumptions. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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

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

Critical assumptions that were made for the purposes of impairment test of property, plant and equipment are described in the Note 6.

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

Note 4. Summary of significant accounting policies

Principles of consolidation. The interim consolidated financial statements comprise the financial statements of OJSC WGC-3 and the financial statements of those entities whose operations are controlled by OJSC WGC-3. Control is presumed to exist when OJSC WGC-3 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

A) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The minority interest has been disclosed as part of equity.

B) Transactions eliminated on consolidation

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

Foreign currency. Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the balance sheet date, are translated into RR at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

As at 30 June 2007, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the RR and the US Dollar ("USD") was RR 25.8162: USD 1.00 (31 December 2006: RR 26.3311: USD 1.00), between the RR and EURO RR 34.7150: EURO 1.00 (31 December 2006: RR 34.6965: EURO 1.00).

Financial assets. The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale . The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(b) Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(c) Deposits and loans issued. Deposits and loans issued are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Deposits include those with original maturity of more than two months. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Deposits and loans issued are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method

(d) Available-for-sale financial assets. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

For these investments, which comprise non-marketable securities, which are not publicly traded or listed on the Russian stock exchange, fair value is estimated by reference to a variety of methods including those based on their earnings and those using the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at each balance sheet date. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means, are stated at cost less impairment losses.

Regular way purchases and sales of investments are initially measured at fair value and recognized on the settlement date, which is the date that the investment is delivered to or by the Group. Cost of purchase includes transaction costs. The available-for-sale investments are subsequently carried at fair value. Gains and losses arising from changes in the fair value of these investments are included in the fair value reserve in shareholders' equity in the period in which they arise. Realized gains and losses from the disposal of available-for-sale investments are included in the statement of operations in the period in which they arise.

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

Property, plant and equipment. In 2004 property, plant and equipment were recognized at the carrying value determined in accordance with the IFRS at the date of their transfer to the Company by the Predecessor.

(in thousands of Russian Roubles)

Renewals and improvements are capitalized and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. For the property, plant and equipment which were subject to an independent valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives.

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

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Electricity and heat generation	4-63	25 -50
Electricity distribution	19-30	30
Heating networks	4-22	25
Other	8	10

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

Social assets are not capitalized as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents. Balances restricted from being exchanged or used to settle liability for at least twelve months after the balance sheet date are included in non-current assets.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value added taxes. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of the receivables.

Value added tax on purchases and sales. Before 1 January 2006 value added tax ("VAT") related to sales was payable to tax authorities upon collection of receivables from customers. Input VAT was reclaimable against sales VAT upon payment for purchases. The tax authorities permitted the settlement of VAT on a net basis. VAT related to sales and purchases which had not been settled at the balance sheet date (deferred VAT) was recognized in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision was made for impairment of receivables, the impairment loss was recorded for the gross amount of the debtor's balance, including VAT. The related deferred VAT liability was maintained until the debtor was written off for tax purposes.

There are also some transition rules applied for output and input VAT incurred before 1 January 2006 and which were not settled as at 1 January 2006. Generally, according to the rules these output and input VAT will be settled during 2006-2007 but not later than the first tax period of year 2008.

Since 1 January 2006 VAT related to sales is payable to tax authorities upon dispatch of goods and provision of services, input VAT is reclaimable against sales VAT upon purchase of goods and services on accrual basis.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost. Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

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

Deferred income tax. Deferred tax is provided using the balance sheet liability method for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as per the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Deferred tax movements are recorded in the income statement except when they are related to the items directly charged to the shareholders' equity. In this case deferred taxes are recorded as part of the shareholders' equity.

Deferred tax is not provided for the undistributed earnings of subsidiaries, as the Group requires profits to be reinvested, and only insignificant dividends are expected to be declared from future profits of the subsidiaries. Neither these future profits nor the related taxes are recognized in these financial statements.

Accounts payable and accrual charges. Accounts payable are stated inclusive of value added tax. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. If accounts payable are restructured and the discounted present value of the cash flows under the restructured terms discounted using the original effective interest rate differs by more than ten percent from the discounted present value of the remaining cash flows of the original financial liability, then the fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms. In this case the amount of the discount is credited to the income statement (finance costs) as a gain on restructuring, and the non-current portion of the discounted payable is reclassified to other non-current liabilities. The discount is amortized over the period of the restructuring as an interest expense.

Debt. Debt is recognized initially at its' fair value. If it is significantly different from the transaction price, fair value is determined using the prevailing market interest rate for a similar instrument. In subsequent periods, debt is stated at amortized cost using the effective interest rate method; any difference between the fair value at initial recognition (net of transaction costs) and the redemption amount is recognized in the income statement as an interest expense over the period of the debt obligation.

Borrowing Costs. The Group applies the benchmark treatment of IAS 23 "Borrowing costs" and recognises all borrowing costs as an expense in the period in which they are incurred.

Minority interest. Minority interest represents the minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the minority interests' ownership percentage of these subsidiaries. In purchases of minority interest, difference, if any, between the carrying amount of a minority interest and the amount paid to acquire it is recorded as loss directly in equity.

Pension and post-employment benefits. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

The Group also operates defined benefit plans. In respect of some of these plans the Group has contract with non-governmental pension fund, the other plans are operated by the Group without engaging pension funds. The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains and losses. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits associated with the operations of the plan will be paid, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from changes in actuarial estimations and exceeding 10.00% of the defined benefit obligations are charged or credited to the statement of operations over the average remaining service lives of employees starting from the next reporting period.

Provisions. Provisions are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

Revenue recognition. Revenue is recognized on the delivery of electricity and heat during the period. Revenue amounts are represented exclusive of value added tax.

Social expenditure. To the extent that the Group's contributions to social programs benefit the community at large without creating constructive obligation to provide such benefits in the future and are not restricted to the Group's employees, they are recognized in the income statement as incurred.

Segment reporting. The Group operates predominantly in a single geographical area and industry, the generation of electric power and heat in the Russian Federation. The generation of electricity and heat are related activities and are subject to similar risks and returns, therefore they are reported as one business segment.

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

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

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

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

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

(in thousands of Russian Roubles)

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

Note 5. Related Parties

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the six months ended 30 June 2007 and during the six months ended 30 June 2006 or had significant balances outstanding at 30 June 2007 and at 31 December 2006 are detailed below.

Starting from 26 March 2007 major shareholders of the Group are RAO UES of Russia and Group "MMC "Norilsk Nickel". None of mentioned companies have control over the group, but are related parties due to significant influence over WGC-3

Transactions with Group RAO UES Russia

The Group has the following revenues to the related parties:

	Period ended 30 June 2007	Period ended 30 June 2006
Electricity	7 557 260	5 902 140
Other	1 608	208

Balances with the related parties at the end of the period were as follows:

	30 June 2007	31 December 2006
Accounts receivable, gross	964 275	570 937
Provision for impairment of accounts receivable	43 834	0
Accounts payable	576 242	17 588

State-controlled entities

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

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

	Period ended 30 June 2006	Period ended 30 June 2006
Electricity and heat sales	60 519	161 895
Other sales	15 564	16 189
Purchases of fuel	3 702 203	3 207 644
Interest on credit	103 818	58 969
Interest received	937 359	1

(in thousands of Russian Roubles)

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

	30 June 2007	31 December 2006
Accounts receivable and prepayments	741 884	732 342
Provision for impairment of accounts receivable	454 538	323 154
Accounts payable and accruals	334 557	41 983
Current debt	573 260	0

Tax balances (other than deferred income tax) are disclosed in the balance sheet and Note 16. Tax transactions (other than deferred income tax) are disclosed in the income statement and Note 18.

Transactions with key management and close family members

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors for the period ended 30 June 2007 was RR 132 384 thousand (period ended 30 June 2006 - RR 20 087 thousand).

Note 6. Property, plant and equipment

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2006	**29 472 943**	**3 845 767**	**923 522**	**1 978 677**	**6 585 373**	**42 806 282**
Additions	1 453	135	-	393 685	106 458	501 731
Transfer	21 433	14 484	-	(99 617)	63 700	-
Disposals	(5 086)	(2 188)	-	(28 797)	(32 294)	(68 365)
Closing balance as at 30 June 2007	**29 490 743**	**3 858 198**	**923 522**	**2 243 948**	**6 723 237**	**43 239 648**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2006	**(15 355 385)**	**(2 798 203)**	**(663 402)**	**(130 928)**	**(5 466 363)**	**(24 414 281)**
Charge for the period	(416 559)	(36 060)	(10 984)	-	(146 430)	(610 033)
Impairment transferred from CIP	(2 442)	(632)	-	3 430	(356)	-
Disposals	1 740	946	-	-	27 267	29 953
Accumulated depreciation and impairment reversal	54 048	110 249	36 061	-	154 669	355 027
Closing balance as at 30 June 2007	**(15 718 598)**	**(2 723 700)**	**(638 325)**	**(127 498)**	**(5 431 213)**	**(24 639 334)**
Net book value as at 30 June 2007	**13 772 145**	**1 134 498**	**285 197**	**2 116 450**	**1 292 024**	**18 600 314**
Net book value as at 31 December 2006	**14 117 558**	**1 047 564**	**260 120**	**1 847 749**	**1 119 010**	**18 392 001**

(in thousands of Russian Roubles)

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2005	**29 034 800**	**3 768 419**	**866 936**	**2 038 502**	**6 466 371**	**42 175 029**
Additions	13 785	13	49 830	146 893	24 768	235 289
Transfer	43 919	129	-	(54 661)	10 613	-
Disposals	(39 721)	(3 141)	-	(476 351)	(86 928)	(606 141)
Closing balance as at 30 June 2006	**29 052 783**	**3 765 420**	**916 766**	**1 654 383**	**6 414 824**	**41 804 177**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2005	**(20 510 038)**	**(3 196 542)**	**(690 359)**	**(138 123)**	**(5 367 679)**	**(29 902 741)**
Charge for the period	(274 345)	(28 999)	(15 179)	-	(217 789)	(536 312)
Impairment transferred from CIP	(49)	-	-	49	-	-
Disposals	26 832	2 824	-	-	80 383	110 039
Closing balance as at 30 June 2006	**(20 757 600)**	**(3 222 717)**	**(705 538)**	**(138 074)**	**(5 505 085)**	**(30 329 014)**
Net book value as at 30 June 2006	**8 295 183**	**542 703**	**211 228**	**1 516 309**	**909 739**	**11 475 162**
Net book value as at 31 December 2005	**8 524 762**	**571 877**	**176 576**	**1 900 380**	**1 098 692**	**12 272 288**

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2005	29 034 800	3 768 420	866 936	2 038 502	6 466 371	42 175 029
Additions	38 140	1 263	49 830	841 715	104 981	1 035 929
Transfer	446 832	80 318	6 756	(769 065)	235 159	-
Disposals	(46 829)	(4 234)	-	(132 475)	(221 138)	(404 676)
Closing balance as at 31 December 2006	**29 472 943**	**3 845 767**	**923 522**	**1 978 677**	**6 585 373**	**42 806 282**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2005	**(20 510 038)**	**(3 196 542)**	**(690 359)**	**(138 122)**	**(5 367 679)**	**(29 902 741)**
Charge for the period	(552 586)	(56 128)	(29 924)	(2 627)	(454 756)	(1 096 021)
Impairment transferred from CIP	(2 733)	(2 886)	-	10 641	(5 022)	-
Disposals	31 827	3 929	-		198 396	234 152
Reversal of impairment	5 678 145	453 424	56 881	(820)	162 698	6 350 328
Closing balance as at 31 December 2006	**(15 355 385)**	**(2 798 203)**	**(663 402)**	**(130 928)**	**(5 466 363)**	**(24 414 281)**
Net book value as at 31 December 2006	**14 117 558**	**1 047 564**	**260 120**	**1 847 749**	**1 119 010**	**18 392 001**

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated. The Group has the right to purchase this land (except for the land at Moscow) upon application to the state registration body or to formalize the right for rent after the right expiry date, which is 1 January 2008.

Impairment

The provision included in accumulated depreciation balance as at 30 June 2007, 31 December 2006 and 30 June 2006 was RR 4 277 752 thousand, RR 4 836 185 thousand and RR 11 664 997 thousand, accordingly.

Management has concluded that at 31 December 2006 there were indications for reversing previously recognized impairment losses based on significant changes with a favorable effect on the Group that have occurred or are expected to occur in the near future in the market and economic environment in which the Group operates. Such changes include:

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

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

1. Electricity tariffs in the regulated sector will be increased by 19.00%, 20.00%, 22.30% for the years ended 31 December 2008, 2009 and 2010, respectively;
2. Heat tariffs will be increased by 17.00%, 18.20%, 18.40% for the years ended 31 December 2008, 2009 and 2010, respectively;
3. Gas price will be increased by 25.00%, 27.70%, 27.70% for the years ended 31 December 2008, 2009 and 2010, respectively;
4. Growth of gas prices and other operating costs will be accounted for by the Regional Tariff Service in the course of establishing regulated electricity and heat tariffs on a "cost-plus" basis;
5. Inflation rate will not exceed 7.00% year;
6. Increase of major variable cost (except for fuel) will not exceed the inflation rate;
7. The pre-tax discount rate used to determine assets value in use is equal to 13.13% until 2009 year and 14.02% after 2009 year.

Gas price, heat tariffs and electricity tariffs (in the regulated sector) approved by respective regulators for the year ended 31 December 2007 indicates increases of 15.00%, 15.00% and 16.50%, respectively in comparison with the year ended 31 December 2006.

Consequently, in 2006 the Group has recorded a reversal of the previously recognized impairment loss in the amount of RR 6 400 million. A respective gain together with a corresponding deferred tax expense of RR 1 536 million were recognized in the statement of operations for the year ended 31 December 2006.

In 2006 management's assessment indicated that the fair value of property, plant and equipment would not be lower than its net book value for all the generating units, except for Pechorskaya SDPP. In respect of Pechorskaya SDPP, management believes that this power plant will be unable to generate positive cash flow from the operations of its assets for the foreseeable future due to low installed capacity, a large portion of fixed costs, and limitations of the distribution market. As a consequence, in 2006 the Group recognized an impairment loss of RR 50 million in respect of the property, plant and equipment of Pechorskaya SDPP with a corresponding deferred tax benefit of RR 12 million in the statement of operations for the year ended 31 December 2006. The effect of Pechorskaya SDPP impairment considerations partly offset the above reversal of previously recognized impairment, resulting in pre-tax impairment reversal gain of RR 6 350 million.

During the six months ended 30 June 2007 the Group recognised the disposal loss of 2 million in respect of certain non-operating fixed assets and construction in progress (in six months ended 30 June 2006 recognised the disposal loss : RR 22 million).

(in thousands of Russian Roubles)

Operating leases

The Group leases a number of land areas owned by local governments under operating lease. Land lease payments are determined by lease agreements.

Non-cancelable operating lease rentals are payable as follows:

	30 June 2007	31 December 2006
not later than one year	26 218	35 379
later than one year and not later than five years	54 207	122 025
later than five years	7 817	18 691
Total	**88 242**	**176 095**

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

Note 7. Other non-current assets

	30 June 2007	31 December 2006
Advances for Property, plant and equipment	2 302 044	332 757
Long-term available for sale investments	153 124	142 696
Long-term receivables	33 885	116 519
Long-term Value added tax	1 669	1 607
Other non-current assets	521	2 082
Total	**2 491 243**	**595 661**

Note 8. Inventories

	30 June 2007	31 December 2006
Fuel supplies	1 390 320	1 625 529
Materials and supplies	318 963	232 410
Other inventories	469 285	434 843
Total	**2 178 568**	**2 292 782**

The above inventory balances are recorded net of an obsolescence provision of RR 176 281 thousand and RR 183 538 thousand as at 30 June 2007 and 31 December 2006, respectively.

Note 9. Accounts receivable and prepayments

	30 June 2007	31 December 2006
Trade receivables (net of provision for impairment of accounts receivable of RR 300 761 thousand as at 30 June 2007 and RR 562 451 thousand as at 31 December 2006)	1 350 513	657 994
Advances to suppliers (net of provision for impairment of advances to suppliers of RR 71 289 thousand as at 30 June 2007 and RR 71 447 thousand as at 31 December 2006)	272 810	240 344
Value added tax recoverable	72 735	71 572
Other receivables (net of provision for impairment of other receivables of RR 391 975 thousand as at 30 June 2007 and RR 410 238 thousand as at 31 December 2006)	1 213 072	202 658
Total	**2 909 130**	**1 172 568**

(in thousands of Russian Roubles)

The provision for impairment of accounts receivable was calculated based on analysis of collectibility. The movement of the provision is shown in the table below.

	6 months ended 30 June 2007	6 months ended 30 June 2006
As at 1 January	1 044 136	1 387 879
Reversal of provision	(353 157)	(991 228)
Accrued provision	73 046	436 289
As at 30 June	**764 025**	**832 940**

As of 30 June 2007, trade receivables of 31 282 (31 December 2006: 31 282) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2007	31 December 2006
Up to 6 months	-	-
more than 6 months	31 282	31 282
Total	**31 282**	**31 282**

Management has determined the provision for impairment of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows. Management of the Group believes that Group entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value approximates their fair value.

Note 10. Deposits

Name of bank	Currency	Deposit interest rate, %	30 June 2007	31 December 2006
Gazprombank	RR	6.70-6.80	32 500 000	-
VTB Bank	RR	6.50	30 000 000	-
Alfa-bank	RR	5.25-6.00	15 000 000	-
Total			**77 500 000**	**-**

As at 30 June 2007 cash collected by Group from the additional public offering (see Note 11) was included in deposits in the amount of RR 77 500 million. In accordance with the CJSC "Gazprombank ", OJSC "VTB Bank" and OJSC "Alfa-bank "contracts the Group is required not to demand a refund all or part of deposits prior to maturity date. Deposit periods are from three to six months.
For the six months ended 30 June 2007 interest income on these deposits amounted RR 869 671 thousand.

Note 11. Equity

Share capital *(Number of shares unless otherwise stated)*	Ordinary shares 30 June 2007	Ordinary shares 31 December 2006
Issued shares	47 487 999 252	29 487 999 252
Par value (in RR)	1.00	1.00

Contributions to the Company's share capital were effected as follows.

Cash contributions amounted to RR 20 500 thousand, of which RR 5 500 thousand were paid in the year ended 31 December 2004 and RR 15 000 thousand – in the year ended 31 December 2005.

Ordinary shares for total amount of RR 27 587 588 thousand were paid in the year ended 31 December 2005 in kind of shares in the Company's subsidiaries, where values determined by independent appraisers were equal to RR 28 038 406 thousand. Share premium of RR 450 818 thousand equaled to difference between the appraisers' value of the contributions to the share capital and nominal value of the shares issued.

On December 19, 2006 the Board of Directors of OJSK WGC-3 has approved the additional issuance of 18 000 000 000 ordinary shares, with nominal value of RR 1.00 each and total amount of RR 18 000 000 thousand.

On March 10, 2007 the Board of Directors of OJSK WGC-3 has approved the offering price of ordinary registered share of OJSK WGC-3 in amount of RR 4.54. Shareholders of OJSK WGC-3 bought 163 656 899 ordinary registered shares at the above price taking advantage of the preemptive right. During public offering the Group "MMC "Norilsk Nickel" has acquired 17 836 343 101 of ordinary registered shares. Thus, the stake of the Group "MMC "Norilsk Nickel" in share capital of OJSK WGC-3 increased to 46.62%. OJSK WGC-3 raised RR 81 720 000 000 from the additional public offering.

As a result of the above the stake of RAO UES of Russia has decreased from 59.68% to 37.10%. OJSK WGC-3 as at 30 June 2007 is no longer controlled by RAO UES of Russia.

Transfer of shares of Company's subsidiaries from RAO UES to the Company. In January 2005, the RAO UES of Russia transferred to the Company 99.90%, 99.90%, 51.00%, 51.00% and 55.80% of the outstanding ordinary shares of Kharanorskaya SDPP, Gusinoozerskaya SDPP, Pechorskaya SDPP, Kostromskaya SDPP and Cherepetskaya SDPP respectively. In December 2005 the RAO UES of Russia additionally transferred to the Company 49.00% of the outstanding ordinary shares of Yuzhnouralskaya SDPP.

Transactions with minorities. In December 2005, the Company exchanged its unpaid shares to the minority shareholders' shares in the Company's subsidiaries. Because of application of predecessor accounting, IFRS carrying value of the contributed assets were RR 10 403 761 thousand, of which RR 2 257 490 thousand were attributable to minority interest. The difference of RR 8 146 271 thousand between the nominal value of share capital paid, the IFRS carrying value of the contributed assets and the minority interest has been recorded as a merger reserve within equity attributable to the Company's shareholders.

In the year ended 31 December 2006 additional ordinary shares for RR 1 879 911 thousand were issued in order to finalize conversion of the Company's subsidiaries shares into shares of OJSC WGC-3.

On 1 April, 2006 all the shares of the Company's subsidiaries (which were held both by the Company and by minority shareholders) were exchanged into the Company's ordinary shares.

As the result, Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP and Gusinooserskaya SDPP were affiliated into OJSC WGC-3, and OJSC WGC-3 became an integrated operating company.

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 for the distributable reserves in these financial statements.

In the year ended 31 December 2006 the Company declared additional dividends for the year ended 31 December 2005 of RR 0.0132895 per share for the total to RR 4 530 thousand.

On 8 May 2007 the Annual General Meeting has approved the proposal to pay dividends in respect of the year ended 31 December 2006 in the amount of RR 0.023738 per ordinary share. The dividends in the amount of RR 700,001 thousand will be paid by the Company in the year ended 31 December 2007. These dividends were recognized in these consolidated financial statements.

The other amounts of dividends recognized in the consolidated financial statements represented dividends paid by the Group subsidiaries to the minority shareholders.

(in thousands of Russian Roubles)

Note 12. Income tax

Income tax charge	Period ended 30 June 2007	Period ended 30 June 2006
Current income tax charge	(642 289)	(378 037)
Deferred income tax (charge)/benefit	(155 497)	(118 940)
Total income tax charge	**(797 786)**	**(496 977)**

During the period ended 30 June 2007 the Group entities were subject to a 24.00% income tax rate on taxable profits.

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 accrue even where there is a net consolidated tax loss.

Reconciliation between the expected and the actual taxation change is provided below:

	Period ended 30 June 2007	Period ended 30 June 2006
Profit / (loss) before tax	**2 549 446**	**198 124**
Theoretical tax (charge)/benefit at the statutory tax rate of 24%	(611 865)	(47 550)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of changes in WEM imbalance	(37 200)	(77 185)
Effect of changes in provisions for liabilities and charges	21 915	40 023
Effect of changes in pensions liabilities	(4 868)	(33 984)
Non-deductible loss (written-off assets)	(1 398)	(63 467)
Tax interest and penalties forgiven	-	(89 126)
Other non-deductible and non-taxable items, net	(164 370)	(225 688)
Total income tax charge	**(797 786)**	**(496 977)**

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets and liabilities are measured at 24.00%, the rate applicable when the temporary differences will reverse.

Deferred tax liabilities

	31 December 2006	Movement for the period recognized in the income statement	Movement for the period recognized in the Statement of Changes in Equity	30 June 2007
Property, plant and equipment	(1 913 793)	(66 675)	-	(1 980 468)
Accounts payable	(9 423)	6 046	-	(3 377)
Other	(12 912)	-	(2 503)	(15 415)
Total	**(1 936 128)**	**(60 629)**	**(2 503)**	**(1 999 260)**

(in thousands of Russian Roubles)

Deferred tax assets

	31 December 2006	Movement for the period recognized in the income statement	Movement for the period recognized in the Statement of Changes in Equity	30 June 2007
Accounts receivable including provision for impairment	181 760	47 272	-	229 032
Accounts payable	147 667	(147 667)	-	-
Inventories	60 948	3 930	-	64 878
Other	-	1 597	-	1 597
Total	**390 375**	**(94 868)**	**-**	**295 507**
Net deferred tax liabilities	**(1 545 753)**	**(155 497)**	**(2 503)**	**(1 703 753)**

Deferred tax liabilities

	31 December 2005	Movement for the period recognized in the income statement	30 June 2006
Property, plant and equipment	(777 151)	382 829	(394 322)
Accounts payable	-	(42 139)	(42 139)
Other	(345)	(4 335)	(4 680)
Total	**(777 496)**	**336 355**	**(441 141)**

Deferred tax assets

	31 December 2005	Movement for the period recognized in the income statement	30 June 2006
Property, plant and equipment	388 503	(388 503)	-
Accounts receivable including provision for impairment	183 829	(172 148)	11 681
Accounts payable	21 561	8 480	30 041
Inventories	255	62 768	63 023
Other	1 884	34 108	35 992
Total	**596 032**	**(455 295)**	**140 737**
Net deferred tax liabilities	**(181 464)**	**(118 940)**	**(300 404)**

Note 13. Pension liabilities

The tables bellow provide information about the benefit obligation, plan assets and actuarial estimations used for the period ended 30 June 2007 and for the period ended 30 June 2006.

Amounts recognized in the Consolidated Balance Sheet:

	30 June 2007	31 December 2006
Defined benefit obligations	**414 765**	**416 721**
Fair value of plan assets	-	-
Funded status	414 765	416 721
Unrecognized net actuarial gain/(loss)	(102 740)	(126 603)
Unrecognized past service cost	(51 196)	(49 573)
Net liability in balance sheet	**260 829**	**240 545**

(in thousands of Russian Roubles)

Amounts recognized in the Consolidated Statement of Operations:

	Period ended 30 June 2007	Period ended 30 June 2006
Current service cost	13 877	2 836
Interest cost	13 968	4 551
Recognized actuarial (gain)/loss	-	-
Recognized past service cost	3 861	-
Settlement (gain)/loss	3 226	2 423
Other	-	148 673
Total	**34 932**	**158 483**

Other category includes the result of changing estimation of prior year pension liabilities. During the year ended 31 December 2006 more detailed information about the Group's pension plans was obtained. As a result the Group's liability increased and an additional charge of RR148 673 thousand was recorded. The management has treated this as a change in estimate rather than an actuarial loss, which would be deferred, because this allows the financial statements to better reflect the position at 31 December 2006.

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

	Period ended 30 June 2007	Period ended 30 June 2006
Benefit obligations at the beginning of the period	416 721	136 673
Current service cost	13 877	2 836
Interest cost	13 968	4 551
Actuarial loss/(gain)	(20 002)	105 279
Past service cost	4 849	17 654
Benefits paid	(14 648)	(14 799)
Other	-	148 673
Benefit obligations at the end of the period	**414 765**	**400 867**

Principal actuarial estimations are as follows:

	30 June 2007	31 December 2006
Discount rate	6.60	6.60
Salary increase	9.20	9.20
Pension increase (for "qualified pension")	6.60	6.60
Pension increase (for other benefits)	5.00	5.00
Inflation	5.00	5.00

Reconciliation of the balance sheet:

	30 June 2007	31 December 2006
Net liability at start of period	240 545	98 947
Net expense recognised in the income statement	34 932	168 087
Employer contributions	(14 648)	(26 489)
Net liability at the end of the period	**260 829**	**240 545**

(in thousands of Russian Roubles)

Experience adjustments:

	Period ended 30 June 2007	Period ended 30 June 2006
Present value of defined benefit obligations (DBO)	414 765	400 867
Fair value of plan assets		-
(Surplus)/deficit in plan	414 765	400 867
Gains/(losses) arising of experience adjustments on plan liabilities	(20 002)	(42 821)
Gains/(losses) arising of experience adjustments on plan assets		-

Sensitivity of Defined Benefit Obligation to changes in assumptions:

	Increase	effect on DBO 2007
Discount	-1.00%	+11.00%
Salary growth	+1.00%	+ 8.00%

Note 14. Current debt

Name of creditor	Currency	Effective interest rate, %	30 June 2007	31 December 2006
Corporate bonds	RR	6.75-7.00	1 750 000	3 000 000
Alfa-bank	RR	7-11.20	585 000	700 000
Gazprombank	RR	7.00-8.00	573 260	-
Ukhtabank	RR	12.00	-	4 008
Other	RR	13.00	762	-
Total			**2 909 022**	**3 704 008**

On October 24, 2006 the Board of Directors approved the issuance of non-convertible interest bearing bonds. A notional quantity of 3,000,000 of such bonds were issued on December 15, 2006 at par. Each individual bond has a face value of RR 1000 and was issued for a 5 year term. Interest on the bonds is payable every 6 months. The interest rate is set at the discretion of the board of directors of the company at least 10 days in advance of the coupon period. The initial coupon rate was set at 7.00% per annum. The second coupon rate was set at 6.75% per annum. Holders of the bonds can demand repayment at each coupon date.

Bonds are secured by the guarantee of ZAO "Business-Effect", third party, which is to discharge the Group's obligation for holders in case the Group's disclaimer of liability or exceeding of the time limit to pay.

In June 2007, the conditions of early redemption of bonds took place. Some holders used their right for early redemption with following conditions: par value: RR 1 250 000 thousand; value of realization: RR 1 251 388 thousand. Difference RR 1 388 thousand is coupon interest for 6 days (from starting of 2nd coupon period and date of redemption).

Short term loans issued to the Group were unsecured as at 30 June 2007 and at 31 December 2006.

The carrying amounts of current debt approximate their fair value.

Note 15. Accounts payable and accruals

	30 June 2007	31 December 2006
Accrued liabilities and other payables	700 971	736 957
Advances from customers	878 884	41 278
Trade payables	692 718	922 259
Dividends payable	701 546	1 628
Total	**2 974 119**	**1 702 122**

(in thousands of Russian Roubles)

Note 16. Provision for liabilities and charges

Movements in provision for liability and charges are as follows:

	Note	Tax Risks	Legal claims	Total
Carrying amount at 31 December 2006		**164 761**	**68 582**	**233 343**
Additions charged to profit or loss		(861)	(32 501)	(33 362)
Reversal of provision		(57 951)		(57 951)
Carrying amount at 30 June 2007		**105 949**	**36 081**	**142 030**

All of the above provisions were classified as current liabilities because the Group does not have any rights to defer settlements beyond one year. Expected timing of the cash outflows is indicated below.

Tax risks. Management assessed, based on their interpretation of the relevant tax legislation, that it is probable that certain tax positions taken by the Group would not be sustained, if challenged by the tax authorities. Accordingly, Group created provisions for the associated not assessed taxes and the related penalties and interest. The balance at 30 June 2007 is expected to be either fully utilised or released within one year (at 31 December 2006: within one year).

Legal claims. Provision for legal claims relates to the claims brought against the Group by fuel suppliers and services providers. The balance at 30 June 2007 is expected to be utilised within a year (31 December 2006: by the end of 2007). In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

Note 17. Taxes payable

	30 June 2007	31 December 2006
Water usage tax	145 397	157 346
Value added tax	96 700	39 221
Employee taxes	31 662	26 130
Property tax	55 251	84 885
Land tax	5 367	12 985
Income tax	19 947	15 380
Fines and interest	69	16 929
Other taxes	47 862	26 276
Total	**402 255**	**379 152**

Starting from 1 January 2006 VAT is payable to tax authorities on accrual basis, while VAT originated prior to 1 January 2006 is payable to tax authorities as far as cash receipt from customers or appropriate accounts receivable write-off but not later than 1 January 2008.

The principal tax liabilities past due, excluding the amounts which have been restructured, accrue interest each day at one three hundredth of the current refinance rate of the Central Bank of the Russian Federation. As at 30 June 2007 and 31 December 2006 the refinance rate was 10.00 and 11.00 % respectively. Interest does not accrue on tax fines and interest.

(in thousands of Russian Roubles)

Note 18. Operating expenses

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006
Fuel		(5 999 017)	(6 020 624)
Purchased electricity		(3 197 604)	(12 870)
Employee benefits		(1 672 465)	(1 401 363)
Depreciation	6	(610 033)	(536 312)
Taxes other than income tax		(472 685)	(500 422)
Repairs and maintenance		(445 387)	(413 316)
Transmission fees		(224 409)	(159 451)
Transportation of gas		(219 588)	(120 952)
Raw materials and supplies		(156 116)	(211 230)
Consulting, legal and audit services		(123 941)	(46 884)
Insurance cost		(74 623)	(54 620)
Security services		(58 424)	(38 727)
Impairment of accounts receivable		(59 173)	(81 271)
Rent		(45 681)	(46 225)
Transportation services		(32 399)	(12 345)
(Loss)/gain on disposal of material assets		(15 524)	4 005
Telecommunication services		(26 883)	(10 778)
Water usage expenses		(24 321)	(8 873)
Profit/(loss) on disposal of fixed assets		(22 105)	(148 051)
Accumulated depreciation and impairment reversal		355 027	-
Charity expenses		(15 034)	(16 623)
Social overhead costs		(9 355)	(8 574)
Fire protection		(5 888)	(442)
Writing off of non-core assets		(986)	(3 352)
Loss related to restructuring process		(390)	(7 595)
Reverse of write down/(Write-down) of inventories		7 404	(165 291)
Change in provision for liabilities and charges	16	91 313	166 764
Other expenses		(413 470)	(427 226)
Total operating expenses		**(13 471 757)**	**(10 282 649)**

Employee benefits expenses comprise the following:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Salaries and wages, payroll taxes	(1 566 545)	(1 193 773)
Financial aid to employees and pensioners	(64 246)	(43 260)
Non-governmental pension fund expenses	(41 674)	(164 330)
Employee benefits	**(1 672 465)**	**(1 401 363)**

Note 19. Finance costs

	Six months ended 30 June 2007	Six months ended 30 June 2006
Interest expense	(140 533)	(78 007)
Other	(17 667)	(6 940)
Total finance cost	**(158 200)**	**(84 947)**

Note 20. Earning / (loss) per ordinary share for profit/(loss) attributable to the shareholders of OJSC WGC-3 – basic and diluted

	Six months ended 30 June 2007	Six months ended 30 June 2006
Profit/(loss) attributable to the shareholders of OJSC WGC-3 (thousands of RR)	1 751 660	(298 853)
Weighed average number of ordinary shares issued (thousands of shares)	38 787 999	28 067 622
Earning/(loss) per ordinary share for profit/(loss) attributable to the shareholders of OJSC WGC-3 – basic and diluted (in thousands of RR)	**0.045**	**(0.011)**

Note 21. Commitments

Sales commitments. The Group's entities sell electricity on the two wholesale market sectors: free trading sector and regulated trading sector. The tariffs for the electricity sold/purchased in the regulated trading sector (including the sector of deviations) are set by the Federal Service on Tariffs.

The Group has entered into a number of annual electricity sales agreements with CJSC Center for Financial Settlements, CJSC INTER RAO UES, retail companies and large industrial customers.

Fuel commitments. The Group has a number of outstanding contracts to purchase natural gas and coal, which are supplied under annual contracts. The quantity of natural gas to be supplied is annually allocated by RAO UES of Russia in coordination with OJSC GAZPROM given the capacity of utilization of alternative fuel and the required fuel reserve fixed by RAO UES of Russia. The purchase price of gas is fixed by the Federal Service of Tariffs.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 3 175 721 thousand at 30 June 2007 (at 31 December 2006: RR 1 781 256 thousand).

Note 22. 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 Russia.

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. The 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 and not provided for which, upon final disposition, will have a material adverse effect on the financial 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 tariff imbalance, water tax, and property received in the course of reorganisation. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

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

No disclosure has been made in respect of the possible financial effect of potential claims or disputes on these matters, as this might seriously prejudice the position of the Group.

As at 30 June 2007 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Financial Statements.

Environmental matters. Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental 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.

Note 23. Financial instruments and financial risks

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

Credit risk. Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of trade receivables. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening.

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

(in thousands of Russian Roubles)

The table below shows the balance of the ten major counterparties at the balance sheet date:

Narrative	Rating	30 June 2007	31 December 2006
Accounts receivable			
OAO Arkhangelskaya energy distribution company	BBB	339,128	-
OAO Komienergo energy distribution company	BBB	74,296	84
OAO Mosenergosbyt	BBB	26,455	-
OAO Krasnoyarskaya energy distribution company	BBB	64,576	-
ZAO Center of financial estimation	BBB	203,405	239,796
OAO Kolskaya energy distribution company	BBB	55,614	-
OAO InterRAO	BBB	55,614	40
OAO Omskaya energy distribution company	BBB	45,108	-
OAO Rusenergosbyt	BBB	26,539	-
OAO Chuvashskaya energy distribution company	BBB	24,809	-
OAO Dagestanskaya energy distribution company	BBB	81	35,374
OAO Novosibirskenergo	BBB	-	18,878
OAO Ulyanovskenergo	BBB	8,531	24,465
OAO Nurenergo	BBB	43,834	9,917
Total accounts receivable		**943,418**	**390,507**
Loans issued			
OAO Silovye Mashiny	BBB	380,000	-
OAO Torgovo-stroitelniy bank	BBB	1,660	1,660
Total loans issued		**381,660**	**1,660**
Deposits			
Alfa-bank	B	15,000,000	-
VTB	A-2	30,000,000	-
Gazprombank	A-3	32,500,000	-
Total deposits		**77,500,000**	-

Interest rate risk. The Group's operating profits and cash flows from operating activity are largely not dependent on the changes in market interest rates. The Group is exposed to interest rate risk through market value fluctuations of interest-bearing short-term borrowings; this information is disclosed in Note 14. The Group has no other material interest-bearing assets.

Interest rate risk is monitored by the Board of Directors who approves the maximum acceptable level of weighted average borrowing cost for a certain period (usually a quarter).

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2007				
Debt and borrowings	2 909 022	-	-	-
Trade and other payables	3 376 374	51 094	11 382	481
At 31 December 2006				
Debt and borrowings	3 704 008	-	-	-
Trade and other payables	2 081 274	37 076	39 127	-

(in thousands of Russian Roubles)

Fair values. Management believes that the fair value of its financial assets and liabilities approximates their carrying amount. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables.

The Group's deposits in banks are short-term and their carrying amount approximates fair value.

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

Note 24. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 30 June 2007 and at 31 December 2006 were as follows:

	30 June 2007	31 December 2006
Total borrowings	2 909 022	3 704 008
Less: cash and cash equivalents	(1 260 138)	(354 892)
Less: deposits within 3 months	(15 000 000)	-
Net debt	(13 351 116)	3 349 116
Total equity	97 099 822	15 255 785
Total capital	**98 748 706**	**18 604 901**
Gearing ratio	>100%	18%

Note 25. Post balance sheet events

Acquisition of Group's shares

In accordance with the Joint-stock company Act the Group "MMC "Norilsk Nickel" sent the indispensable offer for acquisition of Company's shares at value RR 4.54 per share. At August 17, 2007 within the above mentioned offer for acquisition the Group "MMC "Norilsk Nickel", the Company's principal shareholder, bought 3 423 968 050 ordinary registered shares at value RR 4.54 per share, totaling RR 15 544 816 thousand. Thus, the stake of the Group "MMC "Norilsk Nickel" in share capital of the Company increased from 46.62 % to 53.83 %.

On September, 6, 2007 the sale of Company's ordinary shares (the stake of Russian Federation) at value RR 4.54 per share was completed. Within the framework of this transaction the stake of the Group "MMC "Norilsk Nickel" in share capital of the Company increased from 53.83 % to 64.89 % the stake of RAO UES decreased from 37.1 % to 26.2 %.

Foundation of OJSC Yuzhnouralsk Heating Retail Company

At July 07, 2007 the Board of Directors of OJSK WGC-3 has approved initially establishment as wholly owned subsidiary of OJSC Yuzhnouralsk Heating Retail Company. The stake of the Group in share capital of OJSC Yuzhnouralsk Heating Retail Company is 100 %. The core activities of the Company are maintenance and exploitation of heating networks, heat sale and heat transmission.