OGK-1 GROUP
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENTS

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

To the Board of Directors of Open Joint Stock Company "First Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-1").

We have audited the accompanying consolidated financial statements OJSC "OGK-1" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 were audited by other auditors whose report dated 30 April 2010 expressed an unmodified opinion on those statements.

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27 April 2011

(in millions of Russian Roubles)

	Notes	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	8	41,057	36,672
Intangible assets		81	96
Other non-current assets	9	3,618	328
Total non-current assets		**44,756**	**37,096**
Current assets			
Cash and cash equivalents	10	24,325	9,579
Accounts receivable and prepayments	11	3,136	4,142
Inventories	12	2,116	2,224
Income tax receivable		33	135
Other current assets	13	3,832	482
Total current assets		**33,442**	**16,562**
TOTAL ASSETS		**78,198**	**53,658**
EQUITY AND LIABILITIES			
Equity	14		
Registered share capital		25,660	25,660
Unregistered share capital		11,960	-
Share premium		11,342	-
Treasury shares		(40)	(40)
Other reserves		(13)	(38)
Retained earnings		13,696	10,203
Total equity		**62,605**	**35,785**
Non-current liabilities			
Deferred tax liabilities	15	3,270	3,024
Non-current debt	17	5,517	8,211
Pension liabilities	16	460	424
Other non-current liabilities		135	7
Total non-current liabilities		**9,382**	**11,666**
Current liabilities			
Current debt and current portion of non-current debt	18	1,667	2,717
Accounts payable and accruals	19	3,308	2,793
Income tax payable		263	103
Taxes payable	20	973	594
Total current liabilities		**6,211**	**6,207**
Total liabilities		**15,593**	**17,873**
TOTAL EQUITY AND LIABILITIES		**78,198**	**53,658**

Executive Director — Okley P.I.

Chief Accountant — Evdokimova M.R.

27 April 2011

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 45.

(in millions of Russian Roubles)

		Year ended	
	Notes	**31 December 2010**	**31 December 2009**
Revenues	21	56,758	47,464
Operating expenses	22	(51,382)	(44,683)
Results from operating activities		**5,376**	**2,781**
Finance income	23	214	1,231
Finance costs	23	(1,081)	(270)
Net finance (costs) / income	23	**(867)**	**961**
Profit before income tax		**4,509**	**3,742**
Income tax expense	15	(1,016)	(768)
Profit for the year		**3,493**	**2,974**
Other comprehensive income			
Change in fair value of available-for-sale investments		25	24
Total comprehensive income for the year		**3,518**	**2,998**
Earnings per share, basic and diluted (in Russian Roubles)	24	0.078	0.067

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 45.

(in millions of Russian Roubles)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**4,509**	**3,742**
Adjustments for:			
Depreciation and amortisation	22	2,447	1,770
Loss on disposal of property plant and equipment	22	454	909
Provision for impairment of inventories (reversal) / charge	22	(10)	35
Write off of accounts receivable	22	2	13
Provision for impairment of accounts receivable (reversal) / charge	22	(90)	570
Net finance costs / (income)	23	867	(961)
Change of employee benefits and unused vacation provision	16	22	33
Other non-cash items		(14)	30
Operating cash flows before working capital changes and income tax paid		**8,187**	**6,141**
Working capital changes:			
Decrease / (increase) in accounts receivable and prepayments		863	(445)
Increase in value added tax recoverable		(91)	(179)
Increase in other current assets		(17)	-
Decrease in inventories		118	447
(Increase)/Decrease in other non-current assets		(37)	-
Increase / (decrease) in accounts payable and accruals		148	(157)
Increase / (decrease) in taxes payable		379	(44)
Increase / (decrease) in other non-current liabilities		132	(1)
Income tax paid		(508)	(379)
Net cash generated from operating activities		**9,174**	**5,383**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(6,476)	(4,085)
Proceeds from disposal of property, plant and equipment		7	19
Interest received		190	364
Purchase of bank bills of exchange		(6, 290)	(259)
Proceeds from loans issued		-	6,850
Proceeds from disposal of other financial assets		223	-
Net cash (used in) / generated from investing activities		**(12,346)**	**2,889**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt		-	3,700
Proceeds from non-current debt		5,590	4,628
Repayment of debt		(9,334)	(7,550)
Interest paid		(1,131)	(1,434)
Proceeds from additional share issue		23,302	-
Net cash generated from / (used in) financial activities		**18,427**	**(656)**
Increase in cash and cash equivalents		**15,255**	**7,616**
Effect of exchange rate fluctuations on cash and cash equivalents		(509)	33
Cash and cash equivalents at the beginning of the year		**9,579**	**1,930**
Cash and cash equivalents at the end of the year		**24,325**	**9,579**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 45.

OGK-1 GROUP
Consolidated statement of changes in equity for the year ended 31 December 2010
(in millions of Russian Roubles)

	Registered share capital	Unregistered share capital	Share premium	Treasury shares	Fair value reserve for available-for-sale investments	Retained earnings	Total
As at 1 January 2009	**25,660**			**(40)**	**(62)**	**7,229**	**32,787**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,974	2,974
Other comprehensive income							
Change in fair value of available-for-sale investments	-	-	-	-	24	-	24
Total comprehensive income for the year	-	-	-	-	**24**	**2,974**	**2,998**
As at 31 December 2009	**25,660**	**-**	**-**	**(40)**	**(38)**	**10,203**	**35,785**
As at 1 January 2010	**25,660**	**-**	**-**	**(40)**	**(38)**	**10,203**	**35,785**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	3,493	3,493
Other comprehensive income							
Change in fair value of available-for-sale investments	-	-	-	-	25	-	25
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**25**	**3,493**	**3,518**
Transactions with owners, recorded directly in equity	**-**	**11,960**	**11,342**	**-**	**-**	**-**	**23,302**
Contributions by and distributions to owners	**-**	**11,960**	**11,342**	**-**	**-**	**-**	**23,302**
Additional share issue	-	11,960	11,342	-	-	-	23,302
As at 31 December 2010	**25,660**	**11,960**	**11,342**	**(40)**	**(13)**	**13,696**	**62,605**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 45.

Note 1. The Group and its operations

Open Joint-Stock Company First Power Generating Company on the Wholesale Energy Market (OJSC OGK-1, or the "Company") was established on 23 March 2005 within the framework of the Russian electric power industry restructuring in accordance with Resolution No. 1254-r adopted by the Government of the Russian Federation ("RF") on 1 September 2003.

The Company is registered by the District Inspectorate of the Ministry RF of Taxation No. 3 of Tyumen region. The legal address of the Company is 1/1, Odesskaya street, 625023, Tyumen, Tyumen Region, Russian Federation.

The Company's head office is located at 12, Krasnopresnenskaya naberezhnaya, 123610, Moscow, Russian Federation.

The OGK-1 Group (the "Group") primarily consists of OJSC OGK-1, service subsidiaries and a 75% interest in joint venture interest in NVGRES Holding Ltd., which owns 100% of CJSC Nizhnevartovskaya GRES.

OJSC OGK-1 has the following power station assets: Permskaya GRES, Urengoyskaya GRES, Iriklinskaya GRES, Kashirskaya GRES, and Verkhnetagilskaya GRES.

The Group primary activities are generation and sale of electric power, capacity and heat energy, including re-sale of purchased electric power and capacity.

(a) Operating environment of the Group

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Relations with the State and current regulation

On 17 March 2009, JSC INTER RAO UES received under trust management 27,628,151,912 ordinary shares of OJSC OGK-1. These shares had been held by OJSC Federal Grid Company (hereinafter – "FGC") and OJSC RusHydro (hereinafter – RusHydro). The shares held by OJSC FGC and OJSC RusHydro are accounted for 42.2% of voting shares of OJSC OGK-1 as at 31 December 2010 (as at 31 December 2009 – 61.9%).

In accordance with the agreements signed by FGC, RusHydro and JSC INTER RAO UES, OJSC OGK-1 shares have been transferred under trust management for 5 years with the right of prolongation for the same period. In accordance with the trust management agreement JSC INTER RAO UES has obtained all rights, concerning the shares, except for the right of disposal.

In June 2009 the shareholders of OJSC OGK-1 took the decision to transfer executive power to the management company – JSC INTER RAO UES. In July 2009 JSC INTER RAO UES and OGK-1 signed the agreement "On Transfer of Powers of the Sole Executive Body of OGK-1 to the Management Organization".

In December 2010 OJSC "OGK-1" issued additional 20,808,551,577 ordinary shares, out of which 18,998,214,286 were acquired by JSC INTER RAO UES. As the result JSC INTER RAO UES obtained 29.1% of the share capital of OJSC "OGK-1".

As at 31 December 2010 the State Corporation "Rosatom" owned 33.4% (as at 31 December 2009: 57.3%) and GK "Vneshekonombank" - 18.3% (as at 31 December 2009: 0%) of JSC INTER RAO UES. The Government of the Russian Federation is the ultimate controlling party of the Group.

The government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service for Tariffs ("FST") with respect to its wholesale energy (capacity) sales under the terms of Regulated Contracts, and by the Tariffs regulation Executive authorities with respect of its heat sales. Operations of all generation facilities are centrally coordinated by OJSC "System operator of the

Unified energy system" ("SO UPS") in order to meet system requirements in an efficient manner. SO UPS is controlled by the government of Russian Federation.

Tariffs which the Group may charge for sales of electric energy, supplied under Regulated bilateral Contracts, and heat are governed by regulations specific to the electricity and heat industry. The tariffs for Regulated Contracts are set using an "indexation" method, meaning the tariffs are based on the previous period regulated cost, adjusted according to a fuel and other costs rising index set by the Government, plus a margin, where costs are determined under the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS").

The Government's economic, social and other policies could have material a effect on the operations of the Group.

Note 2. Basis of preparation

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

The consolidated financial statements are prepared on the historical cost basis except:

- derivative financial instruments and financial investments classified as available-for-sale are stated at fair value;
- defined benefit plan asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.
- land is remeasured at fair value on a regular basis.

Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation, except for NVGRES Holding Ltd. which maintains its accounting records in Euro and prepares its financial statements in accordance with IFRS. These Financial Statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

(a) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of the Company, its subsidiaries and the joint venture and the currency in which these Financial Statements are presented. All financial information presented in RR has been rounded to the nearest million.

(b) Changes in accounting policy

Accounting for leases of land

The amendment to IAS 17 Leases regarding the leases of land became effective from 1 January 2010. The amendment removed the earlier exemption which allowed leases of land to be classified as operating leases regardless of the length of the lease term. The amended guidance requires all existing leases of land to be reassessed and reclassified if necessary as finance leases if the finance lease classification criteria are met. At 1 January 2010, the Group reassessed all existing land lease contracts and as a result it was assessed that existing land lease contracts do not qualify as finance lease contracts and therefore, the classification was not changed (see Note 8) .

(c) Changes in accounting policy

Effective 1 January 2010 the Group started to present electricity purchases entered into to support a delivery of non-regulated bilateral contracts net within revenue. Management applies judgement in determining which electricity purchases are entered into in order to support a delivery of non-regulated bilateral contracts. The comparative information has been reclassified to conform with the current presentation. The management of the Group believes that the revised presentation provides more relevant and meaningful information about the changes in the financial performance of the Group.

(in millions of Russian Roubles)

The reclassification has been made to prior year data to conform with the current year data presentation of property, plant and equipment. Property, plant and equipment were classified in accordance with classification in JSC INTER RAO UES IFRS financial statements.

(d) Reclassification of comparatives

During the year management identified an error in the comparative period financial data, related to the carrying amount of some items of property, plant and equipment. As the result an additional write-off of RR 194 mln has been recognized.

The impact of correction of error and the result of changes in presentation (see note 2(c) are presented below:

Consolidated Statement of Financial Position

	As originally presented	Changes due to correction of errors	Reclassification of comparatives	As restated
Property, plant and equipment	36,866	(194)	-	36,672
Total	**36,866**	**(194)**	**-**	**36,672**
Retained earnings	10,358	(155)	-	10,203
Deferred tax liability	3,063	(39)	-	3,024
Total	**13,421**	**(194)**	**-**	**13,227**

Consolidated Statement of comprehensive income

	As originally presented	Changes due to correction of errors	Reclassification of comparatives	As restated
Revenue	49,292	-	(1,828)	47,464
Operating expenses	(46,317)	(194)	1,828	(44,683)
Results from operating activity	**2,975**	**(194)**	**-**	**2,781**
Income tax expense	(807)	39	-	(768)
Total comprehensive income for the year	**3,153**	**(155)**	**-**	**2,998**

Note 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

The Financial Statements comprise the financial statements of OJSC OGK-1 and the financial statements of those entities whose operations are controlled by OJSC OGK-1. Control is presumed to exist when the Company controls, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless it can be clearly demonstrated that such ownership does not constitute control.

(a) Subsidiaries

Subsidiaries are those entities over which the Company has the ability to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is acquired by the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the cost cannot be recovered.

(b) Joint venture

A joint venture is the entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in jointly controlled entities are accounted for using proportionate consolidation method. The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over jointly controlled entities or where investments in joint ventures are reclassified to non-current assets held-for-sale.

Gains, losses and balances arising from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

3.2 Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

As at 31 December 2010 the official US dollar to Russian Rouble exchange rate as determined by the CBRF was RUB 30.48 (as at 31 December 2009: RUB 30.24). The official Euro to Russian Rouble exchange rate as determined by the CBRF as at 31 December 2010 was RUB 40.33 (as at 31 December 2009: RUB 43.39).

3.3 Property, plant and equipment

Property, plant and equipment are stated at the carrying value determined at the date of their transfer to the Group by RAO UES of Russia, the predecessor shareholder of the Group, and adjusted for further additions, disposals and depreciation charges.

Cost of acquired assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes cost of materials and direct labour. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Where an item of property, plant and equipment comprises major components with different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net as "Gain/(loss) on disposals of property, plant and equipment" within operating expenses in the statement of comprehensive income.

Advances for capital construction and acquisition of property, plant and equipment are included into construction in progress.

(a) Subsequent costs

Renewals and improvements are capitalised and the assets replaced are retired. The costs of repair and maintenance are expensed as incurred.

(b) Depreciation

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. The remaining useful lives are reviewed annually.

(in millions of Russian Roubles)

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

Type of facility	Useful lives, years
Buildings	20-75
Structures, including:	
Hydro engineering structures	13-67
Transmission facilities and equipment	3-28
Thermal networks	11-25
Plant and equipment, including:	
Power equipment	10-50
Other equipment and fixtures	4-45
Other	2-33

Land is not depreciated.

(c) Leased assets

Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised as part of property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The assets acquired under finance leases are depreciated over their useful lives.

(d) Impairment of property, plant and equipment

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Intangible assets

Intangible assets that are recognised by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are in the range of 2-10 years.

3.5 Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

(a) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any other category. The Group's investments in equity securities are classified as available-for-sale financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(d) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-derivative financial liabilities

All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings and trade and other payables.

3.6 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of the remaining unamortised balance of the amount at initial recognition and the best estimate of expenditure required to settle the obligation at the end of the reporting period.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle for fuel expenses and weighted average for other, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Share capital

(a) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in other comprehensive income.

(b) Treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity attributable to the Company’s equity holders until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

3.9 Deferred income tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. 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 utilised.

Deferred income tax movements are recorded in profit or loss except when they are related to the items directly charged to other comprehensive income. In this case deferred taxes are recorded as part of other comprehensive income.

Deferred income 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.

3.10 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 operates a number of defined benefit plans: lump-sum payments at retirement, jubilee benefits, financial support for current pensioners, old-age pension program and death benefits. Defined benefits plans, except old-age pensions, are paid on a pay-as-you-go basis. For old-age pension payments, the Group has contracted with a non-state pension fund. The Group settles its obligations in relation to former employees when they retire from the Group by purchasing annuity policies in the fund. All defined benefits plans are considered to be fully unfunded. When the pension obligation is settled via a non-state pension fund, the employer buys an annuity with the amount of contributions allocated to individual accounts held by the non-state pension fund and any additional contributions that may be required from the employer to meet the cost of the benefit promise.

Defined benefit plans determine the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligations at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service cost. 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 on Government bonds that are denominated in Russian Roubles, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligations are charged or credited to profit or loss over the employees' expected average remaining working lives.

3.11 Debt

Debt is recognized initially at its fair value, net of transaction costs incurred. Debt is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss as an interest expense over the period of the debt using the effective interest method.

3.12 Accounts payable and accruals

Accounts payable are stated inclusive of value added tax. Accounts payable are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.14 Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer of electricity and heat or non-utility goods and services. Revenue is measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services sold/provided. Revenue is stated net of value added tax. Effective 1 January 2010 the Group started to present electricity purchases entered into to support a delivery of non-regulated bilateral contracts net within revenue.

3.15 Leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.16 Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.17 Income tax

The income tax expense for the year comprises current and deferred tax. The income tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss 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 reporting date.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision-maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

3.19 Earnings per share

The earnings per share are determined by dividing the profit attributable to ordinary shareholders of OJSC OGK-1 by the weighted average number of ordinary shares outstanding during the reporting period.

3.20 Dividends

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

3.21 New financial reporting standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing these Financial Statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- Various improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2011. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

Note 4. Critical accounting estimates and judgements

The Group makes estimates and judgements 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 as to 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:

(a) Provision for impairment of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectability of specific customer accounts deteriorated compared to prior estimates. If there is a deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates (see Notes 7, 11).

(b) Provision for impairment of other assets

At each reporting 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 profit or loss 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 (see Note 8).

(c) Tax contingencies

Russian tax legislation is subject to varying interpretations. The Group's uncertain tax positions (potential tax gains and losses) are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management based on the interpretation of current tax laws.

Liabilities for penalties, interest and taxes other than on profit are recognized based on management's best estimates of the expenditure required to settle tax obligations at the reporting date.

(d) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

(e) Accounting for leases

Management applies judgment in determining whether to account for lease agreements as finance or operating leases. In the application of this judgment, management makes assessment of various factors including which party carries the risks and rewards of ownership, the extent of the lease term and whether early termination clauses can be exercised by the different parties to the lease.

(f) Revenue recognition

Electricity purchases entered into to support a delivery of non-regulated bilateral contracts are presented net within revenue. Management applies judgement in determining which electricity purchases are entered into in order to support a delivery of non-regulated bilateral contracts.

Note 5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Trade and other receivables

The fair value of non-current trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Note 6. Operating segments

The Group has three reportable segments, as described below. They offer similar services representing generation of electric power, capacity and heat and are managed separately. For each of reportable segments, the Management Board, the Group's chief operating decision making body (CODM), reviews internal management reports prepared based on the statutory accounting principles.

The following reportable segments have been identified based on the requirements of IFRS 8 *Operating segments*:

- OJSC OGK-1. Includes the head-office and five power stations: Permskaya GRES, Urengoyskaya GRES, Iriklinskaya GRES, Kashirskaya GRES, and Verkhnetagilskaya GRES.
- CJSC Nizhnevartovskaya GRES. It is analysed by the CODM as a separate operating segment without reference to its proportional interest as reflected in these Financial Statements.
- Other. Includes service subsidiaries.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net profit, as included in the internal management reports that are reviewed by the Management Board. Segment net profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The Management Board also reviews marginal profit and EBITDA.

Marginal profit of each segment is measured as revenue from sale of electricity, capacity and heat, excluding fuel expenses and purchased electric power.

EBITDA is calculated as profit for the year before interest expense, income tax expense and depreciation of property, plant and equipment and amortisation.

Segment reports are based on the management reports and exclude inter-segment transactions. This financial information differs significantly from the consolidated financial statements prepared under IFRS. Reconciliation of items reported to the Management Board with similar items in these Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

(in millions of Russian Roubles)

Segment information for the year ended 31 December 2010 is presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total revenue, including	**56,467**	**10,256**	**197**	**(118)**	**66,802**
Revenue from external customers	*56,461*	*10,256*	*85*	*-*	*66,802*
Inter-segment revenue	*6*	*-*	*112*	*(118)*	*-*
Electricity and capacity power revenue	55,758	10,112	-	-	65,870
Heating revenue	632	123	-	(2)	753
Fuel expenses	(27,475)	(5,459)	-	-	(32,934)
Purchased electric power and capacity for resale	(12,939)	(475)	-	-	(13,414)
Marginal profit	**15,976**	**4,301**	**-**	**(2)**	**20,275**
Net profit	**2,757**	**933**	**12**	**(4)**	**3,698**
Adjustments for:					
Depreciation of property, plant and equipment	2,031	394	10	-	2,435
Interest expense	560	-	-	-	560
Income tax expense	914	412	2		1,328
EBITDA	**6,262**	**1,739**	**24**	**(4)**	**8,021**
Loss on disposal of property, plant and equipment	(44)	(482)	-	-	(526)
Interest income	84	123	1	-	208

Segment information as at 31 December 2010 is presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total assets, including:	**69,284**	**9,606**	**140**	**(6,013)**	**73,017**
Construction in progress	*5,440*	*560*	*-*	*-*	*6,000*
Advances given for capital expenditures	*6,250*	*1,076*	*-*	*-*	*7,326*
Trade receivables	*2,195*	*511*	*19*	*(10)*	*2,715*
Total liabilities, including:	**36,460**	**1,464**	**23**	**(20)**	**37,927**
Debt	*7,222*	*675*	*-*	*-*	*7,897*
Capital expenditure	**2,789**	**1,390**	**14**	**-**	**4,193**

(in millions of Russian Roubles)

Segment information for the year ended 31 December 2009 is presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Unallocated	Total
Total revenue, including	**42,504**	**8,763**	**160**	**(85)**	**51,342**
Revenue from external customers	*42,419*	*8,763*	*160*	*-*	*51,342*
Inter-segment revenue	*85*	*-*		*(85)*	*-*
Electricity and capacity power revenue	41,858	8,648	-	-	50,506
Heating revenue	505	92	-	-	597
Fuel expenses	(18,111)	(4,395)	-	-	(22,506)
Purchased electric power and capacity for resale	(10,846)	(654)	(2)	-	(11,502)
Marginal profit	**13,406**	**3,691**	**(2)**	**-**	**17,095**
Net profit	**2,302**	**986**	**1**	**-**	**3,289**
Adjustments for:					
Depreciation of property, plant and equipment	1,299	469	10	-	1,778
Interest expense	270	-	-	-	270
Income tax expense	787	292	2	-	1,081
EBITDA	**4,658**	**1,747**	**13**	**-**	**6,418**
Loss on disposal of property, plant and equipment	(32)	(29)	-	-	(61)
Interest income	72	79	-	-	151

Segment information as at 31 December 2009 is presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Unallocated	Total
Total assets, including:	**44,735**	**8,503**	**117**	**(5,999)**	**47,356**
Construction in progress	*5,993*	*297*	*-*	*-*	*6,290*
Advances given for capital expenditures	*63*	*589*	*-*	*-*	*652*
Trade receivables	*2,034*	*474*	*18*	*(6)*	*2,520*
Total liabilities, including:	**14,665**	**1,295**	**18**	**(15)**	**15,963**
Debt	*11,026*	*770*	*-*	*-*	*11,796*
Capital expenditure	**5,533**	**319**	**10**	**-**	**5,862**

(in millions of Russian Roubles)

Reconciliation of key segment items measured as reported to the Management Board with similar items in these consolidated financial statements is presented in the tables below.

	31 December 2010	31 December 2009
Total revenue for reportable segments	**66,802**	**51,342**
Net presentation of transactions related to free bilateral agreements	(7,873)	(1,828)
Elimination of 25% of CJSC Nizhnevartovskaya GRES	(2,510)	(2,199)
Revenue included in other income and expenses	363	173
Other	(24)	(24)
Revenue per consolidated statement of comprehensive income	**56,758**	**47,464**
Marginal profit for reportable segments	**20,275**	**17,095**
Elimination of 25% of CJSC Nizhnevartovskaya GRES	(1,066)	(916)
Rent expenses included in fuel expenses	180	-
Purchased electric power for own needs	(132)	(72)
Heating revenue included in other revenue	(5)	-
Marginal profit derived from consolidated statement of comprehensive income	**19,252**	**16,107**
Operating expenses	(14,381)	(13,700)
Other revenues	505	374
Operating profit per consolidated statement of comprehensive income	**5,376**	**2,781**
EBITDA for reportable segments	**8,021**	**6,418**
Consolidation of 75% of NVGRES Holding Ltd. excluding CJSC Nizhnevartovskaya GRES	(450)	(437)
Elimination of 25% of CJSC Nizhnevartovskaya GRES	(505)	478
IFRS adjustment on property, plant and equipment	130	(66)
Accruals and write-offs	320	(602)
Discounting effect	24	-
Reclassifications	(23)	(24)
Other	(1)	15
EBITDA derived from consolidated statement of comprehensive income	**7,516**	**5,782**
Depreciation of property, plant and equipment	(2,411)	(1,744)
Interest expense	(560)	(270)
Amortisation of intangible assets	(36)	(26)
Profit before income tax per consolidated statement of comprehensive income	**4,509**	**3,742**
Net profit for reportable segments	**3,698**	**3,289**
Consolidation of 75% of NVGRES Holding Ltd. excluding CJSC Nizhnevartovskaya GRES	(510)	460
Elimination of 25% of CJSC Nizhnevartovskaya GRES	(255)	(246)
IFRS adjustment on property, plant and equipment	16	(150)
Accruals and write-offs	283	(625)
Discounting effect	24	-
Deferred tax	260	259
Reclassifications	(23)	(24)
Other	-	11
Net profit per consolidated statement of comprehensive income	**3,493**	**2,974**
Capital expenditure for reportable segments	**4,193**	**5,862**
Elimination of 25% of CJSC Nizhnevartovskaya GRES	(348)	(80)
Advances given for capital expenditures	3, 439	22
Borrowing costs capitalized	101	-
Capital expenditure per Financial statements	**7,385**	**5,804**

(in millions of Russian Roubles)

	31 December 2010	31 December 2009
Total assets for reportable segments	**73,017**	**47,356**
Consolidation of 75% of NVGRES Holding Ltd. excluding CJSC Nizhnevartovskaya GRES	6,662	7,115
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(2,733)	(2,126)
IFRS adjustment on property, plant and equipment	2,127	1,810
Accruals and write-offs	(101)	(264)
Discounting effect	(39)	-
Deferred tax	(95)	(151)
Reclassifications	(636)	-
Other	(4)	(82)
Total assets per consolidated statement of financial position	**78,198**	**53,658**

Total liabilities for reportable segments	**37,927**	**15,963**
Deferred tax adjustment	1,510	1,563
Recognized deferred income tax liability on investment to NVGRES Holding Ltd.	637	683
Elimination of loan given to CJSC Nizhnevartovskaya GRES by NVGRES Holding Ltd.	(675)	(557)
Accruals	462	540
Elimination of 25% of CJSC Nizhnevartovskaya GRES	(301)	(324)
Discounting effect	(8)	-
Unregistered additional share issue	(23,306)	-
Net presentation of assets and liabilities	(666)	-
Other	13	5
Total liabilities per consolidated statement of financial position	**15,593**	**17,873**

The Group receives its revenues from generation of electricity, capacity and heat in the Russian Federation. The Group holds assets in the same geographical area - the Russian Federation, except the deposits are held on Cyprus.

Note 7. Financial instruments and financial risk factors

7.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including the effects of changes in foreign currency exchange rates, changes in interest rates), credit risk and liquidity risk. The Group does not have a risk policy to hedge its financial exposures.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Market risk

(i) Foreign currency exchange risk

Electric power, capacity and heat produced by the Group are sold on the domestic market of the Russian Federation with prices fixed in Russian Roubles. Hence, the Group's net exposure to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities is kept at minimum level. The financial condition of the Group, its liquidity, financing sources, and the results of activities do not depend on foreign currency rates as the Group activities are planned and performed so that its assets and liabilities are denominated in the national currency. Moreover, the Group does not plan to perform activities outside of the Domestic market. That is why the influence of foreign currency rates fluctuations on the financial position of the Group is estimated as insignificant.

However the Group is exposed to foreign exchange risk arising from cash denominated in euro (Note 10):

Contractual foreign currency assets (in millions)	**31 December 2010**	**31 December 2009**
Cash and cash equivalents	6,710	7,228

Management estimated how profit or loss would have been affected by changes in foreign currency exchange rate that were reasonably possible at 31 December 2010: 1%-13.7% (31 December 2009: 5%-10%). Possible change in a risk variable is based on historical analysis during 2 years before the reporting date.

The following tables present sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the respective Group entities, with all other variables held constant.

A sensitivity analysis for foreign currency exchange rate risk at the reporting date is shown in the table below:

Foreign currency exchange rate	**(13.7%)**	**(1.0%)**	**1.0%**	**8.8%**
The hypothetical effect on profit / (loss)	(919)	(67)	67	590

A sensitivity analysis for foreign currency exchange rate risk at 31 December 2009 is shown in the table below:

Foreign currency exchange rate	**(10%)**	**(5%)**	**5%**	**10%**
The hypothetical effect on profit / (loss)	(722)	(361)	361	722

(ii) Interest rate risk

The Group's debt financing activities expose it to interest rate risk. As at 31 December 2010, the Group has loans amounting to RR 3,584 million (31 December 2009: RR 4,417 million) with international banks with a floating rate of MosPrime3M. Management estimated how profit or loss would have been affected by changes in a relevant risk variable that were reasonably possible at 31 December 2010: 0.1%-2.6% (31 December 2009: 1%-3.7%). Possible change in a risk variable is based on historical analysis during 2 years before the reporting date.

A sensitivity analysis to change in interest rates at the reporting date is shown in the table below:

Interest rate (absolute)	**(0.8%)**	**(0.1%)**	**0.1%**	**2.6%**
The hypothetical effect on profit / (loss)	(29)	(4)	4	91

A sensitivity analysis to change in interest rates at 31 December 2009 is shown in the table below:

Interest rate (absolute)	**(2.5%)**	**(1.0%)**	**1.0%**	**3.7%**
The hypothetical effect on profit / (loss)	(110)	(44)	44	163

(in millions of Russian Roubles)

(b) Credit risk

Credit risk is the risk of financial loss incurred by the Group in the case of non-fulfilment by the contractor of the obligations on the financial instrument under a particular contract.

Financial assets which potentially subject Group entities to concentrations of credit risk consist principally of trade receivables. Although collection of accounts receivable 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 accounts receivable already recorded.

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore the Group assesses the credit quality of the customer at the contract execution stage. The Group takes into account the customer's financial position, past experience and other factors. The collectability of AR is being constantly monitored.

The table below shows balances with major counterparties at the reporting date:

	31 December 2010	31 December 2009
CJSC Financial Settlement Center (CJSC CFR)	1,417	1,275
LLC EnergoTehnoConsult	231	-
JSC INTER RAO UES	225	-
Municipal unitary enterprise DEZ Municipal services (MUE DEZ Gorhoz)	222	-
OJSC Dagestanskaya energy distribution company	126	170
OJSC Saratovenergo	85	7
OJSC Kolskaya energy distribution company	75	20
OJSC Permenergosbyt	71	51

CJSC CFR is a commercial organization, which acts as a unified counterparty on wholesale electricity market and concludes sale and purchase contracts on its behalf, facilitating wholesale electricity and capacity trading.

Under the commission agreements between CJSC CFR and OJSC OGK-1, CFR states a position of commission agent between OGK-1 (the seller) and the final buyers of electricity and capacity on the wholesale market and is not responsible for the buyer’s default on payments for the supplied electricity.

For the year ended 31 December 2010 the amount of revenue from its major customer, CJSC CFR is equal to RR 24,183 million (for the year ended 31 December 2009: RR 13,585 million), representing 43% of the revenue (2009: 29%).

Although the collection of receivables may be influenced by changes in macro-economic conditions, management believes that there is no significant risk of loss to the Group beyond the allowance for doubtful debtors already recorded.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2010	**31 December 2009**
Cash and cash equivalents	24,325	9,579
Trade and other receivables	2,879	2,297
Bank deposits	67	290
Bank bills of exchange	6,525	235
Assets related to employee benefit fund	154	140
Available-for-sale financial assets	74	51
Total	**34,024**	**12, 592**

(in millions of Russian Roubles)

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 31 December 2010	Impairment 31 December 2010	Gross 31 December 2009	Impairment 31 December 2009
Not past due	1,898	(12)	1,232	(8)
Past due 0-30 days	340	(30)	436	(15)
Past due 31-92 days	88	(12)	296	(51)
Past due 93-181 days	123	(38)	189	(49)
Past due 182-365 days	135	(71)	405	(272)
Past due more than 365 days	622	(622)	519	(517)
Total	**3,206**	**(785)**	**3,077**	**(912)**

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

(c) Liquidity risk

The Group's liquidity risk management includes maintaining a sufficient cash position and the availability of financing to support the Group's operational activity.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 6 months	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
At 31 December 2010									
Debt	7,184	7,184	-	1,667	3,684	1,833			
Interest payable	39	930	-	490	375	65			
Trade payables	2,149	2,149	2,149	-	-	-	-	-	-
Accrued liabilities and dividends payable	1,159	1, 302	980	179	134	1	1	1	6
At 31 December 2009									
Debt	10,928	10,928	-	2,717	3,895	3,583	733	-	-
Interest payable	98	2,781	-	1,312	926	482	61	-	-
Trade payables	1,653	1,653	1,653	-	-	-	-	-	-
Accrued liabilities and dividends payable	1,140	1,152	1,100	40	1	1	1	1	8

(in millions of Russian Roubles)

7.2. Capital risk management

The Group's capital risk management has as key objectives compliance with Russian legislative requirements and the reduction of the cost of capital.

The Group monitors capital on the basis of a financial leverage ratio. This ratio is calculated as the total debt divided by the total equity. The total debt is calculated as the sum of non-current debt and current debt, and the total equity is equal to the total equity at the reporting date.

The financial leverage ratios were as follows:

	31 December 2010	31 December 2009
Total debt	7,184	10,928
Total equity	62,605	35,785
Financial leverage ratio	**11%**	**31%**

In December 2010 Moody's Rating Agency rated OJSC OGK-1 as having an international credit rating at the level of Ba3/Stable Forecast.

7.3. Fair value estimation

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.

All available-for-sale financial assets are stated at fair value and fall into Level 1 category in the fair value hierarchy.

The carrying amounts of financial assets and liabilities approximate their fair value.

The bank bills of exchange are accounted for at amortized cost using effective interest method.

(in millions of Russian Roubles)

Note 8. Property, plant and equipment

(a) Cost

Cost	Land and buildings	Structures	Plant and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2010	13,171	5,646	30,877	336	9,403	59,433
Additions and transfers from construction in progress	1,071	158	2,461	44	3,651	7,385
Disposals	(3)	(9)	(48)	(5)	(716)	(781)
Closing balance as at 31 December 2010	**14,239**	**5,795**	**33,290**	**375**	**12,338**	**66,037**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2010	(5,659)	(2,791)	(13,090)	(185)	(1,036)	(22,761)
Charge for the year	(236)	(233)	(1,906)	(36)	-	(2,411)
Disposals	1	6	37	4	-	48
Impairment provision release	-	-	-	-	144	144
Closing balance as at 31 December 2010	**(5,894)**	**(3,018)**	**(14,959)**	**(217)**	**(892)**	**(24,980)**
Net book value as at 31 December 2009	**7, 512**	**2,855**	**17,787**	**151**	**8,367**	**36,672**
Net book value as at 31 December 2010	**8,345**	**2,777**	**18,331**	**158**	**11,446**	**41,057**

(in millions of Russian Roubles)

Cost	Land and buildings	Structures	Plant and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2009	13,060	5,905	22,892	316	12,646	54,819
Additions and transfers from construction in progress	325	552	7,986	24	(3,083)	5,804
Disposals	(214)	(811)	(1)	(4)	(160)	(1,190)
Closing balance as at 31 December 2009	**13,171**	**5,646**	**30,877**	**336**	**9,403**	**59,433**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2009	(5,390)	(2,671)	(11,867)	(114)	(1,100)	(21,142)
Charge for the year	(282)	(161)	(1,226)	(75)	-	(1,744)
Disposals	13	41	3	4	-	61
Impairment provision release	-	-	-	-	64	64
Closing balance as at 31 December 2009	**(5,659)**	**(2,791)**	**(13,090)**	**(185)**	**(1,036)**	**(22,761)**
Net book value as at 31 December 2008	**7,670**	**3,234**	**11,025**	**202**	**11,546**	**33,677**
Net book value as at 31 December 2009	**7,512**	**2,855**	**17,787**	**151**	**8,367**	**36,672**

(in millions of Russian Roubles)

The Group capitalised borrowing costs of RR 512 million for the year ended 31 December 2010 (for the year ended 31 December 2009: RR 1,158 million). A capitalization rate of 9.57% for the year ended 31 December 2010 (for the year ended 31 December 2009: 16.03%) was used to determine the amount of borrowing costs eligible for capitalization representing the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

Construction in progress includes advances to construction companies and suppliers of property, plant and equipment of 5,913 million (net of VAT) and RR 2,506 million (net of VAT) as of 31 December 2010 and 31 December 2009 respectively.

Construction in progress, which includes the construction of new generating units at existing power stations and retooling and modernization of units being in operation, is presented below:

	31 December 2010	31 December 2009
Urengoyskaya GRES	8,791	4,271
Nizhnevartovskaya GRES	1,062	557
Permskaya GRES	800	804
Verkhnetagilskaya GRES	316	325
Kashirskaya GRES	276	2,306
Iriklinskaya GRES	201	104
Total	**11,446**	**8,367**

Currently in relation to the land occupied by Verkhnetagilskaya GRES, Iriklinskaya GRES, Permskaya GRES, Urengoyskaya GRES and two servicing subsidiaries, lease contracts are in place for terms ranging between 1 and 49 years.

(b) Impairment provision for property, plant and equipment

The carrying value of property, plant and equipment at 31 December 2010 and 31 December 2009 is stated net of an impairment loss of RR 1,972 million and RR 2,116 million respectively. The total amount of the provision relates to the write-down of construction in progress undertaken at Urengoyskaya power station as the result of the impairment test performed by the management as at 31 December 2008.

The recoverable amount was assessed based on value in use, calculated by discounting the estimated future cash flows using various assumptions. A weighted average cost of capital of 15.19% was applied for discounting purposes.

As at 31 December 2010 the Group performed impairment test in accordance with IAS 36 by comparing the recoverable amount of each cash generating unit to its net book value. Management considered that power stations (SDPP) being the company's branches, represent cash generating units (CGU). The recoverable amount was determined based on value in use, calculated by discounting the estimated future cash flows using the following assumptions. As the result management did not identify any instances where carrying values of property, plant and equipment were considered to be impaired thereby requiring the recording of an impairment loss for the year ended 31 December 2010.

(c) Construction in progress write-off

Due to amendments in the construction of the third unit at the Nizhnevartovskaya power station and in view of the change of equipment supplier, the Group wrote off certain items of construction in progress represented by project documentation and recognized a loss in amount of RR 362 million in these consolidated financial statements.

(d) Operating and finance leases

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

Operating lease rentals for land are payable as follows:

	31 December 2010	31 December 2009
Less than one year	62	67
Between one year and five years	127	160
After five years	1,040	1,759
Total	**1,229**	**1,986**

(in millions of Russian Roubles)

The above lease agreements are usually concluded for 1-49 years with prolongation rights. The lease payments are subject to regular review that may result in adjustment to reflect the market conditions.

The Group leased certain equipment under a finance lease agreement. In May 2009 the agreement was held invalid by the court. Accordingly, the Group has written off the outstanding net book value of the equipment and extinguished the related liability and recognized a loss of RR 240 million. In October 2009 OGK-1 signed a new lease agreement on this equipment for a thirty year period with a termination clause that can be invoked by the Group in 2014, without penalties. Lease rentals amount to RR 15 million per month and are subject to 10% indexation per annum. Lease rentals to the date that the termination clause can be invoked are as follows:

	31 December 2010	31 December 2009
Less than one year	198	180
Between one year and five years	589	787
Total	**787**	**967**

During the year ended 31 December 2010 the amount of RR 249 thousand was recognised as an expense in profit or loss in respect of operating leases (2009: RR 345 thousand).

Note 9. Other non-current assets

	31 December 2010	31 December 2009
Assets related to employee benefit fund	154	140
Non-current trade receivables (Net of provision for impairment of RR 18 million as at 31 December 2010 and RR 0 million as at 31 December 2009)	105	61
Non-current bank bills of exchange	2,772	43
Available-for-sale financial assets	74	51
Non-current value added tax recoverable	485	20
Other non-current assets	28	13
Total	**3,618**	**328**

Non-current bank bills of exchange outstanding as at 31 December 2010 were issued by OJSC “VTB-Leasing”, which liquidity rating is BBB in accordance with Fitch rating agency. Available-for-sale financial assets related to employee benefit fund are the Group contributions accumulated in solidary and employees’ individual pension accounts with the Non-State Pension Fund of Electric Power Industry (employee benefit fund).

Note 10. Cash and cash equivalents

	31 December 2010	31 December 2009
Cash at bank and in hand	7,126	1,242
Cash equivalents	17,199	8,337
Total	**24,325**	**9,579**

Cash at bank	**Currency**	**Rating**	**Rating agency**	**31 December 2010**	**31 December 2009**
JSC Credit Bank of Moscow	RR	A2	Moody's	4,530	-
JSCB Peresvet	RR	-	-	1,580	634
JSC Gazprombank	RR	Baa3	Moody’s	504	5
BNP Paribas	EURO	Aa2	Moody’s	357	318
JSC Alfa-Bank	RR	BB	Fitch	137	180
JSC Alfa-Bank	EURO	BB	Fitch	-	76
Other	RR	-	-	18	29
Total				**7,126**	**1,242**

(in millions of Russian Roubles)

Cash equivalents	Currency	Rating	Rating agency	Interest rate	31 December 2010	31 December 2009
JSCB Peresvet	RR	-	-	3.80-4.20%	9,550	500
BNP Paribas	EURO	Aa2	Moody's	0.30%	6,353	6,834
JSC Sberbank	RR	Baa1	Moody's	3.30%-4.90%	604	281
JSC Zapsibcombank	RR	-		4.00%-6.00%	542	31
JSC Gazprombank	RR	Baa3	Moody's	4.15%	150	135
JSC Alfa-Bank	RR	BB	Fitch	4.75%-6.00%	-	556
Total					**17,199**	**8,337**

Cash equivalents include bank deposits redeemable on demand without penalties.

Despite the fact that JSCB Peresvet and JSC Zapsibcombank do not have an international credit rating, management believes these are reliable counterparties.

Note 11. Accounts receivable and prepayments

	31 December 2010	31 December 2009
Trade receivables (Net of provision for impairment of RR 785 million as at 31 December 2010 and RR 912 million as at 31 December 2009)	2,421	2,165
Value added tax recoverable	183	557
Advances to suppliers and prepayments (Net of provision for impairment of RR 17 million as at 31 December 2010 and RR 1 million as at 31 December 2009)	55	1,250
Tax prepayments	19	38
Other receivables (Net of provision for impairment of RR 36 million as at 31 December 2010 and RR 33 million as at 31 December 2009)	458	132
Total	**3,136**	**4,142**

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

All impaired trade receivables, other receivables and advances to suppliers and prepayments are provided for. The movement of the provision is shown in the table below:

	Year ended	
	31 December 2010	31 December 2009
At 1 January	946	376
Provision charged	210	572
Provision reversed	(300)	(2)
At 31 December	**856**	**946**

(in millions of Russian Roubles)

Note 12. Inventories

	31 December 2010	31 December 2009
Fuel production stock	1,047	1,165
Materials and supplies	1,035	1,031
Other inventories	34	28
Total	**2,116**	**2,224**

The above inventory balances are recorded net of an obsolescence provision of RR 55 million and RR 65 million as at 31 December 2010 and 31 December 2009, respectively.

As at 31 December 2010 and 31 December 2009, the inventory balances did not include any inventories pledged as collateral according to loan agreements.

Note 13. Other current assets

	31 December 2010	31 December 2009
Bank bills of exchange (effective interest rate - 6,37%., maturity in 2011)	3,753	192
Bank deposits (effective interest rate - 4.9% maturity in January-March 2011, July 2011)	67	290
Other	12	-
Total	**3,832**	**482**

Bank deposits	Rating	Rating agency	Interest rate	31 December 2010	31 December 2009
JSC Sberbank	Baa1	Moody's	4.90%	67	225
CJSC Raiffeisenbank	Baa3	Moody's	7.73%	-	65
Total				**67**	**290**

Bank bills of exchange	Rating	Rating agency	31 December 2010	31 December 2009
VTB-Leasing	-	-	3,745	-
AB Russia	Baa3	Fitch	8	-
JSC Sberbank	Baa1	Moody's	-	162
LLC CB AGROPROMCREDIT	Baa1	Moody's	-	30
Total			**3,753**	**192**

Note 14. Equity

(a) Share capital

(Number of shares unless otherwise stated)	31 December 2010	31 December 2009
Issued shares	65,451,744,495	44,643,192,918
Par value (in RR)	0.57478	0.57478

(b) Treasury shares

As at 31 December 2010 and 31 December 2009, the number of treasury shares amounted to 15,831,017 ordinary shares comprising accordingly 0.024% and 0.035% of issued shares.

(in millions of Russian Roubles)

(c) Dividends

In accordance with Russian legislation, the Group distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. During the years ended 31 December 2010 and 31 December 2009 the Company neither declared nor paid dividends.

(d) Additional issue of shares

In December 2010, in accordance with the decision of extraordinary shareholders meeting the share capital of OJSC OGK-1 was increased by the additional issue of 20,808,551,577 ordinary shares with nominal value of RR 0.57478. The market value was RR 1.12 per share. The purpose of the additional issue of shares is to finance the construction of the Urengoyskaya power station. The corresponding changes to the Company's charter were made on 3 February 2011. The Group had no obligation on redemption of additional share issue as at 31 December 2010.

In February 2011 OJSC OGK-1 obtained the state registration of the amendments to the Charter of OJSC OGK-1 for the additional share issue and increase of share capital up to RR 37,620 million (65 451 744 495 ordinary shares with a par value of RR 0,57478 per share).

Note 15. Income tax

(a) Income tax expense

The statutory corporate income tax rate in Russian Federation was 20% for the year ended 31 December 2010 and 31 December 2009. The 10% income tax rate was applied to NVGRES Holding Ltd. in accordance with Cyprus tax law. The 15.5% income tax rate was applied to Permskaya GRES due to local state tax relief.

	Year ended	
	31 December 2010	**31 December 2009**
Current income tax charge	(770)	(558)
Deferred income tax charge	(246)	(210)
Total profit tax expense	**(1,016)**	**(768)**

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

	Year ended	
	31 December 2010	**31 December 2009**
Profit before income tax	**4,509**	**3,742**
Theoretical income tax charge using the appropriate statutory tax rate of 20%	(902)	(748)
Effect of different tax rates	107	59
Over provided in prior periods	78	241
Recognised deferred tax liability on investment t in NVGRES Holding Ltd.	(18)	(87)
Non-taxable foreign exchange (losses)/ gains	(105)	67
Other non-deductible expenses	(176)	(300)
Total income tax expense	**(1,016)**	**(768)**

(in millions of Russian Roubles)

(b) Deferred tax

Differences between income tax accounting under 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 for income tax purposes. Deferred income tax assets and liabilities are measured at the rates of 15.5% to 20%, which are expected to be applicable when the assets or liabilities will reverse.

	31 December 2010	Movements for the year recognized in profit or loss	31 December 2009
Deferred tax liabilities	**(3,406)**	**(270)**	**(3,136)**
Property, plant and equipment	(2,728)	(302)	(2,426)
Trade receivables	(3)	(3)	-
Investments in joint venture	(637)	46	(683)
Other	(38)	(11)	(27)
Deferred tax assets	**136**	**24**	**112**
Non-current trade receivables	5	(20)	25
Other	131	44	87
Deferred tax liabilities, net	**(3,270)**	**(246)**	**(3,024)**

	31 December 2009	Movements for the year recognized in profit or loss	31 December 2008
Deferred tax liabilities	**(3,136)**	**(170)**	**(2,966)**
Property, plant and equipment	(2,426)	(134)	(2,292)
Trade receivables	-	41	(41)
Investments in joint venture	(683)	(87)	(596)
Other	(27)	10	(37)
Deferred tax assets	**112**	**(40)**	**152**
Non-current trade receivables	25	25	-
Non-current debt	-	(49)	49
Current debt	-	(32)	32
Other	87	16	71
Deferred tax liabilities, net	**(3,024)**	**(210)**	**(2,814)**

Pursuant to the option held by TNK-BP to purchase a further 25%minus two shares of NVGRES Holding Ltd. (see note 27(f)) the Group had recognised 25% of the deferred tax liability in respect of the Group's investment in NVGRES Holding Ltd as at 31 December 2010 and 31 December 2009, respectively. The Group did not recognise a deferred tax liability in respect of the remaining investment because its ultimate realisation is within the control of the Group. As at 31 December 2010, the maximum amount of such unrecognized deferred tax liabilities is within the range of approximately RR 1,206 million (31 December 2009: RR 1,366 million and depends on the nature of their reversal.

Note 16: Pension liabilities

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2010 and 31 December 2009. Amounts recognized in the Group's statement of financial position are as follows:

	31 December 2010	31 December 2009
Defined benefit obligations	524	422
Unrecognized actuarial gain	(21)	24
Unrecognized past service cost	(43)	(22)
Net liability in statement of financial position	**460**	**424**

(in millions of Russian Roubles)

Amounts recognized in the Statement of comprehensive income are as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Current service cost	14	12
Interest cost	41	33
Net actuarial gain recognized in the period	2	4
Immediate recognition of vested prior service cost	26	32
Curtailment	-	(29)
Net expense recognized in the statement of comprehensive income	**83**	**52**

Changes in the present value of the Group's pension benefit obligations are as follows:

	31 December 2010	31 December 2009
Benefit obligation at the beginning of the year	422	412
Current service cost	14	12
Interest cost	41	33
Actuarial loss	47	11
Past service cost	47	29
Benefits paid	(47)	(47)
Curtailment	-	(29)
Other	-	1
Benefit obligations at end of the year	**524**	**422**

Reconciliation of the Statement of financial position:

	31 December 2010	31 December 2009
Net liability at the beginning of year	424	419
Net expense recognized in the statement of comprehensive income	83	52
Employer contributions	(47)	(47)
Net liability at end of the year	**460**	**424**

Principal actuarial assumptions (expressed as weighted averages) are as follows:

Financial assumptions

	31 December 2010	31 December 2009
Discount rate	8.0%	9.0%
Salary increase	7.5%	8.0%
Pension increase	6.0%	6.5%
Inflation	6.0%	6.5%

Demographic assumptions

Withdrawal rates assumption is as follows: expected staff turnover rates vary depending on employee past service in range from 14% pa for employees with 1 year of past service to 4% pa for those who have 10 or more years of service (31 December 2009: 13% and 4% accordingly).

Retirement ages assumption is as follows: average retirement ages are 58 years for men and 56 years for women. Similar retirement age assumption was used at 31 December 2009.

Mortality table: Russian population mortality table 1998.

	31 December 2010	31 December 2009
Present value of defined benefit obligations (DBO)	524	422
Gains arising from experience adjustments on plan liabilities	26	26

(in millions of Russian Roubles)

Note 17. Non-current debt

Name of creditor	Currency	Due	Effective interest rate	31 December 2010	31 December 2009
JSC Alfa-Bank	RR	2012-2013	10%	2,000	-
JSC Transcreditbank	RR	2011-2012	10.75% - 12.00%	1,600	1,600
CJSC ING BANK (EURASIA)	RR	2011-2013	MosPrime3M + 2.60%	1,500	1,500
CJSC ING BANK (EURASIA)	RR	2012	MosPrime3M + 1.75%	1,334	1,500
CJSC Commerzbank	RR	2012	MosPrime3M + 1.80%	750	1,000
SC Vnesheconombank	RR	2013	15.00%	-	1,300
JSC Russ-Bank	RR	2011	12.50%	-	600
JSC INTER RAO UES	RR	2010	Refinancing rate RF+2.76%	-	1,228
Total non-current debt				**7,184**	**8,728**
Less: current portion of non-current debt				(1,667)	(517)
Total				**5,517**	**8,211**

In March 2010, the Group entered into a loan agreement with JSC INTER RAO UES, whereby JSC INTER RAO UES provided long-term debt in the amount of RR 8 billion to the Group for the purpose of construction of the Urengoyskaya power station. The loan was repaid in full in December 2010.

The carrying amounts of non-current debts, which have variable interest rate linked to MosPrime, approximate their fair value.

The Group has not entered into any hedging arrangements in respect of its interest rate exposure.

Currently, the Group has unused open lines of credit amounting to approximately RR 5.6 billion (as at 31 December 2009: RR 8.3 billion).

Note 18. Current debt and current portion of non-current debt

Name of creditor	Currency	Effective interest rate	31 December 2010	31 December 2009
CJSC ING BANK (EURASIA)	RR	MosPrime3M + 1.75%	667	167
CJSC ING BANK (EURASIA)	RR	MosPrime3M + 2.60%	500	-
CJSC Commerzbank	RR	MosPrime3M + 1.80%	500	250
CJSC UniCredit Bank	RR	10.50% – 13.75%	-	1,700
JSC Alfa-Bank	RR	13.50%	-	500
SC Vnesheconombank	RR	15%	-	100
Total			**1,667**	**2,717**

The carrying amounts of current debts approximate their fair values. No property was pledged as collateral for current debts.

Note 19. Accounts payable and accruals

	31 December 2010	31 December 2009
Trade payables	2,149	1,653
Accrued liabilities and other creditors	1,155	1,136
Dividends payable	4	4
Total	**3,308**	**2,793**

Management believes that the majority of suppliers, balances of which are included into trade payables, comprise a single class, as they bear the same characteristics.

(in millions of Russian Roubles)

Note 20. Taxes payable

	31 December 2010	31 December 2009
Value added tax	707	130
Property tax	145	108
Water tax	47	295
Unified social tax	25	15
Other taxes	49	46
Total	**973**	**594**

Note 21. Revenues

	Year ended	
	31 December 2010	**31 December 2009**
Electric power	42,207	34,110
Capacity	13,330	12,406
Heating	715	574
Other	506	374
Total	**56,758**	**47,464**

Note 22. Operating expenses

	Year ended	
	31 December 2010	**31 December 2009**
Raw materials and consumables used, comprising	32,165	22,085
Fuel expenses	*31,389*	*21,407*
Other materials	*776*	*678*
Purchased electric power and capacity for resale	5,612	9,576
Employee benefit expenses and payroll taxes	3,998	3,912
Third parties services, including:	3,556	3,461
Repairs and maintenance	*1,288*	*1,091*
Commission fees	*863*	*844*
Security expenses	*314*	*297*
Rent expenses	*249*	*345*
Insurance expenses	*99*	*100*
Transportation expenses	*95*	*90*
Consulting, legal and information expenses	*58*	*160*
Telecommunication services	*37*	*67*
Other	*553*	*467*
Depreciation of property, plant and equipment	2,411	1,744
Taxes other than income tax	1,052	1,533
Water usage expenses	858	125
Expenses under management agreement	720	121
Loss on disposal of property, plant and equipment	454	909
Social charges	161	88
Amortisation of intangible assets	36	26
Provision for impairment of accounts receivable (reversal)/ charge	(90)	570
Provision for impairment of inventory (reversal)/charge	(10)	35
Other expenses	459	498
Total	**51,382**	**44,683**

(in millions of Russian Roubles)

Note 23. Finance income and costs

	Year ended	
	31 December 2010	31 December 2009
Interest expense	(560)	(270)
Foreign exchange (loss)/gain	(521)	336
Interest income	190	364
Effect of discounting of long-term accounts receivable/(payable)	24	9
Finance lease income	-	522
Total	**(867)**	**961**

Note 24. Earnings per share, basic and diluted (in RR)

	Year ended	
	31 December 2010	31 December 2009
Weighted average number of ordinary shares issued and outstanding (million of shares)	44,855	44,627
Profit attributable to the shareholders of OJSC OGK-1 (million of RR)	3,493	2,974
Weighted average earnings per share – basic and diluted (in RR)	**0.078**	**0.067**

Note 25. Interest in joint venture

The Group holds a 75% interest in NVGRES Holding Ltd. proportionally consolidated as a joint venture as, per the terms of the Agreement between the Group and TNK-BP (Russian oil and gas company), control is jointly exercised. The following amounts represent the Group's 75% share of the assets and liabilities, revenue and expenses and results of the joint venture. These amounts are included in the statement of financial position and statement of comprehensive income:

	31 December 2010	31 December 2009
Assets:		
Non-current assets	6,244	5,570
Current assets	8,616	8,907
Total assets	**14,860**	**14,477**
Liabilities:		
Non-current liabilities	371	380
Current liabilities	532	398
Total liabilities	**903**	**778**
Net assets	**13,957**	**13,699**
Proportionate interest in joint venture's commitments	**2,172**	**545**

	Year ended	
	31 December 2010	31 December 2009
Revenue	7,640	7,225
Expenses	(7,384)	(6,055)
Profit for the year	**256**	**1,170**

There are no contingent liabilities relating to the Group's interest in the joint venture.

Note 26. Commitments

(a) Capital commitments

Future capital expenditures for which contracts have been signed amounted to RR 15,282 million at 31 December 2010 (at 31 December 2009 - RR 26,697 million).

In accordance with the Russian Federation Government Resolution №89 dated 24 February 2010 "On certain issues regarding the organization of the long-term competitive capacity takeoff in the wholesale electricity (or capacity) market", Russian Federation Government Resolution №238 dated 13 April 2010 "Pricing strategy of capacity trading on the wholesale electricity (capacity) market during the transition period" and Russian Federation Government Direction №1334-r dated 11 August 2010 "The approved list of generating units, which will be used to supply capacity under contracts on capacity provision", Non-profit Partnership Council Market (hereinafter NP Council Market) in cooperation with electricity wholesales market participants developed a contractual basis for the sales of capacity of new generating units, which are being constructed in accordance with investment programs of suppliers, approved by the Government of Russian Federation within Investment Program of RAO UPS.

In accordance with new rules suppliers will sign agency agreement with CJSC "Center for Finance Settlements" (hereinafter CFS), OJSC "ATS", NP Council Market and SO UPS for sales of investment capacity. In accordance with this agreement CFS for and on behalf of the supplier will sign contracts on capacity provision with all wholesale electricity (capacity) market customers.

In November 2010 the Company had signed an agency agreement with CFS, OJSC "ATS", NP Council Market and SO UES, under which CFS was to sign on behalf of the OJSC "OGK-1" contracts on capacity provision. On 12 December 2010 CFS on behalf of the OJSC "OGK-1" signed the contracts on provision of capacity from estimated generating units with total capacity of 1 190 MWth. Pursuant to the terms and conditions of the Agency Agreement, if the Group violates the timeframe for commissioning the generating assets, or fails to deliver sufficient capacity, the Group should pay a forfeit to the Agent, the size of which depends on the extent of the delay in the commissioning of the generating asset, the amount of the capacity that was not delivered and the price of this capacity under a long-term capacity contract. The Management of the Group does not expect to default or fail on fulfilment of the above obligations under the contracts on the provision of capacity

Note 27. Contingencies

(a) Insurance

The Group holds insurance policies that cover its assets and other property, personnel, public liability or other risks insurable in accordance with the established business practice and applicable legislation of the Russian Federation. Accordingly, the Group is exposed to those risks for which insurance is not applicable, which have not been insured or are covered by standard exclusions under insurance contracts.

(b) Legal proceedings

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

(c) 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 existing method of calculation of water tax. 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.

As at 31 December 2010, 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.

(in millions of Russian Roubles)

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

(d) Environmental matters

The Group is primarily made up of a number of generating plants that have operated in the Russian Federation for many years. The 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 may arise as a result of changes in legislation and regulation or as a result of civil litigation. The impact of these potential changes cannot be estimated but could be material. Currently, management believes that there are no significant exposures to environmental matters.

(e) TNK-BP Call Option

On 15 February 2008 OJSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station and to finance and construct a third unit at that power station with a capacity of 800 MW. During 2009, the construction project was reviewed and the joint venture decided to construct blocks 3.1 and 3.2 with capacity of 410 MW each. According to the Agreement, OJSC OGK-1 has granted a written call option to TNK-BP which gives TNK-BP the right to buy additional 25% minus two shares in NVGRES Holding Ltd. at a determinable price at a future date, which is defined as any day within 12 months after the date when the unit 3.1 passes the performance tests. As the exercise price under this option is expected to be equal to the fair value at the date of the exercise of the option, no fair has been value attributed to the option. As at 31 December 2010, the option was not yet exercised.

Note 28. Related Parties

Related parties are defined in IAS 24 “Related parties disclosures”. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions.

Related parties with whom the Group entered into significant transactions during the year ended 31 December 2010 and 31 December 2009 or had significant balances as at 31 December 2010 and 31 December 2009 are detailed below.

(a) Controlling parties

As at 31 December 2010 the principal shareholders that can exercise significant influence over the Group’s activity are FGC (27.4%) and RusHydro (14.8%). Both entities are owned by the Government of the Russian Federation which is the ultimate controlling party of the Group.

The Group had the following significant transactions with FGC and RusHydro during the year ended 31 December 2010 and 31 December 2009 and had the following outstanding balances as at 31 December 2010 and 31 December 2009:

Transactions with RusHydro were as follows:

	Year ended	
	31 December 2010	**31 December 2009**
Electric power and capacity revenues	2	151
Other expenses	8	6

Balances with RusHydro were as follows:

	31 December 2010	**31 December 2009**
Accounts payable	60	110
Fair value of available-for-sale investments	74	51

(in millions of Russian Roubles)

Transactions with FGC were as follows:

	Year ended	
	31 December 2010	**31 December 2009**
Other revenues	11	8

Balances with FGC were as follows:

	31 December 2010	**31 December 2009**
Accounts receivable	-	3
Accounts payable	103	203

(b) JSC INTER RAO UES

Beginning from 6 July 2009 JSC INTER RAO UES is the Sole Executive Body of OGK-1 (see Note 1). Information about material transactions with JSC INTER RAO UES during the year ended 31 December 2010, and outstanding balances as at 31 December and 31 December 2009 are disclosed below:

	Year ended 31 December 2010	**6 July to 31 December 2009**
Electric power and capacity revenues	4,615	974
Other revenues	8	7
Purchased electric power	94	144
Other expenses	96	-
Expenses under management agreement	720	121
Accrued interest under loan agreement, including	332	50
capitalized interest	*292*	*27*

Balances with JSC INTER RAO UES were as follows:

	31 December 2010	**31 December 2009**
Accounts receivable	210	2
Accounts payable	76	224
Non-current debt	-	1,228
Accrued liabilities (interest accrued under loan agreement)	-	2

(c) State-controlled entities

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

The Group made a decision on earlier application of the amendment to IAS 24 in relation to non-disclosure of those state-controlled entities, which did not have a significant impact on Group's transactions and balances. The nature of relationship between such state-controlled entities and Group is domestic regional sales of heat, electricity and capacity.

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

	Year ended	
	31 December 2010	**31 December 2009**
Electric power and capacity revenues	6,307	7,961
Other income	9	3
Other expenses	978	165
Accrued interest under loan agreement, including	275	486
capitalized interest	*59*	*323*
Discounting effect	12	6
Interest income	58	79
Fuel expenses	119	12,394

(in millions of Russian Roubles)

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

	31 December 2010	31 December 2009
Accounts Receivable (Net of provision for impairment of RR 365 million as at 31 December 2010 and RR 382 million as at 31 December 2009)	589	285
Cash and cash equivalents	1,258	427
Accounts Payable	41	54
Current debt	-	100
Non-current debt	1,600	2,800
Interest income	12	36
Other current assets	3,820	387
Other non-current assets	2 715	11

(d) NVGRES Holding Ltd

The Group holds a 75% interest in NVGRES Holding Ltd. proportionally consolidated as a joint venture.

The Group had the following significant transactions with NVGRES Holding Ltd:

	Year ended	
	31 December 2010	31 December 2009
Interest income	47	34

The Group had the following significant balances with NVGRES Holding Ltd

	31 December 2010	31 December 2009
Non-current debt	507	-
Current debt	-	545
Interest income	-	32

(e) Directors' compensation

Key management personnel (the members of the Board of Directors and the Management Board of OJSC OGK-1) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Remuneration to the members of the Board of Directors is paid for attending the Board meetings; compensation of key management personnel (other than remuneration for attending the Board meetings) is determined by the terms of the employment contracts.

Total remuneration accrued to the members of the Board of Directors and the Management Board was as follows:

	Year ended	
	31 December 2010	31 December 2009
Short-term compensations, including salary and bonuses	1	78
Remuneration for attending the Board meetings	6	11

Short-term compensations include personal income tax and are net of social tax.

Note 29. Subsequent events

In March 2011 the Company signed the Agreement on transfer of executive powers with LLC "INTER RAO – Electricity Generation Management". The powers of JSC "INTER RAO UES" as a Sole Executive Body had been ceased according to the decision of the extraordinary shareholders meeting.

In April 2011 JSC "INTER RAO UES acquired 43.4% of OJSC "OGK-1" from OJSC FGC and OJSC RusHydro, which brought the effective share of JSC "INTER RAO UES in the Company to 72.5%.