OGK-1 GROUP

Interim consolidated financial statements
Prepared in accordance with
International financial reporting standards (IFRS)

For the six months ended 30 June 2011
(unaudited)

OGK-1 GROUP

Interim consolidated financial statements

For the six months ended 30 June 2011

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Report on review of interim consolidated financial statements

To the shareholders and to the Board of Directors of Open Joint Stock Company First Generation Company of the Wholesale Electricity Market (OJSC OGK-1)

Introduction

We have reviewed the accompanying interim consolidated financial statements of OJSC OGK-1 and its subsidiaries ("the Group"), comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated 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. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2011 and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

Ernst & Young LLC

29 August 2011

OGK-1 GROUP

Interim consolidated statement of financial position

as at 30 June 2011

(in millions of Russian Roubles)

	Notes	30 June 2011 Unaudited	31 December 2010 Restated
Assets			
Non-current assets			
Property, plant and equipment	8	36,083	34,854
Intangible assets		62	76
Investment in joint venture	24	14,872	13,958
Other non-current assets	9	4,450	3,581
Total non-current assets		**55,467**	**52,469**
Current assets			
Cash and cash equivalents	10	17,119	16,307
Accounts receivable and prepayments	11	4,533	2,660
Inventories	12	2,563	2,065
Income tax receivable		246	34
Other current assets	13	54	3,764
Total current assets		**24,515**	**24,830**
Total assets		**79,982**	**77,299**
Equity and liabilities			
Equity	14		
Registered share capital		37,620	25,660
Unregistered share capital		–	11,960
Share premium		11,342	11,342
Treasury shares		(40)	(40)
Other reserves		(27)	(13)
Retained earnings		16,624	13,696
Total equity		**65,519**	**62,605**
Non-current liabilities			
Deferred tax liabilities	15	3,254	2,939
Non-current debt	17	4,000	5,517
Pension liabilities		420	420
Other non-current liabilities	16	719	134
Total non-current liabilities		**8,393**	**9,010**
Current liabilities			
Current portion of non-current debt	17	1,833	1,667
Accounts payable and accruals	18	3,860	2,917
Income tax payable		53	242
Taxes payable	19	324	858
Total current liabilities		**6,070**	**5,684**
Total liabilities		**14,463**	**14,694**
Total equity and liabilities		**79,982**	**77,299**

Chief Executive Officer of LLC INTER RAO - Electricity Generation Management - the management company for JSC OGK-1 — G.F. Binko

Chief Accountant — M.R. Evdokimova

29 August 2011

The interim consolidated 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.

OGK-1 GROUP

Interim consolidated statement of comprehensive income

for the six months ended 30 June 2011

(in millions of Russian Roubles)

		Six months ended	
	Notes	**30 June 2011**	**30 June 2010 Restated**
		Unaudited	
Revenues	20	28,337	22,192
Operating expenses	21	(25,684)	(20,480)
Operating profit		**2,653**	**1,712**
Share in profit/(loss) of joint venture	24	914	(174)
Finance income	22	489	54
Finance costs	22	(181)	(312)
Profit before income tax		**3,875**	**1,280**
Income tax expense	15	(947)	(301)
Profit for the period		**2,928**	**979**
Other comprehensive income			
Change in fair value of available-for-sale investments		(14)	18
Total comprehensive income for the period		**2,914**	**997**
Earnings per share, basic and diluted (in Russian Roubles)	23	0.045	0.022

The interim consolidated 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.

OGK-1 GROUP

Interim consolidated statement of cash flows

for the six months ended 30 June 2011

(in millions of Russian Roubles)

	Notes	Six months ended 30 June 2011	Six months ended 30 June 2010 Restated
		Unaudited	
Cash flows from operating activities			
Profit before income tax		**3,875**	**1,280**
Adjustments for:			
Depreciation and amortisation	21	1,167	1,026
Gain on disposal of property plant and equipment	21	(3)	(16)
Reversal of provision for impairment of inventories		(1)	(13)
Provision for impairment of accounts receivable charge / (reversal)	21	378	(107)
Change in share in profit and loss of joint venture	24	(914)	174
Net finance (income)/costs	22	(308)	258
Change in provisions and accruals		2	4
Other non-cash items		(3)	1
Operating cash flows before working capital changes and income tax paid		**4,193**	**2,607**
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(2,143)	1,676
Decrease /(increase) in value added tax recoverable		25	(236)
Decrease /(increase) in other current assets		3,714	(31)
Increase in inventories		(498)	(194)
Decrease in other non-current assets		137	33
Increase in accounts payable and accruals		341	29
(Decrease) /increase in taxes payable		(524)	67
Increase in other non-current liabilities		592	11
Income tax paid		(1,036)	(144)
Net cash generated from operating activities		**4,801**	**3,818**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(1,540)	(1,156)
Proceeds from disposal of property, plant and equipment		2	1
Interest received		409	38
Purchase of financial investments		(7,725)	-
Proceeds from disposal of other financial assets		6,441	91
Net cash used in investing activities		**(2,413)**	**(1,026)**
Cash flows from financing activities			
Proceeds from non-current debt		1,400	1,343
Repayment of debt		(2,750)	(2,300)
Dividends paid		(4)	-
Interest paid		(222)	(549)
Net cash used in financial activities		**(1,576)**	**(1,506)**
Increase in cash and cash equivalents		**812**	**1,286**
Cash and cash equivalents at the beginning of the period		**16,307**	**1,571**
Cash and cash equivalents at the end of the period		**17,119**	**2,857**

The interim consolidated 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.

OGK-1 GROUP

Interim consolidated statement of changes in equity

for the six months ended 30 June 2011

(in millions of Russian Roubles)

	Registered share capital	Unregistered share capital	Share premium	Treasury shares	Fair value reserve for available-for-sale investments	Retained earnings	Total
As at 1 January 2010	**25,660**	**-**	**-**	**(40)**	**(38)**	**10,203**	**35,785**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	979	**979**
Other comprehensive income							
Change in fair value of available-for-sale investments	-	-	-	-	18	-	**18**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**18**	**979**	**997**
As at 30 June 2010 (Unaudited)	**25,660**	**-**	**-**	**(40)**	**(20)**	**11,182**	**36,782**
As at 1 January 2011	**25,660**	**11,960**	**11,342**	**(40)**	**(13)**	**13,696**	**62,605**
Total comprehensive for the period							
Profit for the period	-	-	-	-	-	2,928	**2,928**
Other comprehensive income							
Change in fair value of available-for-sale investments	-	-	-	-	(14)	-	**(14)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(14)**	**2,928**	**2,914**
Registration of share capital	11,960	(11,960)	-	-	-	-	-
As at 30 June 2011 (Unaudited)	**37,620**	**-**	**11,342**	**(40)**	**(27)**	**16,624**	**65,519**

The interim consolidated 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.

1. The Group and its operations

The OGK-1 Group (the "Group") primarily consists of Open Joint-Stock Company First Power Generating Company on the Wholesale Energy Market ("OJSC OGK-1", or the "Company"), four service subsidiaries and a 75% interest in joint venture interest in NVGRES Holding Ltd., which owns 100% of CJSC Nizhnevartovskaya GRES.

OJSC OGK-1 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 on 1 September 2003.

The legal address and head office of the Company is located at 27/1, Bolshaya Pirogovskaya street, 119435, Moscow, Russian Federation.

OJSC OGK-1 has the following power station assets (branches): 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.

Operating environment of the Group

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The interim consolidated financial statements ("Financial Statements") reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Relations with the State and current regulation

In December 2010 OJSC OGK-1 issued additional 20,808,551,577 ordinary shares, out of which 18,998,214,286 were acquired by JSC INTER RAO UES. As the result JSC INTER RAO UES obtained 29.03% of the share capital of OJSC OGK-1.

In the course of the additional share issue completed in May 2011 JSC INTER RAO UES obtained 45.99% OGK-1 shares from OJSC Federal Grid Company (hereinafter – "FGC") and OJSC RusHydro (hereinafter – "RusHydro"). As a result of this acquisition the share of JSC INTER RAO UES in the Group has been increased to 75.02%. The Government of the Russian Federation is the ultimate controlling party of the Group.

In March 2011 the Group shareholders approved early termination of powers of the management company - JSC INTER RAO UES and transfer executive power to the management company – LLC INTER RAO - Electricity Generation Management. In March 2011 LLC INTER RAO - Electricity Generation Management and OJSC OGK-1 signed the agreement "On Transfer of Powers of the Sole Executive Body of OGK-1 to the Management Organization".

The government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service for Tariffs ("FST") with respect to its wholesale energy (capacity) sales under the terms of Regulated Contracts, and by the Regional Energy Committees ("RECs") with respect of its heat sales. Operations of all generation facilities are centrally coordinated by OJSC System operator of the Unified energy system ("SO UPS") in order to meet system requirements in an efficient manner. SO UPS is controlled by the government of Russian Federation.

The Government's economic, social and other policies could have material effect on the operations of the Group.

2. Basis of preparation

These Financial Statements for the six months ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Financial Statements are prepared on the historical cost basis except:

- derivative financial instruments and financial investments classified as available-for-sale are stated at fair value;
- defined benefit plan asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

The 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 Euro 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 Financial Statements are disclosed in Note 4.

Functional and presentation currency

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

Changes in accounting policy

Investment in joint venture

Beginning from January, 2011 the Group changed its accounting policy regarding the investments in joint venture from proportional consolidation to equity method. The new accounting policy is consistent with accounting policy of JSC INTER RAO UES, the parent company of the Group. Management believes that these changes provide reliable and more relevant information on the Group's financial position and operating results.

The comparative information has been restated for the effect of adoption of new accounting policy. The Group's share in assets, liabilities, income and expenses of NVGRES Holding Ltd. have been excluded from the respective lines of the consolidated statement of financial position and consolidated statement of comprehensive income. The investment in NVGRES Holding Ltd. has been recognized at cost adjusted for the further change in the Group's share of net assets of NVGRES Holding Ltd.

State-controlled entities

The Group made a decision on earlier application of the amendment to IAS 24 in relation to qualitative disclosure of relationships with state-controlled entities. The nature of relationship between such state-controlled entities and Group is sales and purchases of electric power, capacity and heat.

Classification of property, plant and equipment

Starting from January, 2011 the Group changed grouping of items of property, plant and equipment so as to achieve consistency with classification in JSC INTER RAO UES IFRS financial statements. The reclassification has been made to prior year data to conform with the current year presentation. There is no effect of reclassification on the statement of financial position or statement of comprehensive income.

2. Basis of preparation (continued)

Restatement of comparative information

Because of the retrospective application of the change in accounting policy along with change in presentation, the following comparative amounts in the interim consolidated statement of financial position as of 31 December 2010 as well as the interim consolidated statement of comprehensive income for six months ended 30 June 2010 were restated.

Consolidated statement of financial position as of 31 December 2010

	As previously reported	**Change in accounting policy for Joint Venture**	**As restated**
Assets			
Non current assets			
Property, plant and equipment	41,057	(6,203)	34,854
Intangible assets	81	(5)	76
Investment in joint venture	-	13,958	13,958
Other non current assets	3,618	(37)	3,581
Total non current assets	**44,756**	**7,713**	**52,469**
Current assets			
Cash and cash equivalents	24,325	(8,018)	16,307
Accounts receivable and prepayments	3,136	(476)	2,660
Inventories	2,116	(51)	2,065
Income tax receivable	33	1	34
Other current assets	3,832	(68)	3,764
Total current assets	**33,442**	**(8,612)**	**24,830**
Total assets	**78,198**	**(899)**	**77,299**
Equity and liabilities			
Equity			
Share capital - registered shares	25,660	-	25,660
Share capital - unregistered shares	11,960	-	11,960
Share premium	11,342	-	11,342
Treasury shares	(40)	-	(40)
Other reserves	(13)	-	(13)
Retained earnings	13,696	-	13,696
Total equity	**62,605**	**-**	**62,605**
Non current liabilities			
Deferred tax liabilities	3,270	(331)	2,939
Non-current debt	5,517	-	5,517
Pension liabilities	460	(40)	420
Other non-current liabilities	135	(1)	134
Total non current liabilities	**9,382**	**(372)**	**9,010**
Current liabilities			
Current portion of non-current debt	1,667	-	1,667
Accounts payable and accruals	3,308	(391)	2,917
Income tax payable	263	(21)	242
Taxes payable	973	(115)	858
Total current liabilities	**6,211**	**(527)**	**5,684**
Total liabilities	**15,593**	**(899)**	**14,694**
Total equity and liabilities	**78,198**	**(899)**	**77,299**

2. Basis of preparation (continued)

Classification of property, plant and equipment (continued)

Interim consolidated statement of comprehensive income for the six months ended 30 June 2010

	As previously reported	Change in accounting policy for Joint Venture	As restated
Revenue	26,347	(4,155)	22,192
Operating expenses	(23,833)	3,353	(20,480)
Operating profit	**2,514**	**(802)**	**1,712**
Share in profit/(loss) of joint venture	-	(174)	(174)
Finance income	111	(57)	54
Finance costs	(1,176)	864	(312)
Profit before income tax	**1,449**	**(169)**	**1,280**
Income tax expense	(470)	169	(301)
Profit for the period	**979**	**-**	**979**

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Consolidation

The Financial Statements comprise the financial statements of OJSC OGK-1 and the financial statements of those entities whose operations are controlled by OJSC OGK-1.

(a) Subsidiaries

Subsidiaries are those entities in 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 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.

(b) Joint venture

A joint venture is the entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in joint ventures are accounted for using equity method. The Group discontinues the use of equity method from the date on which it ceases to have joint control over joint ventures or where investments in joint ventures are reclassified to non-current assets held-for-sale.

3.2 Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the interim consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3. Summary of significant accounting policies (continued)

3.2 Foreign currency translation (continued)

As at 30 June 2011 the official US dollar to Russian Rouble exchange rate as determined by the Central Bank of the Russian Federation (CBRF) was RUB 28.08 (as at 31 December 2010: RUB 30.48). The official Euro to Russian Rouble exchange rate as determined by the CBRF as at 30 June 2011 was RUB 40.39 (as at 31 December 2010: RUB 40.33).

3.3 Property, plant and equipment (PP&E)

PP&E are stated at the carrying value determined at the date of their transfer to the entities of the Group and adjusted for further additions, disposals and depreciation charges.

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

Gains and losses on disposal of an item of PP&E are recognized net as “Gain on disposal of PP&E” within operating expenses in the consolidated statement of comprehensive income.

Advances for capital construction and acquisition of PP&E are included into construction in progress.

(a) Subsequent costs

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

(b) Depreciation

Depreciation of PP&E 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
Buildings	20-75
Structures, including:	
Hydro engineering structures	13-67
Transmission facilities and equipment	3-28
Thermal networks	11-25
Other structures	15-41
Plant and equipment, including:	
Power equipment	10-50
Other equipment and fixtures	4-45
Other	2-33

Land is not depreciated.

(c) Leased assets

Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised as a part of PP&E at the inseption 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 the lesser of useful life or leased term.

3. Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (PP&E) (continued)

(d) Impairment of PP&E

The carrying amounts of the Group's PP&E is 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 flows 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 in the event significant changes with a favorable effect on the Company have taken place during the period or will take in the nearest future in the technological market, economic or legal environment in which the Company operates or the asset's market value has increased considerably or market interest rates or other market rates of return on investments have decreased during the period and those differences are likely to affect the discount rate used in calculation of the asset's value in use and increase the assets' recoverable amount materially.

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 instruments

(a) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, bank deposits.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Summary of significant accounting policies (continued)

3.5 Financial instruments (continued)

The Group classifies non-derivative financial assets into the following categories: financial assets estimated at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

(b) 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, bank deposits.

(c) Cash and cash equivalents

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.

(d) 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, 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.

(e) Impairment of financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, as market indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or 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 financial assets are assessed for specific impairment individually. Other financial assets are collectively assessed for impairment by grouping together financial assets 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.

All impairment losses are recognised in the consolidated statement of comprehensive income in the component of profit or loss. Every amount of cumulative loss from impairment of available-for-sale financial asset, previously recognised as a component of other comprehensive income (expenses), transfer to profit or loss.

3. Summary of significant accounting policies (continued)

3.5 Financial instruments (continued)

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.

(f) Non-derivative financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

3.6 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of the remaining unamortised balance of the amount at initial recognition and the best estimate of expenditure required to settle the obligation at the end of the reporting period.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, excluding fuel expenses which are measured using weighted average method. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Share capital

(a) Ordinary shares

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

3. Summary of significant accounting policies (continued)

3.8 Share capital (continued)

(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 equity.

3.9 Deferred income tax

Deferred income tax is provided for 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 in the period when the temporary differences will reverse or the tax loss carry forward will be utilised. Deferred tax assets and liabilities are recorded in net amount only within the limits of separate Group entities. 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 income 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 income tax is not recognised for 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.

The Group does not recognise a deferred tax liability in respect of temporary differences associated with a part of investments in joint venture (Note 25) as the Group controls the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

3.10 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 as personnel costs.

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.

3. Summary of significant accounting policies (continued)

3.10 Pension and post-employment benefits (continued)

The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates on Government bonds that are denominated in Russian Roubles, and that have terms to maturity approximating the terms of the related pension liabilities.

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

3.11 Debt (Loans and borrowings)

Loans and borrowings is recognized initially at its fair value, net of transaction costs incurred. Loans and borrowings is subsequently stated at amortised cost using the effective interest method; 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.

3.12 Accounts payable

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.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

3.14 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. Effective 1 January 2010 the Group started to present electricity purchases entered into to support a delivery of non-regulated bilateral contracts net within revenue.

3.15 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.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group’s incremental borrowing rate.

3. Summary of significant accounting policies (continued)

3.16 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 comprise interest expense on borrowings, unwinding of discount on provisions and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.17 Income tax

Income tax expense for the period comprises current and deferred tax. The income 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 period. 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.

3.18 Segment reporting

An operating segment is a component of the Group that is engaged 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. 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. Each operating segment is represented by a reportable segment.

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

3.19 Earnings per share

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

3.20 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.

3. Summary of significant accounting policies (continued)

3.21 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 2011, 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 Part 1*: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- Disclosures – *Transfers of Financial Assets* – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011);
- *Recovery of Underlying Assets* – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- IFRS 10 *Consolidated financial statements* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted).
- IFRS 11 *Joint arrangements* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).
- IFRS 12 *Disclosure of interests in other entities* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).
- IFRS 13 *Fair Value Measurement* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).
- IAS 1 *Financial Statement Presentation* – Amendment (issued in June 2011, effective for annual periods beginning on or after 1 July 2012). These amendments clarify the presentation requirements for components of other comprehensive income.
- IAS 19 *Employee Benefits* – Amendment (issued in June 2011, effective for annual periods beginning on or after 1 July 2013). The amendments improve the recognition and disclosure requirements for defined benefit plans.

The Group is currently assessing the impact of the standards on its financial information.

4. Critical accounting estimates and judgements

The Group makes estimates and judgements that affect the reported amounts of current assets and liabilities. 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 7, 11).

4. Critical accounting estimates and judgements (continued)

(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 PP&E 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 each reporting date. Liabilities are recorded for income 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 PP&E

The estimation of the useful lives of items of PP&E 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.

(f) Revenue recognition

Electricity purchases entered into to support a delivery of non-regulated bilateral contracts are presented in the consolidated interim financial statements 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.

(g) Decommissioning liablility

The estimated costs of removing an item of PP&E and land rehabilitation are added to the cost of an item of PP&E when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. A provision is recognized based on the net present values for land restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life of ash dumps estimates and discount rates could affect the carrying amount of this provision.

(h) Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. Fair value determination

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.

Non-derivative financial liabilities

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

6. Operating segments

The Group has three reportable segments, as described below, that are managed separately. For each of reportable segments, the Management Board, reviews internal management reports prepared based on the statutory accounting records.

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

- OJSC OGK-1. Includes the head-office and five power stations (branches): Permskaya GRES, Urengoyskaya GRES, Iriklinskaya GRES, Kashirskaya GRES, and Verkhnetagilskaya GRES. It offers services representing generation of electric power, capacity and heat.
- CJSC Nizhnevartovskaya GRES. Includes CJSC Nizhnevartovskaya GRES and NVGRES Holding Ltd. It offers services representing generation of electric power, capacity and heat. It is analysed by the CODM as a separate operating segment disregarding equity method of consolidation as reflected in these Financial Statements.
- Other. Includes 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's net profit is used to measure operating segments performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities within the industry.

The Management Board also reviews marginal profit, EBITDA, assets, liabilities, capital expenditure and debt.

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 PP&E and amortisation.

Segment reports are based on the management reports and exclude 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.

6. Operating segments (continued)

Segment information for the six months ended 30 June 2011 is presented below:

	JSC OGK-1	CJSC Nizhne-vartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total revenue, including	**35,365**	**6,352**	**104**	**(67)**	**41,754**
Revenue from external customers	*35 362*	*6,352*	*40*	*-*	*41,754*
Inter-segment revenue	*3*	*-*	*64*	*(67)*	*-*
Electricity and capacity power revenue	34,893	6,260	-	-	41,153
Heating revenue	369	67	-	(1)	436
Fuel expenses	(16,414)	(3,400)	-	-	(19,814)
Purchased electric power and capacity for resale	(9,862)	(222)	-	-	(10,084)
Marginal profit	**8,986**	**2,705**	**-**	**(1)**	**11,691**
Net profit	**2,480**	**1,136**	**(5)**	**5**	**3,616**
Adjustments for:					
Depreciation of PP&E	1,131	210	5	-	1,346
Interest expense	178	21	-	-	199
Income tax expense	633	231	1	-	865
EBITDA	**4,422**	**1,598**	**1**	**5**	**6,026**
Interest income	474	33	-	-	507
Capital expenditure	4,119	72	-	-	4,191

Segment information as at 30 June 2011 is presented below:

	JSC OGK-1	CJSC Nizhne-vartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total assets, including:	**72,417**	**11,651**	**139**	**(5,995)**	**78,212**
Construction in progress	*9,196*	*621*	*-*	*-*	*9,817*
Advances given for capital expenditures	*5,235*	*1,508*	*-*	*-*	*6,743*
Trade receivables	*4,183*	*821*	*20*	*(10)*	*5,014*
Total liabilities, including:	**13,804**	**2,373**	**27**	**(18)**	**16,186**
Loans and borrowings	***5,874***	***1,501***	***-***	***-***	***7,375***

Segment information for the six months ended 30 June 2010 is presented below:

	JSC OGK-1	CJSC Nizhne-vartovskaya 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**
Net profit	**1,046**	**904**	**7**	**(6)**	**1,951**
Adjustments for:					
Depreciation of PP&E	977	203	5	-	1,185
Interest expense	312	-	-	-	312
Income tax expense	396	229	-	-	625
EBITDA	**2,731**	**1,336**	**12**	**(6)**	**4,073**
Loss on disposal of PP&E	805	776	-	-	1,581
Interest income	37	69	-	-	106

6. Operating segments (continued)

Segment information as at 31 December 2010 is presented below:

	JSC OGK-1	CJSC Nizhne-vartovskaya GRES	Other	Elimination of inter-segment transactions	Total
Total assets, including:	**69,284**	**9,606**	**140**	**(6,013)**	**73,017**
Construction in progress	*5,440*	*560*	*-*	*-*	*6,000*
Advances given for capital expenditures	*6,250*	*1,076*	*-*	*-*	*7,326*
Trade receivables	*2,195*	*511*	*19*	*(10)*	*2,715*
Total liabilities, including:	**36,460**	**1,464**	**23**	**(20)**	**37,927**
Loans and borrowings	*7,222*	*675*	*-*	*-*	*7,897*

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

	Six months ended 30 June 2011	Six months ended 30 June 2010 Restated
Total revenue for reportable segments	**41,754**	**29,438**
Net presentation of transactions related to free bilateral agreements	(7,207)	(1,856)
Revenue of CJSC Nizhnevartovskaya GRES	(6,352)	(5,528)
Revenue included in other income and expenses	142	138
Revenue per interim consolidated statement of comprehensive income	**28,337**	**22,192**
Marginal profit for reportable segments	**11,690**	**9,351**
Marginal profit of CJSC Nizhnevartovskaya GRES	(2,705)	(2,200)
Rent expenses included in fuel expenses	90	90
Other	(16)	(41)
Marginal profit derived from consolidated statement of comprehensive income	**9,059**	**7,201**
Operating expenses	(6,802)	(5,702)
Other revenues	396	212
Operating profit per interim consolidated statement of comprehensive income	**2,653**	**1,712**
EBITDA for reportable segments	**6,026**	**4,073**
EBITDA of CJSC Nizhnevartovskaya GRES from reportable segments	(1,598)	(1,336)
Share in profit/ (loss) of joint venture	914	(174)
Provision for impairment of accounts receivable	(142)	(69)
Other	20	124
EBITDA derived from interim consolidated statement of comprehensive income	**5,220**	**2,618**
Depreciation of PP&E	1,151	1,009
Interest expense	178	312
Amortisation of intangible assets	16	17
Profit before income tax per interim consolidated statement of comprehensive income	**3,875**	**1,280**
Net profit for reportable segments	**3,616**	**1,951**
Profit of CJSC Nizhnevartovskaya GRES	(1,136)	(904)
Share in profit / (loss) of joint venture	914	(174)
Provision for impairment of accounts receivable	(142)	(69)
Deferred tax	(269)	94
Other	(55)	81
Net profit per interim consolidated statement of comprehensive income	**2,928**	**979**
Capital expenditure for reportable segments	**4,191**	**1,581**
Capital expenditure of CJSC Nizhnevartovskaya GRES	(72)	(776)
Advances given for capital expenditures	(1,739)	673
Capital expenditure per Financial Statements	**2,380**	**1,478**

6. Operating segments (continued)

	30 June 2011	31 December 2010 Restated
Total assets for reportable segments	**78,212**	**73,017**
Assets of CJSC Nizhnevartovskaya GRES	(11,651)	(9,606)
Carrying value of investment to NVGRES Holting Ltd.	8,999	8,085
Elimination of intra-segment balances of CJSC Nizhnevartovskaya GRES	5,856	5,873
Reclassification and net presentation of assets and liabilities	(1,985)	(666)
IFRS adjustment on PP&E	785	697
Provision for impairment of accounts receivable	(324)	(182)
Decommissioning liability	203	-
Other	(111)	81
Total assets per interim consolidated statement of financial position	**79,982**	**77,299**
Total liabilities for reportable segments	**16,186**	**37,927**
Liabilities of CJSC Nizhnevartovskaya GRES	(2,373)	(1,464)
Deferred tax	2,032	1,782
Reclassification and net presentation of assets and liabilities	(1,985)	(23,972)
Pension liabilities	420	420
Decommissioning liability	203	-
Other	(20)	1
Total liabilities per interim consolidated statement of financial position	**14,463**	**14,694**

The Group receives its revenues from generation of electricity, capacity and heat in the Russian Federation. All of the Group's operating assets are located in the Russian Federation.

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.

(a) Market risk

Interest rate risk

The Group's financing activities expose it to interest rate risk. As at 30 June 2011, the Group has loans amounting to RR 2,833 million (31 December 2010: RR 3,584 million) with a floating rate of MosPrime3M.

Management estimated how profit or loss would have been affected by changes in a relevant risk variable that were reasonably possible at 30 June 2011: (0.5%)-1.8% (31 December 2010: (0.8%)-2.6%). Possible change in a risk variable is based on historical analysis during 2 years before the reporting date.

7. Financial instruments and financial risk factors (continued)

7.1 Financial risk factors (continued)

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

Interest rate change (absolute)	**(0.5%)**	**(0.1%)**	**0.1%**	**1.8%**
The hypothetical effect on profit / (loss)	(14)	(3)	3	51

A sensitivity analysis to change in interest rates at 31 December 2010 is shown in the table below:

Interest rate change (absolute)	**(0.8%)**	**(0.1%)**	**0.1%**	**2.6%**
The hypothetical effect on profit / (loss)	(29)	(4)	4	91

(b) Credit risk

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

Financial assets which potentially subject the 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 collectability of receivables is being constantly monitored and actions for debt collection are regularly executed.

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

	30 June 2011	**31 December 2010 Restated**
CJSC Financial Settlement Center (CJSC CFR)	1,439	1,417
JSC INTER RAO UES	736	225
JSC Mosenrgosbyit	219	31
JSC Permenergosbyit	191	71
LLC ProektEnergoRus	160	-

CJSC CFR is a commercial organization, which acts as a unified counterparty on wholesale electricity market and concludes sale and purchase contracts on its behalf, facilitating wholesale electricity and capacity trading.

Under the commission agreements between CJSC CFR and OJSC OGK-1 and also between CJSC CFR and CJSC Nizhnevartovskaya GRES CJSC CFR act as a commission agent between OGK-1 and CJSC Nizhnevartovskaya GRES (the sellers) 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 macroeconomic conditions, management believes that there is no significant risk of loss to the Group beyond the allowance for doubtful debtors already recorded.

Cash and short-term deposits are mainly placed in major Russian banks. Although part of them did not obtain independent credit ratings, the management believes them to be reliable counterparties basing on analysis performed by the Group and history of operations with them. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances and term deposits in Note 10.

7. Financial instruments and financial risk factors (continued)

7.1 Financial risk factors (continued)

Exposure to credit risk

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

		Carrying amount	
	Note	30 June 2011	31 December 2010 Restated
Cash and cash equivalents	10	17,119	16,307
Trade and other receivables	11	4,347	2,530
Bank deposits	9	4,000	9
Assets related to employee benefit fund	9	127	127
Bank bills of exchange	9,13	62	6,525
Available-for-sale financial assets	9	60	74
Total		**25,715**	**25,572**

(c) Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 30 June 2011	Impairment 30 June 2011	Gross 31 December 2010 Restated	Impairment 31 December 2010 Restated
Not past due	3,173	-	1,717	-
Past due 0-30 days	310	-	203	(42)
Past due 31-92 days	257	(8)	86	(12)
Past due 93-181 days	111	(15)	116	(36)
Past due 182-365 days	126	(63)	122	(64)
Past due more than 365 days	838	(838)	548	(548)
Total	**4,815**	**(924)**	**2,792**	**(702)**

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.

(d) 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. 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 5 years	More than 5 years
At 30 June 2011						
Loans and borrowings	5,833	5,833	1,833	4,000	-	-
Interest payable	40	537	402	135	-	-
Trade payables	2,171	2,171	2,171	-	-	-
Accrued liabilities and other payables	1,689	1,689	1,689	-	-	-
At 31 December 2010 (Restated)						
Loans and borrowings	7,184	7,184	1,667	3,684	1,833	-
Interest payable	39	930	490	375	65	-
Trade payables	1,906	1,906	1,906	-	-	-
Accrued liabilities and other payables	1,011	1,011	1,011	-	-	-

7. Financial instruments and financial risk factors (continued)

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 and current loans and borrowings at the reporting date.

The financial leverage ratios were as follows:

	30 June 2011	31 December 2010
Total debt	5,833	7,184
Total equity	65,519	62,605
Financial leverage ratio	**9%**	**11%**

Management considers a 15% financial leverage to be the highest acceptable rate.

The Company should also comply with external requirements to maintain equity in the amount not less than RR 23 billion. The management monitors this indicator on regular basis.

In December 2010 Moody's Rating Agency rated OJSC OGK-1 as having an international credit rating at the level of Ba3/Stable Forecast as the latest available forecast.

7.3 Fair value estimation

Fair value of available-for-sale investments was determined based on quoted market prices and was included in Level 1 of the fair value hierarchy.

8. Property, plant and equipment

(a) Cost

Cost	Land and buildings	Structures	Plant and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2011 (Restated)	**10,380**	**4,779**	**28,853**	**350**	**11,277**	**55,639**
Additions and transfers from construction in progress	11	261	268	13	1,827	**2,380**
Disposals	-	(1)	(7)	-	-	**(8)**
Closing balance as at 30 June 2011 (Unaudited)	**10,391**	**5,039**	**29,114**	**363**	**13,104**	**58,011**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2011 (Restated)	**(4,463)**	**(2,325)**	**(12,900)**	**(205)**	**(892)**	**(20,785)**
Charge for the period	(83)	(102)	(952)	(14)	-	**(1,151)**
Disposals	-	1	6	1	-	**8**
Closing balance as at 30 June 2011	**(4,546)**	**(2,426)**	**(13,846)**	**(218)**	**(892)**	**(21,928)**
Net book value as at 1 January 2011 (Restated)	**5,917**	**2,454**	**15,953**	**145**	**10,385**	**34,854**
Net book value as at 30 June 2011 (Unaudited)	**5,845**	**2,613**	**15,268**	**145**	**12,212**	**36,083**

8. Property, plant and equipment (continued)

a) Cost (continued)

Cost	Land and buildings	Structures	Plant and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2010 (Restated)	**9,330**	**4,630**	**26,827**	**309**	**8,847**	**49,943**
Additions and transfers from construction in progress	11	74	189	10	1,194	**1,478**
Disposals	-	(4)	(2)	(2)	-	**(8)**
Closing balance as at 30 June 2010 (Unaudited)	**9,341**	**4,700**	**27,014**	**317**	**10,041**	**51,413**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2010 (Restated)	**(4,294)**	**(2,128)**	**(11,183)**	**(177)**	**(1,036)**	**(18,818)**
Charge for the period	(103)	(99)	(795)	(12)	-	**(1,009)**
Disposals	-	4	2	2	-	**8**
Closing balance as at 30 June 2010	**(4,397)**	**(2,223)**	**(11,976)**	**(187)**	**(1,036)**	**(19,819)**
Net book value as at 1 January 2010 (Restated)	**5,036**	**2,502**	**15,644**	**132**	**7,811**	**31,125**
Net book value as at 30 June 2010 (Unaudited)	**4,944**	**2,477**	**15,038**	**130**	**9,005**	**31,594**

8. Property, plant and equipment (continued)

a) Cost (continued)

The Group capitalised borrowing costs of RR 45 million for the six months ended 30 June 2011 (for the six months ended 30 June 2010: RR 215 million). A capitalization rate of 6.90% for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 10.55%) 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 PP&E of RR 3,295 million (net of VAT) and RR 5,913 million (net of VAT) as of 30 June 2011 and 31 December 2010 respectively.

Construction in progress, which includes the construction of new generating units at existing power stations and retooling and modernization of units being in operation, is presented below:

	30 June 2011	**31 December 2010 Restated**
Urengoyskaya GRES	10,252	8,792
Permskaya GRES	1,074	800
Kashirskaya GRES	343	276
Verkhnetagilskaya GRES	335	316
Iriklinskaya GRES	208	201
Total	**12,212**	**10,385**

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

(b) Impairment provision for PP&E

The carrying value of PP&E at 30 June 2011 and 31 December 2010 is stated net of an impairment loss of RR 1,941 million and RR 1,972 million respectively. The total amount of the provision relates to the write-down of construction in progress undertaken at Urengoyskaya power station as the result of the impairment test performed by the management as at 31 December 2008.

As at 31 December 2010 the Group performed impairment test in accordance with IAS 36 by comparing the recoverable amount of each cash generating unit to its net book value. Management considered that power stations, being the company's branches, represent cash generating units (CGU). The recoverable amount was determined based on value in use, calculated by discounting the estimated future cash flows using the following assumptions. As the result management did not identify any instances where carrying values of PP&E were considered to be impaired thereby requiring the recording of an impairment loss for the year ended 31 December 2010.

8. Property, plant and equipment (continued)

b) Impairment provision for PP&E (continued)

At 30 June 2011 the impairment test performed by the Group at 31 December 2010 was renewed in accordance with the changes in the key assumptions used till the reporting date. Further details on the key assumptions are set out below.

- Applied WACC discount rate was 14.26% per annum (31 December 2010: 15.19%);
- Regulated electricity sales tariffs and electricity market prices are expected to change by (10)%-34% per annum for the period from 2012 to 2030 (31 December 2010: (3)% – 16%);
- Gas purchase prices are expected to change by (17)%-27% per annum for the period from 2012 to 2030 (31 December 2010: (3)% – 16%);
- Coal purchase prices are expected to change by (10)%-19% per annum for the period from 2012 to 2030 (31 December 2010: 1% – 16%);
- Capacity prices are expected to change by (0.3)%-12% for the period from 2012 to 2030 (31 December 2010: 3% – 12%);

As a result of the test there was no impairment revealed for any of cash generating units.

(c) Operating leases

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

In October 2009 OJSC OGK-1 signed a lease agreement for 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 2011	31 December 2010
Less than one year	208	198
Between one year and five years	480	589
Total	**688**	**787**

9. Other non-current assets

	30 June 2011	31 December 2010 Restated
Non-current bank deposits (i)	4,000	9
Non-current value added tax recoverable	219	485
Assets related to employee benefit fund (ii)	127	127
Available-for-sale financial assets (iii)	60	74
Non-current trade receivables (Net of provision for impairment of RR 54 million as at 30 June 2011 and RR 0 as at 31 December 2010)	36	105
Non-current bank bills of exchange (iv)	8	2,772
Other non-current assets	-	9
Total	**4,450**	**3,581**

(i) Non-current bank deposits at 30 June 2011 maturing in 2012 were placed in a bank rated as B1 by Moody's rating agency and bear interest rate of 6.25%.

(ii) 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). The Group performs assessment of pension liabilities on annual basis. Management believes there were no significant changes in actuarial assumptions and movement of solidary and employees' individual pension accounts within the employee benefit fund comparing to 31 December 2010.

9. Other non-current assets (continued)

(iii) Available-for-sale investments are represented by 0.02% of ordinary shares of OJSC RusHydro, public company which shares are traded at MICEX.

(iv) Other non-current assets at 31 December 2010 included non-current bank bills of exchange issued by a financial institution rated as Baa1 by Moody's rating agency and settled in June 2011.

10. Cash and cash equivalents

	30 June 2011	31 December 2010 Restated
Cash at bank and in hand	9,264	6,753
Cash equivalents	7,855	9,554
Total	**17,119**	**16,307**

Cash equivalents include bank deposits denominated in RR with interest rates within the range from 3.7% to 6.3% which may be redeemable on demand at interest rate for demand deposits without restrictions.

Analysis of the credit quality of cash in bank balances and bank deposits is as follows:

Rating	Rating agency	30 June 2011	31 December 2010 Restated
D- to D rated*	Moody's	2,479	124
E+ rated*	Moody's	5,280	5,033
Unrated	-	9,360	11,150
Total		**17,119**	**16,307**

* the bank financial strength rating

Part of cash and cash equivalents are held in banks which do not have an international credit rating. Management believes them to be reliable counterparties basing on analysis performed by the Group and history of operations with them.

11. Accounts receivable and prepayments

	30 June 2011	31 December 2010 Restated
Trade receivables (Net of provision for impairment of RR 924 million as at 30 June 2011 and RR 702 million as at 31 December 2010)	3,891	2,090
Value added tax recoverable	106	60
Advances to suppliers and prepayments (Net of provision for impairment of RR 15 million as at 30 June 2011 and RR 15 million as at 31 December 2010)	71	54
Tax prepayments	9	16
Other receivables (Net of provision for impairment of RR156 million as at 30 June 2011 and RR 36 million as at 31 December 2010)	456	440
Total	**4,533**	**2,660**

Management believes that the Group will be able to realize the net receivable amount through direct collections and that consequently the recorded value approximates their fair value.

11. Accounts receivable and prepayments (continued)

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:

	2011	2010 Restated
At 1 January	771	890
Provision charged	383	68
Provision reversed	(5)	(175)
At 30 June	**1,149**	**783**

12. Inventories

	30 June 2011	31 December 2010 Restated
Fuel production stock	1,243	1,039
Materials and supplies	1,281	992
Other inventories	39	34
Total	**2,563**	**2,065**

The above inventory balances are recorded net of an obsolescence provision of RR 54 million and RR 55 million as at 30 June 2011 and 31 December 2010, respectively.

As at 30 June 2011 and 31 December 2010, the inventory balances did not include any inventories pledged as collateral according to loan agreements.

13. Other current assets

	30 June 2011	31 December 2010 Restated
Bank bills of exchange	54	3,753
Other	-	11
Total	**54**	**3,764**

Bank bills of exchange at 31 December 2010 were issued by a financial institution rated as prime-2 by Moody's rating agency and settled in May-June 2011.

14. Equity

(a) Share capital

(Number of shares unless otherwise stated)	30 June 2011	31 December 2010
Issued and oustanding shares – registered capital	65,451,744,495	44,643,192,918
Issued and oustanding shares – ungeristered capital	-	20,808,551,577
Nominal value (in RR)	0.57478	0.57478

(b) Treasury shares

As at 30 June 2011 and 31 December 2010, the number of treasury shares amounted to 15,831,017 ordinary shares comprising 0.024% of issued shares.

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 the six months ended 30 June 2011 and 30 June 2010 the Company neither declared nor paid dividends.

(d) Additional issue of shares

In December 2010, in accordance with the decision of extraordinary shareholders meeting the share capital of OJSC OGK-1 was increased by the additional issue of 20,808,551,577 ordinary shares with nominal value of RR 0.57478. The offering price was RR 1.12 per share. The purpose of the additional issue of shares is to finance the construction of the Urengoyskaya power station. The corresponding changes to the Company's charter were made on 3 February 2011. The Group had no obligation on redemption of additional share issue as at 30 June 2011.

In February 2011 OJSC OGK-1 obtained the state registration of the amendments to the Charter of OJSC OGK-1 for the additional share issue and increase of share capital up to RR 37,620 million (65,451,744,495 ordinary shares with a nominal value of RR 0,57478 per share).

15. Income tax

(a) Income tax expense

The statutory corporate income tax rate in Russian Federation was 20% for the six months ended 30 June 2011 and 30 June 2010. The 10% income tax rate was applied to NVGRES Holding Ltd. in accordance with Cyprus tax law. The 15.5% income tax rate was applied to Permskaya GRES due to local state tax relief.

	Six months ended	
	30 June 2011	**30 June 2010 Restated**
Current income tax charge	(632)	(42)
Deferred income tax charge	(315)	(259)
Total income tax expense	**(947)**	**(301)**

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

	Six months ended	
	30 June 2011	**30 June 2010 Restated**
Profit before income tax	**3,875**	**1,280**
Theoretical income tax charge using the appropriate statutory tax rate of 20%	(775)	(256)
Deferred tax assets, previously unrecognized	(256)	-
Effect of different tax rates	34	42
Other non-taxable income / (expenses)	45	(87)
Under provided in prior periods	5	-
Total income tax expense	**(947)**	**(301)**

(b) Deferred tax

Differences between income 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 income tax purposes. Deferred income tax assets and liabilities are measured at the rates of 15.5% to 20%, which are expected to be applicable when the assets or liabilities will reverse.

15. Income tax (continued)

	30 June 2011	Movements for the period recognized in profit or loss	31 December 2010 Restated
Deferred tax liabilities	**(3,359)**	**(312)**	**(3,047)**
PP&E	(2,661)	(277)	(2,384)
Investments in joint venture	(670)	(33)	(637)
Trade receivables	(2)	(7)	5
Other	(26)	5	(31)
Deferred tax assets	**105**	**(3)**	**108**
Accounts payable	45	26	19
Inventories	9	1	8
Other	51	(30)	81
Deferred tax liabilities, net	**(3,254)**	**(315)**	**(2,939)**

	30 June 2010	Movements for the period recognized in profit or loss	31 December 2009 Restated
Deferred tax liabilities	**(3,033)**	**(245)**	**(2,788)**
PP&E	(2,352)	(271)	(2,081)
Investments in joint venture	(641)	42	(683)
Trade receivables	(16)	(16)	-
Other	(24)	-	(24)
Deferred tax assets	**91**	**(14)**	**105**
Trade receivables	-	(24)	24
Other	91	10	81
Deferred tax liabilities, net	**(2,942)**	**(259)**	**(2,683)**

Pursuant to the option held by TNK-BP to purchase a further 25% minus two shares of NVGRES Holding Ltd. (see note 26(e)) 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 2011 and 31 December 2010, 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 2011, the maximum amount of such unrecognized deferred tax liabilities equals RR 1,130 million (31 December 2010: RR 1,206) million and depends on the nature of their reversal.

16. Other non-current liabilities

	30 June 2011	31 December 2010 Restated
Decommissioning liability	203	-
Other non-current liabilities	516	134
Total	**719**	**134**

The Group has recognised an obligation to restore disturbed lands occupied by ash dumps on expiration of their useful lives.

The Group recognized a provision for these future expenses in amount of RR 203 million, which is included in other non-current liabilities with a corresponding increase in structures. The discount rate used to calculate the net present value of the future cash outflows relating to the land recultivation was 7.99% at 30 June 2011.

Other non-current liability represents non-current liability to a supplier of capital works at Urengoyskaya GRES which is expected to be settled in 2012 upon completion of works.

17. Debt (Loans and borrowings)

	30 June 2011	31 December 2010
Non-current loans and borrowings	**5,833**	**7,184**
Less: current portion of non-current loans and borrowings	(1,833)	(1,667)
Total loans and borrowings	**4,000**	**5,517**

The Group's loans and borrowings are denominated in RR, bear effective interest rates within the range of 6%...12% and mature in 2011- 2013. Subsequent to the balance sheet date, the Group early repaid a part of the Company's debt in the amount of RR 2,000 million (Note 28).

Carrying amount of non-current loans approximate their fair value. No property was pledged as a collateral. 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 5.6 billion (31 December 2010: RR 5.6 billion).

18. Accounts payable and accruals

	30 June 2011	31 December 2010 Restated
Trade payables	2,171	1,906
Advances received	916	80
Accruals	231	244
Other creditors	542	687
Total	**3,860**	**2,917**

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

19. Taxes payable

	30 June 2011	31 December 2010 Restated
Property tax	119	126
Value added tax	87	616
Unified social tax	48	25
Water tax	40	47
Other taxes	30	44
Total	**324**	**858**

20. Revenues

	Six months ended	
	30 June 2011	30 June 2010 Restated
Electric power	21,643	16,020
Capacity	6,043	5,593
Heating	369	367
Other	282	212
Total	**28,337**	**22,192**

21. Operating expenses, net

	Note	Six months ended 30 June 2011	30 June 2010 Restated
Raw materials and consumables used, comprising		16,559	12,151
Fuel expenses		16,324	11,867
Other materials		235	284
Purchased electric power and capacity for resale		2,671	2,912
Employee benefit expenses and payroll taxes		1,880	1,621
Third parties services, including:		1,526	1,510
Commission fees		436	379
Repairs and maintenance		421	460
Security expenses		136	124
Rent expenses		128	122
Insurance expenses		123	91
Consulting, legal and information expenses		32	36
Transportation expenses		30	25
Telecommunication services		17	24
Other		203	249
Depreciation of PP&E	8	1,151	1,009
Water usage expenses		459	238
Provision for impairment of accounts receivable (reversal)/ charge		378	(107)
Taxes other than income tax		370	505
Expenses under management agreement		360	360
Social charges		36	43
Amortisation of intangible assets		16	17
Gain on disposal of PP&E		(3)	(16)
Other expenses		281	237
Total		**25,684**	**20,480**

22. Finance income and costs, net

	Six months ended 30 June 2011	30 June 2010 Restated
Interest expense on loans and borrowings	(179)	(312)
Foreign exchange (loss)/gain	(2)	2
Interest income on bank deposits	475	38
Effect of discounting of long-term accounts receivable/payable	14	14
Total	**308**	**(258)**

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

	Six months ended 30 June 2011	30 June 2010 Restated
Weighted average number of ordinary shares issued and outstanding (million of shares)	65,436	44,627
Profit attributable to the shareholders of OJSC OGK-1 (million of RR)	2,928	979
Weighted average earnings per share – basic and diluted (in RR)	**0.045**	**0.022**

24. Interest in joint venture

The Group holds a 75% interest in NVGRES Holding Ltd. consolidated by equity method as a joint venture as, per the terms of the Shareholders 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.

24. Interest in joint venture (continued)

	30 June 2011	31 December 2010 Restated
Assets:		
Non-current assets	6,457	6,244
Current assets	9,362	8,616
Total assets	**15,819**	**14,860**
Liabilities:		
Non-current liabilities	378	371
Current liabilities	569	531
Total liabilities	**947**	**902**
Net assets	**14,872**	**13,958**
Proportionate interest in joint venture's commitments	**2,661**	**2,172**

	Six months ended	
	30 June 2011	30 June 2010 Restated
Operating income and finance income	4,850	4,215
Operating expenses and finance costs	(3,791)	(4,220)
Income tax expense	(145)	(169)
Profit/(loss) for the period	**914**	**(174)**

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

25. Commitments

(a) Capital commitments

Future capital expenditures for which contracts have been signed except for proportionate interest in joint venture's commitments (Note 25) amounted to RR 12,613 million at 30 June 2011 (at 31 December 2010 - RR 13,110 million).

In accordance with the Russian Federation Government Resolution №89 dated 24 February 2010 "On certain issues regarding the organization of the long-term competitive capacity takeoff in the wholesale electricity (or capacity) market", Russian Federation Government Resolution №238 dated 13 April 2010 "Pricing strategy of capacity trading on the wholesale electricity (capacity) market during the transition period" and Russian Federation Government Direction №1334-r dated 11 August 2010 "The approved list of generating units, which will be used to supply capacity under contracts on capacity provision", Non-profit Partnership Council Market (hereinafter NP Council Market) in cooperation with electricity wholesales market participants developed a contractual basis for the sales of capacity of new generating units, which are being constructed in accordance with investment programs of suppliers, approved by the Government of Russian Federation within Investment Program of RAO UES.

In accordance with new rules suppliers will sign agency agreement with CJSC CFS, OJSC ATS, NP Council Market and SO UES for sales of investment capacity. In accordance with this agreement CFS for and on behalf of the supplier will sign contracts on capacity provision with all wholesale electricity (capacity) market customers.

In November 2010 the Company had signed an agency agreement with CFS, OJSC ATS, NP Council Market and SO UES, under which CFS was to sign on behalf of the OJSC OGK-1 contracts on capacity provision. On 12 December 2010 CFS on behalf of the OJSC OGK-1 signed the contracts on provision of capacity from estimated generating units with total capacity of 1 190 MWth. Pursuant to the terms and conditions of the Agency Agreement, if the Group violates the timeframe for commissioning the generating assets, or fails to deliver sufficient capacity, the Group should pay a forfeit to the Agent, the size of which depends on the extent of the delay in the commissioning of the generating asset, the amount of the capacity that was not delivered and the price of this capacity under a long-term capacity contract. Management of the Group does not expect to default or fail on fulfilment of the above obligations under the contracts on the provision of capacity at 30 June 2011 and in future.

26. Contingencies

(a) 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.

(b) Legal proceedings

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

(c) 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 period of review. Under certain circumstances the review may cover longer periods.

As at 30 June 2011, 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.

(d) Environmental matters

The Group recognized an asset decommissioning liability in respect of ash dumps (Note 16). Other 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.

(e) TNK-BP Call Option

On 15 February 2008 OJSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station operated by CJSC Nizhnevartovskaya GRES, a subsidiary of NVGRES Holding Ltd. and to finance and construct a third unit at that power station with a capacity of 800 MW. During 2009, the construction project was reviewed and the joint venture decided to construct blocks 3.1 and 3.2 with capacity of 410 MW each. According to the Agreement, OJSC 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 price to be defined in future, which is defined as any day within 12 months after the date when the unit 3.1 passes the performance tests. The exercise price under this option is expected to be equal to the fair value at the date of the exercise of the option. The difference between fair value of the option at 30 June 2011 and the fair value of the call option at the expiry date is nil. At 30 June 2011 the option has not been yet exercised. Management expects the option to be exercised not earlier than in September 2013.

27. Related parties

Related parties with whom the Group entered into significant transactions during the six months ended 30 June 2011 and 30 June 2010 or had significant balances as at 30 June 2011 and 31 December 2010 are detailed below.

(a) Parent company

Beginning from 31 March 2011 JSC INTER RAO UES is the principal shareholder of OJSC OGK-1 (Note 1).

Information about material transactions with INTER RAO UES Group during the six months ended 30 June 2011, and outstanding balances as at 30 June 2011 and 31 December 2010 are disclosed below:

The Group's transactions with INTER RAO UES Group are disclosed below:

	Six months ended	
	30 June 2011	**30 June 2010 Restated**
Electric power and capacity revenues	9,581	4,880
Expenses under agreement on transfer of powers of the sole executive body	180	360
Other expenses	-	51
Accrued interest under loan agreement, including	-	84
capitalized interest	-	63

	30 June 2011	**31 December 2010 Restated**
Accounts receivable	1,009	341
Accounts payable	-	110

(b) 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 RECs. Bank loans are granted at market rates. Taxes are charged and paid under the Russian tax legislation.

As per management estimations, the total amount of significant transactions performed between the Group and other state-controlled entities for the six months ended 30 June 2011 was approximately 15% of total electric power, capacity and heat sales, and approximately 98% of total electric power and capacity purchases (for the six months ended 30 June 2010: approximately 11% and approximately 99%, respectively).

(c) Management organization

Effective from 1 April 2011 LLC INTER RAO - Electricity Generation Management is a sole executive body for OJSC OGK-1. Expenses under agreement on transfer of powers of the sole executive body with LLC INTER RAO - Electricity Generation Management for the period from 1 April 2011 to 30 June 2011 comprised RR 180 million.

(d) Directors' compensation

Key management personnel (the members of the Board of Directors and the Management Board of OJSC 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 2011	**30 June 2010**
Remuneration for attending the Board meetings	1	5

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

28. Subsequent events

In July 2011 the Group entered into credit facility agreements with OJSC Inter RAO UES for the total amount of short borrowings not exceeding RR 10,000 million. The Group has not borrowed under these credit facilities as of the date of authorisation of these Financial Statements.

In August 2011 the Group early repaid a part of its debt in the amount of RR 2,000 million.