WGC-3 GROUP
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2009

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Independent Auditors' Report

To the Board of Directors of Open Joint Stock Company Third Generating Company of the Wholesale Electricity Market (OJSC WGC-3)

We have audited the accompanying consolidated financial statements of OJSC WGC-3 (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 were audited by other auditors whose report dated 17 April 2009 expressed an unmodified opinion on those statements.

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16 April 2010

WGC-3 Group
Consolidated Statement of Financial Position as at 31 December 2009
(in thousands of Russian Roubles)

	Notes	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	5	38 160 994	29 287 313
Intangible assets	6	60 630	52 024
Investments in equity accounted investees	7	14 023 501	16 304 562
Other non-current assets	8	275 107	158 032
Total non-current assets		**52 520 232**	**45 801 931**
Current assets			
Inventories	9	1 887 763	2 855 914
Accounts receivable and prepayments	10	4 176 544	4 673 983
Deposits and other financial assets	11	8 893	37 352 940
Financial assets at fair value through profit or loss	12	-	1 237 095
Current income tax prepayments		471 730	34 088
Cash and cash equivalents	13	51 145 845	13 438 834
Assets held for sale	14	958 291	-
Total current assets		**58 649 066**	**59 592 854**
TOTAL ASSETS		**111 169 298**	**105 394 785**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	47 487 999	47 487 999
Share premium		63 136 744	63 228 766
Treasury shares	15	(7 947 303)	(8 046 714)
Other reserves		(8 238 245)	(8 355 872)
Retained earnings		10 394 863	6 098 800
Total equity		**104 834 058**	**100 412 979**
Non-current liabilities			
Deferred tax liabilities	16	2 306 969	1 920 885
Employee benefits	17	272 615	207 934
Other non-current liabilities		-	15 749
Total non-current liabilities		**2 579 584**	**2 144 568**
Current liabilities			
Accounts payable and accruals	18	2 017 411	1 605 952
Provisions	19	114 095	148 090
Taxes payable	20	1 624 150	1 083 196
Total current liabilities		**3 755 656**	**2 837 238**
Total liabilities		**6 335 240**	**4 981 806**
TOTAL EQUITY AND LIABILITIES		**111 169 298**	**105 394 785**

General Director — Vladimir Kolmogorov

Chief Financial Officer — Andrey Gainanov

16 April 2010

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set on pages 9 to 37

(in thousands of Russian Roubles)

	Notes	For year ended 31 December 2009	For the year ended 31 December 2008
Revenue			
Electricity		38 372 274	37 496 029
Heat		766 078	669 655
Other		258 628	258 211
Gross revenue		**39 396 980**	**38 423 895**
Operating expenses	21	(37 349 838)	(35 656 717)
Impairment loss in respect of property, plant and equipment reversed/(recognized) during the year	5	1 950 373	(1 342 114)
Other operating income	22	329 372	356 769
Results from operating activities		**4 326 887**	**1 781 833**
Income from investing activities	23	3 095 801	5 907 662
Loss on investing activities	24	(186 891)	(980 932)
Finance (costs)/ income	25	(20 283)	4 590
Foreign exchange (loss)/gain		(710 355)	1 384 067
Share of (loss)/profit of equity accounted investees	7	(1 234 760)	355 446
Profit before income tax		**5 270 399**	**8 452 666**
Income tax expense	16	(974 336)	(1 731 861)
Profit for the year		**4 296 063**	**6 720 805**
Other comprehensive income			
Foreign currency translation differences for foreign operations	7	98 282	-
Net change in fair value of available-for-sale financial assets		48 752	(43 120)
Income tax on other comprehensive income	16	(29 407)	10 448
Other comprehensive income for the year, net of income tax		**117 627**	**(32 672)**
Total comprehensive income for the year		**4 413 690**	**6 688 133**
Earnings per share, basic and diluted (in RR per share)	26	**0.094**	**0.147**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set on pages 9 to 37

(in thousands of Russian Roubles)

	Notes	For year ended 31 December 2009	For year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**5 270 399**	**8 452 666**
Adjustments for:			
Depreciation and amortization	21	1 687 248	1 282 642
Bad debt allowance and write-off of accounts receivable	10,21	183 932	132 245
Income from investing activities	23	(1 524 341)	(180 934)
Loss on investing activities	24	186 891	980 932
Finance costs/(income)	25	20 283	(4 590)
Interest income	23	(1 571 460)	(5 726 728)
Foreign exchange loss/(gain)		710 355	(1 384 067)
(Gain)/loss on disposal of property, plant and equipment		(39 424)	80 649
Impairment loss in respect of property, plant and equipment (reversed)/recognized during the year	5	(1 950 373)	1 342 114
Share of losses/(earnings) of equity accounted investees		1 234 760	(355 446)
Other non-cash items		8 993	183 745
Operating cash flows before working capital changes and income tax paid		**4 217 263**	**4 803 228**
Working capital changes:			
Increase in accounts receivable and prepayments		(605 963)	(848 185)
Decrease/(increase) in inventories		998 891	(594 842)
Decrease in other assets		1 761	16 478
Increase/(decrease) in accounts payable and accruals		183 254	(388 676)
Increase in taxes payable, other than income tax		858 942	40 683
Increase in other non-current liabilities		47 820	46 997
Income tax paid, net of refund		(1 373 288)	(1 889 840)
Net cash from operating activities		**4 328 680**	**1 185 843**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(8 935 066)	(7 713 878)
Purchase of intangible assets	6	(22 962)	(58 265)
Deposited to banks		40 430 865	19 310 993
Short-term investments held to maturity		-	19 000 000
Proceeds from sale of property, plant and equipment and other non-current assets		36 229	26 745
WGC-3 Holding affiliation		-	278
Purchases of investments		(209 941)	(18 752 228)
Proceeds from sale of investments		2 966 380	874 366
Loans and borrowings issued		-	1 660
Interest received		2 935 297	5 167 400
Net cash from investing activities		**37 200 802**	**17 857 071**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		-	5 006 529
Repayment of debt		-	(5 006 529)
Interest paid		-	(10 216)
Sale/(purchase) of treasury shares		7 389	(8 122 944)
Dividends paid to the Company's shareholders		-	(228 180)
Dividend paid to minority interests		(5 418)	(17 867)
Net cash generated from/(used in) financing activities		**1 971**	**(8 379 207)**
Effect of exchange rate changes on cash and cash equivalents		(3 824 442)	592 767
Net increase in cash and cash equivalents		**37 707 011**	**11 256 474**
Cash and cash equivalents at the beginning of the year		**13 438 834**	**2 182 360**
Cash and cash equivalents at the end of the year	13	**51 145 845**	**13 438 834**

WGC-3 Group
Consolidated Statement of Changes in Equity for the year ended 31 December 2009
(in thousands of Russian Roubles)

	Attributable to equity holders of the Company					
	Share capital	**Share Premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2009	**47 487 999**	**63 228 766**	**(8 046 714)**	**(8 355 872)**	**6 098 800**	**100 412 979**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4 296 063	4 296 063
Other comprehensive income						
Net change in fair value of available-for-sale investments, net of tax	-	-	-	39 002	-	39 002
Foreign currency translation differences for foreign operations	-	-	-	78 625	-	78 625
Total other comprehensive income	**-**	**-**	**-**	117 627	-	117 627
Total comprehensive income for the year	**-**	**-**	**-**	**117 627**	**4 296 063**	**4 413 690**
Transactions with owners, recorded directly in equity						
Sale of treasury shares (Note 15)	-	(92 022)	99 411	-	-	7 389
Total transactions with owners	**-**	**(92 022)**	**99 411**	**-**	**-**	**7 389**
Balance at 31 December 2009	**47 487 999**	**63 136 744**	**(7 947 303)**	**(8 238 245)**	**10 394 863**	**104 834 058**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set on pages 9 to 37

(in thousands of Russian Roubles)

	Attributable to equity holders of the Company					
	Share capital	**Share Premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2008	**47 487 999**	**63 228 766**	**-**	**(8 323 200)**	**(323 064)**	**102 070 501**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	6 720 805	6 720 805
Other comprehensive income						
Net change in fair value of available-for-sale investments, net of tax	-	-	-	(32 672)	-	(32 672)
Total other comprehensive income	**-**	**-**	**-**	(32 672)	**-**	**(32 672)**
Total comprehensive income for the year	**-**	**-**	**-**	**(32 672)**	**6 720 805**	**6 688 133**
Transactions with owners, recorded directly in equity						
Purchase of treasury shares	-	-	(8 122 944)	-	-	(8 122 944)
Conversion of treasury shares			76 230		(76 230)	-
Merging with OJSC “WGC-3 Holding”	**-**	**-**	-	-	112 193	112 193
Dividends declared	**-**	**-**	**-**	-	(334 904)	(334 904)
Total transactions with owners	**-**	**-**	**(8 046 714)**	**-**	**(298 941)**	**(8 345 655)**
Balance at 31 December 2008	**47 487 999**	**63 228 766**	**(8 046 714)**	**(8 355 872)**	**6 098 800**	**100 412 979**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set on pages 9 to 37

1 The Group and its operations

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

Branches. The WGC-3 Group (the "Group") operates 6 state district power plants (SDPP) and its principal activity is electricity and heat generation. These SDPPs are incorporated as production branches. The Group's principal branches as at 31 December 2009 are Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP, and Gusinooserskaya SDPP.

Subsidiaries. The Company has 16 subsidiaries which are service and heating retail companies and operate in the regions where power plants are situated. All subsidiaries are 100% controlled and their income is mainly generated by intra-group operations.

Principal shareholders. As at 31 December 2009 the Company's ultimate controlling party is the Group "MMC "Norilsk Nickel" (77.87% of shares). The rest of the shares are held by individual and nominee holders (22.13%).

The Company is registered by the District Inspectorate of the RF Ministry of Taxation of Republic of Buryatiya. The Company's office is located at bld. 25, Ermolaevsky lane, Moscow, 123001, Russia.

Operating environment. The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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

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

As described in Notes 2, 28 and 29, the government's economic, social and other policies could have material effects on the operations of the Group.

2 Basis of preparation

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

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

Basis of measurement The consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments, investments at fair value through profit or loss, financial investments classified as available-for-sale are stated at fair value.

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

Changes in accounting policies and presentation. Starting as at 1 January 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments;
- Presentation of financial statements.

Determination and presentation of operating segments. Starting 1 January 2009 the Group determines and presents operating segments based on the information that is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented in Note 3.

Presentation of financial statements. The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as at 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

New financial reporting standards and Interpretations not yet adopted. The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have an impact on Group's consolidated financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010. The Group has not yet analyzed the likely impact of the improvements on its financial position or performance.

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 judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments 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:

Bad debt allowance and write-off of accounts receivable. Bad debt allowance and write-off of accounts receivable is based on the Group's assessment of whether the collectability of specific customer accounts worsened compared to prior estimates. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

Impairment of tangible and intangible assets, excluding goodwill. At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost to sell and value-in-use. 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 which the estimates of the future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the consolidated statement of comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognized in prior periods. A reversal of an impairment loss is recognized in the consolidated statement of comprehensive income immediately.

Critical assumptions that were made for the purposes of impairment test of property, plant and equipment are described in Note 5.

Critical assumptions that were made for the Investment in associates are described in Note 7.

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

3 Summary of significant accounting policies

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

A) Subsidiaries
The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group balances, transactions and any unrealized profits or losses arising from intra-group transactions are eliminated in full on consolidation.

B) Associates
An associate is an entity over which the Group exercises significant influence, but not control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for the Group's the share of post-acquisition changes in associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified.

The results of associates are equity accounted for based on their most recent financial statements. Losses of associates are recorded in the consolidated interim financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

(in thousands of Russian Roubles)

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates.

Assets held for sale. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale. Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Foreign currency

Foreign currency transactions. Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the balance sheet date, are translated into RR at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.
As at 31 December 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 30.2442: USD 1.00 (31 December 2008: RR 29.3804: USD 1.00), between the RR and EURO RR 43.3883: EURO 1.00 (31 December 2008: RR 41.4411: EURO 1.00).

Foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rouble at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to rouble at exchange rates at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR.

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

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

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

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

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Electricity and heat generation	4-63	25 -50
Electricity distribution	7-30	30
Heating networks	4-22	25
Other	8	10

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

Inventories. Inventories are valued at the lower of net realizable value and weighted average acquisition cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

Financial assets. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets are required. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss. Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.
A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing in the near future; or
- it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

(b) Loans and accounts receivable. Loans and accounts receivable 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.

(c) Held-to-maturity financial assets. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and accounts receivable originated by the Group.

(d) *Available-for-sale financial assets.* Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets mainly include investments in listed and unlisted shares. Listed shares held by the Group that are traded in an active market are stated at their market value. Gains and losses arising from changes in fair value are recognized in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in the consolidated statement of comprehensive income for the period. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income when the Group’s right to receive the dividends is established. Investments in unlisted shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at management’s estimate of fair value.

Leases. Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value or present value of future minimum lease payments at the date of acquisition, with the related lease obligation recognised at the same value. Assets held under finance leases are depreciated over their estimated economic useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the period of expected use is useful life of the asset.

Finance lease payments are allocated using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the related lease obligation to the lessor.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Equity.

(a) Ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(b) Repurchase of share capital (treasury shares). When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from share premium.

(c) 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.

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Type of intangible assets	Useful lives (in years)
Computer software	1-5
Licenses	1-5

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with maturities of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value added taxes. Trade 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 a bad debt allowance and write-off of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the accounts receivable. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers at the date of origination of the accounts receivable. The primary factors that the Group considers whether a receivable is impaired is its overdue status and reliability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Value added tax on purchases and sales. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the accounts receivable 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. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of accounts receivable, the impairment loss is recorded for the gross amount of the debtor, including VAT.

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

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

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

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

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

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

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

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

(b) Non-financial assets. The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

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 that cannot be tested individually 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 groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Employee 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 has also operated a combination of defined benefit and defined contribution plans until December 2007, in respect of which it had contracts with a non-governmental pension fund. The Board of Directors at their meeting of 28 December 2007 has taken the decision to curtail the defined benefit part of the plan which affected the liability recognized in the statement of financial position. The defined benefit pension plans are no longer included in calculation of the liability, but the Group offers various post-employment, long-term and jubilee benefits to its employees which are of a defined benefit nature. The defined benefit obligations and costs are assessed using the projected unit credit method. The present value of the obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits associated with the operations of the plan will be paid, and that have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses arising from changes in actuarial estimations and exceeding 10% of the obligations are charged or credited to the statement of operations over the average remaining service lives of employees starting from the next reporting period.

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

Environmental obligations. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

Revenue recognition. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer of electricity and heat or non-utility goods and services. Revenue is measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services sold/provided. Revenue is stated net of value added tax.

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

Interest. Interest income and expense are recognized in the statement of comprehensive income for all debt instruments on an accrual basis using the effective rate of interest method. Interest income includes nominal interest and amortized discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

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

Earnings per share. The earnings per share are determined by dividing the profit from continuing operations attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Segment reporting. The Group has a single reportable segment - the generation of electric power and heat in the Russian Federation as the management does not review profit measures for SDPPs or any other components in order to make a decision about allocation of resources. The generation of electricity and heat are related activities and are subject to similar risks and returns, therefore they are reported as one business segment. The Group generates its revenues from the generation of electricity and heat in the Russian Federation. The Group holds assets in the same geographical area – the

(in thousands of Russian Roubles)

Russian Federation. For the year ended 31 December 2009 the Group has revenues of RR 13,574,283 thousand from transactions with a single external customer.

Seasonality. Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, although less intense, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

4 Related parties

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the period ended 31 December 2009 and during the period ended 31 December 2008 or had significant balances outstanding at 31 December 2009 and at 31 December 2008 are detailed below.

Parent and parent's subsidiaries

The Group had the following significant transactions with the Group “MMC “Norilsk Nickel”:

	For year ended 31 December 2009	For year ended 31 December 2008
Sale of “MMC “Norilsk Nickel” shares	2 966 380	-
Purchases	909 049	888 674
Loans and borrowings issued	-	1 500
Loans and borrowings repaid	-	(1 500)

The Group had no balances with the parent or its subsidiaries as at 31 December 2009 and 31 December 2008.

Rosbank

	31 December 2009	31 December 2008
Cash	-	11 681
Deposits	-	12 352 940

From February 2009 Rosbank is no longer a related party of the Group. The interests income on deposits and promissory notes for the years ended 31 December 2009 and 2008, amounted to RR 99 576 thousand and RR 2 075 161 thousand respectively.

Transactions with key management and close family members

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the period ended 31 December 2009 was RR 197 935 thousand (for the period ended 31 December 2008 – RR 109 186 thousand).

During 2008 the Group gave an interest-bearing loan to the Chairman of the Management Board in the amount of RR 17 168 thousand which has a current value of RR 1 075 thousand at 31 December 2009. In the reporting period no loans were given by the Group to its key management and close family members.

(in thousands of Russian Roubles)

5 Property, plant and equipment

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2008	**30 461 018**	**4 005 865**	**951 295**	**10 583 504**	**7 541 753**	**53 543 435**
Additions	48 005	-	6 484	8 582 298	4 783	8 641 570
Transfers	477 335	83 396	19 960	(1 054 150)	473 459	-
Disposals	(10 573)	(926)	-	(22 550)	(86 948)	(120 997)
Closing balance as at 31 December 2009	**30 975 785**	**4 088 335**	**977 739**	**18 089 102**	**7 933 047**	**62 064 008**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2008	**(14 972 531)**	**(2 796 226)**	**(524 067)**	**(104 038)**	**(5 859 260)**	**(24 256 122)**
Charge for the year	(1 079 086)	(93 879)	(40 789)	-	(459 138)	(1 672 892)
Transfers	(4 448)	(439)	-	18 669	(13 782)	-
Disposals	5 209	839	-	124	69 455	75 627
Reversal of impairment	1 604 791	154 855	32 580	85 245	72 902	1 950 373
Closing balance as at 31 December 2009	**(14 446 065)**	**(2 734 850)**	**(532 276)**	**-**	**(6 189 823)**	**(23 903 014)**
Net book value as at 31 December 2009	**16 529 720**	**1 353 485**	**445 463**	**18 089 102**	**1 743 224**	**38 160 994**
Net book value as at 31 December 2008	**15 488 487**	**1 209 639**	**427 228**	**10 479 466**	**1 682 493**	**29 287 313**

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2007	**29 924 692**	**3 913 271**	**936 803**	**4 612 152**	**6 986 418**	**46 373 336**
Additions	46 349	163	-	7 199 007	141 166	7 386 685
Transfers	498 406	97 198	14 492	(1 057 928)	447 832	-
Disposals	(8 429)	(4 767)	-	(169 727)	(33 663)	(216 586)
Closing balance as at 31 December 2008	**30 461 018**	**4 005 865**	**951 295**	**10 583 504**	**7 541 753**	**53 543 435**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2007	**(12 915 607)**	**(2 567 037)**	**(522 213)**	**(123 469)**	**(5 546 484)**	**(21 674 810)**
Charge for the year	(926 419)	(69 265)	(11 722)	-	(268 475)	(1 275 881)
Transfers	(8 010)	-	-	14 688	(6 678)	-
Disposals	3 042	4 024	-	4 743	24 874	36 683
Impairment charge	(1 699 046)	(163 948)	(35 974)	-	(62 497)	(1 961 465)
Reversal of impairment	573 509	-	45 842	-	-	619 351
Closing balance as at 31 December 2008	**(14 972 531)**	**(2 796 226)**	**(524 067)**	**(104 038)**	**(5 859 260)**	**(24 256 122)**
Net book value as at 31 December 2008	**15 488 487**	**1 209 639**	**427 228**	**10 479 466**	**1 682 493**	**29 287 313**
Net book value as at 31 December 2007	**17 009 085**	**1 346 234**	**414 590**	**4 488 683**	**1 439 934**	**24 698 526**

At 31 December 2009 construction in progress includes advance prepayments for property, plant and equipment of RR 12 300 111 thousand (31 December 2008: RR 6 735 659 thousand).

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated. The Group has the right to purchase this land (except for the land at Moscow) upon application to the state registration body or to formalize the right for rent after the right expiry date, which is 1 January 2012.

(in thousands of Russian Roubles)

Impairment

The impairment provision included in accumulated depreciation balance as at 31 December 2009, 31 December 2008 and 31 December 2007 is RR 113 895 thousand, RR 2 069 339 thousand and RR 849 806 thousand, accordingly.

As a result of impairment test performed as at 31 December 2008, management recognized net impairment loss of RR 1 342 114 thousand including recognition of impairment loss at Gusinooserskaya SDPP in the amount of RR 1 961 466 thousand, which was partially offset by reversal of previously recognized impairment loss at Pechorskaya SDPP in the amount of RR 619 351 thousand.

As at 31 December 2009 the Group performed impairment test in accordance with IAS 36 by comparing the recoverable amount of the each cash generating unit to its net book value. Management considered that power stations (SDPP), being the company's branches, represent cash generating units (CGU). The recoverable amount was determined based on value in use, calculated by discounting the estimated future cash flows using following assumptions:

- *Regulated electricity tariffs* annual increase was estimated by the management as set by Federal Tariff Service (FTS) and Regional Energy Committees (REC) for each power plant for 2010. Management assumed that the electricity tariffs will increase at the growth rate of fuel costs for the whole forecasted period;
- *The regulated capacity payments* set for 2010 were assumed to increase at the rate equal to the inflation level as measured by the consumer price index (CPI) for the whole forecasted period;
- *Unregulated Electricity Wholesale Price.* Management assumed that unregulated wholesale prices would increase in line with the growth in fuel costs for a marginal plant in the region;
- *Free-market capacity price* growth was assumed in line with general inflation as measured by CPI and the base price calculated in accordance with methodology developed by Market Administrator;
- *Gas, coal and fuel oil prices* assumed to grow in line with the rates by the "Agency of electricity balances forecasts";
- *Electricity volumes on unregulated market* changes were assumed based on electricity demand change in the particular region and forecast of capacity commissioning and decommissioning (committed and started as at the date of the impairment test);
- *Weighted average cost of capital* of 12.7% was applied for discounting future operating cash flows generated by the Group for all cash generating units;
- *The forecasted period* was set till the year 2020 and growth rate of 3.5% for terminal value calculation.

As a result of the analysis, management reversed previously recognized impairment loss in the total amount of RR 1 950 373 thousand related to Gusinooserskaya SDPP in the amount of RR 1 842 622 thousand and Pechorskaya SDPP in the amount of RR 107 751 thousand due to sustained improvement of the above key assumptions compared to prior year assessment.

Management estimated the sensitivity of CGUs recoverable amounts to the 1% change in the WACC as a key assumption on which management has based its determination of CGU value-in-use and summarized the results below:

	WACC - 1 percent point	WACC +1 percent point
CGU	Value in use deviation, %	
Gusinoozerskaya SDPP	20%	-16%
Kostromskaya SDPP	15%	-12%
Pechorskaya SDPP	16%	-12%
Kharanorskaya SDPP	15%	-12%
Cherepetskaya SDPP	20%	-16%
Yuzhnouralskaya SDPP	24%	-19%

If WACC was 1 percent point higher or lower with all other variables held constant neither additional impairment reversal nor loss would have been recognized.

(in thousands of Russian Roubles)

Operating leases

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

Non-cancellable operating lease rentals are payable as follows:

	31 December 2009	31 December 2008
Not later than one year	23 382	34 609
Later than one year and not later than five years	83 328	37 065
Later than five years	760 458	132 369
Total	**867 168**	**204 043**

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

6 Intangible assets

Cost	**Computer software**	**Licenses**	**Total**
Balance at 1 January 2009	39 298	18 967	58 265
Additions	21 665	1 297	22 962
Balance at 31 December 2009	60 963	20 264	81 227
Amortisation			
Balance at 1 January 2009	(5 882)	(359)	(6 241)
Amortisation for the year	(13 292)	(1 064)	(14 356)
Balance at 31 December 2009	(19 174)	(1 423)	(20 597)
Carrying amounts			
At 1 January 2009	**33 416**	**18 608**	**52 024**
At 31 December 2009	**41 789**	**18 841**	**60 630**

7 Investments in equity accounted investees

Equity investments in associated company accounted for using the equity method are presented by investment in RUSIA Petroleum and Plug Power and are as follows:

	RUSIA Petroleum	Plug Power	Total
Balance at 1 January 2009	15 015 219	1 289 343	16 304 562
Share of post-acquisition losses	(991 718)	(243 042)	(1 234 760)
Foreign currency translation differences for foreign operations	-	98 282	98 282
Transferred to asset held for sale	-	(1 144 583)	(1 144 583)
Balance at 31 December 2009	**14 023 501**	**-**	**14 023 501**

(in thousands of Russian Roubles)

The following is summarized financial information for equity accounted investees, not adjusted for percentage ownership held by the Group:

Name of associate	Market value	Carrying value of investment	Total assets	Total liabilities	Sales	Loss
Year ended 31 December 2009						
RUSIA Petroleum (i)	n/a	14 023 501	32 453 748	15 518 052	17 374	(1 301 642)
Plug Power (ii)	-	-	-	-	194 364	(703 471)

(i) RUSIA Petroleum. On 20 October 2008 the Group acquired 25% (minus one share) of OJSC RUSIA Petroleum Company (RUSIA Petroleum) from Jarford Enterprises Inc for RR 15 060 290 thousand paid in cash. The notional goodwill arising on acquisition of RUSIA Petroleum comprised RR 9 789 577 thousand and is attributable to expected business synergies and future benefits. RUSIA Petroleum holds license for Kovyktinskoe gas condensate field, one of the most strategically important fields in Russia.

Share of post-acquisition losses of RUSIA Petroleum is mainly attributable to a write-off of the licence on exploration of Khandinskoe field for search and valuation of oil and gas deposits expired in 2008.

(ii) Plug Power. On 20 December 2008 the Group acquired 34.97% of Plug Power, which is listed on NASDAQ, from Smart Hydrogen Inc for RR 888 826 thousand paid in cash. Plug Power is operating in the field of development, production and exploitation of energetic assembly on the basis of hydrogen fuel elements. On 30 June 2009 investment in Plug Power was classified as asset held for sale (see Note 14).

8 Other non-current assets

	31 December 2009	31 December 2008
Available-for-sale investments	142 221	93 448
Accounts receivable	123 977	60 211
Value added tax	7 515	1 218
Other non-current assets	1 394	3 155
Total	**275 107**	**158 032**

The carrying amount of Group's other non-current assets approximates their fair value.

The available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of other categories of financial assets. The available-for-sale financial assets mainly comprise marketable and non-marketable securities.

Gain arising from changes in fair value of RR 48 752 thousand during the year ended 31 December 2009 was recognized in other comprehensive income.

9 Inventories

	31 December 2009	31 December 2008
Fuel supplies	1 336 940	2 196 938
Materials and supplies	257 274	258 134
Other inventories	293 549	400 842
Total	**1 887 763**	**2 855 914**

The above inventory balances are recorded net of an obsolescence provision of RR 130 718 thousand and RR 184 592 thousand as at 31 December 2009 and 31 December 2008 respectively.

(in thousands of Russian Roubles)

10 Accounts receivable and prepayments

	31 December 2009	31 December 2008
Trade accounts receivable (net of impairment provision for accounts receivable of RR 609 453 thousand as at 31 December 2009 and RR 537 639 thousand as at 31 December 2008)	1 995 261	1 566 451
Advances to suppliers (net of impairment provision for advances to suppliers of RR 68 744 thousand as at 31 December 2009 and RR 66 111 thousand as at 31 December 2008)	1 022 983	824 327
Value added tax recoverable	769 340	260 900
Interest and other accounts receivable (net of impairment provision for other accounts receivable of RR 239 665 thousand as at 31 December 2009 and RR 365 102 thousand as at 31 December 2008)	388 960	2 022 305
Total	**4 176 544**	**4 673 983**

The foreign exchange gain from accounts receivable comprised RR 27 742 thousand during the year ended 31 December 2009 (during the year ended 31 December 2008: nil).

11 Deposits and other financial assets

Name of bank	Currency	Type	Interest rate, %	31 December 2009	31 December 2008 (foreign currency)	31 December 2008
VTB Bank	RR	Deposit	8.00-9.35	7 500	-	25 000 000
Rosbank	USD	Deposit	9.00-9.25	-	283 897	8 341 004
Rosbank	EUR	Deposit	9.25	-	60 614	2 511 936
Rosbank	RR	Deposit	8.50-10.50	-	-	1 500 000
Sberbank	RR	Promissory notes	8.50-8.60	1 393	-	-
Total				**8 893**		**37 352 940**

As at 31 December 2009 cash held in deposits amounted to RR 8 893 thousand. All deposits are nominated in Russian Rouble. According to OJSC “Sberbank” contracts the deposit repayment can be exercised at any time at three days notice. In accordance with the OJSC “VTB Bank” contract the Group is required not to demand a refund of all or part of deposits prior to maturity date. Deposit periods are from three to nine months and interest rates are fixed for a certain period.

For the year ended 31 December 2009 interest income on deposits and promissory notes amounted to RR 1 617 974 thousand (for the year ended 31 December 2008: RR 5 580 385 thousand).

The Group’s deposits in banks and other financial assets are short-term and their carrying amount approximates fair value.

The foreign exchange gain from deposits and other financial assets comprised RR 3 086 818 thousand for the year ended 31 December 2009 (for the year ended 31 December 2008: RR 913 933 thousand).

12 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise marketable securities held for trading that are a part of an identified portfolio of financial instruments that are under the trust management and has a recent actual pattern of short-term profit-taking.

As at 1 January 2009 financial assets at fair value through profit or loss comprised ordinary shares of OJSC “MMC “Norilsk Nickel” in the amount of RR 1 237 095 thousand. During 2009 under the Trust Asset Management agreement with CJSC “Troika Dialog” the Group purchased 160 000 shares of OJSC “MMC “Norilsk Nickel”. Subsequently ordinary shares of OJSC “MMC “Norilsk Nickel” were sold to “MMC “Norilsk Nickel” group entities.

	Type of security	Amount	Carrying value
At 1 January 2009	Ordinary shares	628 302	1 237 095
Purchases	Ordinary shares	160 000	209 940
Sales	Ordinary shares	(788 302)	(1 447 035)
At 31 December 2009		-	-

(in thousands of Russian Roubles)

The Group recognized gain on disposal of these shares in the amount of RR 1 519 344 thousand as income from investing activities (see Note 23).

13 Cash and cash equivalents

	31 December 2009		31 December 2008	
	RUR'000	**Foreign currency ' 000**	**RUR'000**	**Foreign currency ' 000**
Cash nominated in:				
RUR	6 346 506	-	2 764 189	-
USD	538 775	17 814	10 477	357
EUR	15 337	354	223	5
GBR	111	2	222	5
Term deposits with original maturity of less than three months:				
USD	24 069 582	795 841	10 654 723	362 147
EUR	20 175 534	464 999	-	-
RUR	-	-	9 000	-
Total	**51 145 845**		**13 438 834**	

For the year ended 31 December 2009 the foreign exchange loss from cash equivalents and transactions with cash comprised RR 3 824 442 thousand (for the year ended 31 December 2008: gain of RR 592 767 thousand).

Subsequently to 31 December 2009, Russian Rouble appreciated against Euro and US dollar. For sensitivity analysis please refer Note 29.

14 Assets held for sale

Investment in associated company Plug Power, Inc. is presented as held for sale (please refer to Note 7) following the decision of the Group's management, approved on 28 May 2009, to sell shares in Plug Power. Efforts to sell the Plug Power shares have commenced, and a sale is expected by 30 June 2010. Plug Power shares valued at lower of carrying amount (RR 1 144 583 thousand) and market price (RR 958 291 thousand). Impairment loss of RR 186 292 thousand was recognized during the year (Note 24).

15 Equity

Share capital *(Number of shares unless otherwise stated)*	**Ordinary shares 31 December 2009**	**Ordinary shares 31 December 2008**
Issued shares	47 487 999 252	47 487 999 252
Par value (in RR)	1.00	1.00

Treasury shares. On 20 February 2009 the Group sold 24 594 460 treasury ordinary shares out of 1 990 775 278 treasury ordinary shares for RR 7 389 thousand resulting in decrease in share premium of RR 92 022 thousand.

Dividends. In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

On 26 June 2008 the Annual General Meeting approved the proposal to pay dividends in respect of the year ended 31 December 2007 in the amount of RR 0.007364 per ordinary share totalling RR 334 904 thousand. These dividends are deducted from equity at 31 December 2008. The unpaid amount of RR 95 329 thousand is recognized as a liability at 31 December 2009. The Company neither declared nor paid dividends for the year ended 31 December 2008.

(in thousands of Russian Roubles)

16 Income tax

Income tax expense	For year ended 31 December 2009	For year ended 31 December 2008
Current income tax expense	**(617 659)**	**(2 585 056)**
Deferred income tax (expense)/benefit	**(356 677)**	**853 195**
Deferred income tax benefit before tax rate recalculation	-	469 118
Effect of tax recalculation due to the rate change to 20%	-	384 077
Total income tax expense	**(974 336)**	**(1 731 861)**

During the year ended 31 December 2009 the Group entities were subject to the 20% income tax rate on taxable profits (during the year ended 31 December 2008: 24%). With effect from 1 January 2009 the income tax rate for Russian companies has been reduced to 20%. This rate was used for the calculation of the deferred tax assets and liabilities for the year ended 31 December 2008.

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

	For year ended 31 December 2009	For year ended 31 December 2008
Profit before tax	5 270 399	8 452 666
Theoretical income tax	(1 054 080)	(2 028 640)
Unrecognised deferred tax asset on share in losses of associates	(198 343)	-
Effect of change in Russian statutory income tax rate to 20%	-	384 077
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible sponsorship expenses	(172 599)	-
Taxes overprovided in prior years	615 203	-
Effect of changes in provisions	6 309	(1 894)
Effect of changes in pension liabilities	(12 936)	(13 881)
Other non-deductible and non-taxable items, net	(157 890)	(71 523)
Total income tax expense	**(974 336)**	**(1 731 861)**

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. At 31 December 2009 deferred tax assets and liabilities are measured at 20%, the rate applicable when the temporary differences will reverse.

Deferred tax liabilities

	31 December 2008	Movement for the year recognized in profit or loss	Movement for the year recognized in the statement of comprehensive income	31 December 2009
Property, plant and equipment	(2 094 467)	(299 393)	-	(2 393 860)
Foreign currency translation differences	-	-	(19 657)	(19 657)
Investments in associates	(80 103)	80 103	-	-
Accounts payable	(1 205)	1 205	-	-
Other	(500)	500	-	-
Total	**(2 176 275)**	**(217 585)**	**(19 657)**	**(2 413 517)**

(in thousands of Russian Roubles)

Deferred tax assets

	31 December 2008	Movement for the year recognized in profit or loss	Movement for the year recognized in the statement of comprehensive income	31 December 2009
Accounts payable	46 666	17 849	-	64 515
Inventories	8 476	9 386	-	17 862
Accounts receivable including provision for impairment	5 729	6 617	-	12 346
Long-term available-for-sale investments	21 435	(5 624)	(9 750)	6 061
Assets held for sale	-	5 764	-	5 764
Financial assets at fair value through profit or loss	173 084	(173 084)	-	-
Total	**255 390**	**(139 092)**	**(9 750)**	**106 548**
Net deferred tax liabilities	**(1 920 885)**	**(356 677)**	**(29 407)**	**(2 306 969)**

Deferred tax assets have not been recognised in respect of share in losses of associates because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Deferred tax liabilities

	31 December 2007	Movement for the year recognized in profit or loss	Movement for the year recognized in the statement of comprehensive income	Effect of change in Russian statutory income tax rate to 20%	31 December 2008
Property, plant and equipment	(2 824 670)	311 310	-	418 893	(2 094 467)
Accounts payable	(254)	(1 192)	-	241	(1 205)
Investments in associates	-	(96 124)	-	16 021	(80 103)
Other	(10 948)	-	10 448	-	(500)
Total	**(2 835 872)**	**213 994**	**10 448**	**435 155**	**(2 176 275)**

Deferred tax assets

	31 December 2007	Movement for the year recognized in profit or loss	Movement for the year recognized in the statement of comprehensive income	Effect of change in Russian statutory income tax rate to 20%	31 December 2008
Accounts receivable including provision for impairment	12 318	(5 443)	-	(1 146)	5 729
Accounts payable	21 602	34 397	-	(9 333)	46 666
Inventories	17 223	(7 052)	-	(1 695)	8 476
Financial assets at fair value through profit or loss	-	207 701	-	(34 617)	173 084
Long-term available-for-sale investments	-	25 722	-	(4 287)	21 435
Other	201	(201)	-	-	-
Total	**51 344**	**255 124**	**-**	**(51 078)**	**255 390**
Net deferred tax liabilities	**(2 784 528)**	**469 118**	**10 448**	**384 077**	**(1 920 885)**

(in thousands of Russian Roubles)

17 Employee benefits

Until December 2007 the Group had a defined benefit pension plan, which was curtailed according to the decision taken at the Board of Directors meeting held on 28 December 2007 (see Note 3).

The Group also provides various long-term and post employment benefits including lump sum payments upon retirement and jubilee benefits to active employees and others. Additionally the Group provides quarterly financial support payments of a defined benefit nature to its former employees, who have reached the age of the state old age pension.

Amounts recognized in the consolidated statement of financial position:

	31 December 2009	31 December 2008
Defined benefit obligations	**425 602**	**368 244**
Funded status	425 602	368 244
Unrecognized net actuarial loss	(51 516)	(47 565)
Unrecognized past service cost	(101 470)	(112 745)
Net liability in statement of financial position	**272 615**	**207 934**

Amounts recognized in the consolidated statement of comprehensive income:

	For year ended 31 December 2009	For year ended 31 December 2008
Immediate recognition of vested prior service cost	(17 834)	42 176
Interest cost	33 684	18 871
Current service cost	29 823	18 483
Amortization of past service cost	11 275	5 256
Settlement gain	-	(3 763)
Recognized actuarial (gain)/loss	25 511	(7 280)
Total	**82 459**	**73 743**

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

	For year ended 31 December 2009	For year ended 31 December 2008
Defined benefit obligations at the beginning of the year	368 244	278 729
Past service (credit)/ cost	(17 834)	121 236
Interest cost	33 684	18 871
Current service cost	29 823	18 483
Actuarial loss/ (gain)	29 462	(46 502)
Benefits paid	(17 778)	(15 907)
Curtailment	-	(6 666)
Defined benefit obligations at the end of the year	**425 601**	**368 244**

Principal actuarial estimations are as follows:

	31 December 2009	31 December 2008
Discount rate	9.00	9.00
Salary increase	8.00	10.24
Financial support benefits increase	6.50	6.00
Inflation	6.50	5.00

Reconciliation of the statement of financial position:

	31 December 2009	31 December 2008
Net liability at the beginning of the year	207 934	150 098
Net expense recognised in the statement of comprehensive income	82 459	73 743
Benefits paid	(17 778)	(15 907)
Net liability at the end of the year	**272 615**	**207 934**

(in thousands of Russian Roubles)

Experience adjustments:

	For year ended 31 December 2009	For year ended 31 December 2008
Present value of defined benefit obligations	425 602	368 244
Deficit in plan	425 602	368 244
Losses arising from experience adjustments on plan liabilities	(43 920)	(5 255)

Sensitivity of defined benefit obligation to changes in assumptions:

	Increase	Effect on DBO 2009
Discount	+1.00%	-8,30%
Salary growth	+1.00%	4,70%

18 Accounts payable and accruals

	31 December 2009	31 December 2008
Trade accounts payable	1 270 153	1 068 828
Accrued liabilities and other accounts payable	611 594	419 874
Dividends payable	95 329	100 885
Advances from customers	40 335	16 365
Total	**2 017 411**	**1 605 952**

The foreign exchange loss from accounts payable and accruals comprised RR 473 thousand during the year ended 31 December 2009 (during the year ended 31 December 2008: RR 122 633 thousand).

19 Provisions

Movements in provision for liability and charges are as follows:

	Note	Tax Risks	Legal claims	Total
At 1 January 2009		**40 043**	**108 047**	**148 090**
Additions charged to profit or loss	21	-	7 727	7 727
Provision usage		-	(2 470)	(2 470)
Reversal of provision	21	(1 375)	(37 877)	(39 252)
At 31 December 2009		**38 668**	**75 427**	**114 095**

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

Tax risks. Management assessed, based on their interpretation of the relevant tax legislation that it is probable that certain tax positions taken by the Group would not be sustained, if challenged by the tax authorities. Accordingly, the Group created provisions for the associated unassessed taxes and the related penalties and interest.

Legal claims. Reversal of provision for legal claims relates to the redemption of claims brought against the Group referred to repayment of cash for joint liability with other counterparty for foregone expenses. The balance at 31 December 2009 is expected to be utilised within a year. In the management' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

(in thousands of Russian Roubles)

20 Taxes payable

	31 December 2009	31 December 2008
Value added tax	1 195 697	304 728
Income tax	163 191	481 179
Water usage tax	128 901	169 474
Property tax	70 615	71 305
Unified social tax	21 954	22 852
Land tax	18 994	8 268
Other taxes	24 798	25 390
Total	**1 624 150**	**1 083 196**

21 Operating expenses

	Notes	For year ended 31 December 2009	For year ended 31 December 2008
Fuel		(16 380 669)	(16 801 252)
Purchased electricity		(9 279 500)	(8 753 191)
Employee benefits		(3 927 744)	(3 423 459)
Depreciation and amortization	5, 6	(1 687 248)	(1 282 642)
Taxes other than income tax		(903 012)	(1 072 141)
Sponsorship expenses		(862 993)	-
Raw materials and supplies		(739 050)	(731 068)
Transmission fees		(699 223)	(575 794)
Transportation of gas		(625 663)	(984 323)
Repairs and maintenance		(582 255)	(657 285)
Security services		(184 925)	(171 567)
Change in impairment provision for accounts receivable		(183 932)	(132 245)
Non-recoverable VAT		(172 432)	(19 737)
Consulting, legal and audit services		(148 854)	(96 392)
Water usage expenses		(130 846)	(43 011)
Rent		(83 159)	(64 873)
Charity expenses		(60 464)	(20 672)
Insurance cost		(58 036)	(52 843)
Transportation services		(56 863)	(60 842)
Social overhead costs		(49 046)	(52 748)
Safety arrangement costs		(45 155)	(40 993)
Telecommunication services		(39 119)	(35 158)
Annual general shareholders meeting expense		(26 099)	(1 485)
Business trip expenses		(25 015)	(27 891)
Write-down of inventories		(23 134)	(67 104)
Loss on disposal of inventories		(16 511)	(39 778)
Bank services		(8 431)	(11 298)
Loss on disposal of property, plant and equipment		-	(80 649)
Change in provisions	19	31 525	(15 668)
Other expenses		(381 985)	(340 608)
Total operating expenses		**(37 349 838)**	**(35 656 717)**

Employee benefits expenses comprise the following:

	For year ended 31 December 2009	For year ended 31 December 2008
Salaries and wages, payroll taxes	(3 718 754)	(3 261 065)
Financial aid to employees and pensioners	(141 095)	(103 269)
Non-governmental pension fund and DB plan expenses	(67 895)	(59 125)
Employee benefits	**(3 927 744)**	**(3 423 459)**

(in thousands of Russian Roubles)

22 Other operating income

	For year ended 31 December 2009	For year ended 31 December 2008
Reimbursement of losses on capacity supply agreement	107 359	47 031
Reversal of inventory impairment provision	53 874	-
Surplus of assets	46 673	-
Gain on disposal of property, plant and equipment	39 424	-
Fines, penalties and legal proceedings	33 200	18 590
VAT refund	31 100	246 680
Accounts payable write off	4 011	18 993
Other operating income	13 731	25 475
Total	**329 372**	**356 769**

23 Income from investing activities

	Notes	For year ended 31 December 2009	For year ended 31 December 2008
Interest income on bank deposits		1 525 961	3 962 411
Interest income on promissory notes		-	1 598 089
Gain on disposal of financial assets at fair value through profit or loss	12	1 519 344	178 213
Interest income on bank account contracts		45 414	165 613
Interest income on loans		85	615
Other		4 997	2 721
Total		**3 095 801**	**5 907 662**

24 Loss on investing activities

	Notes	For year ended 31 December 2009	For year ended 31 December 2008
Impairment of asset held for sale	14	(186 292)	-
Impairment of available-for-sale investments		(599)	(107 172)
Impairment of financial assets at fair value through profit or loss		-	(865 421)
Net loss from disposal of promissory notes		-	(8 339)
Total		**(186 891)**	**(980 932)**

25 Finance (costs) / income

	For year ended 31 December 2009	For year ended 31 December 2008
Discounting effect	(19 171)	19 190
Interest expense	(1 112)	(14 600)
Total	**(20 283)**	**4 590**

26 Earnings per share

	For year ended 31 December 2009	For year ended 31 December 2008
Profit attributable to the shareholders of JSC WGC-3 (thousands of RR)	4 296 063	6 720 805
Weighted average number of ordinary shares issued (thousands of shares)	45 518 388	45 734 880
Earnings per share, basic and diluted (in RR per share)	**0.094**	**0.147**

27 Commitments

Fuel commitments. The Group has a number of outstanding contracts to purchase natural gas and coal. The volume of gas supplied by Gazprom at regulated tariffs is subject to pre-agreed limits. Such limits are typically less than SDPPs require for their generating operations, and any gas required in excess of those limits may only be obtained at non-regulated prices, either from Gazprom or an independent producer. The gas industry is highly regulated by the Russian government, which regularly increases prices for natural gas supplied by Gazprom. In contrast to gas, coal prices are not regulated.

The following long-term contracts on delivery of gas for the needs of production were concluded by the Group:

- Kostromskaya SDPP – for delivery of gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC “Gazprom” – LLC “Kostromaregiongas”; for delivery of over-limited gas for the term of 5 years (2007-2011) with OJSC “Novatek”
- Pechorskaya SDPP – for delivery of gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC “Gazprom” – LLC “Komiregiongas”
- Yuzhnouralskaya SDPP – for delivery of gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC “Gazprom” – LLC “Chelyabinskregiongas”; for delivery of over-limited gas for the term of 5 years (2007-2011) with OJSC “Novatek”.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 45 952 895 thousand at 31 December 2009 (at 31 December 2008: RR 6 849 582 thousand).

The Group is planning to fulfil its capital commitments in accordance with investment program.

28 Contingencies

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

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

Legal proceedings. The Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding and not provided for which, upon final disposition, will have a material adverse effect on the financial position of the Group.

Tax contingencies. Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular the way of accounting for tax purposes of tariff imbalance, water tax, deductibility of certain expenses and property received in the course of reorganisation. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances review may cover longer periods.

As at 31 December 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 reorganisation 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 reorganisation and reform process.

(in thousands of Russian Roubles)

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

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

29 Financial instruments and financial risks

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

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

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

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The bad debt allowance and write-off of accounts receivable are therefore calculated based on analysis of collectability.

Investments. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a reliable credit rating. Management does not expect any counterparty to fail to meet its obligations. The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening.

Exposure to credit risk

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

Narrative	Rating	Rating agency	Currency	31 December 2009	31 December 2008
Accounts receivable					
CJSC Center of financial settlements	unrated	-	RUR	831 331	610 963
OJSC Komienergo energy retail company	unrated	-	RUR	570 252	315 878
OJSC Energosbyt Rostovenergo energy retail company	unrated	-	RUR	120 975	-
OJSC Tyumenskaya energy retail company	unrated	-	RUR	32 605	-
OJSC Tverskaya energy retail company	unrated	-	RUR	23 520	-
OJSC Chelyabergosbyt energy retail company	unrated	-	RUR	22 098	48 567
LTD Rusenrgoresurs	unrated	-	RUR	14 199	278
OJSC Nignovatomergosbyt energy retail company	unrated	-	RUR	11 148	4 343
OJSC Sverdlovergosbyt energy retail company	unrated	-	RUR	8 743	-
OJSC Kirovergosbyt energy retail company	unrated	-	RUR	8 103	-
Other trade accounts receivable				352 287	586 422
Other accounts receivable				388 960	2 022 305
Total accounts receivable				**2 384 221**	**3 588 756**

(in thousands of Russian Roubles)

Narrative	Rating	Rating agency	Currency	31 December 2009	31 December 2008
Deposits and other financial assets					
VTB	BBB/negative/A-3	S&P	RUR	7 500	25 000 000
Rosbank	BB+/negative/B	S&P	USD		8 341 004
Rosbank	BB+/negative/B	S&P	EUR		2 511 936
Rosbank	BB+/negative/B	S&P	RUR		1 500 000
Alfabank	B+/stable/B	S&P	RUR		-
Gazprombank	BB/stable/B	S&P	RUR		-
Sberbank	BBB/stable	Fitch	RUR	1 393	-
Total deposits and other financial assets				**8 893**	**37 352 940**
Cash and cash equivalents					
VTB	BBB/negative/A-3	S&P	RUR	3 102	-
VTB	BBB/negative/A-3	S&P	USD	22	10 654 723
VTB	BBB/negative/A-3	S&P	EUR	20 187 005	
Sberbank	BBB/stable	Fitch	RUR	6 222 845	673 539
Sberbank	BBB/stable	Fitch	USD	24 606 541	-
Sberbank	BBB/stable	Fitch	EUR	3 648	-
Rosbank	BB+/negative/B	S&P	RUR	13 222	11 681
Gazprombank	BB/stable/B	S&P	RURI	-	2 039 032
Gazprombank	BB/stable/B	S&P	USD	1 794	10 477
Gazprombank	BB/stable/B	S&P	EUR	218	223
Gazprombank	BB/stable/B	S&P	GBP	111	222
Transcreditbank	BB/stable/B	S&P	RUR	11 214	-
Eurofinance Mosnarbank	BBB/RW Positive	Fitch	RUR	6 451	-
Alfabank	B+/stable/B	S&P	RUR	80 896	-
Other	n/a	n/a	RUR	8 776	48 937
Total cash and cash equivalents				**51 145 845**	**13 438 834**

Impairment losses

The aging of accounts receivable at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	3 405 442	-	4 523 866	-
Past due 0-180 days	610 282	(108 329)	158 990	(51 628)
Past due 181-365 days	304 106	(109 942)	80 556	(37 801)
Past due more than 365 days	774 576	(699 591)	879 423	(879 423)
Total	**5 094 406**	**(917 862)**	**5 642 835**	**(968 852)**

Movement of the impairment provision is shown in the table below:

	For year ended 31 December 2009	For year ended 31 December 2008
As at 1 January	968 852	848 116
Usage of provision	(234 921)	(11 509)
Reversal of provision	(281)	(42 688)
Accrued provision	184 212	174 933
As at 31 December	**917 862**	**968 852**

(in thousands of Russian Roubles)

Management has determined the impairment provision and write-off of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows.

The Group has the following overdue balances of accounts receivable which are not considered impaired as at 31 December 2009:

Overdue period	For year ended 31 December 2009	For year ended 31 December 2008
Less than 180 days	501 953	107 362
More than 180 days but less than 365 days	194 164	42 755
Over 365 days	74 985	-
As at 31 December	**771 102**	**150 117**

Management believes that Group entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value of accounts receivable approximates their fair value.

Guarantees received

Guaranties received as at 31 December 2009 for projecting, supply and construction agreements relate to energy unit construction of 3 225 MW at Kharanorskaya SDPP and 2 225 MW at Chrepetskaya SDPP, construction of the Power complex Yugnouralskaya SDPP-2 and reconstruction and power unit restoration №4 at Gusinoozerskaya SDPP:

Guarantor	Creditor	№/Date of credit contract	Maturity date	№/Date of guarantee contract	Amount Currency EUR	Amount Equivalent in RR
OJSC VTB	CJSC "Enegiya-servise"	01-ОРиИ-0884-09 от 10.09.09	14.02.12	14077/1 от 18.09.09	-	839 363
OJSC Rosbank	CJSC "Energoproject"-“Centerenergoproject”	01-НСХГРЭС-0360-08 от 31.03.08	01.05.11	бг-544/08 от 07.05.08	-	1 143 540
OJSC Rosbank	CJSC "Energoproject"-“Centerenergoproject”	01-НСХГРЭС-0360-08 от 31.03.08	31.05.11	БГ-712/08 от 19.05.08	-	304 350
OJSC Alfabank	CJSC "Atomstroyexport"	01-НСЮГРЭС-1017-09 от 16.10.09	31.10.12	46345 от 06.11.09	-	102 070
OJSC Alfabank	CJSC "Atomstroyexport"	01-НСЮГРЭС-1017-09 от 16.10.09	31.10.12	46346 от 06.11.09	38 432 432	1 659 885
OJSC Alfabank	CJSC "Atomstroyexport"	01-НСЮГРЭС-1017-09 от 16.10.09	28.11.14	46352 от 09.11.09	-	1 183 275
OJSC Alfabank	CJSC "Atomstroyexport"	01-НСЮГРЭС-1017-09 от 16.10.09	28.11.14	46353 от 09.11.09	17 441 146	752 721
OJSC VTB	OJSC "Technopromexport"	5304782500/01-НСЧГРЭС-1141-08 от 14.11.08	03.08.13	IGR09/MSHD/5489 от 29.09.09	-	1 862 504
OJSC VTB	OJSC "Technopromexport"	5304782500/01-НСЧГРЭС-1141-08 от 14.11.08	03.05.13	IGR09/MSHD/5766 от 02.10.09	-	1 241 669
OJSC VTB	OJSC "Technopromexport"	5304782500/01-НСЧГРЭС-1141-08 от 14.11.08	03.11.13	IGR09/MSHD/5767 от 02.10.09	-	1 241 669
OJSC VTB	OJSC "Technopromexport"	5304782500/01-НСЧГРЭС-1141-08 от 14.11.08	03.08.13	IGR09/MSHD/5768 от 02.10.09	-	3 725 008
OJSC Gazpronbank	OJSC "Technopromexport"	5304782500/01-НСЧГРЭС-1141-08 от 14.11.08	03.08.13	№ 099ГТ/09-Р от 29.10.09	-	1 552 087
Total					**55 873 578**	**15 608 142**

Collateral received

Collateral received as at 31 December 2009 for projecting, supply and construction agreements relate to energy unit construction № 3 225 MW at Kharanorskaya SDPP

Pledger	Pledgee	№/Date of credit contract	Maturity date	№ /Date of pledge agreement	Currency	Amount
OJSC "Energoproject"	OJSC "WGC-3"	01-НСХГРЭС-0360-08 от 31.03.08	16.05.2011	01-НСХГРЭС-0511-08 от 23.05.08	RUR	538 395
OJSC "Energoproject"	OJSC "WGC-3"	01-НСХГРЭС-0360-08 от 31.03.08	16.05.2011	01-НСХГРЭС-0637-08 от 27.06.08	RUR	128 197
OJSC "Energoproject"	OJSC "WGC-3"	01-НСХГРЭС-0360-08 от 31.03.08	16.05.2011	01-НСХГРЭС-0559-08 от 07.06.08	RUR	93 559
Total						**760 151**

Interest rate risk. The Group's operating profits and cash flows from operating activities are largely not dependent on the changes in market interest rates. At 31 December 2009 the Group has significant short-term interest-bearing assets. The interest rates on these assets are fixed; these are disclosed in Note 11. They are not exposed to significant interest rate risk through market value fluctuations as the interest-bearing assets are short-term.

The Group has no interest-bearing short-term borrowings exposed to interest rate risk through market value fluctuations.

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

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

However the Group is exposed to foreign exchange risk arising from deposit balances (see note 12) and liabilities denominated in US dollars and Euro. Foreign currency contracts are presented below:

Contractual foreign currency obligations	31 December 2009
EUR	136 285
USD	150

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

In thousands of Russian Roubles	At 31 December 2009 Impact on profit or loss
US Dollar strengthening by 10%	2 406 958
US Dollar weakening by 10%	(2 406 958)
Euro strengthening by 10%	2 017 553
Euro weakening by 10%	(2 017 553)

The exposure was calculated only for cash equivalent balances denominated in currencies other than the functional currency of the respective entity of the Group.

Other price risk. The Group has limited exposure to equity price risk. Transactions in equity products are monitored and authorized by the Board of Directors.

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

(in thousands of Russian Roubles)

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

Narrative	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Trade and other accounts payable	1 977 076	-	-	-
At 31 December 2008				
Trade and other accounts payable	1 589 587	-	-	-

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

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

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings shown in the consolidated statement of financial position less cash and cash equivalents. Total capital is calculated as equity, shown in the consolidated statement of financial position, plus net debt.

Taking into consideration the absence of borrowings as at 31 December 2009 and the significant amount of short-term bank deposits the Group is not exposed to the capital risk at 31 December 2009.

Financial instruments by category. For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and accounts receivable; (b) available-for-sale financial assets; (c) held-to-maturity financial assets; (d) financial assets at fair value through profit or loss ("FVTPL"). The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2009 and 31 December 2008:

	Loans and accounts receivable	Held- to- maturity financial assets	Financial assets at fair value through profit or loss	Available-for-sale financial assets
31 December 2009				
Assets as per statement of financial position				
Deposits and other financial assets	8 893	-	-	-
Accounts receivable	2 384 221	-	-	-
Other non-current assets	123 977	-	-	142 221
Total	**2 517 091**	**-**	**-**	**142 221**

	Loans and accounts receivable	Held- to- maturity financial assets	Financial assets at fair value through profit or loss	Available-for-sale financial assets
31 December 2008				
Assets as per statement of financial position				
Deposits and other financial assets	37 352 940	-	-	-
Accounts receivable	3 588 756	-	-	-
Financial assets at fair value through profit or loss	-	-	1 237 095	-
Other non-current assets	60 211	-	-	93 448
Total	**41 001 907**	**-**	**1 237 095**	**93 448**

Fair value of financial instruments. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets at fair value through profit or loss and available-for-sale investments are recognised in the statement of financial position at their fair value. Fair values were determined based on quoted market prices except for insignificant investment securities available-for-sale for which there were no available external independent market price quotations.

The carrying value less impairment provision for trade receivables is assumed to approximate their fair values due to their short-term nature.

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

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