

OJSC MOESK
Consolidated Interim Condensed Financial
Information for the six months ended
30 June 2010 (unaudited)

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Independent Auditors' Report

To the management of OJSC MOESK

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC MOESK (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of selected explanatory notes (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2010 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

17 December 2010

OJSC MOESK
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2010

	30 June 2010	31 December 2009
Note	'000 RUB (unaudited)	'000 RUB (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	179 234 088	177 111 224
Intangible assets	67 403	95 514
Long-term investments	468 747	-
Other non-current assets	19 041 903	28 116 833
Total non-current assets	198 812 141	205 323 571
Current assets		
Inventories	1 943 606	2 199 534
Income tax receivable	16 612	692 508
Trade and other receivables	21 647 738	13 119 819
Short-term investments	-	2 500 000
Cash and cash equivalents	2 715 903	5 094 383
Total current assets	26 323 859	23 606 244
Total assets	225 136 000	228 929 815

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 19 and with the consolidated financial statements for the year ended 31 December 2009.

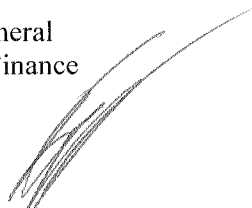
OJSC MOESK
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2010

	30 June 2010	31 December 2009
Note	'000 RUB (unaudited)	'000 RUB (restated)
EQUITY AND LIABILITIES		
Equity	8	
Share capital	24 353 546	24 353 546
Additional paid in capital	18 580 888	18 580 888
Retained earnings	53 526 501	46 025 792
Total equity attributable to the shareholders of OJSC MOESK	96 460 935	88 960 226
Non-controlling interest	377 090	396 988
Total equity	96 838 025	89 357 214
Non-current liabilities		
Loans and borrowings	9	20 304 497
Employee benefits		1 289 372
Deferred tax liabilities		7 588 366
Trade and other payables		36 000 135
Total non-current liabilities		65 182 370
Current liabilities		
Loans and borrowings	9	30 295 127
Income tax payable		4 032
Other taxes payable		287 356
Trade and other payables		43 369 345
Provisions		434 371
Total current liabilities		74 390 231
Total equity and liabilities		228 929 815

The consolidated interim condensed financial information was approved on 17 December 2010:

Deputy Director General
on Economics and Finance

O. L. Bulanova



Head of Department
on Economics and Finance

V.V. Bragova



The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 19 and with the consolidated financial statements for the year ended 31 December 2009.

OJSC MOESK
Consolidated Interim Condensed Statement of Comprehensive Income
for the six months ended 30 June 2010

		6 months ended 30 June 2010 (unaudited) '000 RUB	6 months ended 30 June 2009 (restated) '000 RUB
Revenue	10	52 332 456	41 583 893
Operating expenses	11	(41 540 293)	(30 726 893)
Other operating income		561 989	1 168 816
Results from operating activities		11 354 152	12 025 816
Finance income		193 340	157 124
Finance costs		(1 596 431)	(2 513 457)
Profit before income tax		9 951 061	9 669 483
Income tax expense		(2 020 250)	(2 041 070)
Profit for the period		7 930 811	7 628 413
Total comprehensive income for the period		7 930 811	7 628 413
Total comprehensive income attributable to:			
Shareholders of OJSC MOESK		7 950 709	7 533 551
Non-controlling interest		(19 898)	94 862
Basic earnings per ordinary share (in Russian Roubles)		0.1633	0.1547

The consolidated interim condensed statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 19 and with the consolidated financial statements for the year ended 31 December 2009.

OJSC MOESK
Consolidated Interim Condensed Statement of Changes in Equity
for the six months ended 30 June 2010

'000 RUB	Attributable to shareholders of the Group					Total	Non- controlling interest	Total equity
	Share capital	Treasury shares	Additional paid in capital	Revaluation reserve	Retained earnings			
Balance at 1 January 2010	24 353 546	-	18 580 888	-	46 025 792	88 960 226	396 988	89 357 214
Total comprehensive income for the period (unaudited)	-	-	-	-	7 950 709	7 950 709	(19 898)	7 930 811
Dividends to shareholders (unaudited)	-	-	-	-	(450 000)	(450 000)	-	(450 000)
Balance at 30 June 2010 (unaudited)	24 353 546	-	18 580 888	-	53 526 501	96 460 935	377 090	96 838 025
Balance at 1 January 2009, as previously reported	24 353 546	(8 365)	18 580 888	8 703 157	34 519 180	86 148 406	644 405	86 792 811
Impact of change in accounting policy	-	-	-	(8 703 157)	753 546	(7 949 611)	-	(7 949 611)
Balance at 1 January 2009 (restated)	24 353 546	(8 365)	18 580 888	-	35 272 726	78 198 795	644 405	78 843 200
Total comprehensive income for the period (restated)	-	-	-	-	7 533 551	7 533 551	94 862	7 628 413
Disposal of treasury shares	-	8 365	-	-	(2 610)	5 755	-	5 755
Balance at 30 June 2009 (restated)	24 353 546	-	18 580 888	-	42 803 667	85 738 101	739 267	86 477 368

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 19 and with the consolidated financial statements for the year ended 31 December 2009.

	6 months ended 30 June 2010 (unaudited) '000 RUB	6 months ended 30 June 2009 (restated) '000 RUB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	9 951 061	9 669 483
<i>Adjustments for:</i>		
Depreciation and amortization	5 877 891	4 766 273
Gain on disposal of property, plant and equipment	(53 686)	(908 856)
Impairment	-	64 856
Provisions	501 827	(267 221)
Finance income	(193 340)	(157 124)
Finance costs	1 596 431	2 513 457
Allowance for impairment of accounts receivable	351 437	212 217
Gain on disposal of inventory	(13 426)	-
Other non-cash items	(3 500)	(4 382)
Operating profit before changes in working capital	18 014 695	15 888 703
Change in inventories	272 867	149 372
Change in trade and other receivables, non-current advances given for connection services	(609 175)	(916 146)
Change in trade and other payables	(2 109 263)	4 771 445
Change in taxes payable, other than income tax	914 151	629 626
Cash flows from operations before income taxes	16 483 275	20 523 000
Income taxes paid	(1 498 600)	(2 578 104)
Net cash from operating activities	14 984 675	17 944 896
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	241	64 354
Acquisition of property plant and equipment	(7 555 381)	(9 817 582)
Interest received	33 782	38 338
Acquisition of intangible assets	-	(17 837)
Net cash used in investing activities	(7 521 358)	(9 732 727)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	22 696 920	8 703 007
Repayment of borrowings	(27 492 950)	(12 424 598)
Payment of finance lease liabilities	(3 156 585)	(2 752 202)
Interest paid	(1 889 182)	(1 209 966)
Net cash used in financing activities	(9 841 797)	(7 683 759)
Net (decrease)/increase in cash and cash equivalents	(2 378 480)	528 410
Cash and cash equivalents at beginning of period	5 094 383	6 152 592
Cash and cash equivalents at end of period	2 715 903	6 681 002

1 Background

(a) Organisation and operations

Open Joint-Stock Company Moskovskaya Ob'edinennaya Electrosetevaya Kompaniya (OJSC MOESK or the "Company") was established on 1 April 2005 by transference of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1 adopted by shareholders of OJSC Mosenergo on 29 June 2004.

The Group's consolidated interim condensed financial information includes the following subsidiaries:

- OJSC Moskabel'set'montaj (MKSM);
- OJSC Moskabel'energoremont (MKER);
- OJSC Repair of Electrical and Technical Equipment Plant (RETEP);
- OJSC Energocentr.

As at 30 June 2010 the Russian Federation owned 52.7% of OJSC MRSK Holding, which in turn owned 50.9% of OJSC MOESK.

The Company's registered office is at building 27, Ordgonikidze street, Podol'sk, Moscow Region, 142100, Russian Federation. The actual address is building 3/2, 2nd Paveletskiy proezd, Moscow, 115114, Russian Federation.

The Group's principal activity is electricity transmission by means of electrical networks located in Moscow and the Moscow Region. The Group also provides connection services as part of its core operations.

(b) Russian business 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 interim condensed financial information reflects 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.

2 Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

(b) Basis of measurement

The consolidated interim condensed financial information is prepared on the historical cost basis except that investments classified as available-for-sale are stated at fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Group’s functional currency and the currency in which this consolidated interim condensed financial information is presented. All financial information presented in RUB has been rounded to the nearest thousand.

(d) Use of judgements, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare this consolidated interim condensed financial information in conformity with IFRSs. Actual results may differ from those estimates.

The judgements, estimates and assumptions applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009. Also, presented below is the impact of changes in accounting policies that occurred during the year ended 31 December 2009 on comparative financial information.

(a) Changes in accounting policy

(i) *Property, plant and equipment*

In its consolidated financial statements for the year ended 31 December 2009 the Group changed its accounting policy to measure its property, plant and equipment at cost less accumulated depreciation and impairment losses. Under the previous accounting policy, the Group recognised property, plant and equipment at revalued amounts, based on a periodic independent appraisal. This change in accounting policy was made in order to harmonise the Group’s and the parent company’s, OJSC MRSK Holding, accounting policies.

The effect of the change of accounting policy is summarised below:

Consolidated statement of comprehensive income for the six months ended 30 June 2009	As previously reported '000 RUB	As restated '000 RUB	Effect of change in accounting policy '000 RUB
Operating expenses	(30 890 953)	(30 726 893)	164 060
Other operating income	1 162 533	1 168 816	6 283
Income tax expense	(2 007 002)	(2 041 070)	(34 068)
Profit for the period	7 492 138	7 628 413	136 275
Basic earnings per ordinary share (in Russian Roubles)	RUB 0.152	RUB 0.1547	RUB 0.0027

(ii) *VAT on advances given and received*

The Group has changed its accounting policy regarding VAT on advances given and received from net to gross presentation in order to harmonise its accounting policy with the parent company, OJSC MRSK Holding.

The effect of the change of accounting policy is summarised below:

Consolidated statement of financial position for the year ended 31 December 2009	As previously reported '000 RUB	As restated '000 RUB	Effect of change in accounting policy '000 RUB
Other non-current assets	22 350 779	28 116 833	5 766 054
Trade and other receivables	8 771 186	13 119 819	4 348 633
Total assets	218 815 128	228 929 815	10 114 687
Long-term trade and other payables	30 234 082	36 000 135	5 766 053
Trade and other payables	39 020 711	43 369 345	4 348 634
Total equity and liabilities	218 815 128	228 929 815	10 114 687

(iii) *Related party disclosures*

The management has early adopted the revised IAS 24 *Related Party Disclosures* which introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities.

4 Determination of fair values

The fair value of non-derivative financial instruments is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

5 Financial risk management

During the period the Company had exposure to the same risks as those which existed as at, and during, the year ended 31 December 2009.

6 Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Board of Directors, the chief operating decision maker, to allocate resources to a segment and assess its performance.

The management has determined the following reportable segments:

- Electricity transmission in Moscow;
- Electricity transmission in the Moscow region;
- Connection services in Moscow;
- Connection services in the Moscow region.

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the segment "other". None of these items meets any of the quantitative thresholds for determining reportable segments in the six months ended 30 June 2010 or the six months ended 30 June 2009.

The segment revenue and profit/(loss) before income tax for the six months ended 30 June 2010 are as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	45 059 080	6 644 290	268 927	51 972 297
Moscow	24 076 050	4 398 125	234 265	28 708 440
Moscow Region	20 983 030	2 246 165	34 662	23 263 857
Inter-segment revenue	-	-	583 241	583 241
Moscow	-	-	522 010	522 010
Moscow Region	-	-	61 231	61 231
Reportable segment profit/(loss) before income tax				
Moscow	6 358 641	4 774 061	121 000	11 253 702
Moscow	4 465 689	2 891 396	125 997	7 483 082
Moscow Region	1 892 952	1 882 665	(4 997)	3 770 620

Comparative segment revenue and profit/(loss) before income tax for the six months ended 30 June 2009 are as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	37 651 943	3 560 555	371 395	41 583 893
Moscow	19 643 066	2 590 000	332 545	22 565 611
Moscow Region	18 008 877	970 555	38 850	19 018 282
Inter-segment revenue	-	-	1 068 523	1 068 523
Moscow	-	-	1 019 933	1 019 933
Moscow Region	-	-	48 590	48 590
Reportable segment profit/(loss) before income tax				
	7 508 041	1 415 513	(9 771)	8 913 783
Moscow	5 016 073	933 965	3 690	5 953 728
Moscow Region	2 491 968	481 548	(13 461)	2 960 055

Segment assets are presented in the table below:

'000 RUB	Electricity transmission	Connection services	Other	Unallocated	Total
30 June 2010 (unaudited)					
Total assets	190 619 431	37 670 352	3 570 940	16 373 752	248 234 475
Moscow	135 092 985	27 478 694	3 078 158	-	165 649 837
Moscow Region	55 526 446	10 191 658	492 782	-	66 210 886
Unallocated	-	-	-	16 373 752	16 373 752
31 December 2009					
Total assets	190 317 198	36 411 588	3 757 683	32 090 325	262 576 794
Moscow	132 647 512	26 421 485	3 272 625	-	162 341 622
Moscow Region	57 669 686	9 990 103	485 058	-	68 144 847
Unallocated	-	-	-	32 090 325	32 090 325

Segment liabilities are presented in the table below:

'000 RUB	Electricity transmission	Connection services	Other	Unallocated	Total
30 June 2010 (unaudited)					
Total liabilities	33 335 625	67 733 558	1 211 872	15 024 166	117 305 221
Moscow	33 335 625	45 005 739	1 120 052	-	79 461 416
Moscow Region	-	22 727 819	91 820	-	22 819 639
Unallocated	-	-	-	15 024 166	15 024 166
31 December 2009					
Total liabilities	40 759 733	65 760 888	1 532 160	30 387 206	138 439 987
Moscow	40 759 733	42 752 725	1 452 173	-	84 964 631
Moscow Region	-	23 008 163	79 987	-	23 088 150
Unallocated	-	-	-	30 387 206	30 387 206

Reconciliation of reportable segment profit:

'000 RUB	6 months ended 30 June 2010 (unaudited)	6 months ended 30 June 2009 (restated)
Reportable segment profit	11 132 702	8 923 554
Other profit or loss	121 000	(9 771)
Unallocated	(1 819 002)	(2 426 468)
Total profit before income tax per Russian Accounting Standards	9 434 700	6 487 315
Expenses associated with property, plant and equipment	1 295 421	2 279 984
Borrowing costs	1 705 284	1 042 063
Gain on disposal of property, plant and equipment	21 642	908 856
Expenses accrued on connection services	(1 201 856)	(766 837)
Allowance for impairment of accounts receivable	(351 437)	(212 217)
Other items	(952 693)	(69 681)
Consolidated profit before income tax per IFRS	9 951 061	9 669 483

Segment operating results that are reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards. Segment operating results represent the profit earned by each segment without allocation of finance income and expenses, other income and expenses which are included in "unallocated" component.

7 Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2010 the Group acquired items of property, plant and equipment with a cost of RUB 8 015 428 thousand (six months ended 30 June 2009: RUB 9 514 603 thousand).

Items of property, plant and equipment with a carrying amount of RUB 42 776 thousand were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RUB 70 191 thousand) resulting in a gain on disposal of RUB 53 686 thousand (six months ended 30 June 2009: RUB 908 856 thousand), which is included in other operating income.

During the six months ended 30 June 2010 no items of property, plant and equipment were impaired (six months ended 30 June 2009: RUB 64 856 thousand).

(b) Capital commitments

Future capital expenditures for which contracts have been signed as at 30 June 2010 amount to RUB 31 334 508 thousand (31 December 2009: RUB 34 360 466 thousand). The Group has not entered into new finance lease agreements for the items of property, plant and equipment. Capital commitments for current finance lease agreements for the items of property, plant and equipment amount to RUB 2 735 795 thousand (31 December 2009: RUB 2 735 795 thousand).

8 Equity**Treasury shares**

As at 30 June 2010 and 31 December 2009 the Group did not hold any of its own shares.

During the six months ended 30 June 2009 the Group sold 5 576 625 treasury shares at RUB 5 755 thousand. The loss from the sale of treasury shares in the amount of RUB 2 610 thousand was recognized in equity.

9 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 June 2010	31 December 2009
	'000 RUB	'000 RUB
Non-current		
Unsecured bank loans	22 700 051	9 150 000
Unsecured bond issues	2 356 507	2 356 507
Finance lease liability	4 738 937	6 511 632
Promissory notes	1 714 919	2 286 358
Total non-current	31 510 414	20 304 497
Current		
Promissory notes	3 635 867	5 994 163
Current portion of finance lease liability	3 252 959	3 362 388
Current portion of bond issues	3 275 559	2 971 320
Unsecured bank facility	5 851	17 967 256
Total current	10 170 236	30 295 127

On 23 June 2010 the Company entered into credit facility agreements with OJSC Alfa Bank. According to these agreements the Company received loans in the amount of RUB 13 800 000 thousand at the interest rate of 7.76- 7.87%. The loans are to be repaid in 2015 and 2017.

On 15 April 2010 the Company entered into credit facility agreements with OJSC Sberbank. According to these agreements the Company received loans in the amount of RUB 9 000 000 thousand at the interest rate of 7.82-8.08%. The loans are to be repaid on 15 June 2013.

During the six months ended 30 June 2010 the Group redeemed a loan amounting to RUB 2 500 000 thousand to a related party.

During the six months ended 30 June 2010 the Group repaid two promissory notes amounting to RUB 684 105 thousand to JSC Bank of Moscow, a loan amounting to RUB 9 600 000 thousand to OJSC Sberbank and a loan amounting to RUB 8 700 000 thousand to OJSC Alfa Bank.

During the six months ended 30 June 2010 the Group repaid an unsecured loan amounting to RUB 10 704 470 thousand to Barclays Bank PLC.

On 25 May 2009 the Group entered into a credit facility agreement with OJSC Alfa Bank. According to this agreement the Group received a loan in the amount of RUB 8 700 000 thousand at the interest rate of 18.7%. The loan was repaid during the reporting period.

During the six months ended 30 June 2009 the Group repaid four promissory notes amounting to RUB 6 211 198 thousand to JSC Bank of Moscow, three promissory notes amounting to RUB 3 101 136 thousand to LLC Commercial Bank Agropromcredit and a loan amounting to RUB 2 042 074 thousand to JSC Bank VTB.

10 Revenue

During the six months ended 30 June 2010 revenue amounted to RUB 52 332 456 thousand (six months ended 30 June 2009: RUB 41 583 893 thousand) and included revenue from electricity transmission services in the amount of RUB 45 059 219 thousand (six months ended 30 June 2009: RUB 37 651 943 thousand) and revenue from technological connection services in the amount of RUB 7 003 916 thousand (six months ended 30 June 2009: RUB 3 559 644 thousand).

11 Operating expenses

During the six months ended 30 June 2010 operating expenses amounted to RUB 41 540 293 thousand (six months ended 30 June 2009: RUB 30 726 893 thousand) and included expenses relating to electricity transmission in the amount of RUB 21 623 766 thousand (six months ended 30 June 2009: RUB 14 273 644 thousand), employee benefits in the amount of RUB 5 883 604 thousand (six months ended 30 June 2009: RUB 4 538 929 thousand) and depreciation and amortisation expense in the amount of RUB 5 849 780 thousand (six months ended 30 June 2009: RUB 4 727 716 thousand).

12 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

Group is party to certain legal proceedings arising in the ordinary course of business. Management does not believe that these matters will have a material adverse effect on the Group's operating results.

In addition, on 9 January 2010 OJSC Energocentr, a 50% owned subsidiary of OJSC MOESK, failed to pay the fifth semi-annual coupon in the amount of RUB 309 241 thousand and to repurchase bonds in the amount of RUB 388 094 thousand according to a restructuring agreement. The bondholders filed claims against the Group regarding bonds' redemption in the amount of RUB 1 383 348 thousand as at 30 June 2010. The management of OJSC MOESK will make an

offer to restructure bondholders' claims by entering into amicable settlement agreement on the repayment of the OJSC Energocenter's debt.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

13 Related party transaction

(a) Control relationships

As at 30 June 2010 the Parent of the Group was OJSC MRSK Holding, a state controlled entity.

The party with ultimate control over the Group was the Russian Federation, which held the majority of the voting rights of OJSC MRSK Holding.

(b) Transactions with management and close family members

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

(i) Management remuneration

Total remuneration in the form of salary and bonuses paid to the key management and the members of the Board of Directors during the six months ended 30 June 2010 was RUB 137 079 thousand (six months ended 30 June 2009: RUB 48 174 thousand).

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below. Other related party represents entities under common control of the parent and other state controlled entities.

The Russian Government directly affects the Group's operations through the system of regional tariffs. In accordance with legislation the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commission in each region. The Group has a different tariff for each region of the Russian Federation. Within each region the tariff is the same, regardless of whether the customer is a state entity or not.

The transactions with other related parties and the related balances are shown below as a percentage of the total amount.

(unaudited)	Percentage of the total amount (%)			
	6 months ended 30 June 2010	6 months ended 30 June 2009	30 June 2010	31 December 2009
Revenue	89.98%	88.79%	-	-
Expenses	58.07%	46.68%	-	-
Trade and other receivables	-	-	82.56%	88.30%
Trade and other payables	-	-	24.36%	23.92%
Advances received	-	-	37.92%	20.01%
Advances given	-	-	70.78%	62.15%
	Transaction value	Transaction value	Outstanding balance	Outstanding balance
'000 RUB	6 months ended 30 June 2010	6 months ended 30 June 2009	30 June 2010	31 December 2009
Loans received:				
Entities under common control of the parent and other state controlled entities	8 955 000	-	14 314 554	17 900 641
	8 955 000	-	14 314 554	17 900 641

Loans are received under market interest rates.

(d) Pricing policies

Related party revenue for electricity transmission is based on the tariffs determined by the government. Other related party transactions are based on normal market prices.

14 Events subsequent to the reporting date

On 12 July 2010 OJSC Energoentr failed to pay the sixth semi-annual coupon in the amount of RUB 310 614 thousand and to repurchase bonds in the amount of RUB 2 478 172 thousand according to the restructuring agreement.

Subsequently, bankruptcy proceedings were initiated by OJSC Bank Petrocommerce due to failure to meet the repayment schedule.

According to a court decision, a monitoring procedure was introduced at OJSC Energoentr in August 2010 in accordance with the Russian law on bankruptcy, and this procedure is currently underway. Further decisions as to the course of the bankruptcy process are expected to be taken in March 2011 at a general creditors' meeting.

The management of OJSC MOESK has an intention to finalize uncompleted construction items of OJSC Energoentr, and currently is in the process of assessing the resources required. The management has an intention to conclude an amicable settlement agreement in relation to the repayment of the OJSC Energoentr's debt which will facilitate the postponement of the payment for three to five years and subsequent repayment by instalments. This, in turn, will allow OJSC

Energocenter to retain its production assets and complete the items under construction. The management will propose to the board of directors of OJSC MOESK to consider participation in the financial recovery of OJSC Energocenter including debt restructuring if the mentioned above terms of the amicable settlement agreement are reached.

If the amicable agreement is not concluded with creditors of OJCS Energocentr on the above terms, or if the board of directors of OJSC MOESK does not approve the participation of OJSC MOESK in the financial recovery of OJSC Energocentr including debt restructuring, bankruptcy procedures will follow in accordance with the legislation of the Russian Federation.

The preliminary date for the creditors' meeting, according to decision of arbitration court dated December 7, 2010, is March 1, 2011.

In August 2010 the Company paid dividends on the amount of RUB 450 000 thousand.