RUSHYDRO GROUP

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL INFORMATION (UNAUDITED)
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AND REVIEW REPORT OF THE AUDITORS**

30 JUNE 2011

pwc

Report on Review of consolidated interim condensed financial information

To the Shareholders and the Board of Directors of Open Joint Stock Company RusHydro

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Open Joint Stock Company RusHydro and its subsidiaries (the "Group") as of 30 June 2011 and the related consolidated interim condensed income statement, statements of comprehensive income, cash flows and changes in equity for the six months then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

ZAO PricewaterhouseCoopers Audit

4 October 2011

Moscow, Russian Federation

(in millions of Russian Rubles unless noted otherwise)

	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	7	485,169	469,273
Investments in associates and jointly controlled entities		37,234	37,090
Available-for-sale financial assets	8	20,761	3,238
Other non-current assets	9	20,238	19,751
Total non-current assets		**563,402**	**529,352**
Current assets			
Cash and cash equivalents	10	51,687	19,090
Accounts receivable and prepayments	11	23,903	24,268
Inventories		1,250	1,180
Other current assets	12	7,252	21,921
Non-current assets and assets of disposal group classified as held for sale	13	-	55,193
Total current assets		**84,092**	**121,652**
TOTAL ASSETS		**647,494**	**651,004**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	290,302	288,695
Treasury shares	14	(10,476)	(9,558)
Share premium	14	21,434	20,453
Retained earnings and other reserves		229,069	213,938
Equity attributable to the shareholders of OJSC RusHydro		**530,329**	**513,528**
Non-controlling interest		1,182	4,584
TOTAL EQUITY		**531,511**	**518,112**
Non-current liabilities			
Deferred income tax liabilities		42,129	42,126
Non-current debt	16	45,637	31,740
Other non-current liabilities	17	3,045	2,940
Total non-current liabilities		**90,811**	**76,806**
Current liabilities			
Current debt and current portion of non-current debt	16	3,313	8,332
Accounts payable and accruals	18	18,143	12,917
Current income tax payable		65	1,237
Other taxes payable	19	3,651	4,094
Liabilities of disposal group classified as held for sale	13	-	29,506
Total current liabilities		**25,172**	**56,086**
TOTAL LIABILITIES		**115,983**	**132,892**
TOTAL EQUITY AND LIABILITIES		**647,494**	**651,004**

Chairman of Management Board E. V. Dod

Chief Accountant D. V. Finkel

4 October 2011

Открытое акционерное общество «Федеральная гидрогенерирующая компания – РусГидро» • 660075, Красноярский край, г. Красноярск, ул. Республики, 51 • ОГРН 1042401810494 • РусГидро

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue	20	164,343	204,978
Expenses	21	(130,491)	(175,727)
Operating profit		**33,852**	**29,251**
Gain on disposal of available-for-sale financial assets and disposal group	13	750	-
Finance income / (costs), net	22	505	(614)
Remeasurement of interest in associate held for sale		-	(472)
Share of income / (loss) of associates and jointly controlled entities		65	(334)
Profit before income tax		**35,172**	**27,831**
Total income tax expense	15	(8,119)	(6,369)
Profit for the period		**27,053**	**21,462**
Attributable to:			
Shareholders of OJSC RusHydro		24,706	19,340
Non-controlling interest		2,347	2,122
Earnings per ordinary share for profit attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	23	0.088	0.074
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	23	281,012,615	259,813,376

Chairman of Management Board — E. V. Dod

Chief Accountant — D. V. Finkel

4 October 2011

RusHydro Group
Consolidated Interim Condensed Statement of Comprehensive Income for the six months ended 30 June 2011 (unaudited)
(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Profit for the period		27,053	21,462
Other comprehensive income, net of tax:			
(Loss) / gain arising on available-for-sale financial assets	8	(2,965)	794
Loss arising on disposed available-for-sale financial assets	13	(2,577)	-
Accumulated gain on available-for-sale financial assets recycled to the Income Statement on their disposal	13	(2,040)	-
Other comprehensive income / (loss)		1	(4)
Total comprehensive income for the period		**19,472**	**22,252**
Attributable to:			
Shareholders of OJSC RusHydro		17,097	20,130
Non-controlling interest		2,375	2,122

Chairman of Management Board E. V. Dod

Chief Accountant D. V. Finkel

4 October 2011

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**35,172**	**27,831**
Depreciation of property, plant and equipment	7, 21	5,953	5,600
Loss on disposal of property, plant and equipment	21	1,184	183
Share of (income) / loss of associates and jointly controlled entities		(65)	334
Gain on disposal of available-for-sale financial assets and disposal group	13	(750)	-
Finance (income) / costs, net	22	(505)	614
Remeasurement of interest in associate held for sale		-	472
Impairment of accounts receivable	21	447	115
Effect of Share Option Programme expenses	6	531	685
Pension expenses		174	42
Other (income) / expenses		(97)	2
Operating cash flows before working capital changes and income tax paid		**42,044**	**35,878**
Working capital changes:			
Increase in accounts receivable and prepayments		(7,916)	(3,910)
Increase in other current assets		-	(468)
Increase in inventories		(109)	(59)
Decrease / (increase) in other non-current assets		182	(1,262)
Increase / (decrease) in accounts payable and accruals		13,289	(994)
Increase in other taxes payable		656	1,428
Decrease in other non-current liabilities		(189)	(12)
Income tax paid		(7,477)	(9,178)
Net cash generated by operating activities		**40,480**	**21,423**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(20,867)	(21,371)
Proceeds from sale of property, plant and equipment		341	7
Disposal of subsidiaries (Disposal group)	13	(17,325)	-
Purchase of promissory notes and other investments		(3,313)	(27,416)
Proceeds from sale of promissory notes and other investments		17,565	7,305
Purchase of subsidiaries from parties under common control		-	(7,995)
Purchase of an associate from third parties		(200)	-
Settlement of derivative instruments		(98)	(1,603)
Interest received		1,426	1,243
Loans issued		-	(8)
Net cash used in investing activities		**(22,471)**	**(49,838)**

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term debt	16	2,357	4,343
Proceeds from long-term debt	16	15,000	-
Repayment of short-term debt	16	(9,025)	(4,654)
Interest paid		(1,705)	(980)
Dividends paid		(343)	-
Proceeds from share issue	14	170	4,603
Proceeds from share issue in subsidiary	18	2,649	812
Finance lease payments		(407)	(572)
Net cash generated by financing activities		**8,696**	**3,552**
Foreign exchange losses on cash balances		(4)	(76)
Increase / (Decrease) in cash and cash equivalents		**26,701**	**(24,939)**
Cash and cash equivalents at the beginning of the period	10	**24,986**	**52,443**
Cash and cash equivalents at the end of the period	10	**51,687**	**27,504**

Chairman of Management Board E. V. Dod

Chief Accountant D. V. Finkel

4 October 2011

Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2011 (unaudited)

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Revaluation reserve	Available-for-sale financial assets	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2011		**288,695**	**(9,558)**	**20,453**	**(85,393)**	**222,515**	**7,210**	**69,606**	**513,528**	**4,584**	**518,112**
Profit for the period		-	-	-	-	-	-	24,706	24,706	2,347	27,053
Loss arising on available-for-sale financial assets	8	-	-	-	-	-	(2,965)	-	(2,965)	-	(2,965)
Loss arising on disposed available-for-sale financial assets	13	-	-	-	-	-	(2,605)	-	(2,605)	28	(2,577)
Accumulated gain on available-for-sale financial assets recycled to the Income Statement on their disposal	13	-	-	-	-	-	(2,040)	-	(2,040)	-	(2,040)
Other comprehensive income		-	-	-	-	-	-	1	1	-	1
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(7,610)**	**24,707**	**17,097**	**2,375**	**19,472**
Share issue	14	1,607	-	981	-	-	-	-	2,588	-	2,588
Purchase of treasury shares	14	-	(918)	-	-	-	-	-	(918)	-	(918)
Effect of Share Option Programme	6	-	-	-	-	-	-	531	531	-	531
Transfer of revaluation reserve to retained earnings		-	-	-	-	(373)	-	373	-	-	-
Dividends	14	-	-	-	-	-	-	(2,497)	(2,497)	(184)	(2,681)
Disposal of subsidiaries (Disposal group)	14	-	-	-	-	(110)	-	110	-	(5,593)	(5,593)
As at 30 June 2011		**290,302**	**(10,476)**	**21,434**	**(85,393)**	**222,032**	**(400)**	**92,830**	**530,329**	**1,182**	**531,511**

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Revaluation reserve	Available-for-sale financial assets	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2010		**269,695**	**(12,172)**	**12,005**	**(77,070)**	**147,630**	**4,659**	**57,159**	**401,906**	**3,894**	**405,800**
Profit for the year		-	-	-	-	-	-	19,340	19,340	2,122	21,462
Gain arising on available-for-sale financial assets	8	-	-	-	-	-	794	-	794	-	794
Other comprehensive loss		-	-	-	-	-	-	(4)	(4)	-	(4)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**794**	**19,336**	**20,130**	**2,122**	**22,252**
Effect of Share Option Programme	6	-	-	-	-	-	-	685	685	-	685
Effect of changes in non-controlling interest		-	-	-	-	-	-	10	10	(7)	3
Acquisition of subsidiaries from parties under common control	14	-	-	-	(8,300)	-	-	-	(8,300)	-	(8,300)
Transfer of revaluation reserve to retained earnings		-	-	-	-	(59)	-	59	-	-	-
Dividends		-	-	-	-	-	-	-	-	(95)	(95)
As at 30 June 2010		**269,695**	**(12,172)**	**12,005**	**(85,370)**	**147,571**	**5,453**	**77,249**	**414,431**	**5,914**	**420,345**

Chairman of Management Board — E. V. Dod

Chief Accountant — D. V. Finkel

4 October 2011

«Федеральная гидрогенерирующая компания – РусГидро» Красноярский край, г.Красноярск, ул. Р... д.51 ... ОГРН 1042401810494 ... РусГидро

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Information

Note 1. The Group and its operations

Open Joint Stock Company RusHydro (OJSC RusHydro – hereinafter referred to as the "Company") was incorporated as a wholly-owned subsidiary of the Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as "RAO UES") on 26 December 2004, based on the Decision of the Board of Directors of RAO UES dated 24 December 2004 in accordance with the Resolution of the Russian Government No. 526 dated 11 July 2001 "On reforming the Russian Federation electric utilities industry" and Resolutions of the Russian Government No. 1254-r dated 1 September 2003 and No. 1367-r dated 25 October 2004.

On 1 July 2008 RAO UES ceased to exist and the Company became controlled by the Government (the Russian Federation).

As at 30 June 2011 RusHydro Group (hereinafter referred to as the "Group") consists of the Company and its subsidiaries. The Group's principal subsidiaries are presented in Note 4. The Company has 20 branches across the Russian Federation, including: Bureyskaya HPP, Volzhskaya HPP, Votkinskaya HPP, Dagestan branch, Zhigulevskaya HPP, Zagorskaya PSHPP, Zeyskaya HPP, Irganayskaya HPP, Kabardino-Balkarian branch, Kamskaya HPP, Karachaevo-Cherkessian branch, Cascade of Verkhnevolzhskie HPPs, Cascade of Kubanskiye HPPs, Corporate HydroPower University, Nizhegorodskaya HPP, Novosibirskaya HPP, Saratovskaya HPP, Sayano-Shushenskaya HPP named after P. S. Neporozhny, Northern Ossetian branch, Cheboksarskaya HPP.

The Group's principal activities are generation and sale of electricity and capacity on the Russian wholesale electricity and capacity market as well as the retail electricity market.

The Group carries out its activities for the purposes of creating conditions which ensure safety and reliability of hydropower facilities, implementing the Russian Government's policy in the hydropower industry, creating conditions for effective functioning of the wholesale electricity and capacity market, implementation of effective utilisation and centralised technology control process of hydropower facilities, implementing investments and capital raising strategy for the purposes of development of the hydropower industry and realisation of scientific and technological policy and implementation of the new advanced equipment and technology, including exploration of renewable energy sources.

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The 2008 global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated. In 2010 the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Ruble against major foreign currencies, and increased liquidity levels in the banking sector. Starting from the second half of 2011 the volatility in the currency and equity markets has increased following the uncertainties in the financial markets. Market quotations may be outdated or reflect distress sales transactions and therefore not represent fair values of financial instruments. Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfill the obligations undertaken. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. Management is currently considering the effect of these uncertainties in the financial markets that could lead to significant impairment charges for the year ended 31 December 2011.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it takes all the necessary measures to support the sustainability and development of the Group's business.

Relations with the Government and current regulation. As at 30 June 2011 the Russian Federation owned 57.97 percent of the total voting ordinary shares of the Company (31 December 2010: 57.97 percent). The Group's major customer base and its contractors and suppliers include entities controlled by, or related to the Government, which provide the Group with electricity dispatch, transmission and distribution services (Note 6).

In addition, the Government affects the Group's operations through:

- participation of its representatives in the Company's Board of Directors;
- its tariff regulation within wholesale electricity and capacity as well as retail electricity markets;
- agreement procedures for the Company's investment programme, volume and sources of financing, control over its implementation;
- existing antimonopoly regulation.

To fulfill the assignments of the President of the Russian Federation to replace government officials on Boards of Directors in open joint stock companies with independent or representative directors, on 30 June 2011 the General Shareholders Meeting has approved the new composition of the Board of Directors of the Company.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

Overview of the electricity and capacity market. The Russian electricity and capacity market consists of wholesale and retail markets. Capacity and electricity, while interrelated, are treated as separate economic products. The capacity market represents the obligation and ability to keep sufficient generation capability in reserve in order to satisfy a target level of potential demand, while the sale of electricity represents the actual delivery of electricity to the purchaser.

The Group's entities that are included in Generation segment are primarily participants of the wholesale market selling electricity and capacity to other participants of the market.

The Group's entities that are included in Retailing segment are primarily participants of both the wholesale market, where they purchase electricity and capacity, and the retail market where they sell electricity and capacity to the final consumers.

Wholesale market. A wholesale market for electricity and capacity functions on the territory of the regions, which are integrated in pricing areas. European Russia and Urals are included in the first pricing area, Siberia is included in the second pricing area. In non-pricing areas (Arkhangelsk and Kaliningrad regions, Komi Republic, regions of the Far East), where the competitive market relationships are not possible due to technological reasons, sales of electricity and capacity are carried out based on regulated tariffs.

The wholesale electricity market has been functioning from 1 September 2006 when, in accordance with the Resolution of the Russian Government No. 529 dated 31 August 2006 "On Improving the Procedure for the Functioning of the wholesale electricity (capacity) market", new rules governing the functioning of wholesale markets for electricity and capacity (hereinafter referred to as "Regulations") came into force.

The period from 1 September 2006 to 31 December 2010 was a transitional period until the liberalisation of the wholesale electricity and capacity market was fully completed. At the beginning of the transitional period regulated contracts covered almost all volume of electricity and capacity produced and sold. According to the rules, the share of sales under regulated contracts was constantly declining:

- from 1 January 2010 – down to 35–40 percent,
- from 1 July 2010 – down to 15–20 percent.

The above mentioned Regulations were amended by the Resolution of the Russian Government No. 1172 dated 27 December 2010 "On Approving the Rules of the wholesale market of electricity and capacity and on amendments to certain Acts of the Russian Government on functioning of the wholesale market of electricity and capacity", which came into force starting from 1 January 2011.

According to the Regulations electricity is traded based on the following trading mechanisms:

- Regulated contracts (sales of predetermined volumes at tariffs approved by the Federal Service on Tariffs (hereinafter referred to as "FST")). Starting from 1 January 2011 the target model of a competitive wholesale electricity and capacity market was completely formed: within pricing areas regulated contracts are traded only for volumes of electricity and capacity designated for delivery to population, groups of customers equivalent to population and guaranteeing suppliers controlled by OJSC Interregional Distribution Grid Company of Northern Caucasus;
- One-day-ahead market (spot market) (competitive trading of electricity planned for production and consumption under unregulated contracts and at unregulated prices);

- Balancing market (electricity trading on deviations of actual generated electricity from the planned volumes based on competitive bids from market participants);
- Unregulated bilateral contracts (electricity trading based on unregulated contracts at unregulated prices negotiated between customers and suppliers).

Capacity is sold separately from electricity. Capacity is a specific product, the purchase of which gives the participant of the wholesale market the right to claim from the seller of the capacity to maintain generation equipment in condition to provide the generation of electricity of certain quality and volume, which is necessary to meet the participant's demand for electricity. The purpose of treating capacity as a separate commodity is to improve the efficient operation and timely commissioning of generating facilities. From 1 June 2008 capacity is sold based on the competitive selection of bids by the System Operator (hereinafter referred to as "SO-UES"). Customers are required to purchase all capacity from competitive selection of bids in their pricing area.

According to Resolution of the Russian Government No. 89 dated 24 February 2010 amendments to regulations of the capacity market providing for organisation of long-term capacity market were approved. Similar to sales of electricity, from 2011 capacity is traded through regulated contracts only for volumes designated for delivery to population and groups of customers equivalent to population, excluding capacity supplied to hydroelectric power plants located in the second pricing area. Hydroelectric power plants supply capacity to the second pricing area at regulated prices in 2011.

For the long-term capacity market competitive selection will be conducted based on the forecast of demand for capacity for certain periods provided by SO-UES. In case of excess of actual demand for capacity over the forecasted demand, adjusting competitive selection is conducted.

In the competitive selection of bids for the provisions of capacity under capacity supply contracts with heat power plants and under similar contracts with nuclear power plants and hydroelectric power plants is first selected. Capacity which is not selected as part of the competitive selection of bids is not paid for, other than when such capacity is provided by so-called forced generators, whose functioning is technologically required to maintain the energy system.

According to the Regulations, capacity is traded based on the following trading mechanisms:

- purchase / sale of capacity under capacity sales contracts, concluded as a result of capacity competitive selection of bids;
- purchase / sale of capacity under unregulated contracts, including concluded through the exchange;
- purchase / sale of capacity under contracts to provide capacity and under sale contracts of new nuclear power plants and hydroelectric power plants, similar to capacity sale contracts;
- purchase / sale of capacity produced by forced generators;
- purchase / sale of capacity under regulated contracts (within the volumes for delivery to population and groups of customers equivalent to population);
- purchase / sale of capacity of generating facilities selected by additional screening of investment projects performed when capacity selected through capacity competitive selection of bids in any area does not guarantee meeting the demand for capacity;
- purchase / sale of capacity of generating facilities determined upon the results of competitive selection of investment projects on developing the prospective technological capacity reserves.

In December 2010 first capacity sale contracts for new hydroelectric power plants and pump storage power plants were concluded. Under these contracts such power plants receive guaranteed payment for capacity for 20 years, providing for a return of capital expenditures and operating costs agreed upon.

Retail electricity market. The new retail market rules introduced by the Resolution of the Government No. 530 dated 31 August 2006 "On Approval of the Rules for the Operation of the Retail Electricity Markets" (amended on 31 December 2010) governed the interaction between wholesale and retail market participants of the utilities industry. The rules for retail market operation set out the pricing principles for the retail electricity market.

The main principles of the operation of the retail electricity market are:

- end-consumers have the right to decide from which retail company they buy electricity at unregulated prices;
- retail companies, which have guaranteeing supplier status, are obliged to enter into a contract upon the request of any end-consumer;
- unregulated prices for end-consumers are set freely by all market participants, except for guaranteeing suppliers; and
- there should be competition between retail electricity producers.

Management believes that ultimately a stable regulatory regime and a competitive power market will be put in place so that the Group will be able to raise the necessary financing to sustain the business. However, there can be no assurance in this regard.

Seasonality of business. The Group's own electricity and capacity generation depends on water flow in the river systems and weather conditions. In spring and in summer (flood period) electricity production is significantly higher than in autumn and in winter. Demand for electricity and capacity also varies with seasons and weather conditions. The seasonal nature of electricity generation and demand has a significant influence on the volume of electricity generated and purchased by the Group.

Note 2. Summary of significant accounting policies

Statement of compliance

This Consolidated Interim Condensed Financial Information has been prepared in accordance with and complies with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The same accounting policies and methods of computation were followed in the preparation of this Consolidated Interim Condensed Financial Information as were followed in the preparation of the annual Consolidated Financial Statements as at and for the year ended 31 December 2010.

Reclassifications

Certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

Adoption of New or Revised Standards and Interpretations

Certain interpretations and amendments to standards and interpretations, as disclosed in the Consolidated Financial Statements as at and for the year ended 31 December 2010, became effective for the Group from 1 January 2011, neither of which had any effect on the Consolidated Interim Condensed Financial Information except for amendments to IAS 24, *Related Party Disclosures* and IAS 1, *Presentation of Financial Statements* early adopted by the Group in 2010.

Note 3. New accounting pronouncements

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the Consolidated Financial Statements for the year ended 31 December 2010, have been issued but are not effective for the financial year beginning 1 January 2011 and which the Group has not early adopted.

In addition the following new standards and amendments to standards have been issued in May – June 2011 but are not effective for the financial year beginning 1 January 2011 and which the Group has not early adopted:

IFRS 10, Consolidated financial statements *(issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).* IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, *Consolidated and separate financial statements* and SIC-12, *Consolidation – special purpose entities.* IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, Joint arrangements *(issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).* IFRS 11 replaces IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Ventures.* Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of interest in other entities *(issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).* IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28, *Investments in associates.* IFRS 12 requires entities to disclose information that helps readers of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair value measurement *(issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).* IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Amendments to IAS 1, Presentation of financial statements *(issued in June 2011 and effective for annual periods beginning on or after 1 July 2012)* change the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to statement of profit or loss and other comprehensive income.

Amended IAS 19, Employee benefits *(issued in June 2011 and effective for periods beginning on or after 1 January 2013)* makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes will affect most entities that apply IAS 19 and may significantly change performance indicators and the volume of disclosures.

The Group is currently considering the implications of these new accounting pronouncements, their impact on the Group and the timing of their adoption by the Group.

(in millions of Russian Rubles unless noted otherwise)

Note 4. Principal subsidiaries

The following are the principal subsidiaries which have been consolidated into this Consolidated Interim Condensed Financial Information. The majority of subsidiaries is incorporated and operates in the Russian Federation.

The list of the principal subsidiaries includes only significant entities:

	30 June 2011		31 December 2010	
	% of ownership	% of voting	% of ownership	% of voting
CJSC Boguchanskaya HPP Construction Organiser	51.00%	51.00%	51.00%	51.00%
CJSC Boguchansky Aluminium Plant Construction Customer	51.00%	51.00%	51.00%	51.00%
OJSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
OJSC Chuvashskaya energy retail company	100.00%	100.00%	100.00%	100.00%
OJSC Designing, Surveying and Research Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
OJSC El Verchne-Mutnovsky GeoPP*	86.18%	95.81%	86.18%	95.81%
OJSC Elektroremont-VKK	100.00%	100.00%	100.00%	100.00%
OJSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
OJSC ESCO UES	100.00%	100.00%	100.00%	100.00%
OJSC Far East Wind Power Plant	100.00%	100.00%	100.00%	100.00%
OJSC Geotherm	79.84%	79.84%	79.84%	79.84%
OJSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
LLC Gidroservice*	100.00%	-	100.00%	-
CJSC HydroEngineering Siberia	100.00%	100.00%	100.00%	100.00%
OJSC Hydrogeneration Company of Karachaevo-Cherkessia	100.00%	100.00%	100.00%	100.00%
OJSC HydroInvest	100.00%	100.00%	100.00%	100.00%
HydroOGK Aluminium Company Ltd	100.00%	100.00%	100.00%	100.00%
HydroOGK Power Company Ltd	100.00%	100.00%	100.00%	100.00%
LLC Index energetiki – HydroWGC*	100.00%	-	100.00%	-
OJSC Kolimaenergo	64.27%	64.27%	64.27%	64.27%
OJSC Krasnoyarskenergosbyt*	65.81%	69.40%	65.81%	69.40%
OJSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
OJSC Leningradskaya GAES	100.00%	100.00%	100.00%	100.00%
OJSC Mosoblgidroproekt	62.62%	62.62%	62.62%	62.62%
OJSC NIIES	100.00%	100.00%	100.00%	100.00%
OJSC Nizhne-Bureiskaya HPP	100.00%	100.00%	100.00%	100.00%
OJSC Nizhne-Kurejskaya HPP	100.00%	100.00%	100.00%	100.00%
OJSC Nizhne-Zeiskaya HPP	100.00%	100.00%	100.00%	100.00%
OJSC Pauzhetskaya GeoPP*	79.84%	100.00%	79.84%	100.00%
OJSC Renewable Energy Engineering Center	100.00%	100.00%	100.00%	100.00%
OJSC RusHydro MC	100.00%	100.00%	100.00%	100.00%
OJSC Ryazan Power Distributing Company	90.52%	90.52%	90.52%	90.52%
OJSC SSHPR	100.00%	100.00%	100.00%	100.00%
OJSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
OJSC Turboremont-VKK	100.00%	100.00%	100.00%	100.00%
OJSC Ust'-Srednekangesstroy*	64.27%	100.00%	64.27%	100.00%
OJSC Ust'-Srednekanskaya HPP*	43.69%	62.79%	43.69%	62.79%
OJSC VNIIG	100.00%	100.00%	100.00%	100.00%
OJSC Yuzhno-Yakutsky HPC	100.00%	100.00%	100.00%	100.00%
OJSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
OJSC Zaramag HS	95.45%	95.45%	95.45%	95.45%
RusHydro International B. V.	100.00%	100.00%	100.00%	100.00%
RusHydro International AG	100.00%	100.00%	100.00%	100.00%
OJSC Altayenergosbyt**	-	-	100.00%	100.00%
OJSC Mosenergosbyt**	-	-	50.92%	50.92%
OJSC Saint Petersburg Sale Company**	-	-	61.52%	67.10%
OJSC Saratovenergo**	-	-	56.23%	56.97%
OJSC Tambov Energy Retailing Company**	-	-	59.38%	67.87%
OJSC United Energy Retailing Company**	-	-	100.00%	100.00%

* Differences between the ownership interest and voting interest represent the effect of preference shares and / or effects of indirect ownership, or non-corporate partnership (LLC).

** Subsidiaries included in disposal group as at 31 December 2010 and disposed of on 28 March 2011 (Note 13).

(in millions of Russian Rubles unless noted otherwise)

Note 5. Segment information

The Board of Directors of the Company generally analyses information by the groups of operations which are consolidated in the following separate reporting segments:

- Generation segment includes the Company and the Group's subsidiaries with production and sale of electricity and capacity.
- Retailing segment includes the Group's subsidiaries – participants of the electricity market where they buy electricity and capacity and resell it to final customers. Most of the entities included in this segment have the guaranteeing suppliers status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.
- Research and Development Institutes segment comprises the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities.
- Repairs segment includes the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities.
- Contractors segment includes the Group's subsidiaries engaged primarily in hydropower plants construction.

All other segments include a number of minor segments which do not have similar economic characteristics.

Assets of all other segments include assets under construction which will be transferred to the Generation segment on their completion. Liabilities of all other segments consist primarily of intercompany current and non-current debt, accounts payable and accruals.

Management reviews the segment financial information which is prepared in accordance with RSA. Such information differs in certain aspects from IFRS:

- property, plant and equipment are stated at historic cost less accumulated depreciation;
- liabilities for the Group's post-employment obligations are not recognised;
- provisions for impairment of accounts receivable are recognised based on management judgment and availability of information rather than based on the incurred loss model and time value of money concept prescribed in IAS 39;
- investments in subsidiaries are not consolidated, investments in associates and jointly controlled entities are not accounted for using the equity method;
- other intercompany assets and liabilities balances are not eliminated.

Management believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information for the six months ended 30 June 2011 and 30 June 2010 and as at 30 June 2011 and 31 December 2010 based on the amounts of the RSA business plans is presented below:

	Generation	Retailing	Research and Development Institutes	Repairs	Contractors	All other segments	Total Group
Six months ended 30 June 2011							
Revenue from external customers	45,980	115,951	716	208	918	485	164,258
Intersegment revenue	2,121	833	1,710	2,161	5,455	1,091	13,371
Total revenue	**48,101**	**116,784**	**2,426**	**2,369**	**6,373**	**1,576**	**177,629**
EBITDA (RSA)*	**33,008**	**8,641**	**157**	**245**	**171**	**347**	**42,569**
Capital expenditure**	**10,537**	**181**	**134**	**46**	**184**	**11,041**	**22,123**
As at 30 June 2011							
Total reportable segment assets	**604,533**	**7,259**	**3,588**	**2,482**	**7,533**	**165,629**	**791,024**
Total reportable segment liabilities	**64,131**	**3,853**	**2,304**	**1,968**	**6,334**	**118,983**	**197,573**

Included in Retailing segment Revenue and EBITDA (RSA) for the six month ended 30 June 2011 are results of disposal group up to the disposal date.

(in millions of Russian Rubles unless noted otherwise)

	Generation	Retailing	Research and Development Institutes	Repairs	Contractors	All other segments	Total Group
Six months ended 30 June 2010							
Revenue from external customers	40,580	161,950	259	343	767	625	204,524
Intersegment revenue	2,384	1,039	420	1,644	5,126	921	11,534
Total revenue	**42,964**	**162,989**	**679**	**1,987**	**5,893**	**1,546**	**216,058**
EBITDA (RSA)*	**27,247**	**8,646**	**48**	**138**	**(41)**	**203**	**36,241**
Capital expenditure**	**11,413**	**408**	**170**	**88**	**37**	**10,892**	**23,008**
As at 31 December 2010							
Total reportable segment assets	**574,207**	**45,503**	**3,761**	**1,609**	**6,828**	**174,279**	**806,187**
Total reportable segment liabilities	**53,111**	**32,026**	**2,455**	**1,198**	**5,503**	**111,206**	**205,499**

* EBITDA – earnings before interest, tax, depreciation and amortisation, calculated as gross profit under RSA before depreciation.

** Capital expenditure represents additions to property, plant and equipment under RSA, including advances to construction companies and suppliers of property, plant and equipment.

A reconciliation of the reportable segments results to the Consolidated Interim Condensed Financial Information for the six months ended 30 June 2011, for the six months ended 30 June 2010 and as at 30 June 2011 and 31 December 2010 is presented below:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue of reportable segments (RSA)	**176,053**	**214,512**
Revenue of all other segments	1,576	1,546
Elimination of intersegment revenues	(13,371)	(11,534)
Other	85	454
Total revenue (IFRS)	**164,343**	**204,978**

	Six months ended 30 June 2011	Six months ended 30 June 2010
EBITDA of reportable segments (RSA)	**42,222**	**36,038**
EBITDA of all other segments	347	203
Finance lease adjustment	558	505
Impairment of accounts receivable	(144)	(115)
Effect of Share Option Programmes (Note 6)	(531)	(685)
Depreciation of property, plant and equipment (Note 21)	(5,953)	(5,600)
Other	(2,647)	(1,095)
Operating profit (IFRS)	**33,852**	**29,251**

(in millions of Russian Rubles unless noted otherwise)

Reportable segments' assets are reconciled to total assets as follows:

	30 June 2011	31 December 2010
Total reportable segment assets (RSA)	**625,395**	**631,908**
Assets of all other segments	165,629	174,279
Property, plant and equipment adjustment	67,291	69,705
Adjustment on investments in associates and jointly controlled entities	13,147	10,601
Finance lease adjustment	2,461	2,138
Deferred tax	(1,121)	(799)
Unrealised profit adjustment	(2,299)	(2,067)
Differences in interest expense capitalisation in RSA and IFRS	(2,192)	(2,663)
Provision for impairment of accounts receivable	(1,842)	(3,737)
Treasury shares adjustment	(12,556)	(13,216)
Discounting of financial instruments	(20,677)	(21,417)
Elimination of investments in subsidiaries	(62,508)	(77,985)
Elimination of intercompany balances	(123,936)	(116,541)
Other	729	798
Total assets (IFRS)	**647,494**	**651,004**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	30 June 2011	31 December 2010
Total reportable segment liabilities (RSA)	**78,590**	**94,293**
Liabilities of all other segments	118,983	111,206
Deferred tax	40,184	41,602
Pension adjustment	1,902	2,015
Finance lease adjustment	1,472	1,453
Adjustment on derivative financial instruments	45	25
Discounting of financial instruments	(1,952)	(2,178)
Elimination of intercompany balances	(123,936)	(116,541)
Other	695	1,017
Total liabilities (IFRS)	**115,983**	**132,892**

Note 6. Related party transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions, as described by IAS 24, *Related Parties Disclosure*. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

The Group's principal related parties for the six months ended 30 June 2011 were jointly controlled entities, associates of the Group and government-related entities.

Jointly controlled entities

The Group had the following balances with its jointly controlled entities:

	Note	30 June 2011	31 December 2010
Promissory notes	9	4,963	4,737
Advances received		317	341

The Group had the following transactions with its jointly controlled entities:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Other revenue	557	230

(in millions of Russian Rubles unless noted otherwise)

Associates

The Group had the following balances with its associates:

	30 June 2011	31 December 2010
Trade and other receivables	8	10

The Group had the following transactions with its associates:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Purchased electricity and capacity	139	-

Government-related entities

In the normal course of business the Group enters into transactions with the entities controlled by the Government. The Group had transactions during the six months ended 30 June 2011 and 30 June 2010 and balances outstanding as at 30 June 2011 and 31 December 2010 with a number of government-related banks. All transactions are carried out on market terms.

The Group sells electricity and capacity to government-related entities. Determination of prices for such electricity and capacity sales is based on electricity and capacity market rules (Note 1). The Group's sales to government-related entities comprised approximately 24 percent of total sales for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 24 percent). The Group's purchases of electricity and capacity from government-related entities comprised approximately 25 percent of total expenses on purchased electricity and capacity for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 36 percent).

Some of the transactions on wholesale electricity and capacity market are conducted through commission agreements with CJSC Centre of Financial Settlements (hereinafter referred to as "CFS"). The current financial settlement system of CFS does not provide the final counterparty with automated information about transactions and settlement balances with end consumers. Government-related entities may also act as counterparties.

The Group had the following significant balances with CFS:

	30 June 2011	31 December 2010
Trade receivables	2,449	2,300
Trade payables	457	3,790

The Group had the following significant transactions with CFS:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Sales of electricity and capacity	27,187	18,369
Purchased electricity and capacity	34,957	39,710

Electricity distribution services provided to the Group by government-related entities comprised approximately 95 percent of total electricity distribution expenses for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 93 percent). The distribution of electricity is subject to tariff regulations.

Key management of the Group. Compensation is paid to the members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and performance bonus depending on the results of the work for the period based on key performance indicators. The compensation and key performance indicators are approved by the Board of Directors.

Fees, compensation or allowances to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings are paid depending on the results for the year and approved on the Annual General Shareholders Meeting of the Company.

Total remuneration paid to the members of the Management Board and Board of Directors of the Company for the six months ended 30 June 2011 was RR 160 million (for the six months ended 30 June 2010: RR 66 million).

(in millions of Russian Rubles unless noted otherwise)

Employee's Share Option Programme 2007. In May 2007 the Company's Board of Directors approved the first Share Option Programme of the Company (hereinafter referred to as the "Programme 2007"), according to which members of the Management Board and other key employees of the Group became its participants.

The Programme 2007 was operated by LLC ESOP which keeps 3,137,287,475 treasury shares of the Company (Note 14).

In accordance with the regulations of the Programme 2007, its participants signed agreements to purchase the Company's shares under which the property title to the shares was transferred and payment was to be made after three years, starting from 3 September 2007. On 11 February 2010 the Company's Board of Directors approved amendments to the regulation of the Programme 2007, which extended the period during which the participants can exercise their options up to two years after 2 September 2010. Previously the Programme 2007 participants could exercise the share option within the month ended 2 September 2010.

The extension of the options execution period affected the fair value of the options granted. On 11 February 2010 the Group has determined (i) the fair value of options using existing terms and conditions, and (ii) the fair value of the options with the extended exercise period. The difference between the two fair values at the date of amendments was an incremental employee benefit. The incremental employee benefit was expensed over the period from 11 February 2010 to the vesting date in September 2010. The original grant date fair value continued to be amortised, using the original graded vesting schedule, over the period from the original 3 September 2007 grant date to the vesting date in September 2010.

The estimate of the fair value of the services received was measured based on the Black-Scholes model:

	Original value calculated as at 3 September 2007	**Before modification measured as at the date of amendments**	**After modification measured as at the date of amendments**
Share price (in RR)	1.73	1.19	1.19
Exercise price (in RR)	1.73	1.73	1.73
Expected volatility (%)	27.00	60.37	60.37
Option life (days)	1,096	203	934
Risk-free interest rate (%)	6.13	5.55	6.08
Fair value of the option at measurement date (in RR)	**0.456**	**0.080**	**0.360**

The increase in the fair value from RR 0.080 to RR 0.360 at the date of amendments to the Programme 2007 is explained by the increase in the expected volatility from 27 percent as at 3 September 2007 to 60.37 percent as at 11 February 2010 and the extension of the option execution period by two years. To determine volatility as at 3 September 2007 the Group used the historical volatility of the share prices of publicly traded shares of peer group companies; as at 11 February 2010 the Group used historical ordinary share prices of the Company traded on the Russian Trading System during the one year period before the date of the amendments to the Programme 2007, excluding the two weeks period after the accident at Sayano-Shushenskaya HPP to eliminate the impact of the extraordinary event.

Changes in the amounts of options granted are described in the table below:

	All options granted under the Programme 2007	**Attributed to members of the Management Board**
Number of options as at 1 January 2010	**2,692,180,984**	**180,394,029**
Option agreements signed in 2010	332,522	-
Reclassification out of Management Board category	-	(7,843,219)
Options forfeited in 2010	(109,461,694)	-
Number of options as at 1 January 2011	**2,583,051,812**	**172,550,810**
Option agreements signed during the six months ended 30 June 2011	362,579	-
Number of options outstanding as at 30 June 2011	**2,583,414,391**	**172,550,810**

For the six months ended 30 June 2011 no material expense related to the fair value of the options under the Programme 2007 was recognised within employee benefit expenses (for the six months ended 30 June 2010: RR 685 million).

(in millions of Russian Rubles unless noted otherwise)

In 2007 the Company issued to the members of the Company's Management Board interest free loans for the prepayments for the share options agreements. As at 30 June 2011 the amount of loans issued to the members of the Management Board amounted to RR 26 million, net of discount of RR 4 million (as at 31 December 2010: RR 27 million, net of discount of RR 3 million).

Employee's Share Option Programme 2010. On 22 December 2010 the Group approved the conditions of the second Share Option Programme (hereinafter referred to as the "Programme 2010"). A total of up to 3,178,775,724 ordinary shares are planned to be allocated under the Programme 2010. 65 percent of the total number of shares under the Programme 2010 were granted to the Management Board on 22 December 2010. Information on the Programme 2010 was communicated to other employees in 2011.

The operator of the Programme 2010 is the Group's subsidiary OJSC Hydrolnvest.

The estimate of the fair value of the services received was measured based on the Black-Scholes model:

	Value calculated as at 22 December 2010
Share price (in RR)	1.66
Exercise price (in RR)	1.4967
Expected volatility (%)	32.74
Option life (days)	731
Risk-free interest rate (%)	6.17
Fair value of the option at measurement date (in RR)	**0.470**

Changes in the amounts of options granted are described in the table below:

	All options granted under the Programme 2010	**Attributed to members of the Management Board**
Number of options as at 1 January 2011	-	-
Option agreements signed during the six months ended 30 June 2011	2,066,204,221	2,066,204,221
Number of options outstanding as at 30 June 2011	**2,066,204,221**	**2,066,204,221**

For the six months ended 30 June 2011 the Group recognised an expense of RR 531 million within employee benefit expenses related to the fair value of the options under the Programme 2010.

(in millions of Russian Rubles unless noted otherwise)

Note 7. Property, plant and equipment

Cost	Production buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Opening balance as at 31 December 2010	**46,752**	**293,058**	**83,508**	**139,576**	**4,462**	**567,356**
Additions	53	6	313	22,789	314	23,475
Transfers	607	1,418	4,999	(7,064)	40	-
Disposals and write-offs	(9)	(145)	(310)	(1,066)	(88)	(1,618)
Closing balance as at 30 June 2011	**47,403**	**294,337**	**88,510**	**154,235**	**4,728**	**589,213**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2010	**(8,456)**	**(34,768)**	**(17,412)**	**(37,386)**	**(61)**	**(98,083)**
Charge for the period	(511)	(2,484)	(2,877)	-	(218)	(6,090)
Transfers	(6)	(90)	(349)	447	(2)	-
Disposals and write-offs	-	11	55	51	12	129
Closing balance as at 30 June 2011	**(8,973)**	**(37,331)**	**(20,583)**	**(36,888)**	**(269)**	**(104,044)**
Net book value as at 30 June 2011	**38,430**	**257,006**	**67,927**	**117,347**	**4,459**	**485,169**
Net book value as at 31 December 2010	**38,296**	**258,290**	**66,096**	**102,190**	**4,401**	**469,273**

Cost	Production buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Opening balance as at 31 December 2009	**41,766**	**202,943**	**95,319**	**105,592**	**4,049**	**449,669**
Additions	34	-	58	21,234	127	21,453
Transfers	712	275	2,303	(3,407)	117	-
Disposals and write-offs	(10)	(19)	(108)	(215)	(36)	(388)
Closing balance as at 30 June 2010	**42,502**	**203,199**	**97,572**	**123,204**	**4,257**	**470,734**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2009	**(5,541)**	**(29,333)**	**(16,406)**	**(37,914)**	**(877)**	**(90,071)**
Charge for the period	(384)	(1,688)	(3,358)	-	(227)	(5,657)
Transfers	(87)	(84)	(76)	248	(1)	-
Disposals and write-offs	1	7	47	17	19	91
Closing balance as at 30 June 2010	**(6,011)**	**(31,098)**	**(19,793)**	**(37,649)**	**(1,086)**	**(95,637)**
Net book value as at 30 June 2010	**36,491**	**172,101**	**77,779**	**85,555**	**3,171**	**375,097**
Net book value as at 31 December 2009	**36,225**	**173,610**	**78,913**	**67,678**	**3,172**	**359,598**

Assets under construction represent the carrying amount of property, plant and equipment that has not yet been put into operation, including hydropower plants under construction, and advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2011 such advances amounted to RR 26,407 million (31 December 2010: RR 26,661 million).

Additions to assets under construction included capitalised borrowing costs in the amount of RR 1,126 million (for the six months ended 30 June 2010: RR 19 million), the capitalisation rate was 7.26 percent.

Additions to assets under construction included capitalised depreciation in the amount of RR 137 million (for the six months ended 30 June 2010: RR 57 million).

Other property, plant and equipment include motor vehicles, land, computer equipment, office fixtures and other equipment.

(in millions of Russian Rubles unless noted otherwise)

As at 30 June 2011 management of the Group considered the market and economic environment in which the Group operates to assess whether any indicators of property, plant and equipment being impaired existed, or that an impairment loss recognised in prior periods may no longer exist or may have decreased, and concluded that no such indicators existed.

Leased equipment. The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. As at 30 June 2011 the net book value of leased property, plant and equipment was RR 5,601 million (31 December 2010: RR 5,185 million). The leased equipment is pledged as a security for the lease obligation.

Operating lease. The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The land areas leased by the Group are the territories on which the Group's hydropower plants and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's operating leases typically run for an initial period of 5–49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2011	31 December 2010
Less than one year	639	655
Between one and five years	1,013	1,094
After five years	5,761	5,309
Total	**7,413**	**7,058**

In March 2011 based on court decision the rent payments under a land area lease agreement were revised downwards to the period starting from 2007. The aggregate minimum lease payments in the table above were adjusted accordingly. The Group has not collected any reimbursement for the claim related to the rent and will record when received.

Note 8. Available-for-sale financial assets

	30 June 2011		31 December 2010	
	% of ownership	Fair value	% of ownership	Fair value
OJSC INTER RAO UES	5.28%	19,141	0.64%	894
OJSC IDGC Holding	1.03%	1,574	1.03%	2,298
Other	-	46	-	46
Total available-for-sale financial assets		**20,761**		**3,238**

In 2011 the Group has acquired additional interest in OJSC INTER RAO UES (Note 13).

The fair values of the available-for-sale financial assets were calculated based on the quoted market prices.

Loss arising on available-for-sale financial assets for the six months ended 30 June 2011 totaled RR 2,965 million, net of tax and was recorded within other comprehensive income (for the six months ended 30 June 2010: gain of RR 794 million, net of tax).

(in millions of Russian Rubles unless noted otherwise)

Note 9. Other non-current assets

	30 June 2011	31 December 2010
Long-term promissory notes (Net of discount of RR 20,885 million, effective interest rate: 9.75%–13.50%, due 2013–2029 as at 30 June 2011 and RR 21,048 million, effective interest rate: 9.75%–13.50%, due 2012–2029 as at 31 December 2010)	14,424	13,121
VAT recoverable	2,208	3,284
Goodwill	929	929
Long-term loans receivable (Net of discount of RR 51 million as at 30 June 2011 and RR 45 million as at 31 December 2010)	211	226
Other non-current assets	2,466	2,191
Total other non-current assets	**20,238**	**19,751**

Included in Long-term promissory notes are promissory notes of OJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant at amortised cost of RR 3,755 million (31 December 2010: RR 3,585 million) and RR 1,208 million (31 December 2010: RR 1,152 million) respectively, which were pledged as collateral to the State Corporation Vnesheconombank in 2011 (Note 25).

Note 10. Cash and cash equivalents

	30 June 2011	31 December 2010
Cash at bank and in hand	8,728	10,209
Cash equivalents (contractual interest rate: 2.45% – 7.00%)	42,959	8,881
Total cash and cash equivalents	**51,687**	**19,090**

Cash equivalents held as at 30 June 2011 and 31 December 2010 comprised short-term bank deposits with original maturities of three months or less.

Cash and cash equivalents balances denominated in US Dollars as at 30 June 2011 were RR 67 million (31 December 2010: RR 83 million). Cash and cash equivalents balances denominated in Euros as at 30 June 2011 were RR 866 million (31 December 2010: RR 839 million).

The line Cash and cash equivalents as at 31 December 2010 in the Consolidated Interim Condensed Statement of Cash Flows included RR 5,896 million of cash and cash equivalents held by the disposal group classified as held for sale (Note 13).

Note 11. Accounts receivable and prepayments

	30 June 2011	31 December 2010
Trade receivables (Net of provision for impairment of accounts receivable of RR 2,294 million as at 30 June 2011 and RR 2,224 million as at 31 December 2010)	10,182	9,760
VAT recoverable	8,696	9,737
Income tax receivable	2,234	2,436
Advances to suppliers and prepayments (Net of provision for impairment of accounts receivable of RR 144 million as at 30 June 2011 and RR 131 million as at 31 December 2010)	1,705	1,015
Other receivables (Net of provision for impairment of accounts receivable of RR 751 million as at 30 June 2011 and RR 730 million as at 31 December 2010)	1,086	1,320
Total accounts receivable and prepayments	**23,903**	**24,268**

The Group does not hold any accounts receivable pledged as collateral.

Note 12. Other current assets

	30 June 2011	31 December 2010
Deposits	6,668	20,660
Promissory notes and other short-term investments	584	1,261
Total other current assets	**7,252**	**21,921**

(in millions of Russian Rubles unless noted otherwise)

Note 13. Non-current assets classified as held for sale and disposal group

As at 31 December 2010 the following equity investments were classified as non-current assets held for sale and disposal group:

Subsidiaries (disposal group): OJSC Mosenergosbyt with its subsidiaries, OJSC Saint Petersburg Sale Company with its subsidiaries, OJSC Altayenergosbyt, OJSC Tambov Energy Retailing Company, OJSC Saratovenergo, OJSC United Energy Retailing Company.

Available-for-sale financial assets: certain equity investments of LLC Index energetiki – HydroWGC and a 15.48 percent investment in OJSC WGC-1.

On 28 March 2011 (hereinafter referred to as the "Date of disposal") the Group transferred assets held for sale and disposal group as a contribution to the share capital of OJSC INTER RAO UES in accordance with the decisions of the Russian Government defining the list of assets to be contributed in the course of additional share issue of OJSC INTER RAO UES.

Net assets of disposal group excluding available-for-sale financial assets were as follows:

	Date of disposal	31 December 2010
Non-current assets		
Property, plant and equipment	5,834	5,760
Deferred income tax asset	412	304
Goodwill	396	396
Other non-current assets	1,604	1,850
Total non-current assets	**8,246**	**8,310**
Current assets		
Cash and cash equivalents	17,325	5,896
Trade receivables	23,369	18,195
Advances to suppliers and prepayments	664	386
Other receivables	2,950	2,370
Inventories	284	268
Other current assets	1,011	1,261
Total current assets	**45,603**	**28,376**
Assets of disposal group classified as held for sale	**53,849**	**36,686**
Non-current liabilities		
Deferred income tax liabilities	1,203	1,020
Other non-current liabilities	254	517
Total non-current liabilities	**1,457**	**1,537**
Current liabilities		
Current debt and current portion of non-current debt	704	1,429
Trade accounts payable	25,457	14,905
Advances received	8,503	7,673
Other payables	2,113	2,321
Current income tax payable	1,241	424
Other taxes payable	2,325	1,217
Total current liabilities	**40,343**	**27,969**
Liabilities of disposal group classified as held for sale	**41,800**	**29,506**
Net assets of disposal group	**12,049**	**7,180**

Available-for-sale financial assets classified as held for sale on the Date of disposal comprised RR 15,930 million (31 December 2010: RR 18,507 million). Losses arising on available-for-sale financial assets classified as held for sale up to the date of disposal totaled RR 2,577 million.

(in millions of Russian Rubles unless noted otherwise)

As a result of these transactions the following financial results were received:

	Date of disposal
Net assets of disposal group	(12,049)
Net assets of disposal group attributable to non-controlling interest holders	5,593
Available-for-sale financial assets classified as held for sale	(15,930)
Fair value of consideration received	20,660
Accumulated gain on available-for-sale financial assets recycled to the Income Statement (related deferred tax liability of RR 436 million)	2,476
Gain on disposal of available-for-sale financial assets and disposal group*	**750**

* Includes effect from disposal of remaining 1.71 percent interest in OJSC WGC-1, which was transferred on 5 May 2011.

Disposal group profit for the period from 1 January 2011 up to the Date of disposal attributable to non-controlling interest holders comprised RR 2,337 million (for six month ended 30 June 2010: RR 1,960 million).

Note 14. Equity

	Number of issued ordinary shares (Par value of RR 1.00)
As at 30 June 2011	290,302,702,379
As at 1 January 2011	288,695,430,802
As at 30 June 2010	269,695,430,802
As at 1 January 2010	269,695,430,802

On 22 October 2010 the Extraordinary General Meeting of shareholders of the Company adopted a resolution to make a placement of 1,860,000,000 ordinary shares with a par value of RR 1.00 and placement price of RR 1.61 per share by open subscription with a cash consideration.

On 2 December 2010 the share issue for 1,860,000,000 ordinary shares was registered with the Federal Service for Financial Markets of Russia (hereinafter referred to as the "FSFM"). Out of the total offering of 1,860,000,000 shares the Company placed 1,607,271,577 ordinary shares including 931,677,018 ordinary shares that were purchased by the Russian Federation, represented by the Federal Agency for State Property Management. As a result of the placement share premium of RR 981 million was recorded within equity. The Report on the share issue was registered with the FSFM on 21 April 2011.

On 10 June 2009 the Extraordinary General Meeting of shareholders of the Company adopted a resolution to make a placement of 19,000,000,000 ordinary shares with a par value of RR 1.00 and placement price of RR 1.15 per share by open subscription with a cash consideration.

On 19 November 2009 the share issue for 19,000,000,000 ordinary shares was registered with the FSFM. Out of the total offering all of 19,000,000,000 shares were placed. The Report on the share issue was registered with the FSFM on 30 September 2010.

Treasury shares. Treasury shares as at 30 June 2011 were represented by 8,581,486,569 ordinary shares in the amount of RR 10,476 million (31 December 2010: 8,011,595,276 ordinary shares in the amount of RR 9,558 million).

The number of treasury shares as at 30 June 2011 included 5,762,190,115 ordinary shares under the Share Option Programmes (31 December 2010: 5,761,827,536) (Note 6).

During the six months ended 30 June 2011 the Group's subsidiary OJSC HydroInvest purchased 569,891,293 treasury shares in the course of the Company's share issue of 1,860,000,000 ordinary shares for a cash consideration of RR 918 million.

Treasury shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by management of the Group.

Merger reserve. Based on the application of the predecessor values method of accounting in 2009 and 2010, the difference of RR 85,370 million as at 30 June 2010 (31 December 2009: RR 77,070 million) between the amount of consideration (including the nominal value of shares issued) and the IFRS carrying value of the purchased or contributed assets and non-controlling interest has been recorded as a merger reserve within equity.

(in millions of Russian Rubles unless noted otherwise)

Effect of changes in non-controlling interest of subsidiaries. During the six months ended 30 June 2011 the Group has transferred its interests in certain subsidiaries included in disposal group as a contribution to the share capital of OJSC INTER RAO UES (Note 13), as a result non-controlling interest reduced by RR 5,593 million.

Dividends. In accordance with the Russian legislation the Group distributes profits as dividends on the basis of financial statements prepared in accordance with RSA.

On 30 June 2011 the Group declared dividends for the year ended 31 December 2010 in the amount of RR 2,497 million that were recognised as a liability and deducted from equity.

Dividends in favour of non-controlling interest holders were declared by the Group's subsidiaries in the amount of RR 184 million for the six months ended 30 June 2011 (for the six months ended 30 June 2010: RR 95 million).

Note 15. Income tax

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual effective income tax rate used for the six month ended 30 June 2011 was 23 percent (for the six month ended 30 June 2010: 23 percent).

	Six months ended 30 June 2011	Six months ended 30 June 2010
Current income tax expense	7,429	7,862
Deferred income tax expense / (benefit)	690	(1,493)
Total income tax expense	**8,119**	**6,369**

In accordance with the tax legislation, tax losses and current income tax assets of different entities of the Group may not be offset against current income tax liabilities and taxable profits of other entities of the Group and, accordingly, taxes may be accrued even where there is a consolidated tax loss.

The Group did not have significant unrecognised deferred tax liabilities in respect of taxable temporary differences associated with investments in subsidiaries as at 30 June 2011 and 31 December 2010.

Note 16. Current and non-current debt

Non-current debt

	Currency	Effective interest rate	Due date	30 June 2011	31 December 2010
Eurobonds issued in October 2010 (RusHydro Finance Ltd)	RR	7.875%	2015	19,938	19,931
Russian bonds issued in April 2011	RR	8.00%	2016	14,982	-
EBRD (tranche 1)	RR	MOSPRIME+3.65%	2020	1,788	1,789
EBRD (tranche 2)	RR	MOSPRIME+2.75%	2014	595	680
EBRD (tranche 3)	RR	MOSPRIME+3.05%	2016	2,475	2,700
Morgan Stanley Bank International Ltd	RR	8.65%	2013	2,308	2,769
CF Structured Products B. V.	USD	10.50%	2013	1,685	1,829
Morgan Stanley Bank International Ltd	RR	MOSPRIME+1.40%	2014	1,500	1,500
Municipal authority of Kamchatka region	USD	8.57%	2035	1,221	1,344
Bonds issue (OJSC RusHydro MC)	RR	8.10%	2011	-	5,000
Other long-term debt	RR			150	253
Finance lease liabilities	RR	11.10%–20.00%	-	1,524	1,513
Total				**48,166**	**39,308**
Less current portion of finance lease liabilities				(735)	(767)
Less current portion of non-current debt				(1,794)	(6,801)
Total non-current debt				**45,637**	**31,740**

Russian bonds issued in April 2011. In April 2011 the Group placed bonds issue of series 01 in the total amount of RR 10,000 million and series 02 in the total amount of RR 5,000 million through the public offering, shown as at 30 June 2011 net of transaction costs in the amount of RR 18 million. The bonds mature in 10 years with a put option to redeem them in 5 years, coupon rate of 8 percent per annum was determined for the first 5 years period only. Interest is payable on a semi-annual basis. Russian bonds could have been partly purchased by government-related entities.

(in millions of Russian Rubles unless noted otherwise)

Morgan Stanley Bank International Ltd. Starting from 1 April 2011 the Group renegotiated the terms of its loan agreements with Morgan Stanley Bank International Ltd, which changed the interest rates from 8.75 percent to 8.65 percent for the loan due in 2013 and from MOSPRIME+1.50 percent to MOSPRIME+1.4 percent for the loan due in 2014.

Current debt

	Currency	Effective interest rate	30 June 2011	31 December 2010
Current portion of non-current debt	RR	-	1,794	6,801
Current portion of finance lease liabilities	RR	11.10%–20.00%	735	767
Interest payable	RR	-	645	651
Short-term derivative financial instruments – interest rate swaps	RR	-	45	25
Other current debt	RR	-	94	88
Total current debt and current portion of non-current debt			**3,313**	**8,332**

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. The Group was in compliance with covenants as at 30 June 2011 and 31 December 2010.

Debt maturity (excluding finance lease liabilities)

	30 June 2011	31 December 2010
Between one and two years	3,636	1,049
Between two and three years	2,829	4,534
Between three and four years	777	2,373
Between four and five years	35,687	20,697
After five years	1,919	2,341
Total	**44,848**	**30,994**

Effective interest rate. The effective interest rate is the market interest rate applicable to the loans at the date of origination for fixed rate loans and the current market rate for floating rate loans. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

Finance lease liabilities. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments as at 30 June 2011	**782**	**1,033**	**12**	**1,827**
Less future finance charges	(47)	(249)	(7)	(303)
Present value of minimum lease payments as at 30 June 2011	**735**	**784**	**5**	**1,524**
Minimum lease payments as at 31 December 2010	**818**	**973**	**13**	**1,804**
Less future finance charges	(51)	(233)	(7)	(291)
Present value of minimum lease payments as at 31 December 2010	**767**	**740**	**6**	**1,513**

Note 17. Other non-current liabilities

	30 June 2011	31 December 2010
Pension benefit obligations	1,902	1,768
Other non-current liabilities	1,143	1,172
Total other non-current liabilities	**3,045**	**2,940**

(in millions of Russian Rubles unless noted otherwise)

Note 18. Accounts payable and accruals

	30 June 2011	31 December 2010
Trade payables	8,070	7,108
Dividends payable (Note 14)	2,702	26
Advances received	1,827	1,372
Settlements with personnel	1,194	1,562
Accounts payable in respect of share issue	-	1,500
Other accounts payable	4,350	1,349
Total accounts payable and accruals	**18,143**	**12,917**

Accounts payable in respect of share issue were settled as at 30 June 2011 upon completion of the share issue of 1,860,000,000 ordinary shares (Note 14) and registration of related amendments to the Charter of the Company in May 2011.

As at 30 June 2011 the Group's subsidiary OJSC Ust'-Srednekanskaya HPP had an obligation of RR 2,649 million included in Other accounts payable balance (31 December 2010: RR nil million) to the Russian Federation, represented by the Federal Agency for State Property Management, in respect of additional share issue. The results of the share issue had not been registered by the FSFM as at 30 June 2011.

All accounts payable and accruals are denominated in Russian Rubles.

Note 19. Other taxes payable

	30 June 2011	31 December 2010
VAT	1,788	2,203
Property tax	1,170	1,361
Insurance contributions	559	325
Other taxes	134	205
Total other taxes payable	**3,651**	**4,094**

Note 20. Revenue

	Six months ended 30 June 2011	Six months ended 30 June 2010
Sales of electricity	141,927	179,425
Sales of capacity	18,447	22,728
Other revenue	3,969	2,825
Total revenue	**164,343**	**204,978**
Included in total revenue is revenue of disposal group (Note 13)	95,785	142,939

Other revenue includes revenue earned from rendering of construction, repairs and other services.

(in millions of Russian Rubles unless noted otherwise)

Note 21. Expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Purchased electricity and capacity	59,490	89,137
Electricity distribution expenses	44,560	61,433
Employee benefit expenses (including payroll taxes, Share Option Programmes expenses and pension benefit expenses)	8,054	7,956
Depreciation of property, plant and equipment	5,953	5,600
Taxes other than on income	2,551	2,982
Other materials	1,542	1,017
Third parties services, including:		
Services of SO-UES, ATS, CFS	1,298	1,095
Repairs and maintenance	643	814
Security expenses	616	401
Consulting, legal and information expenses	589	461
Services of subcontracting companies	587	541
Rent	579	642
Insurance cost	349	305
Agency expenses	208	324
Transportation expenses	188	196
Other third parties services	784	1,294
Loss on disposal of property, plant and equipment, net	1,184	183
Impairment of accounts receivable	447	115
Water usage expenses	411	371
Social charges	162	335
Other expenses	296	525
Total expenses	**130,491**	**175,727**
Included in total expenses are expenses of disposal group (Note 13)	87,169	135,165

Note 22. Finance income / (costs), net

	Six months ended 30 June 2011	Six months ended 30 June 2010
Interest income	1,452	1,789
Income on discounting	182	274
Foreign exchange gain / (loss)	241	(120)
Interest expense	(577)	(909)
Expense on discounting	(414)	(1,184)
Loss on derivative financial instruments	(158)	(96)
Finance lease expense	(93)	(193)
Other costs	(128)	(175)
Total finance income / (costs), net	**505**	**(614)**

Note 23. Earnings per share

	Six months ended 30 June 2011	Six months ended 30 June 2010
Weighted average number of ordinary shares issued (thousands of shares)	281,012,615	259,813,376
Profit attributable to the shareholders of the Company	24,706	19,340
Weighted average earnings per share – basic and diluted* (in RR)	**0.088**	**0.074**

* The Share Option Programmes 2007 and 2010 had no dilutive effect for the periods presented (Note 6).

Note 24. Commitments

Social commitments. The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

Capital commitments. Future capital expenditures in accordance with the contractual obligations amounted to RR 109,648 million as at 30 June 2011 (31 December 2010: RR 88,684 million). The major part of future capital expenditures under contractual obligations as at 30 June 2011 are related to the following hydropower plants: Zagorskaya GAES-2 in the amount of RR 30,622 million, mainly due to the construction of the plant, Sayano-Shushenskaya HPP in the amount of RR 15,269 million and Zhigulevskaya HPP in the amount of RR 15,898 million, mainly due to the reconstruction of equipment.

Note 25. Contingencies

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

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

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

In connection with the accident at Sayano-Shushenskaya HPP in August 2009, there is a possibility of a large number of claims related to the accident, which subject may include: compensation of damage caused to life and health, compensation of losses from termination of contracts, other proceedings. Moreover, the prosecutor's office and other oversight bodies are examining operations of the Company and this also may result in additional claims against the Company and its employees.

Tax contingencies. The 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 activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. 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 arise. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

Due to the fact, that the tax and other legislation does not fully cover all the aspects of the Group's reorganisation, there might be respective legal and tax risks.

Management believes that as at 30 June 2011 its interpretation of the relevant legislation was appropriate and the Group's tax, currency and customs positions would be sustained.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities 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. The Group's subsidiaries 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.

(in millions of Russian Rubles unless noted otherwise)

Guarantees. The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries:

Counterparty	**30 June 2011**	**31 December 2010**
Areva T&D S. A.	770	778
Solios Environnement S. A.	663	662
CJSC Commerzbank (Eurasia)	173	172
Total guarantees issued	**1,606**	**1,612**

BEMA project financing scheme. In May 2006 the Company and RUSAL Group entered into an agreement for mutual financing, completion and subsequent operation of Boguchanskaya HPP, with an installed capacity of 2,997 MW, and Boguchansky aluminium plant, with a capacity of 597,000 tonnes of aluminium per annum. The Company and RUSAL Group agreed to finance the construction on a parity basis (hereinafter referred to as "BEMA project"). Within BEMA project jointly-controlled entities were formed, which have controlling interests in OJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant.

BEMA project was financed by the Group through the purchase of interest-free long-term promissory notes of OJSC Boguchanskaya HPP and CJSC Boguchansky Aluminium Plant. Starting from December 2010 the construction is financed through the loan facilities, being received under the loan agreements with the State Corporation Vnesheconombank which were concluded in December 2010 for the total amount of RR 50,010 million.

As at 30 June 2011 OJSC Boguchanskaya HPP received part of the loan in the amount of RR 4,990 million (31 December 2010: RR 630 million) out of the total of RR 28,100 million with a maturity date of 20 December 2026.

Pursuant to the loan agreement, the State Corporation Vnesheconombank shall fund the loan in tranches subject to the construction of Boguchanskaya HPP in compliance with the construction timetable. In case of any delay in the construction, the OJSC Boguchanskaya HPP may experience difficulties in obtaining loan tranches in due time. Moreover, in case of delays in the construction timetable or any default under the facility agreement, the loan commitment may be cancelled and the loan may be accelerated.

The Group provided a pledge of 51 percent of the shares of CJSC Boguchanskaya HPP Construction Organiser and 49 percent of the shares of CJSC Boguchanskaya HPP Construction Customer, interest-free long-term promissory notes of OJSC Boguchanskaya HPP payable not earlier than 31 December 2029 with total nominal value of RR 21,027 million. Amortised cost of the promissory notes as at 30 June 2011 amounted to RR 3,755 million (Note 9). Additionally, in August 2011 the Group has entered into other agreements related to the loan agreement between OJSC Boguchanskaya HPP and the State Corporation Vnesheconombank (Note 26).

As at 30 June 2011 CJSC Boguchansky Aluminium Plant received part of the loan equivalent to RR 959 million denominated in US Dollars (31 December 2010: RR 212 million denominated in US Dollars) out of the total of RR 21,910 million with a maturity date of 20 December 2024.

The Group provided a pledge of 49 percent of the shares of CJSC Boguchansky Aluminium Plant Construction Organiser and 51 percent of the shares of CJSC Boguchansky Aluminium Plant Construction Customer, interest-free long-term promissory notes of OJSC Boguchansky Aluminium Plant payable not earlier than 31 December 2024 with total nominal value of RR 4,381 million. Amortised cost of the promissory notes as at 30 June 2011 amounted to RR 1,208 million (Note 9).

Note 26. Subsequent events

Share issue. On 30 June 2011 the Annual General Meeting of shareholders of the Company adopted a resolution to make a placement of 89,000,000,000 ordinary shares with a par value of RR 1.00 per share by open subscription with cash and non-cash considerations. On 2 August 2011 the Board of Directors of the Company determined the placement price of RR 1.65 per share.

On 16 August 2011 the share issue for 89,000,000,000 ordinary shares was registered with the FSFM.

The non-cash consideration to be contributed in the course of additional share issue includes the following assets:

- controlling interests in the following companies: OJSC RAO Energy System of East, OJSC Far-Eastern Energy Company, OJSC Yakutskenergo, OJSC Kamchatskiy Gazoenergetichecky Complex, OJSC Pavlodolskaya HPP;
- interests in the Group's subsidiaries and jointly-controlled entities: OJSC Geotherm, OJSC Kolimaenergo, OJSC Zaramag HS, OJSC Ust'-Srednekanskaya HPP, OJSC Boguchanskaya HPP;
- non-controlling interests in the following companies: OJSC Irkutskenergo, OJSC Trest Gidromontazh, OJSC Sakhalin Energy Company;
- hydropower facilities: dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs.

On 23 September 2011 in the course of this share issue the Group received 24.71 percent interest in OJSC Yakutskenergo.

Guarantees. In August 2011 the Group issued guarantee for OJSC Boguchanskaya HPP in favour of the State Corporation Vnesheconombank for the total amount of loan facility of RR 28,100 million including accrued interest and penalties under the loan agreement (Note 25). RUSAL Group is obliged to compensate the Company for the 50 percent of OJSC Boguchanskaya HPP obligations fulfilled by the Company under the guarantee.

Also in August 2011 additional agreement with the State Corporation Vnesheconombank was concluded according to which the Group has a liability for purchase of defined volumes of electricity and capacity, generated by OJSC Boguchanskaya HPP starting from 2012 at the price equal to the greatest amount of market value defined for the certain period of supply in the relevant price zone and / or a group of supply points, and the minimum guaranteed payment. The market price of electricity is based on the volume-weighted average price of deliveries to the one-day-ahead market less 8 percent, the market value of capacity – based on actual prices determined by competitive selection of power less 5 percent.

Acquisition. On 12 September 2011 the Group's subsidiary OJSC ESC RusHydro acquired a 100 percent interest in LLC ESC Bashkortostan (Energy Supply Company of Bashkortostan) from OJSC Bashkirenergo. The consideration was determined by an independent appraiser and amounted to RR 5,720 million. The Group is currently in the process of purchase price allocation.