OGK-1 GROUP
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2009
(UNAUDITED)

OGK-1 GROUP

Consolidated Interim Statement of Financial Position (unaudited)

(in millions of Russian Roubles)

	Notes	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	35,267	33,677
Other non-current assets	8	524	477
Total non-current assets		**35,791**	**34,154**
Current assets			
Cash and cash equivalents	9	8,873	1,930
Accounts receivable and prepayments	10	3,105	4,377
Inventories	11	2,464	2,706
Loans issued	12	-	6,543
Other current assets	13	554	200
Total current assets		**14,996**	**15,756**
TOTAL ASSETS		**50,787**	**49,910**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		25,660	25,660
Treasury shares		(40)	(40)
Merger reserve		(6,869)	(6,869)
Other reserves		(36)	(62)
Retained earnings		16,435	14,098
Total equity		**35,150**	**32,787**
Non-current liabilities			
Deferred profit tax liabilities	15	2,866	2,814
Non-current debt	16	5,300	3,316
Pension liabilities		419	419
Other non-current liabilities		7	7
Total non-current liabilities		**8,592**	**6,556**
Current liabilities			
Current debt and current portion of non-current debt	17	3,550	7,356
Accounts payable and accrued charges	18	2,751	2,651
Taxes payable	19	744	560
Total current liabilities		**7,045**	**10,567**
Total liabilities		**15,637**	**17,123**
TOTAL EQUITY AND LIABILITIES		**50,787**	**49,910**

Executive Director

Tolstogusov S.N.

Chief Accountant

Evdokimova M.R.

25 September 2009

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

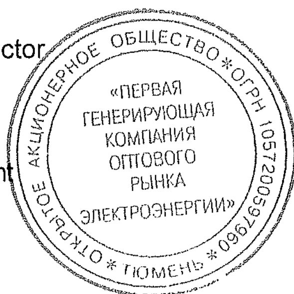
OGK-1 GROUP

Consolidated Interim Statement of Comprehensive Income (unaudited)

(in millions of Russian Roubles, except for earnings per ordinary share information)

	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenues	21	23,259	24,778
Operating expenses	22	(21,023)	(24,022)
Operating profit		**2,236**	**756**
Finance income / (costs)	23	158	(132)
Profit before profit tax		**2,394**	**624**
Total profit tax charge	16	(462)	(333)
Profit for the period		**1,932**	**291**
Other comprehensive income after profit tax:			
Change in fair value of available-for-sale investments		26	-
Foreign exchange gain		405	-
Total comprehensive income		**2,363**	**291**
Profit attributable to:			
Shareholders of JSC OGK-1		1,932	291
Comprehensive income attributable to:			
Shareholders of JSC OGK-1		2,363	291
Earnings per ordinary share for profit attributable to the shareholders of JSC OGK-1 – basic and diluted (in Russian Roubles)	24	0.043	0.007

Executive Director — Tolstogusov S.N.



Chief Accountant — Evdokimova M.R.

25 September 2009

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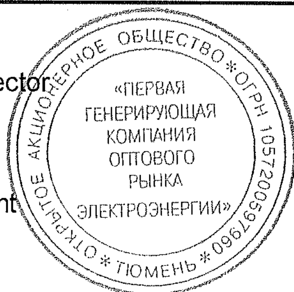
OGK-1 GROUP
Consolidated Interim Statement of Cash Flows (unaudited)
(in millions of Russian Roubles)

	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before profit tax		**2,394**	**624**
Adjustments to reconcile profit before profit tax to net cash provided by operations:			
Depreciation of property plant and equipment	22	834	813
(Gain) / loss on disposal of property plant and equipment	22	(136)	17
Impairment of accounts receivable	22	511	15
Reversal / (write-off) of inventories to net realizable value	22	(1)	8
Finance (income) / costs	23	(158)	132
Other		65	22
Operating cash flows before working capital changes and profit tax paid		**3,509**	**1,631**
Working capital changes:			
Decrease / (increase) in accounts receivable and prepayments		1,084	(892)
Increase in other current assets		(354)	(28)
Decrease in inventories		242	92
Increase in other non-current assets		(13)	(91)
Increase in accounts payable and accrued charges		48	97
Increase / (decrease) in taxes payable		129	(23)
Profit tax paid		(356)	(265)
Net cash generated by operating activities		**4,289**	**521**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment		(2,520)	(2,737)
Proceeds from sales of property, plant and equipment		18	7
Interest received		289	-
Proceeds from loans issued		6,918	-
Net cash generated by investing activities		**4,705**	**(2,730)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt		700	6,610
Proceeds from non-current debt		1,300	1,800
Repayment of debt		(3,300)	(5,160)
Repayment of financial lease liabilities		-	(120)
Interest paid		(789)	(231)
Purchase of treasury shares		-	(32)
Net cash used by financial activities		**(2,089)**	**2,867**
Effect of exchange rate changes on cash and cash equivalents		38	-
Increase / (decrease) in cash and cash equivalents		**6,943**	**658**
Cash and cash equivalents at the beginning of the period		**1,930**	**425**
Cash and cash equivalents at the end of the period		**8,873**	**1,083**

Executive Director — Tolstogusov S.N.



Chief Accountant — Evdokimova M.R.

25 September 2009

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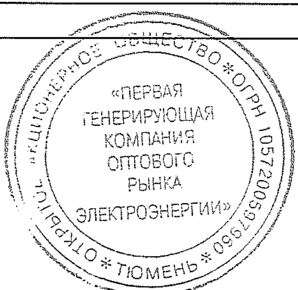
OGK-1 GROUP
Consolidated Interim Statement of Changes in Equity (unaudited)
(in millions of Russian Roubles)

	Attributable to the shareholders of JSC OGK-1					
	Ordinary share capital	Treasury shares	Merger reserve	Other reserves	Retained earnings	Total
As at 1 January 2008	**25,660**	**-**	**(6,869)**	**(32)**	**6,771**	**25,530**
Profit for the period	-	-	-	-	291	**291**
Total comprehensive income	-	-	-	-	291	**291**
Purchase of treasury shares	-	(348)	-	32	-	**(316)**
As at 30 June 2008	**25,660**	**(348)**	**(6,869)**	**-**	**7,062**	**25,505**
As at 1 January 2009	**25,660**	**(40)**	**(6,869)**	**(62)**	**14,098**	**32,787**
Profit for the period	-	-	-	-	1,932	**1,932**
Other comprehensive income after profit tax:				26	405	**431**
Change in fair value of available-for-sale investments				26		**26**
Foreign exchange gain					405	**405**
Total comprehensive income				**26**	**2,337**	**2,363**
As at 30 June 2009	**25,660**	**(40)**	**(6,869)**	**(36)**	**16,435**	**35,150**



Executive Director Tolstogusov S.N.

Chief Accountant Evdokimova M.R.

25 September 2009

Note 1: The Group and its operations

Open Joint-Stock Company First Power Generating Company on the Wholesale Energy Market (JSC 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, Tyumen, Tyumen Region, Russian Federation.

The Company's head office is located at 13/17, Bolshaya Cheremushkinskaya street, 117447, Moscow, Russian Federation.

The OGK-1 Group (the "Group") primarily consists of JSC OGK-1, three service subsidiaries and an interest in joint venture NVGRES Holding Ltd. (Nizhnevartovskaya GRES). JSC 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) Relations with the State and current regulation

On 17 March 2009, JSC INTER RAO UES ("INTER RAO") received under trust management 27,628,151,912 ordinary JSC OGK-1 shares. These shares had been held by JSC FGC UES ("FGC") and JSC RusHydro ("RusHydro") and account for 61.9% of voting shares of JSC OGK-1.

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

As at 30 June 2009 the State Corporation "Rosatom" owned 57.3% of INTER RAO, which in turn managed 61.9% of the voting ordinary shares of JSC OGK-1 respectively. The Government of the Russian Federation is the ultimate controlling party of the Group.

The Group's customer base includes a large number of entities controlled by the State. Furthermore, the State controls a number of the Group's fuel and other suppliers.

The Government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service on Tariff ("FST"), with respect to its wholesale energy sales, and by the regional services on tariff ("RSTs"), with respect to its heat sales. The operations of all generating facilities are coordinated by JSC System Operator of Unified Energy System ("SO UES"). SO UES is controlled by the Russian Federation.

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

Starting from 1 January 2009, the share of electric power and capacity traded in the wholesale electric power and capacity market at non-regulated prices increased from 25% to 30%. The pace of such increase was set by the Government of the Russian Federation in accordance with socio-economic development forecasts. It is expected that the share of electric power and capacity traded at non-regulated prices will continue to increase and will, by the end of 2011, be the primary market for the distribution and sale of electricity by the Group.

The Government of the Russian Federation's economic, social and other policies could materially effect the operations of the Group.

Note 2: Financial condition

(a) Operating environment of the Group

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 has resulted in, among other things, a lower level of

capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing Global financial and economic crisis ('the economic crisis") is proving to be difficult to anticipate or completely guard against.

In large part, because of this global economic crisis and despite strong economic growth in recent years, the Russian economy significantly deteriorated during 2008, particularly in the fourth quarter. Since September 2008, there has been a significant decline in the Russian stock market, the Russian Rouble (RR) has depreciated against certain major currencies, domestic interest rates have increased and the commodities industry which is a significant contributor to the Russian economy, has seen prices fall precipitously. Furthermore, the volume of wholesale financing has also been significantly reduced.

To date, the impacts on the Group have ranged from lower demand levels for electricity due to decreasing industrial output across the Russian economy, to increased counter party risk, and to tighter credit markets which could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Deteriorating operating conditions for customers of the Group may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in their impairment assessments.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the global or Russian economy. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

(b) Financial condition of the Group

As at 30 June 2009, the Group had cash and deposit balances of approximately RR 8,873 million and outstanding debt of RR 8,850 million. The outstanding debt amount includes short-tem debt of RR 3,550 million.

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards on a going concern basis which presumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

In preparing these financial statements on such a basis, management has considered the macro-economic environment discussed above and the Group's debt position as at 30 June 2009 and believes that through its operations and through its ability to obtain additional financing the Group will be capable of funding its obligations and funding investment and operational requirements for the foreseeable future. In support, management considers the following factors to be significant:

- The Group has engaged in a number of measures to reduce costs and match expenditures to available funding, including the deferral of expenditure on certain development projects including the construction of the Urengoyskaya power station, see Note 7.
- In January 2009 Moody's Rating Agency rated JSC OGK-1 as having an international credit rating at the level of Ba3/Stable Forecast. This rating is consistent with the 2007 rating.
- Currently, the Group has unused open lines of credit amounting to approximately RR 10.3 billion.

The Group believes that the efforts and developments discussed above, together with ongoing efforts to secure long-term funding, will be sufficient to ensure the long-term financial stability of the Group and allow for the completion of strategic initiatives to grow the business.

As at 31 December 2008, the Group had cash and deposit balances of approximately RR 1,930 million and outstanding debt of RR 10,672 million. The outstanding debt amount includes short-tem debt of RR 6,356 million which is required to be repaid or refinanced during 2009. Included in short-term debt amount is RR 1,000 million due to CJSC Commerzbank which has been reclassified to current from long-term debt as the Group is in violation of certain financial covenants as of 31 December 2008.

On 25 March 2009, CJSC Commerzbank amended the financial covenants' requirements to be based on IFRS financial statement data rather that Russian statutory financial statement data. As at 30 June 2009, the Group is no longer in violation of the covenants.

Note 3: Basis of preparation

These consolidated interim financial statements ("Financial Statements") for the period ended 30 June 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim consolidated Financial Statements should be read in conjunction with the Group's annual consolidated financial statements for the year 2008. The Financial Statements are prepared on the historical cost basis except for certain financial instruments that are measured at fair value as described in Note 4.

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 euros and prepares its financial statement 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 consolidated financial statements are disclosed in Note 5.

Note 4: Summary of significant accounting policies

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

4.1. Consolidation

(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 fully consolidated from the date on which control is transferred to 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 a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in jointly controlled entities are accounted for using proportionate consolidation. 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 on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

4.2. Segment information

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

4.3. Foreign currency translation

(a) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of each of the Group's entities and the currency in which these Financial Statements are presented. All financial information presented in RR has been rounded to the nearest million.

(b) Transactions and balances

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

As at 30 June 2009, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the RR and the US Dollar ("USD") was RR 31.29: USD 1.00 (31 December 2008: RR 29.38: USD 1.00), between the RR and EURO RR 43.82: EURO 1.00 (31 December 2008: RR 41.44: EURO 1.00).

4.4. Property, plant and equipment

(a) Recognition and measurement

As at 30 June 2009 property, plant and equipment are stated at the carrying value determined at the date of their transfer to the Group by RAO UES, and adjusted for further additions, disposals and depreciation charges. Deemed cost was initially determined by a third party valuation as at 31 December 1997 and restated for the impact of inflation until 31 December 2002.

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 in "Gain (loss) on disposals of property, plant and equipment" in profit or loss.

(b) Subsequent costs

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

(c) Depreciation

Depreciation on 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.

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

Type of facility	Revised starting from 1 January 2006
Power equipment	10-25
Production buildings	20-75
Facilities	15-41
Substations	8-25
Hydrotechnical facilities	13-67
Electricity grids and heating networks	3-28
Other	2-18

(d) Leased assets

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in 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 life.

(e) 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 that would have been determined, net of depreciation, if no impairment loss had been recognized.

4.5. Financial assets

4.5.1. Classification

The Group classifies its financial assets into two categories: a) loans and receivables and b) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

4.5.2. Recognition and measurement

Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets are measured at fair value. Investments in quoted equity instruments classified as available-for-sale financial assets are measured at quoted market prices as of the reporting date. Investments in equity instruments for which there are no available market quotations are accounted for at fair value. The fair value of unquoted debt instruments classified as available-for-sale financial assets is determined using discounted cash flow valuation techniques based on prevailing market interest rates for similar instruments.

Gains and losses arising from changes in the fair value of securities classified as available-for-sale financial assets are recognized in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains (losses) on disposal of available-for-sale financial assets.

4.5.3. Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

4.6. Cash and cash equivalents

Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term highly liquid investments that are readily convertible into cash and have a maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

4.7. Accounts receivable and prepayments

Accounts receivable are recorded inclusive of value added taxes. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. Such provision for doubtful debtors is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of receivables. Prepayments are carried at cost less provision for impairment. Prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

4.8. Value added tax on purchases and sales

Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where a provision was recorded for impairment of receivables, the impairment loss was recorded for the gross amount of the debtor's balance, including VAT.

4.9. Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

4.10. 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 other comprehensive income.

4.11. Deferred profit tax

Deferred profit 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 balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be 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 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 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.

4.12. 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 life pension program and death benefits. Defined benefits plans, except old-age life pensions, are paid on a pay-as-you-go basis. For old-age life 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 balance sheet 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.

4.13. 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.

4.14. Accounts payable and accrued charges

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.

4.15. Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

4.16. Revenue recognition

Revenue is recognized on the delivery of electric power, capacity and heat during the period. Revenue amounts are presented exclusive of value added tax.

4.17. 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.

4.18. Interest

Financial 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.

Financial expenses comprises interest expense on borrowings other than interest expense on borrowings to finance the construction of property, plant and equipment, unwinding of the discount on provisions and impairment losses recognized on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method.

4.19. Profit tax

The profit tax expense for the period comprises current and deferred tax. The profit tax recognized in the in 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 balance sheet date.

4.20. Earnings per share

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

4.21. Dividends

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

4.22. New Standards and Interpretations

(a) New and revised standards, amendments and interpretations effective in 2009

- IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented.
- IAS 1 (Revised), 'Presentation of financial statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the statement of operations and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period. As a result the Group presents one performance statement (the statement of comprehensive income).
- IAS 1 (Amendment), 'Presentation of financial statements', clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.
- IAS 19 (Amendment), 'Employee benefits', clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') clarifies that an investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.
- IAS 36 (Amendment), 'Impairment of assets', clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.
- IAS 38 (Amendment), 'Intangible assets', clarifies that a prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement', clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
- IFRS 2 (Amendment), 'Share-based payment', clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting

conditions. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- IFRIC 16, 'Hedges of a net investment in a foreign operation', clarifies that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item.

Unless otherwise described above, the effect of adoption of the above new or revised standards, amendments and interpretations on the Group's financial statements was not significant.

(b) Amendments and interpretations effective in 2009 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2009 but is not relevant to the Group's operations:

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'), clarifies that entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance', clarifies that the benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.
- IAS 27 (Amendment), 'Consolidated and separate financial statements', clarifies that where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'), clarifies that where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7), clarifies that where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'.
- IAS 38 (Amendment), 'Intangible assets', deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight-line method.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16), clarifies that property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.
- IAS 41 (Amendment), 'Agriculture', requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.
- IFRIC 13, 'Customer loyalty programmes'.

- IFRIC 15, 'Agreements for construction of real estates'.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised standard is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) from 1 January 2010.

- Amendments to IFRIC 9 and IAS 39 (effective from 1 July 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009). IFRIC 17 provides guidance on accounting of distribution of assets other than cash (non-cash assets) as dividends to its owners. It also clarifies the situations, when entity gives its owners a choice of receiving either non-cash assets or cash alternative. The Group will apply IFRIC 17 from 1 January 2010.

- IFRIC 18, 'Transfers of Assets from Customers' (effective from 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not

within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

Unless otherwise described above, these revised standards, amendments and interpretations are not expected to significantly affect the Group's financial statements.

Note 5: Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations 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 Note 10).

(b) Provision for impairment of other assets

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in 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 7).

(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 balance sheet date. Liabilities are recorded for profit 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 balance sheet date.

(d) Useful lives of property, plant and equipment

The estimation of the useful lives of an item 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 plan assets and pension liabilities)

Pension plan liabilities are estimated using actuarial techniques and assumptions. Actual results may differ from the estimates, and the Group's estimates can be revised in the future.

Note 6: Financial instruments and financial risk factors

6.1. 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 an approved risk policy in order to hedge its financial exposures.

(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 the RR. Hence, the Group's net exposure to foreign currency exchange risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities is minimal. 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 (the Russian Rouble). Moreover, the Group does not plan to perform activities outside of the Domestic market..

However the Group is exposed to foreign exchange risk arising from cash denominated in euro (Note 9):

Contractual foreign currency assets (in millions)	30 June 2009	31 December 2008
EUR	168	232

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

Foreign currency exchange rate	-10%	-5%	+5%	+10%
The hypothetical effect on profit / (loss)	(736)	(368)	368	736

(ii) Interest rate risk

The Group's debt financing activities expose it to interest rate risk. As at 30 June 2009, the Group has loans amounting to RR 4,000 million with international banks with a floating rate of MosPrime3M.

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

Interest rate (absolute)	-17%	-12%	-7%	+7%
The hypothetical effect on financial expenses	(680)	(480)	(280)	280

(b) Credit risk

Financial assets which potentially subject Group entities to concentrations of credit risk consist principally of trade receivables.

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 and its credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimize losses.

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

	30 June 2009	31 December 2008
CJSC Financial Settling Center (CJSC CFR)	849	625
OJSC Sverdlovenergosbyt	156	62
Municipal unitary enterprise Teploresurs, (city Kashira)		126
OJSC SUAL	149	64
OJSC Dagestanskaya energy distribution company	137	216
OJSC Permenergosbyt	98	-
OJSC Karel'skaya energy distribution company	51	-
LLC Rusenergosbyt	49	-
OJSC Tyumenskaya energy distribution company	48	51
OJSC Orenburgenergosbyt	46	-
OJSC Sevkavkazenergo	43	-
Municipal unitary enterprise UZHKH (Energetic district)	41	33
OJSC Udmurtskaya energy distribution company	38	-
OJSC Chelyabenergosbyt	33	-
OJSC Nizhnovatomenergosbyt	32	-
Municipal unitary enterprise Dobryanskaya retail company	31	27
LLC Arktik-energo	29	-
OJSC Kolskaya energy distribution company	28	14
Municipal unitary enterprise UZHKH (Izluchinsk district)	24	14
Municipal unitary enterprise UZHKH, (Verkhniy Tagil district)	20	20
OJSC Energosbytovaya company Vostoka		14
Total	**1,902**	**1,266**

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.

Maximum exposure to credit risk is equal to RR 11,843 million (see Note 10).

(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 table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 30 June 2009				
Debt and borrowings	4,105	1,826	4,097	-
Trade and other payables	2,751	1	4	8
At 31 December 2008				
Debt and borrowings	7,194	1,127	4,015*	-
Trade and other payables	2,651	1	4	8

*Although as at 31 December 2008 non-current debt in the amount RR 1,000 million was reclassified to current (see Note 2), the contractual terms for this debt have not changed.

Note 2 to these consolidated financial statements provide a discussion of the Group's financial condition at 30 June 2009 and should be read in conjunction with this note.

6.2. 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.

As at 30 June 2009, the Group was in compliance with Russian legislative requirements.

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 at 30 June 2009 and at 31 December 2008 were as follows:

	30 June 2009	31 December 2008
Total debt	8,850	10,672
Total equity	35,150	32,787
Financial leverage ratio	**25%**	**33%**

The decrease in the financial leverage ratio within the year 2009 is caused by a decrease in debt (Notes 16 and 17). The debt level and the overall financial condition of the Group are discussed in Note 2 to these consolidated financial statements.

6.3. 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.

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

Note 7: Property, plant and equipment

(a) Cost

Cost	Power equipment	Production buildings	Facilities	Substations	Hydrotechnical facilities	Electricity grids and heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2008	18,743	13,107	4,287	2,088	1,116	429	12,646	2,403	54,819
Additions	-	-	-	-	-	-	3,169	25	3,194
Transfers	8	2	107	1	-	-	(166)	48	-
Disposals	-	(1)	(802)	-	-	-	(7)	(2)	(812)
Closing balance as at 30 June 2009	18,751	13,108	3,592	2,089	1,116	429	15,642	2,474	57,201
Accumulated depreciation (including impairment)									
Opening balance as at 31 December 2008	(9,938)	(5,429)	(1,982)	(1,337)	(454)	(192)	(1,100)	(710)	(21,142)
Charge for the period	(364)	(136)	(67)	(57)	(19)	(14)	-	(177)	(834)
Disposals	-	-	40	-	-	-	-	2	42
Closing balance as at 30 June 2009	(10,302)	(5,565)	(2,009)	(1,394)	(473)	(206)	(1,100)	(885)	(21,934)
Net book value as at 30 June 2009	8,449	7,543	1,583	695	643	223	14,542	1,589	35,267

(in millions of Russian Roubles)

Cost	Power equipment	Production buildings	Facilities	Substations	Hydrotechnical facilities	Electricity grids and heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2007	19,162	13,944	4,359	2,151	1,148	428	7,403	1,680	50,275
Additions	-	45	12	3	2	23	2,676	60	2,821
Transfers	36	64	55	20	3	-	(302)	124	-
Disposals	-	(2)	(3)	-	-	-	(17)	(2)	(24)
Closing balance as at 30 June 2008	19,198	14,051	4,423	2,174	1,153	451	9,760	1,862	53,072
Accumulated depreciation (including impairment)									
Opening balance as at 31 December 2007	(9,625)	(5,704)	(1,983)	(1,257)	(431)	(180)	(1,108)	(430)	(20,718)
Charge for the period	(358)	(113)	(82)	(89)	(20)	(14)	-	(137)	(813)
Transfers	-	2	2	-	-	-	-	1	5
Closing balance as at 30 June 2008	(9,983)	(5,815)	(2,063)	(1,346)	(451)	(194)	(1,108)	(566)	(21,526)
Net book value as at 30 June 2008	9,215	8,236	2,360	828	702	257	8,652	1,296	31,546

Borrowing costs of RR 658 million for the six months ended 30 June 2009 are capitalized in the above table. A capitalization rate of 15.2% for the six months ended 30 June 2009 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 RR 1,948 million (net of VAT) and RR 2,451 million (net of VAT) as of 30 June 2009 and 31 December 2008 respectively.

Construction in progress relates primarily to the construction of new generating units at existing power stations as follows:

	30 June 2009	31 December 2008
Kashirskaya GRES	9,105	7,146
Urengoyskaya GRES	3,334	2,986
Permskaya GRES	992	839
Verkhnetagilskaya GRES	325	336
Nizhnevartovskaya GRES	541	178
Iriklinskaya GRES	241	61
Other	4	-
Total	**14,542**	**11,546**

The commissioning and subsequent operation of an additional generating unit at Kashirskaya GRES is planned for mid-year 2009. On commencement of operations, the above amount of construction in progress will transfer to other classes of Property, plant and equipment.

As discussed in Note 2, the Group had deferred further significant expenditure on the construction of additional units at Urengoyskaya GRES due to the current financial position of the Group. Management believes, however, that the Group will be successful in obtaining the necessary financing to complete construction and commence operations. Accordingly, management considers that the current amount of construction on progress to be recoverable.

The assets transferred to the Group upon the restructuring (as discussed in Note 1) did not include the land on which the Group's buildings and facilities are situated. The Group has the option to purchase this land upon application to the state registration body or to formalize the right to rent such land.

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

For the land occupied by the facilities of Kashirskaya GRES and Iriklinskaya GRES, the right for perpetual use has been registered, while the title belongs to the Russian Federation. In accordance with Russian legislation, the Group has the option to reregister the perpetual use right to a tenancy right for these lands or to acquire title for them.

(b) Impairment provision for property, plant and equipment

The carrying value of property, plant and equipment at 30 June 2009 and 31 December 2008 is stated net of an impairment loss of RR 2,204 million and 2,228 million respectively.

As described in Note 2, the operating environment of the Group has been impacted by the ongoing global financial and economic crisis ("the economic crisis"). Specifically:

- the economic crisis has resulted in capital markets instability, significant deterioration of liquidity in the Russian economy and tighter credit conditions within Russia;
- the medium-term forecast for primary economic indicators such as CPI and GDP have changed significantly;
- the decline in commodity prices, particularly, crude oil, stable gas condensate, liquefied petroleum gas, and oil products evidence lower energy demand levels ;
- the deterioration of liquidity has caused a decrease in output across a significant portion of Russian industry which has had a consequent negative impact on energy demand levels;

- OGK-1's market capitalization decreased significantly in the fourth quarter of 2008.

Given these developments, Management has assessed whether the carrying value of property, plant and equipment at 31 December 2008 is recoverable through future operations. In making this assessment, management has performed an impairment review ("the impairment test") in accordance with IAS 36 by comparing the recoverable amount of each cash generating unit to its net book value. Management considers that the individual power stations each represent a cash generating unit. 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 15.7% was applied for discounting purposes.

The Group to determine whether there is any indication of impairment at 30 June 2009. 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 six months ended 30 June 2009.

(c) Operating lease

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:

	30 June 2009	31 December 2008
Less than one year	90	102
Between one year and five years	358	405
After five years	3,941	4,451
Total	**4,389**	**4,958**

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.

(d) Finance lease

The Group leased certain equipment under finance lease agreement. At the end of the lease the Group had the option to purchase the equipment at fixed price. In 2009 the hire purchase agreement was recognized by the court as invalid. In this connection the Group had to write-off the equipment. Currently the parties are negotiating further relationship. In this connection provision for doubtful debts in the amount of RR 320 mln. was made in the financial statements as of 30.06.2009. Expenses associated with the agreement in the amount of RR 120 mln. being an integral part of the calculation are included into current expenses for the period as fuel expenses.

	30 June 2009	31 December 2008
Cost – capitalized finance leases	-	801
Accumulated depreciation	-	40
Net book amount	**-**	**761**

Note 8: Other non-current assets

	30 June 2009	31 December 2008
Pension plan assets	174	174
Software licenses	139	124
Non-current trade receivables (Net of provision for impairment of RR 44 million as at 30 June 2009 and RR 49 million as at 31 December 2008)	64	55
Non-current bank bills of exchange	63	63
Available-for-sale financial assets	53	27
Non-current value added tax recoverable	16	21
Other non-current assets	15	13
Total	**524**	**477**

Non-current trade receivables represent amounts due from consumers which according to historic conditions of contracts or restructuring terms are to be received more than one year after the reporting

date. Under restructured terms these receivables are expected to be settled in the years 2010-2026. The recorded value approximates their fair value.

Bank bills of exchange	Rating	Rating agency	30 June 2009	31 December 2008
JSC Sberbank	Baa1	Moody's	33	34
JSC CB Agropromcredit	-	-	30	29
Total			**63**	**63**

All balances denominated in RR. Despite the fact that JSC CB Agropromcredit does not have an international credit rating, management believe the bank is a reliable counterparty that has stable positions in the financial markets of the Russian Federation.

Note 9: Cash and cash equivalents

	30 June 2009	31 December 2008
Cash at bank and in hand	8,246	538
Cash equivalents	627	1,392
Total	**8,873**	**1,930**

Cash at bank	Currency	Rating	Rating agency	30 June 2009	31 December 2008
BNP Paribas	EUR	AA1	Moody's	7,210	-
Bank of Cyprus	EUR	A2	Moody's	29	27
JSC Sberbank	RR	Baa1	Moody's	200	67
JSC Alfa-Bank	RR	Ba1	Moody's	231	11
JSC Bank Alemar	RR	-	-	-	301
JSCB Peresvet (CJSC)	RR	-	-	380	99
JSCB Peresvet (CJSC)	EUR	-	-	111	-
Other	RR	-	-	85	33
Total				**8,246**	**538**

Despite the fact that JSCB Peresvet (CJSC) and JSC Bank Alemar do not have an international credit rating, management believes they are reliable counterparties.

Cash equivalents	Currency	Rating	Rating agency	30 June 2009	31 December 2008
JSC Sberbank	RR	Baa1	Moody's	625	250
BNP Paribas	EUR	AA1	Moody's	-	642
CJSC ING Bank (EURASIA)	RR	A1	Moody's	-	500
Other				2	-
Total				**627**	**1,392**

Cash equivalents include short-term bank deposits.

Note 10: Accounts receivable and prepayments

	30 June 2009	31 December 2008
Trade receivables (Net of provision for impairment of RR 566 million as at 30 June 2009 and RR 374 million as at 31 December 2008)	2,086	1,410
Value added tax recoverable	444	658
Advances to suppliers and prepayments	320	1,512
Tax prepayments	105	644
Other receivables (Net of provision for impairment of RR 321 million as at 30 June 2009 and RR 2 million as at 31 December 2008)	150	153
Total	**3,105**	**4,377**

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 and other receivables are provided for. The movement of the provision is shown in the table below:

	Six months ended	
	30 June 2009	30 June 2008
As at 1 January	376	249
Accrued provision	511	24
Reversal of provision	-	(9)
As at 30 June	**887**	**264**

As at 30 June 2009, trade and other receivables of RR 600 million (31 December 2008: RR 478 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	30 June 2009	31 December 2008
Less than 3 months	258	78
3 to 6 months	181	57
6 to 12 months	38	250
More than 12 months	123	93
Total	**600**	**478**

The Group does not hold any collateral as security.

The total amount of financial assets as at 30 June 2009 comprises RR 11,843 million (as at 31 December 2008: RR 10,371 million) and includes current and non-current bills of exchange, bank deposits (Note 8 and Note 13), trade and other receivables (except for value added tax recoverable, tax prepayments and advances to suppliers (Note 8 and Note 10), available-for-sale financial assets (Note 8), loan issued (Note 12) and cash and cash equivalents.

Note 11: Inventories

	30 June 2009	31 December 2008
Fuel production stock	1,257	1,670
Materials and supplies	1,187	1,015
Other inventories	20	21
Total	**2,464**	**2,706**

The above inventory balances are recorded net of an obsolescence provision of RR 30 million and RR 31 million as at 30 June 2009 and 31 December 2008, respectively.

As at 30 June 2009 and 31 December 2008, the inventory balances did not include any inventories which were pledged as collateral according to loan agreements.

Note 12: Loans issued

	Rating	Rating agency	30 June 2009	31 December 2008
TNK-BP International Ltd	Baa2	Moody's	-	6,543
Total			**-**	**6,543**

Note 13: Other current assets

	30 June 2009	31 December 2008
Bank deposits (effective interest rate of 12.1%-12.8%, maturity in 2010)	375	-
Bank bills of exchange (effective interest rate of 8-12.45%%, maturity in 2009-2010)	179	190
Other	-	10
Total	**554**	**200**

Bank deposits	Rating	Rating agency	30 June 2009	31 December 2008
JSC Sberbank	Baa1	Moody's	375	-
Total			**375**	**-**

Bank bills of exchange	Rating	Rating agency	30 June 2009	31 December 2008
JSC Sberbank	Baa1	Moody's	132	41
JSC Evrofinance Mosnarbank	Ba3	Moody's	47	149
Total			**179**	**190**

Note 14: Equity

(a) *Share capital*

(Number of shares unless otherwise stated)	30 June 2009	31 December 2008
Issued shares	44,643,192,918	44,643,192,918
Par value (in RR)	0.57478	0.57478

(b) *Treasury shares*

As at 30 June 2009, the number of treasury shares amounted to 15,831,017 comprising 0.035% of issued shares.

(c) *Merger reserve*

The difference as at 1 January 2008 of RR 6,869 million between the value of share capital issued and the IFRS carrying values of the contributed assets has been recorded as a merger reserve within equity.

(d) *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. The statutory accounting reports are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

Within 2009 and 2008 the Group did not pay dividends.

Note 15: Profit tax

(a) *Profit tax charge*

	Six months ended	
	30 June 2009	30 June 2008
Current profit tax charge	(410)	(269)
Deferred profit tax (charge) / benefit	(52)	(64)
Total profit tax charge	**(462)**	**(333)**

During 2009, Group entities were subject to 10, 15.5 or 20 percent profit tax rate on taxable profits. The 10% profit tax rate was applied to NVGRES Holding Ltd. due to Cyprus tax law. The 15.5% profit tax rate was applied to Permskaya GRES due to local state tax relief.

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

	Six months ended	
	30 June 2009	30 June 2008
Profit before profit tax	**2,394**	**624**
Theoretical profit tax charge using the appropriate statutory tax rate of 10, 15.5 or 20 percent (During 2008: 10, 20 or 24 percent)	(455)	(143)
Effect from submitting amended tax declarations	48	-
Tax effect of items which are not deductible or assessable for taxation purposes	(55)	(190)
Total profit tax charge	**(462)**	**(333)**

(b) Deferred profit tax

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred profit tax assets and liabilities are measured at 15.5 or 20 percent, the rate expected to be applicable when the assets or liabilities will reverse.

	30 June 2009	Movements for the year recognized in profit or loss	31 December 2008
Deferred profit tax liabilities	**(2,957)**	**9**	**(2,966)**
Property, plant and equipment	(2,223)	69	(2,292)
Trade receivables	(25)	16	(41)
Investments in joint venture	(671)	(75)	(596)
Other	(38)	(1)	(37)
Deferred profit tax assets	**91**	**(61)**	**152**
Non-current debt	-	(49)	49
Current debt	-	(32)	32
Other	91	20	71
Deferred profit tax liabilities, net	***(2,866)***	***(52)***	***(2,814)***

On 31 December 2008 the Group recognized 25% of the deferred tax liability in respect of the temporary difference associated with the Group's investment in NVGRES Holding Ltd. The Group did not recognise a deferred tax liability in respect of the remaining temporary difference associated with the Group's investment in the joint venture because the reversal of the difference is within the control of the Group. As at 30 June 2009, the total amount of such unrecognized deferred tax liabilities ranges between zero and approximately RR 1,344 million depending on how the difference could reverse.

	30 June 2008	Movements for the year recognized in profit or loss	31 December 2007
Deferred profit tax liabilities	**(3,141)**	**(58)**	**(3,083)**
Property, plant and equipment	(2,984)	59	(3,043)
Trade receivables	(119)	(88)	(31)
Other	(38)	(29)	(9)
Deferred profit tax assets	**187**	**(6)**	**193**
Non-current debt	84	(20)	104
Current debt	40	2	38
Other	63	12	51
Deferred profit tax liabilities, net	***(2,954)***	***(64)***	***(2,890)***

Note 16: Non-current debt

Name of creditor	Currency	Due	Effective interest rate	30 June 2009	31 December 2008
CJSC ING BANK (EURASIA)	RR	2011-2013	MosPrime3M + 2.60%	1,500	1,500
CJSC ING BANK (EURASIA)	RR	2010-2012	MosPrime3M + 1.75%	1,500	1,500
Vnesheconombank	RR	2010-2013	15%	1,300	-
CJSC Commerzbank	RR	2010-2012	MosPrime3M + 1.80%	1,000	-
Finance lease liability	RR	2009-2010		-	522
Total non-current debt				**5,300**	**3,522**
Less: current portion of finance lease liability				-	(206)
Total				**5,300**	**3,316**

No property was pledged as collateral for long-term debt.

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

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

Gross finance lease liabilities – minimum lease payments	30 June 2009	31 December 2008
No later than 1 year	-	240
Later than 1 year and no later than 5 years	-	325
Total	-	**565**
Future finance charges on finance leases	-	(43)
Present value of finance lease liabilities	-	**522**

The present value of finance lease liabilities is as follows	30 June 2009	31 December 2008
No later than 1 year	-	206
Later than 1 year and no later than 5 years	-	316
Total	-	**522**

Note 17: Current debt and current portion of non-current debt

Name of creditor	Currency	Effective interest rate	30 June 2009	31 December 2008
OJSC Sberbank RF	RR	11.25% – 14.00%	2,400	3,100
INTER RAO	RR	14.25%	700	-
CJSC Commerzbank	RR	9.40%	450	2,050
CJSC Commerzbank	RR	MosPrime3M + 1.8%	-	1,000
CJSC UniCredit Bank	RR	20.83% – 25.50%	-	500
JSC Evrofinance Mosnarbank	RR	19.00%	-	250
CJSC International Industrial Bank	RR	18.00%	-	250
Current portion of finance lease liability			-	206
Total			**3,550**	**7,356**

As at 31 December 2008, the Group has made certain reclassification of non-current debts to current debts (Note 2).

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

Note 18: Accounts payable and accrued charges

	30 June 2009	31 December 2008
Trade payables	1,936	1,916
Dividends payable	5	5
Accrued liabilities and other creditors	810	730
Total	**2,751**	**2,651**

Trade payables are classified as financial liabilities. The total amount of liabilities as at 30 June 2009 comprises RR 11,601million (as at 31 December 2008: RR 13,323 million) and includes, besides trade payables, non-current debt (see Note 16) and current debt (see Note 17).

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

Note 19: Taxes payable

	30 June 2009	31 December 2008
Water tax	245	301
Value added tax	240	72
Property tax	97	93
Profit tax	61	31
Unified social tax	35	29
Other taxes	66	34
Total	**744**	**560**

Note 20: Revenues

	Six months ended	
	30 June 2009	30 June 2008
Electric power	16,887	19,466
Capacity	5,800	4,801
Heating	317	312
Other	255	199
Total	**23,259**	**24,778**

Note 21: Operating expenses

	Six months ended	
	30 June 2009	30 June 2008
Raw materials and consumables used, comprising	10,354	12,650
Fuel expenses	*10,059*	*12,394*
Other materials	*295*	*256*
Purchased electric power and capacity for resale	4,680	5,488
Employee benefit expenses and payroll taxes	2,231	2,069
Third parties services, including:	1,564	1,685
Repairs and maintenance	*490*	*538*
Commission fees	*420*	*368*
Consulting, legal and information expenses	*124*	*313*
Security expenses	*145*	*109*
Rent expenses	*70*	*100*
Transportation expenses	*44*	*68*
Insurance expenses	*51*	*52*
Telecommunication services	*28*	*20*
Other	*192*	*117*
Taxes other than profit tax	718	970
Water usage expenses	55	-
Depreciation of property, plant and equipment	834	813
Loss / (on disposals of property, plant and equipment	(136)	17
Social charges	43	74
Impairment of accounts receivable	511	15
(Reversal) / charge of write-off of inventories to net realisable value	(1)	8
Other expenses	170	233
Total	**21,023**	**24,022**

Note 22: Finance income / (costs)

	Six months ended	
	30 June 2009	30 June 2008
Interest expense	(140)	(108)
Finance lease expense	-	(27)
Foreign exchange gain	2	-
Interest income	290	-
Effect of discounting of long-term accounts receivable/payable	6	3
Total	**158**	**(132)**

Note 23: Earnings per ordinary share for profit attributable to the shareholders of JSC OGK-1 basic and diluted (in RR)

	Six months ended	
	30 June 2009	30 June 2008
Weighted average number of ordinary shares issued and outstanding (million of shares)	44,627	44,631
Profit attributable to the shareholders of JSC OGK-1 (million of RR)	1,932	291
Weighted average earnings per share – basic and diluted (in RR)	**0.043**	**0.007**

Note 24: Interest in joint venture

The Group held 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 control is jointly exercised. The following amounts represent the Group's 75% share of the assets and liabilities, and sales and results of the joint venture. They are included in the statement of financial position and statement of comprehensive income:

	30 June 2009	31 December 2008
Assets:		
Non-current assets	5,645	5,455
Current assets	8,710	7,691
Total assets	**14,355**	**13,146**
Liabilities:		
Non-current liabilities	373	373
Current liabilities	437	244
Total liabilities	**810**	**617**
Net assets	**13,545**	**12,529**

	Six months ended	
	30 June 2009	30 June 2008
Income	4,067	-
Expenses	(3,050)	-
Profit for the period	**1,017**	-
Proportionate interest in joint venture's commitments	**641**	-

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

Note 25: Commitments

(a) Fuel commitments

The Group has long-term contracts with subsidiaries of OJSC Gazprom for guaranteed gas supplies for the period from 2008 to 2012. Pricing under these contracts is regulated by the Federal Tariffs Service.

Additional gas volumes are purchased through short-term agreements from independent gas suppliers, such as JSC Uralsevergas, JSC NOVATEK, LLC Gasenergoprom and subsidiaries of OJSC Gazprom and/or on a electronic communication system of LLC Mezhregiongas at unregulated (by Federal Tariffs Service) prices.

(b) Capital commitments

Future capital expenditures for which contracts have been signed amounted to RR 28,494 million at 30 June 2009 (at 31 December 2008: RR 28,961 million).

Note 26: Contingencies

(a) Operating environment

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group.

(b) 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 are not applicable, which have not been insured or are covered by standard exclusions under insurance contracts.

(c) Legal proceedings

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

(d) 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 preceeding the year of review. Under certain circumstances review may cover longer periods.

As at 30 June 2009, 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 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.

(e) Environmental matters

The Group is primarily made up of a number of generating plans that have operated in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving as is the enforcement posture of Government authorities. 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.

(f) Investments

In 2009 the Group deferred further significant expenditures to construction UGRES. Management believes that the construction will be completed and funding will be raised.

(g) TNK-BP Call Option

On 15 February 2008 JSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station, to finance and construct a third unit at that power station with a capacity of 800 MW. According to the Agreement, JSC 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 third unit passes the performance tests. As the exercise price under this option is expected to be equal to fair value at the date of exercise, there is no fair value attributed to the option.

Note 27: 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 in reporting periods ended 30 June 2009 and 30 June 2009 or had significant balances at 30 June 2009 and at 31 December 2008 are detailed below.

(a) Parent company

As at 30 June 2009 the principal shareholders that can exercise significant influence over the Group's activity are FGC (40.2%) and RusHydro (21.7%). Both entities are owned by the Government of the Russian Federation which is the ultimate controlling party of the Company.

The Group had the following significant transactions with FGC and RusHydro for the six months ended 30 June 2009 and had the following outstanding balances as at 30 June 2009 and as at 31 December 2008.

Transactions with RusHydro were as follows:

	Six months ended 30 June 2009
Electric power and capacity revenues	65

Balances with RusHydro were as follows:

	30 June 2009	31 December 2008
Accounts payable	112	110

Transactions with FGC were as follows:

	Six months ended 30 June 2009
Other revenues	3

Balances with FGC were as follows:

	30 June 2009	31 December 2008
Accounts receivable	2	-
Accounts payable	203	203

Before 30 June 2008, the Group was under control of RAO UES which owned 91.7% ordinary shares of JSC OGK-1.

The Group had the following significant transactions with RAO UES and its subsidiaries for the six months ended 30 June 2008.

Transactions with RAO UES and its subsidiaries were as follows:

	Six months ended 30 June 2008
Electric power and capacity revenues	11,797
Other expenses	87

(b) CJSC Financial Settling Center (CJSC CFR)

Effective July 2006, one of the Company's employees held key management positions in both JSC OGK-1 and CJSC CFR. Accordingly, CJSC CFR is considered to be a related party.

Transactions with CJSC CFR were as follows:

	Six months ended	
	30 June 2009	30 June 2008
Electric power and capacity revenues	6,767	8,645
Electric power and capacity purchases	4,652	5,455

Balances with CJSC CFR were as follows:

	30 June 2009	31 December 2008
Accounts receivable	849	625
Accounts payable	508	314

(c) Group KVARC

Before 30 June 2008, certain members of the Board of Directors held key management positions in both JSC OGK-1 and LLC Management Company KVARC. LLC Management Company KVARC is the parent company of JSC PermGRESenergoremont, JSC PermGRESelektroremont and CJSC KVARC – West Siberia. Accordingly, LLC Management Company KVARC and its subsidiaries are considered to be related parties.

Transactions with LLC Management Company KVARC and its subsidiaries were as follows:

	Six months ended 30 June 2008
Other revenues	8
Other expenses	172

(d) 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 had the following significant transactions with other state-controlled entities:

	Six months ended	
	30 June 2009	30 June 2008
Electric power and capacity revenues	2,758	-
Heating revenues	180	222
Other revenues	20	16
Fuel expenses	5,472	6,041

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

	30 June 2009	31 December 2008
Accounts receivable	868	894
Accounts payable and accruals	76	80
Current debt	2,400	3,100
Non-current debt	1,300	-
Other non current assets	10	9

Tax balances are disclosed in the statement of financial position and Notes 15 and 19. Tax transactions are disclosed in profit or loss of the statement of comprehensive income and Notes 15 and 21.

(e) Directors' compensation

Key management personnel (the members of the Board of Directors and the Management Board of JSC 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 then 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:

	Six months ended	
	30 June 2009	30 June 2008
Short-term compensations, including salary and bonuses	35	106
Remuneration for attending the Board meetings	7	37

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

Note 28. Events after the balance-sheet date

At the annual general meeting of shareholders of JSC OGK-1 it was decided to delegate the authorities of sole executive body of JSC OGK-1 to the management company JSC INTER RAO UES.

On the 6th of July 2009 statement of transfer and acceptance of seal and documentation of JSC OGK-1 was signed in accordance with the agreement to delegate the authorities of sole executive body of JSC OGK-1 to the management company.