OGK-1 GROUP
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR SIX MONTHS ENDED 30 JUNE 2010
(UNAUDITED)

CONTENTS

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Independent Auditors' Report

To the Board of Directors of Open Joint-Stock Company First Generation Company of the Wholesale Electricity Market (JSC OGK-1)

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of JSC OGK-1 (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the consolidated interim financial statements). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim financial statements 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 financial statements 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 financial statements do not present fairly, in all material respects, the consolidated interim financial position of the Group as at 30 June 2010, and its consolidated interim financial performance and its consolidated interim cash flows for the six month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

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

The consolidated financial statements of the Group as at and for the six months ended 30 June 2009 were reviewed by other auditors whose report dated 25 September 2009 expressed an unmodified conclusion on those statements. We have reviewed the adjustments described in Note 2 that were applied to restate the consolidated financial statements for the six months ended 30 June 2009. In our opinion, such adjustments are appropriate and have been properly applied.

ZAO KPMG

ZAO KPMG
14 September 2010

(in millions of Russian Roubles)

Consolidated interim statement of financial position

	Notes	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	8	37,443	36,866
Intangible assets		86	96
Other non-current assets	9	338	328
Total non-current assets		**37,867**	**37,290**
Current assets			
Cash and cash equivalents	10	9,709	9,579
Accounts receivable and prepayments	11	2,480	4,142
Inventories	12	2,444	2,224
Profit tax receivable		224	135
Other current assets	13	1,340	482
Total current assets		**16,197**	**16,562**
TOTAL ASSETS		**54,064**	**53,852**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		25,660	25,660
Treasury shares		(40)	(40)
Other reserves		(20)	(38)
Retained earnings		11,337	10,358
Total equity		**36,937**	**35,940**
Non-current liabilities			
Deferred tax liabilities	15	3,314	3,063
Non-current debt	16	8,504	8,211
Employee benefits		424	424
Other non-current liabilities		14	7
Total non-current liabilities		**12,256**	**11,705**
Current liabilities			
Current debt and current portion of non-current debt	17	1,467	2,717
Accounts payable and accruals	18	2,831	2,793
Profit tax payable		59	103
Taxes payable	19	514	594
Total current liabilities		**4,871**	**6,207**
Total liabilities		**17,127**	**17,912**
TOTAL EQUITY AND LIABILITIES		**54,064**	**53,852**

Executive Director — Tolstogusov S.N.

Chief Accountant — Evdokimova M.R.

14 September 2010

The consolidated interim statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 8 to 40.

(in millions of Russian Roubles)

Consolidated interim statement of comprehensive income

		Six months ended	
	Notes	**30 June 2010**	**30 June 2009 (restated)**
Revenues	20	26,347	23,065
Operating expenses	21	(23,833)	(21,413)
Results from operating activities		**2,514**	**1,652**
Finance income	22	111	1,224
Finance costs	22	(1,176)	(140)
Net finance (costs) / income	22	**(1,065)**	**1,084**
Profit before profit tax		**1,449**	**2,736**
Income tax expense	15	(470)	(377)
Profit for the period		**979**	**2,359**
Other comprehensive income			
Change in fair value of available-for-sale investments		18	26
Other comprehensive income for the period, net of tax		**18**	**26**
Total comprehensive income for the period		**997**	**2,385**
Earnings per share, basic and diluted (in Russian Roubles)	23	0.022	0.053

Executive Director Tolstogusov S.N.

Chief Accountant Evdokimova M.R.

14 September 2010

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 8 to 40.

(in millions of Russian Roubles)

Consolidated interim statement of cash flows

	Notes	Six months ended 30 June 2010	Six months ended 30 June 2009 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before profit tax		**1,449**	**2,736**
Adjustments for:			
Depreciation and amortisation	21	1,172	846
(Gain) / loss on disposal of property plant and equipment	21	(16)	754
Provision for impairment of accounts receivable – (release) / charge	21	(125)	191
Net finance costs	22	1,065	(1,084)
Change of employee benefits and unused vacation provision		47	21
Other non-cash items		(6)	73
Operating cash flows before working capital changes and profit tax paid		**3,586**	**3,537**
Working capital changes:			
Decrease in accounts receivable and prepayments		1,790	123
(Increase)/ decrease in value added tax recoverable		(230)	675
Increase in other current assets		(860)	(354)
(Increase)/ decrease in inventories		(208)	242
Decrease/ (increase) in other non-current assets		22	(3)
Decrease in accounts payable and accruals		(12)	(298)
Increase in taxes payable, other than profit tax		12	196
Increase in other non-current liabilities		11	-
Profit tax paid		(355)	(215)
Net cash generated from operating activities		**3,756**	**3,903**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(1,354)	(2,061)
Proceeds from disposal of property, plant and equipment		1	13
Interest received		94	289
Proceeds from loans issued		-	6,850
Net cash (used in)/ generated from investing activities		**(1,259)**	**5,091**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt		1,343	2,000
Repayment of debt		(2,300)	(3,300)
Interest paid		(549)	(789)
Net cash used in financial activities		**(1,506)**	**(2,089)**
Effect of exchange rate fluctuations on cash and cash equivalents		**(861)**	**38**
Increase in cash and cash equivalents		**130**	**6,943**
Cash and cash equivalents at the beginning of the period		**9,579**	**1,930**
Cash and cash equivalents at the end of the period		**9,709**	**8,873**

Executive Director — Tolstogusov S.N.

Chief Accountant — Evdokimova M.R.

14 September 2010

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 8 to 40.

(in millions of Russian Roubles)

Consolidated interim statement of changes in equity

	Share capital	Treasury shares	Other reserves	Retained earnings	Total
As at 1 January 2009	**25,660**	**(40)**	**(62)**	**7,229**	**32,787**
Total comprehensive income for the period (restated)					
Profit for the period (restated)	-	-	-	2,359	2,359
Other comprehensive income					
Change in fair value of available-for-sale investments, net of tax	-	-	26	-	26
Total comprehensive income for the period (restated)	-	-	**26**	**2,359**	**2,385**
As at 30 June 2009 (restated)	**25,660**	**(40)**	**(36)**	**9,588**	**35,172**
As at 1 January 2010	**25,660**	**(40)**	**(38)**	**10,358**	**35,940**
Total comprehensive income for the period					
Profit for the period	-	-	-	979	979
Other comprehensive income					
Change in fair value of available-for-sale investments, net of tax	-	-	18	-	18
Total comprehensive income for the period	**-**	**-**	**18**	**979**	**997**
As at 30 June 2010	**25,660**	**(40)**	**(20)**	**11,337**	**36,937**

Executive Director — Tolstogusov S.N.

Chief Accountant — Evdokimova M.R.

14 September 2010

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 8 to 40.

Note 1. The Group and its operations

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

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

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

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

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

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

(a) Relations with the State and current regulation

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

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

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

As at 30 June 2010 the State Corporation "Rosatom" owned 57.3% of JSC INTER RAO UES, which in turn managed 61.9% of the voting ordinary shares of JSC OGK-1 respectively. The Government of the Russian Federation is the ultimate controlling party of the Group.

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

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

Note 2. Basis of preparation

These consolidated interim financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 *Interim financial reporting*. The Financial Statements are prepared on the historical cost basis except for certain financial instruments that are measured at fair value as described in Note 3.

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

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

Reclassifications and adjustments

Subsequent to the approval of the Group's consolidated interim financial statements for six months ended 30 June 2009, management identified a number of errors with respect to revenue, operating expenses and finance income which resulted in an increase of RR 427 million in profit, increase of RR 22 million in total comprehensive income and positive impact of on earnings per share of 0.01 RUR for the period. Foreign exchange gain within other comprehensive income decreased by RR 405 million and finance income increased by the same amount. Comparative information for the six months ended 30 June 2009 was restated to reflect these adjustments.

Note 3. Summary of significant accounting policies

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

3.1. Consolidation

The consolidated financial statements comprise the financial statements of JSC OGK-1 and the financial statements of those entities whose operations are controlled by JSC OGK-1. Control is presumed to exist when JSC OGK-1 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

(a) Subsidiaries

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

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

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

Note 3. Summary of significant accounting policies (continued)

(b) Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in jointly controlled entities are accounted for using proportionate consolidation. The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over jointly controlled entities or where investments in joint ventures are reclassified to non-current assets held-for-sale.

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

3.2. Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective reporting dates. Foreign exchange gains and losses resulting from the settlements of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognized in profit or loss. Translation at reporting period-end rates does not apply to non-monetary items that are measured at historical cost.

As at 30 June 2010, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the RR and the US Dollar ("USD") was RR 31.20: USD 1.00 (as at 31 December 2009: RR 30.24: USD 1.00), between the RR and EURO RR 38.19: EURO 1.00 (31 December 2009: RR 43.39: EURO 1.00).

(in millions of Russian Roubles)

Note 3. Summary of significant accounting policies (continued)

3.3. Property, plant and equipment

(a) Recognition and measurement

As at 30 June 2010 property, plant and equipment are stated at the carrying value determined at the date of their transfer to the Group by RAO UES of Russia, the predecessor shareholder of the Group, and adjusted for further additions, disposals and depreciation charges. Deemed cost was initially determined based on a third party valuation as at 31 December 1997 and restated for the impact of inflation until 31 December 2002.

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

Gains and losses on disposal of an item of property, plant and equipment are recognized net in “Gain (loss) on disposals of property, plant and equipment” in the statement of comprehensive income.

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

(b) Subsequent costs

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

(c) Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. The remaining useful lives are reviewed annually.

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

Type of facility	Useful lives, years
Power equipment	10-50
Production buildings	20-75
Facilities	15-41
Substations	8-25
Hydrotechnical facilities	13-67
Electricity grids and heating networks	3-28
Other	2-18

Land is not depreciated.

(d) Leased assets

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

Note 3. Summary of significant accounting policies (continued)

(e) Impairment of property, plant and equipment

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

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.4. Intangible assets

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

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

3.5. Financial assets

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

(a) Loans and receivables

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

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

Note 3. Summary of significant accounting policies (continued)

(b) Available-for-sale financial assets

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

(c) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

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

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

3.6 Inventories

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

Note 3. Summary of significant accounting policies (continued)

3.7 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

3.8 Deferred profit tax

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

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

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

3.9 Pension and post-employment benefits

In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

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

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

Note 3. Summary of significant accounting policies (continued)

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

3.10 Debt

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

3.11 Accounts payable and accruals

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

3.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.13 Revenue recognition

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

3.14 Leases

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

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

3.15 Finance income and costs

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

Finance costs comprises interest expense on borrowings other than interest expense on capitalised as part of property, plant and equipment, unwinding of the discount on provisions and impairment losses recognized on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method.

Note 3. Summary of significant accounting policies (continued)

3.16 Profit tax

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

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

3.17 Segment reporting

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

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

3.18 Earnings per share

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

3.19 Dividends

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

New financial reporting standards and interpretations not yet adopted. A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2010, and have not been applied in preparing these Financial Statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- *IFRS 9 Financial Instruments (will be effective for annual periods beginning on or after 1 January 2013).* The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- In May 2010 the IASB issued *Improvements to IFRSs 2010*, which comprises 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective 1 January 2011.

New and revised standards, amendments and interpretations effective for the Group Financial Statements from 1 January 2010.

- IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendment did not have any impact on Financial Statements.

Note 3. Summary of significant accounting policies (continued)

- IFRS 3 *Business Combinations* (2008) and IAS 27 (2008) *Consolidated and Separate Financial Statements*. The revisions address how non-controlling interests in subsidiaries should be measured upon acquisition and require to account for effects of transactions with non-controlling interest directly in equity. The amendment did not have any impact on Financial Statements.
- IAS 17 *Leases* (*Improvements to IFRSs* 2009) Guidance about the classification of leases of land that meant that such leases were classified as operating if title did not transfer to lessee has been deleted. The amendment did not have any impact on Financial Statements.

Note 4. Critical accounting estimates and judgements

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations as to future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) Provision for impairment of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectability of specific customer accounts deteriorated compared to prior estimates. If there is a deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates (see Notes 2, 7, 11).

(b) Provision for impairment of other assets

At each reporting date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in profit or loss in the period in which the reduction is identified. If conditions change and management determines that the value of an asset other than goodwill has increased, the impairment provision will be fully or partially reversed (see Note 8).

(c) Tax contingencies

Russian tax legislation is subject to varying interpretations. The Group's uncertain tax positions (potential tax gains and losses) are reassessed by management at every reporting date. Liabilities are recorded for profit tax positions that are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes other than on profit are recognized based on management's best estimates of the expenditure required to settle tax obligations at the reporting date.

(d) Useful lives of property, plant and equipment

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

(e) Accounting for leases

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

Note 4. Critical accounting estimates and judgements (continued)

(f) Revenue recognition

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

Note 5. Determination of fair values

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

Investments in equity securities

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

Trade and other receivables

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

Non-derivative financial liabilities

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

Note 6. Operating segments

The Group has three reportable segments, as described below. They offer similar services representing generation of electric power, and are managed separately. For each of reportable segments, the Management Board, the Group's operating decision making body, reviews internal management reports.

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

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

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

The Management Board also reviews marginal profit and EBITDA.

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

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

(in millions of Russian Roubles)

Note 6. Operating segments (continued)

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

Segment assets are measured as total assets allocated to the segments excluding inter-segment balances. Segments' measures reviewed by the CODM are prepared based on statutory accounts excluding inter-segment transactions.

Segment items as at and for the six months ended 30 June 2010 are presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total revenue, including	**23,877**	**5,528**	**77**	**(44)**	**29,438**
Revenue from external customers	*23,874*	*5,528*	*36*	*-*	*29,438*
Inter-segment revenue	*3*	*-*	*41*	*(44)*	*-*
Electricity and capacity power revenue	23,469	5,443	-	-	28,912
Heating revenue	372	74	-	(1)	445
Fuel expenses	(11,957)	(3,062)	-	-	(15,019)
Purchased electric power and capacity for resale	(4,732)	(255)	-	-	(4,987)
Marginal profit	**7,152**	**2,200**	**-**	**(1)**	**9,351**
EBITDA	**2,731**	**1,336**	**12**	**(6)**	**4,073**
Net profit	**1,046**	**904**	**7**	**(6)**	**1,951**
Depreciation of property, plant and equipment	(977)	(203)	(5)	-	(1,185)
Interest expense	(312)	-	-	-	(312)
Profit tax expense	(396)	(229)	-		(625)
Total assets, including:	**45,138**	**9,320**	**133**	**(6,006)**	**48,585**
Construction in progress	*6,528*	*1,050*	*-*	*-*	*7,578*
Advances given for capital expenditures	*95*	*63*	*-*	*-*	*158*
Trade receivables	*1,513*	*366*	*14*	*(6)*	*1,887*
Total liabilities, including:	**14,021**	**1,207**	**26**	**(17)**	**15,237**
Debt	*10,047*	*702*	*-*	*-*	*10,749*
Capital expenditure	**815**	**776**	**-**	**-**	**1,591**

(in millions of Russian Roubles)

Note 6. Operating segments (continued)

Segment items for the six months ended 30 June 2009 are presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total revenue, including	**19,663**	**4,557**	**77**	**(43)**	**24,254**
Revenue from external customers	*19,661*	*4,557*	*36*	*-*	*24,254*
Inter-segment revenue	*2*	*-*	*41*	*(43)*	*-*
Electricity and capacity power revenue	19,317	4,494	-	-	23,811
Heating revenue	279	52	-	(1)	330
Fuel expenses	(8,293)	(2,195)	-	-	(10,488)
Purchased electric power and capacity for resale	(4,342)	(409)	(1)	-	(4,752)
Marginal profit	**6,961**	**1,942**	**(1)**	**(1)**	**8,901**
EBITDA	**2,845**	**1,068**	**10**	**(3)**	**3,920**
Net profit	**1,624**	**650**	**4**	**(3)**	**2,275**
Depreciation of property, plant and equipment	(645)	(238)	(5)	-	(888)
Interest expense	(140)	-	-	-	(140)
Profit tax expense	(436)	(180)	(1)	-	(617)

Segment items as at 31 December 2009 are presented below:

	JSC OGK-1	CJSC Nizhnevartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total assets, including:	**44,735**	**8,503**	**117**	**(5,999)**	**47,356**
Construction in progress	*5,993*	*297*	*-*	*-*	*6,290*
Advances given for capital expenditures	*63*	*589*	*-*	*-*	*652*
Trade receivables	*2,034*	*474*	*18*	*(6)*	*2,520*
Total liabilities, including:	**14,665**	**1,295**	**18**	**(15)**	**15,963**
Debt	*11,026*	*770*	*-*	*-*	*11,796*
Capital expenditure	**5,346**	**319**	**-**	**-**	**5,665**

(in millions of Russian Roubles)

Note 6. Operating segments (continued)

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

	30 June 2010	30 June 2009
Total revenue for reportable segments	**29,438**	**24,254**
Net presentation of transactions related to free bilateral agreements	(1,856)	(171)
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(1,385)	(1,141)
Revenue included in other income and expenses	168	149
Other	(18)	(26)
Revenue per consolidated interim statement of comprehensive income	**26,347**	**23,065**
Marginal profit for reportable segments	**9,351**	**8,901**
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(545)	(482)
Rent expenses included in fuel expenses	90	-
Purchased electric power for own needs	(56)	(34)
Heating revenue included in other revenue	(5)	-
Marginal profit derived from consolidated interim statement of comprehensive income	**8,835**	**8,385**
Operating expenses	(6,551)	(6,965)
Other revenues	230	232
Operating profit per consolidated interim statement of comprehensive income	**2,514**	**1,652**
EBITDA for reportable segments	**4,073**	**3,920**
Consolidation of 75% of NVGRES Holding Ltd. excluding CJSC Nizhnevartovskaya GRES	(885)	559
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(334)	(267)
Provision for impairment of accounts receivable of JSC OGK-1 and CJSC Nizhnevartovskaya GRES	90	(191)
IFRS adjustment on deferred expenses	(63)	(10)
Depreciation and amortisation included in other expenses	43	28
Provision for pensions payments	24	-
Unused vacation provision	(19)	(21)
Change in fair value of available-for-sale investments of JSC OGK-1	(18)	(26)
IFRS adjustment on property, plant and equipment	10	(5)
Write-off of asset held under lease agreement	-	(240)
Accrual of provision for rent expenses	-	(30)
Other	12	5
EBITDA derived from consolidated interim statement of comprehensive income	**2,933**	**3,722**
Depreciation of property, plant and equipment	(1,155)	(834)
Interest expense	(312)	(140)
Amortisation of intangible assets	(17)	(12)
Profit before profit tax per consolidated interim statement of comprehensive income	**1,449**	**2,736**
Net profit for reportable segments	**1,951**	**2,275**
Consolidation of 75% of NVGRES Holding Ltd. excluding CJSC Nizhnevartovskaya GRES	(887)	540
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(226)	(162)
Deferred tax liabilities adjustment	98	214
Provision for impairment of accounts receivable	90	(191)
IFRS adjustment on deferred expenses	(80)	(22)
IFRS adjustment on property, plant and equipment	32	17
Provision for pensions payments	24	-
Unused vacation provision	(19)	(21)
Change in fair value of available-for-sale investments of JSC OGK-1	(18)	(26)
Write-off of asset held under hire purchase agreement	-	(240)
Accrual of reserve for rent expenses	-	(30)
Other	14	5
Net profit per consolidated interim statement of comprehensive income	**979**	**2,359**

(in millions of Russian Roubles)

Note 6. Operating segments (continued)

	30 June 2010	31 December 2009
Total assets for reportable segments	**48,585**	**47,356**
Consolidation of 75% of NVGRES Holding Ltd. excluding CJSC Nizhnevartovskaya GRES	6,265	7,115
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(2,330)	(2,126)
IFRS adjustment on property, plant and equipment	2,036	2,004
Provision for impairment of accounts receivable	(314)	(404)
IFRS adjustment on deferred expenses	(157)	(78)
Employee benefits	140	140
Deferred tax adjustment	(81)	(73)
Discounting effect of accounts receivable	(38)	(42)
Cut-off on capitalised interest expense on borrowings of JSC OGK-1	(23)	(23)
Discounting effect of other current and non-current assets	(9)	(20)
Other	(10)	3
Total assets per consolidated interim statement of financial position	**54,064**	**53,852**

Total liabilities for reportable segments	**15,237**	**15,963**
Deferred tax adjustment	1,538	1,602
Recognized deferred profit tax liability on investment to NVGRES Holding Ltd.	641	683
Elimination of loan given to CJSC Nizhnevartovskaya GRES by NVGRES Holding Ltd.	(527)	(557)
Employee benefits	424	424
Elimination of non-controlling 25% of CJSC Nizhnevartovskaya GRES	(302)	(324)
Unused vacation provision	108	90
Other	8	31
Total liabilities per consolidated interim statement of financial position	**17,127**	**17,912**

The Group receives its revenues from the generation of electricity and heat in the Russian Federation. The Group holds assets in the same geographical area - the Russian Federation.

For the six months ended 30 June 2010 the amount of revenue from its major customer, CJSC Financial Settlement Center is equal to RR 10,549 million (for the six months ended 30 June 2009: RR 6,596 million).

Note 7. Financial instruments and financial risk factors

7.1. Financial risk factors

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

Note 7. Financial instruments and financial risk factors (continued)

(a) Market risk

(i) Foreign currency exchange risk

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

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

Contractual foreign currency assets (in millions)	30 June 2010	31 December 2009
EUROs	165	165

Management estimated how profit or loss would have been affected by changes in foreign currency exchange rate that were reasonably possible at 30 June 2010: 1%-5.3% (31 December 2009: 5%-10%). Possible change in a risk variable is based on historical analysis during 2 years before the reporting date.

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

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

Foreign currency exchange rate	(5.3%)	(1.0%)	+1.0%	+5.3%
The hypothetical effect on profit / (loss)	(333)	(63)	63	333

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

Foreign currency exchange rate	(10%)	(5%)	+5%	+10%
The hypothetical effect on profit / (loss)	(715)	(357)	357	715

(ii) Interest rate risk

The Group's debt financing activities expose it to interest rate risk. As at 30 June 2010, the Group has loans amounting to RR 4,000 million (as at 31 December 2009: RR 4,000 million) with international banks with a floating rate of MosPrime3M and loan amounting to RR 1,971 million (as at 31 December 2009: RR 1,228 million) from management company JSC INTER RAO UES with a floating rate depending on refinancing rate of Central Bank of Russian Federation. Management estimated how profit or loss would have been affected by changes in a relevant risk variable that were reasonably possible at 30 June 2010: 0.5%-3.2% (31 December 2009: 1%-3.7%). Possible change in a risk variable is based on historical analysis during 2 years before the reporting date.

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

Interest rate (absolute)	(1.0%)	(0.5%)	0.5%	3.2%
The hypothetical effect on finance costs	(40)	(20)	20	128

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

Interest rate (absolute)	(2.5%)	(1.0%)	+1.0%	+3.7%
The hypothetical effect on financial costs	(100)	(40)	40	148

(in millions of Russian Roubles)

Note 7. Financial instruments and financial risk factors (continued)

(b) Credit risk

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

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

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

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

	30 June 2010	31 December 2009
CJSC Financial Settlement Center (CJSC CFR)	778	1,275
OJSC Dagestanskaya energy distribution company	166	170

CJSC CFR is the unified organization, which provides trade of electricity and capacity on the wholesale electricity and capacity market by concluding sale-and-purchase contracts, as well as commission agreements, and performs a function of a setting centre on settlements on these contracts.

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

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

Exposure to credit risk

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

	Carrying amount	
	30 June 2010	**31 December 2009**
Cash and cash equivalents	9,709	9,579
Trade and other receivables	1,801	2,358
Bank deposits	1,220	290
Bank bills of exchange	153	235
Available-for-sale financial assets related to employee benefit fund	140	140
Available-for sale financial assets	69	51
Total	**13,092**	**12,653**

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 30 June 2010	Impairment 30 June 2010	Gross 31 December 2009	Impairment 31 December 2009
Not past due	891	(4)	1,232	(8)
Past due 0-30 days	202	(8)	436	(15)
Past due 31-92 days	316	(54)	296	(51)
Past due 93-181 days	260	(60)	189	(49)
Past due 182-365 days	83	(67)	405	(272)
Past due more than 365 days	581	(581)	519	(517)
Total	**2,333**	**(774)**	**3,077**	**(912)**

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

(in millions of Russian Roubles)

Note 7. Financial instruments and financial risk factors (continued)

(c) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
At 30 June 2010								
Debt	9,971	9,971	1,467	2,233	4,173	492	292	1,314
Interest payable	76	2,806	908	775	473	199	151	300
Trade payables	1,397	1,397	1,397	-	-	-	-	-
Accrued liabilities and dividends payable	1,001	1, 023	1,001	1	12	1	1	7
At 31 December 2009								
Debt	10,928	10,928	2,717	3,895	3,583	733	-	-
Interest payable	98	2,781	1,312	927	481	61	-	-
Trade payables	1,653	1,653	1,653	-	-	-	-	-
Accrued liabilities and dividends payable	679	691	679	1	1	1	1	8

7.2. Capital risk management

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

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

The financial leverage ratios were as follows:

	30 June 2010	31 December 2009
Total debt	9,971	10,928
Total equity	36,937	35,940
Financial leverage ratio	**27%**	**30%**

In January 2009 Moody's Rating Agency rated JSC OGK-1 as having an international credit rating at the level of Ba3/Stable Forecast. This credit rating has not been updated during the period.

7.3. Fair value estimation

The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market rate of interest for similar borrowers at the reporting date.

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

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

(in millions of Russian Roubles)

Note 8. Property, plant and equipment

(a) Cost

Cost	Land	Power equipment	Production buildings	Facilities	Substations	Hydrotechnical facilities	Electricity grids and heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2009	42	24,199	13,169	3,872	2,862	1,272	431	9,403	4,388	59,638
Additions	2	1	-	-	-	-	-	1,705	24	1,732
Transfers	-	37	16	74	47	-	-	(272)	98	-
Disposals	-	(1)	-	(4)	-	-	-	-	(3)	(8)
Closing balance as at 30 June 2010	44	24,236	13,185	3,942	2,909	1,272	431	10,836	4,507	61,362
Accumulated depreciation (including impairment)										
Opening balance as at 31 December 2009	-	(10,697)	(5,696)	(2,086)	(1,454)	(489)	(219)	(1,036)	(1,095)	(22,772)
Charge for the period	-	(533)	(103)	(72)	(65)	(15)	(13)	-	(354)	(1,155)
Disposals	-	1	-	4	-	-	-	-	3	8
Closing balance as at 30 June 2010	-	(11,229)	(5,799)	(2,154)	(1,519)	(504)	(232)	(1,036)	(1,446)	(23,919)
Net book value as at 1 January 2010	42	13,502	7,473	1,786	1,408	783	212	8,367	3,293	36,866
Net book value as at 30 June 2010	44	13,007	7,386	1,788	1,390	768	199	9,800	3,061	37,443

(in millions of Russian Roubles)

Note 8. Property, plant and equipment (continued)

Cost	Land	Power equipment	Production buildings	Facilities	Substations	Hydrotechnical facilities	Electricity grids and heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2008	4	18,743	13,107	4,287	2,088	1,116	429	12,646	2,399	54,819
Additions	-	-	-	-	-	-	-	3,156	22	3,178
Transfers	-	8	2	107	1	-	-	(166)	48	-
Disposals	-	(1)	(1)	(802)	-	-	(5)	(7)	(6)	(822)
Closing balance as at 30 June 2009	4	18,750	13,108	3,592	2,089	1,116	424	15,629	2,463	57,175
Accumulated depreciation (including impairment)										
Opening balance as at 31 December 2008	-	(9,938)	(5,429)	(1,982)	(1,337)	(454)	(192)	(1,100)	(710)	(21,142)
Charge for the period	-	(364)	(136)	(67)	(57)	(19)	(14)	-	(177)	(834)
Transfers	-	-	-	40	-	-	2	-	2	44
Closing balance as at 30 June 2009	-	(10,302)	(5,565)	(2,009)	(1,394)	(473)	(204)	(1,100)	(885)	(21,932)
Net book value as at 1 January 2009	4	8,805	7,678	2,305	751	662	237	11,546	1,689	33,677
Net book value as at 30 June 2009	4	8,448	7,543	1,583	695	643	220	14,529	1,578	35,243

(in millions of Russian Roubles)

Note 8. Property, plant and equipment (continued)

The Group capitalised borrowing costs of RR 215 million for six months ended 30 June 2010 (for six months ended 30 June 2009: RR 658 million). A capitalization rate of 10.55% for six months ended 30 June 2010 (for six months ended 30 June 2009: 18.92%) was used to determine the amount of borrowing costs eligible for capitalization representing the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

Construction in progress includes advances to construction companies and suppliers of property, plant and equipment of 2,827 million (net of VAT) and RR 2,506 million (net of VAT) as of 30 June 2010 and 31 December 2009 respectively.

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

	30 June 2010	31 December 2009
Urengoyskaya GRES	5,176	4,271
Kashirskaya GRES	2,384	2,306
Permskaya GRES	912	804
Nizhnevartovskaya GRES	795	557
Verkhnetagilskaya GRES	383	325
Iriklinskaya GRES	150	104
Total	**9,800**	**8,367**

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

For the land occupied by the facilities of Kashirskaya GRES and Iriklinskaya GRES, the right for perpetual use has been registered, while the title belongs to the Russian Federation. In accordance with Russian legislation, the Group has the option to reregister the perpetual use right to a tenancy right for these lands or to acquire title for them. In December 2009, title to certain of the land occupied by the facilities of Kashirskaya GRES and Iriklinskaya GRES was acquired.

(b) Impairment provision for property, plant and equipment

The carrying value of property, plant and equipment at 30 June 2010 and 31 December 2009 is stated net of an impairment loss of RR 2,092 million and RR 2,116 million respectively. The total amount of the provision relates the write-down of construction in progress undertaken at Urengoyskaya power station.

Based on management assessment as at 30 June 2010 no impairment indicators have been identified.

(c) Operating and finance leases

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

Operating lease rentals for land are payable as follows:

	30 June 2010	31 December 2009
Less than one year	52	67
Between one year and five years	180	160
After five years	1,978	1,759
Total	**2,210**	**1,986**

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

(in millions of Russian Roubles)

Note 8. Property, plant and equipment (continued)

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

	30 June 2010	31 December 2009
Less than one year	189	180
Between one year and five years	688	787
Total	**877**	**967**

Note 9. Other non-current assets

	30 June 2010	31 December 2009
Available-for-sale financial assets related to employee benefit fund	140	140
Available-for-sale financial assets	69	51
Non-current trade receivables (Net of provision for impairment of RR 36 million as at 30 June 2010 and RR 40 million as at 31 December 2009)	54	61
Non-current bank bills of exchange	44	43
Non-current value added tax recoverable	19	20
Other non-current assets	12	13
Total	**338**	**328**

Available-for-sale financial assets related to employee benefit fund are the Group contributions accumulated in solidary and employees' individual pension accounts with the Non-State Pension Fund of Electric Power Industry (employee benefit fund). Subject to certain restrictions contributions to the employee benefit fund can be withdrawn at the discretion of the Group.

Note 10. Cash and cash equivalents

	30 June 2010	31 December 2009
Cash at bank and in hand	1,433	1,242
Cash equivalents	8,276	8,337
Total	**9,709**	**9,579**

Cash at bank	Currency	Rating	Rating agency	30 June 2010	31 December 2009
JSCB Peresvet	RR	-	-	650	634
JSC Credit Bank of Moscow	RR	A2	Moody's	454	-
BNP Paribas	EUR	Aa2	Moody's	270	318
JSC Alfa-Bank	RR	Ba1	Moody's	21	180
JSC Alfa-Bank	EUR	Ba1	Moody's	1	76
Other	RR	-	-	37	34
Total				**1,433**	**1,242**

(in millions of Russian Roubles)

Note 10. Cash and cash equivalents (continued)

Cash equivalents	Currency	Rating	Rating agency	Interest rate	30 June 2010	31 December 2009
BNP Paribas	EUR	Aa2	Moody's	0.30%	6,014	6,834
JSCB Peresvet	RR	-	-	3.00-3.50%	1,700	500
JSC Alfa-Bank	RR	Ba1	Moody's	4.75%	375	556
JSC Zapsibcombank	RR	-		6.00%	187	31
JSC Gazprombank	RR	Baa3	Moody's	8.50%	-	135
JSC Sberbank	RR	Baa1	Moody's	6.80-12.80%	-	281
Total					**8,276**	**8,337**

Cash equivalents include short-term bank deposits.

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

Note 11. Accounts receivable and prepayments

	30 June 2010	31 December 2009
Trade receivables (Net of provision for impairment of RR 774 million as at 30 June 2010 and RR 912 million as at 31 December 2009)	1,559	2,165
Value added tax recoverable	632	557
Advances to suppliers and prepayments (Net of provision for impairment of RR 2 million as at 30 June 2010 and RR 1 million as at 31 December 2009)	65	1,250
Tax prepayments	36	38
Other receivables (Net of provision for impairment of RR 45 million as at 30 June 2010 and RR 33 million as at 31 December 2009)	188	132
Total	**2,480**	**4,142**

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

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

	Six months ended	
	30 June 2010	30 June 2009
As at 1 January	946	376
Increase during the reporting period	71	191
Reversal of provision	(196)	-
As 30 June 2010	**821**	**567**

The Group does not hold any collateral as security.

(in millions of Russian Roubles)

Note 12. Inventories

	30 June 2010	31 December 2009
Materials and supplies	1,254	1,031
Fuel production stock	1,161	1,165
Other inventories	29	28
Total	**2,444**	**2,224**

The above inventory balances are recorded net of an obsolescence provision of RR 52 million and RR 65 million as at 30 June 2010 and 31 December 2009, respectively.

As at 30 June 2010 and 31 December 2009, the inventory balances did not include any inventories which were pledged as collateral according to loan agreements.

Note 13. Other current assets

	30 June 2010	31 December 2009
Bank deposits (effective interest rate of 4.00%-9.25% maturity in October-December 2010, May 2011)	1,220	290
Bank bills of exchange (effective interest rate of 8%-12.45%, maturity in 2010)	109	192
Other	11	-
Total	**1,340**	**482**

Bank deposits	Rating	Rating agency	Interest rate	30 June 2010	31 December 2009
JSC Gazprombank	Baa3	Moody's	4.00-8.35%	748	-
JSC Alfa-Bank	Ba1	Moody's	4.75-6.00%	332	-
JSC Sberbank	Baa1	Moody's	6.45%	131	225
JSC Russ-Bank	Baa1	Moody's	9.25%	9	-
CJSC Raiffeisen	Baa3	Moody's	7.73%	-	65
Total				**1,220**	**290**

Bank bills of exchange	Rating	Rating agency	30 June 2010	31 December 2009
JSC Sberbank	Baa1	Moody's	77	162
LLC CB AGROPROMCREDIT	Baa1	Moody's	32	30
Total			**109**	**192**

Note 14. Equity

(a) Share capital

(Number of shares unless otherwise stated)	30 June 2010	31 December 2009
Issued shares	44,643,192,918	44,643,192,918
Par value (in RR)	0.57478	0.57478

(b) Treasury shares

As at 30 June 2010 and 31 December 2009, the number of treasury shares amounted to 15,831,017 comprising 0.035% of issued shares.

(in millions of Russian Roubles)

Note 14. Equity (continued)

(c) Dividends

In accordance with Russian legislation, the Group distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. During six months ended 30 June 2010 and 30 June 2009 the Company neither declared nor paid dividends for the year ended 31 December 2008.

(d) Additional issue of shares

In December 2009, an extraordinary shareholders meeting approved the decision to increase share capital of JSC OGK-1 by the additional issue of 38 billion ordinary shares with nominal value RR 0.57478. The purpose of the addition issue of shares is to finance the construction of the Urengoyskaya power station. As at 30 June 2010 the shares were not issued.

Note 15. Profit tax

(a) Profit tax charge

The statutory corporate income tax rate in Russian Federation is 20% for six months ended 30 June 2010 and 30 June 2009. The 10% profit tax rate was applied to NVGRES Holding Ltd. in accordance with Cyprus tax law. The 15.5% profit tax rate was applied to Permskaya GRES due to local state tax relief.

	Six months ended	
	30 June 2010	**30 June 2009**
Current profit tax charge	(219)	(201)
Deferred profit tax charge	(251)	(176)
Total profit tax charge	**(470)**	**(377)**

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

	Six months ended	
	30 June 2010	**30 June 2009**
Profit before profit tax	**1,449**	**2,736**
Theoretical profit tax charge using the appropriate statutory tax rate of 20 percent	(290)	(547)
Effect of different tax rates	42	7
Over provided in prior periods	-	233
Recognised deferred tax liability on investment to NVGRES Holding Ltd.	42	(75)
Non-taxable foreign exchange (losses)/ gains	(173)	81
Other non-deductible expenses	(91)	(76)
Total profit tax charge	**(470)**	**(377)**

(in millions of Russian Roubles)

Note 15. Profit tax (continued)

(b) Deferred tax

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

	30 June 2010	Movements for the period recognized in profit or loss	31 December 2009
Deferred tax liabilities	**(3,421)**	**(246)**	**(3,175)**
Property, plant and equipment	(2,731)	(266)	(2,465)
Trade receivables	(20)	(20)	-
Investments in joint venture	(641)	42	(683)
Other	(29)	(2)	(27)
Deferred tax assets	**107**	**(5)**	**112**
Non-current trade receivables	-	(25)	25
Other	107	20	87
Deferred tax liabilities, net	***(3,314)***	***(251)***	***(3,063)***

	30 June 2009	Movements for the period recognized in profit or loss	31 December 2008
Deferred tax liabilities	**(3,086)**	**(120)**	**(2,966)**
Property, plant and equipment	(2,351)	(59)	(2,292)
Trade receivables	(26)	15	(41)
Investments in joint venture	(672)	(76)	(596)
Other	(37)	-	(37)
Deferred tax assets	**96**	**(56)**	**152**
Non-current debt	-	(49)	49
Current debt	-	(32)	32
Other	96	25	71
Deferred tax liabilities, net	***(2,990)***	***(176)***	***(2,814)***

Pursuant to the option held by TNK-BP to purchase a further 25% of NVGRES Holding Ltd. the Group had recognised 25% of the deferred tax liability in respect of the Group's investment in NVGRES Holding Ltd as at 30 June 2010 and 31 December 2009, respectively. The Group did not recognise a deferred tax liability in respect of the remaining investment because its ultimate realisation is within the control of the Group. As at 30 June 2010, the maximum amount of such unrecognized deferred tax liabilities is approximately RR 1,282 million (as at 31 December 2009: 1,366 million).

(in millions of Russian Roubles)

Note 16. Non-current debt

Name of creditor	Currency	Due	Effective interest rate	30 June 2010	31 December 2009
JSC INTER RAO UES	RR	2019	Refinancing rate RF+2.76%	1,971	1,228
JSC Transcreditbank	RR	2012	10.75% - 12.00%	1,600	1,600
CJSC ING BANK (EURASIA)	RR	2013	MosPrime3M + 2.60%	1,500	1,500
CJSC ING BANK (EURASIA)	RR	2012	MosPrime3M + 1.75%	1,500	1,500
SC Vnesheconombank	RR	2013	15.00%	1,300	1,300
JSC Alfa-Bank	RR	2013	10.50%	1,100	-
CJSC Commerzbank	RR	2012	MosPrime3M + 1.80%	1,000	1,000
JSC Russ-Bank	RR	2011	12.50%	-	600
Total non-current debt				**9,971**	**8,728**
Less: current portion of non-current debt				(1,467)	(517)
Total				**8,504**	**8,211**

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

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

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

Currently, the Group has unused open lines of credit amounting to approximately RR 8.3 billion.

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

Name of creditor	Currency	Effective interest rate	30 June 2010	31 December 2009
CJSC Commerzbank	RR	MosPrime3M + 1.80%	500	250
CJSC ING BANK (EURASIA)	RR	MosPrime3M + 1.75%	500	167
SC Vnesheconombank	RR	15%	300	100
CJSC ING BANK (EURASIA)	RR	MosPrime3M + 2,60%	167	-
CJSC UniCredit Bank	RR	10.50% – 13.75%	-	1,700
JSC Alfa-Bank	RR	13.50%	-	500
Total			**1,467**	**2,717**

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

Note 18. Accounts payable and accruals

	30 June 2010	31 December 2009
Trade payables	1,397	1,653
Dividends payable	4	4
Accrued liabilities and other creditors	1,430	1,136
Total	**2,831**	**2,793**

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

(in millions of Russian Roubles)

Note 19. Taxes payable

	30 June 2010	31 December 2009
Value added tax	283	130
Property tax	126	108
Water tax	35	295
Unified social tax	34	15
Other taxes	36	46
Total	**514**	**594**

Note 20. Revenues

	Six months ended	
	30 June 2010	30 June 2009
Electric power	19,201	16,716
Capacity	6,494	5,800
Heating	422	317
Other	230	232
Total	**26,347**	**23,065**

Note 21. Operating expenses

	Six months ended	
	30 June 2010	30 June 2009
Raw materials and consumables used, comprising	14,474	10,234
Fuel expenses	*14,164*	*9,939*
Other materials	*310*	*295*
Purchased electric power and capacity for resale	3,118	4,509
Employee benefit expenses and payroll taxes	1,992	2,231
Third parties services, including:	1,703	1,674
Repairs and maintenance	*518*	*490*
Commission fees	*430*	*420*
Security expenses	*155*	*145*
Rent expenses	*127*	*180*
Insurance expenses	*97*	*51*
Transportation expenses	*44*	*44*
Consulting, legal and information expenses	*39*	*124*
Telecommunication services	*26*	*28*
Other	*267*	*192*
Depreciation of property, plant and equipment	1,155	834
Taxes other than profit tax	547	718
Expenses under management agreement	360	-
Water usage expenses	296	55
Provision for impairment of accounts receivable - (release)/ charge	(125)	191
Social charges	52	43
Amortisation of intangible assets	17	12
(Gain) / loss on disposals of property, plant and equipment	(16)	754
Other expenses	260	158
Total	**23,833**	**21,413**

(in millions of Russian Roubles)

Note 22. Finance (costs) / income

	Six months ended	
	30 June 2010	30 June 2009
Finance lease income	-	521
Foreign exchange gain	-	407
Interest income	94	289
Effect of discounting of long-term accounts receivable/payable	17	7
Finance income	**111**	**1,227**
Foreign exchange loss	(864)	-
Interest expense	(312)	(140)
Finance costs	**(1,176)**	**(140)**

Note 23. Earnings per share, basic and diluted (in RR)

	Six months ended	
	30 June 2010	30 June 2009
Weighted average number of ordinary shares issued and outstanding (million of shares)	44,627	44,627
Profit attributable to the shareholders of JSC OGK-1 (million of RR)	979	2,359
Weighted average earnings per share – basic and diluted (in RR)	**0.022**	**0.053**

Note 24. Interest in joint venture

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

	30 June 2010	31 December 2009
Assets:		
Non-current assets	5,692	5,570
Current assets	8,570	8,907
Total assets	**14,262**	**14,477**
Liabilities:		
Non-current liabilities	368	380
Current liabilities	367	398
Total liabilities	**735**	**778**
Net assets	**13,527**	**13,699**
Proportionate interest in joint venture's commitments	**263**	**545**

	Six months ended	
	30 June 2010	30 June 2009
Revenue	4,215	4,067
Expenses	(4,389)	(3,050)
(Loss) / profit for the period	**(174)**	**1,017**

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

Note 25. Commitments

(a) Capital commitments

Future capital expenditures for which contracts have been signed amounted to RR 40,197 million at 30 June 2010 (at 31 December 2009: RR 26,697 million).

Note 26. Contingencies

(a) Operating environment

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

(b) Insurance

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

(c) Legal proceedings

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

(d) Tax contingencies

Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular the existing method of calculation of water tax. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

As at 30 June 2010, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

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

(e) Environmental matters

The Group is primarily made up of a number of generating plants that have operated in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving as is the enforcement posture of Government authorities. Group entities periodically evaluate their obligations under environmental regulations.

(in millions of Russian Roubles)

Note 26. Contingencies (continued)

Potential liabilities may arise as a result of changes in legislation and regulation or as a result of civil litigation. The impact of these potential changes cannot be estimated but could be material. Currently, management believes that there are no significant exposures to environmental matters.

(f) TNK-BP Call Option

On 15 February 2008 JSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station and to finance and construct a third unit at that power station with a capacity of 800 MW. According to the Agreement, JSC OGK-1 has granted a written call option to TNK-BP which gives TNK-BP the right to buy additional 25% minus two shares in NVGRES Holding Ltd. at a determinable price at a future date, which is defined as any day within 12 months after the date when the third unit passes the performance tests. As the exercise price under this option is expected to be equal to fair value at the date of exercise, there is no fair value attributed to the option. During 2009, the joint venture decided to construct the third unit using 2 blocks with capacity of 410 - 450 MW per each. As at 30 June 2010, the option was not yet exercisable.

Note 27. Related Parties

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

Related parties with whom the Group entered into significant transactions during the six months ended 30 June 2010 and 30 June 2009 or had significant balances as at 30 June 2010 and 31 December 2009 are detailed below.

(a) Controlling parties

As at 30 June 2010 the principal shareholders that can exercise significant influence over the Group’s activity are FGC (40.2%) and RusHydro (21.7%). Both entities are owned by the Government of the Russian Federation which is the ultimate controlling party of the Company.

The Group had the following significant transactions with FGC and RusHydro during the six months ended 30 June 2010 and 30 June 2009 and had the following outstanding balances as at 30 June 2010 and 31 December 2009.

Transactions with RusHydro were as follows:

	Six months ended	
	30 June 2010	**30 June 2009**
Electric power and capacity revenues	1	65
Other expenses	8	4

Balances with RusHydro were as follows:

	30 June 2010	**31 December 2009**
Accounts payable	115	110
Fair value of available-for-sale investments	69	51

Transactions with FGC were as follows:

	Six months ended	
	30 June 2010	**30 June 2009**
Other revenues	4	3

Balances with FGC were as follows:

	30 June 2010	**31 December 2009**
Accounts receivable	3	3
Accounts payable	203	203

(in millions of Russian Roubles)

Note 27. Related Parties (continued)

(b) JSC INTER RAO UES

Beginning from 6 July 2009 JSC INTER RAO UES is the Sole Executive Body of OGK-1 (see Note 1). Information about material transactions with JSC INTER RAO UES during the six months ended 30 June 2010, and outstanding balances as at 30 June 2010 and 31 December 2009 are disclosed below:

	Six months ended 30 June 2010
Electric power and capacity revenues	649
Other revenues	8
Purchased electric power	68
Other expenses	51
Expenses under management agreement	360
Accrued interest under loan agreement, including	84
capitalized interest	63

Balances with JSC INTER RAO UES were as follows:

	30 June 2010	31 December 2009
Accounts receivable	20	2
Accounts payable	74	224
Non-current debt	1,971	1,228
Accrued liabilities (Interest accrued under loan agreement)	3	2

(c) CJSC Financial Settling Center (CJSC CFR)

From July 2006 to 6 July 2009, one of the Company's employees held key management positions in both JSC OGK-1 and CJSC CFR. Accordingly, CJSC CFR is considered to be a related party.

Transactions with CJSC CFR were as follows:

	Six months ended 30 June 2009
Electric power and capacity revenues	6,596
Electric power and capacity purchases	4,436
Other revenues	5

(d) State-controlled entities

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

The Group made a decision on earlier application of the amendment to IAS 24 in relation to non-disclosure of small state-controlled entities, which did have a significant influence on Group's transactions and balances. The nature of relationship between small state-controlled entities and Group is domestic regional trade of heat, electricity and capacity.

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

	Six months ended	
	30 June 2010	30 June 2009
Electric power and capacity revenues	2,436	2,774
Fuel expenses	65	5,472

(in millions of Russian Roubles)

Note 27. Related Parties (continued)

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

	30 June 2010	31 December 2009
Cash and cash equivalents	17	427
Other current assets	956	387
Other non-current assets	11	11
Current debt and current portion of non-current debt	300	100
Non-current debt	2,600	2,800

(e) Directors' compensation

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

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

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

	Six months ended	
	30 June 2010	30 June 2009
Short-term compensations, including salary and bonuses	-	35
Remuneration for attending the Board meetings	5	7

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