OAO OGK-4
CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2008

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Open Joint-Stock Company "Fourth Power Generating Company on the Wholesale Energy Market" (JSC OGK-4):

1 We have audited the accompanying consolidated financial statements of JSC OGK-4 and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

11 June 2009
Moscow, Russian Federation

OAO OGK-4
Consolidated Balance Sheet as at 31 December 2008
(RUB thousand)

	Note	At 31 December 2008	At 31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	45,675,068	31,839,794
Intangible assets	7	650,670	454,361
Financial assets		27,136	-
Other non-current assets		1,063,525	98,888
Total non-current assets		**47, 416,399**	**32,393,043**
Current assets			
Cash	23	130,615	4,138,844
Accounts receivable and prepayments	9	2,887,955	1,275,662
Inventories	8	1,803,967	1,947,203
Short-term financial assets	10	30,994,817	35,790,189
Total current assets		**35,817,354**	**43,151,898**
TOTAL ASSETS		**83,233,753**	**75,544,941**
EQUITY AND LIABILITIES			
Capital			
Ordinary shares	11	25,219,482	25,206,846
Treasury shares	11	-	(1,250)
Share premium	11	40,052,405	39,955,090
Other reserves	11	722,083	249,728
Retained earnings		10,003,790	3,925,049
Total equity attributable to shareholders of OAO OGK-4		**75,997,760**	**69,335,463**
Minority interest		14,093	-
Total equity		**76,011,853**	**69,335,463**
Non-current liabilities			
Deferred income tax liabilities	16	2,480,291	3,445,244
Pension liabilities	12	454,536	438,795
Other non-current liabilities		-	174
Total non-current liabilities		**2,934,827**	**3,884,213**
Current liabilities			
Current debt and current portion of non-current debt	13	-	250,290
Accounts payable and accruals	14	2,957,391	1,779,129
Current income tax liabilities	16	709,650	117,587
Other taxes payable	15	620,032	178,259
Total current liabilities		**4,287,073**	**2,325,265**
Total liabilities		**7,221,900**	**6,209,478**
TOTAL EQUITY AND LIABILITIES		**83,233,753**	**75,544,941**

General director Y.S. Sablukov

Chief accountant V.S. Chirukhin

11 June 2009

OAO OGK-4
Consolidated Income Statement
for the year ended 31 December 2008
(RUB thousand)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Revenues	17	38,013,337	31,436,578
Operating expenses (excluding reversal of impairment of property, plant and equipment)	18	(35,276,179)	(30,043,040)
Reversal of impairment of property, plant and equipment	6	-	349,846
Operating expenses		(35,276,179)	(29,693,194)
Other operating income		234,304	113,845
Operating profit		**2,971,462**	**1,857,229**
Finance income	19	5,483,820	757,178
Finance expense	19	(991,432)	(252,677)
Profit before income tax		**7,463,850**	**2,361,730**
Total income tax charge	16	(1,386,843)	(780,136)
Profit for the year		**6,077,007**	**1,581,594**
Attributable to:			
Shareholders of OAO OGK-4		**6,078,741**	**1,581,594**
Minority interest		**(1,734)**	**-**
Earnings per ordinary share for profit attributable to the shareholders of OAO OGK-4 – basic and diluted (in Russian roubles)	20	**0.096**	**0.030**

General director — Y.S. Sablukov

Chief accountant — V.S. Chirukhin

11 June 2009

OAO OGK-4
Consolidated Statement of Changes in Equity
for the year ended 31 December 2008
(RUB thousand)

	Attributable to the shareholders of OAO OGK-4							
	Ordinary share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
At 1 January 2007	**49,130,626**	**-**	**-**	**(31,406,171)**	**4,711,197**	**22,435,652**	**-**	**22,435,652**
Decrease in share capital (Note 10)	(29,478,376)	-	-	31,406,171	(1,927,795)	-	-	-
Purchase of treasury shares	-	(1,250)	-	-	-	**(1,250)**	-	**(1,250)**
Employees stock option plan	-	-	-	249,728	-	**249,728**	-	**249,728**
Issue of ordinary shares	5,554,596	-	39,955,090	-	-	**45,509,686**	-	**45,509,686**
Profit for the year*	-	-	-	-	1,581,594	**1,581,594**	-	**1,581,594**
Dividends	-	-	-	-	(350,012)	**(350,012)**	-	**(350,012)**
At 31 December 2007	**25,206,846**	**(1,250)**	**39,955,090**	**249,728**	**4,014,984**	**69,425,398**	**-**	**69,425,398**
Changes in balance sheet items (Note 3)	-	-	-	-	**(89,935)**	**(89,935)**	-	**(89,935)**
At 1 January 2008	25,206,846	(1,250)	39,955,090	**249,728**	3,925,049	**69,335,463**	-	**69,335,463**
Available-for-sale financial assets:								
Valuation gains/(losses) taken to equity	-	-	-	(62,027)	-	**(62,027)**	-	**(62,027)**
Net income recognised directly in equiny	-	-	-	(62,027)	-	**(62,027)**	-	**(62,027)**
Profit for the period	-	-	-	-	6,078,741	**6,078,741**	(1,734)	**6,077,007**
Total recognised income and expense	**-**	**-**	**-**	**(62,027)**	**6,078,741**	**6,016,714**	**(1,734)**	**6,014,980**
Takeover of OGK-4 Holding	12,636	-	97,315	-	-	**109,951**	-	**109,951**
Establishment of subsidiary	-	-	-	-	-	-	15,827	**15,827**
Sale of treasury shares		1,250	-	-	-	**1,250**	-	**1,250**
Employee share option plan				534,382	-	**534,382**	-	**534,382**
At 31 December 2008	25,219,482	-	40,052,405	722,083	10,003,790	**75,997,760**	14,093	**76,011,853**

* The total recognised income for the year 2007 is equal to profit for the year.

General director Y.S. Sablukov

Chief accountant V.S. Chirukhin

11 June 2009

OAO OGK-4
Consolidated Cash Flow Statement
for the year ended 31 December 2008
(RUB thousand)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**7,463,850**	**2,361,730**
Adjustments for non-cash items:			
Depreciation and amortisation	6	1,698,434	1,651,134
Reversal of impairment of property, plant and equipment	6	-	(349,846)
(Reversal of)/Provision for impairment of inventories		(2,136)	66,994
Provision for/(Reversal of) impairment of accounts receivable	18	241,899	(118,244)
Foreign exchange gain		(2,149,834)	-
Interest income		(2,400,664)	(757,178)
Interest expense and effect of discounting	19	58,110	252,677
Loss on disposal of property, plant and equipment		62,123	168,463
Write-off of non-productive assets		136	(22)
Employee share option plan	5	534,382	249,728
Other non-cash items		(63,871)	(149,662)
Operating cash flows before working capital changes and income tax paid		**5,442,429**	**3,375,774**
Working capital changes:			
(Increase)/decrease in accounts receivable and prepayments	9	(1,642,261)	245,962
Decrease/(Increase) in inventories	8	138,736	(278,165)
Increase in non-current assets		(1,056,204)	-
Increase/(decrease) in accounts payable and accruals		957,584	(11,458)
Increase in pension liabilities		45,541	37,456
Increase/(decrease) in taxes payable other than income tax		441,773	(52,480)
Income tax paid		(1,765,760)	(603,024)
Net cash generated from operating activities		**2,561,838**	**2,714,065**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets	6	(15, 550,983)	(9,464,871)
Proceeds from sale of property, plant and equipment and other non-current assets	6	-	50,394
Proceeds from/(Placement of) deposits (net)	6	7,165,576	(35,183,796)
Interest received		1,935,185	540,444
Net cash used in investing activities		**(6,450,222)**	**(44,057,829)**

OAO OGK-4
Consolidated Cash Flow Statement
for the year ended 31 December 2008
(RUB thousand)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowing	13	-	6,913,224
Repayment of debt		(250,000)	(7,293,662)
Repayment of finance lease		(60)	(125)
Interest paid		(1,397)	(73,332)
Issue of ordinary shares	11	12,636	46,523,907
Cost of issuing ordinary shares	11	-	(1,014,221)
Sale/(Purchase) of treasury shares	11	1,250	(1,250)
Dividend paid to shareholders of OAO OGK-4	11	-	(350,012)
Net cash (used in)/generated from financing activities		**(237,571)**	**44,704,529**
Effect of exchange rate changes on cash and cash equivalents		117,726	-
Net increase/(decrease) in cash		**(4,008,229)**	**3,360,765**
Cash at the beginning of the year		4,138,844	778,079
Cash at the end of the year		130,615	4,138,844

General director Y.S. Sablukov

Chief accountant V.S. Chirukhin

11 June 2009

(RUB thousand)

Note 1. The Group and its operations

Open Joint-Stock Company Fourth Power Generating Company of the Wholesale Energy Market ("OAO OGK-4" or the "Company") was established on 4 March 2005 as part of the Russian electric power industry reform in accordance with Resolution No. 1254-r, adopted by the Russian Government on 1 September 2003.

The Company's primary activities are generation and sale of electricity and thermal power.

From 1 September 2005 to 30 June 2006, OAO OGK-4 acted as the sole executive body of OAO Surgutskaya GRES-2, OAO Berezovskaya GRES-1, Shaturskaya GRES-5, OAO Yajvinskaya GRES and OAO Smolenskaya GRES. On 1 July 2006 these companies were reorganised and taken over by the Company. As a result, the Company started to operate as a single entity and is the successor of all rights and obligations of the companies taken over (see "Establishment of the Group" below).

The Company has been operating five power plants as branches. Currently the Company has four subsidiaries. All the references to the "Group" refers to the Company and its branches and subsidiaries.

The structure of the Group, including all consolidated entities, is presented in the table below:

	Principal activity	Ownership, %	
		31 December 2008	31 December 2007
Subsidiaries of OAO OGK-4			
OOO OGK-4 Finance	Transactions with securities	100	100
OAO Avtotransenergo	Transportation services	100	100
OOO Teplosbyt	Transactions with securities	100	100
OAO Shaturskaya UK	Municipal services	51	-

The Company is registered by the Surgut District Inspectorate of the Russian Federation Ministry of Taxation, Khanty-Mansiysk Autonomous District (Yugra), Tyumen Region. The Company's office is located at Bolshaya Ordynka St. 40/4, Moscow, Russia, 119017.

Operating environment

Russia continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of Russia and relatively high inflation. Furthermore, Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. The global financial crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the US, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

The Group's management has noticed the reduction of prices and sale volumes in the free sector of the wholesale electricity market in November-December 2008 and beginning of 2009. The management believes that it undertakes all necessary actions in order to maintain financial soundness of the Group under the circumstances.

Relations with the state and current regulations

Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as the RAO UES of Russia) completed all formalities related to reorganization on July 1, 2008 and was liquidated as a legal entity. Thereof, "governmental share" as of December 31, 2008, makes 0.3% of the voting ordinary shares of JSC OGK-4 (as of December 31, 2007 – 28.8%).

The Group's customer base includes a large number of entities controlled by the state. Furthermore, the state controls a number of the Group's fuel and other suppliers.

The Russian government directly influences the Group's operations through Federal Tariff Service ("FTS") regulation of wholesale energy sales and regional tariff services' regulation of heat sales. In order to meet system requirements efficiently, all generating facilities' operations are coordinated by OAO System Operator of Unified Energy System ("SO UES"). SO UES used to be controlled by RAO UES; now it is controlled by the state.

Tariffs for sales of electricity and heat are governed by power industry regulations and by regulations for natural monopolies. Historically, such tariffs have been based on cost-plus pricing, meaning the cost of the service plus a margin. Costs are determined under Russian Accounting Rules ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS"). In practice, tariff decisions are significantly affected by social and political considerations, which can result in delays in tariff determinations as well as in tariff increases that fail to compensate for rising costs.

As described in Notes 22 and 23, the government's economic, social and other policies could materially affect the Group's operations.

Industry reform

In 2008 the wholesale electric power market still operated under the NOREM rules, set forth in Russian Government Resolution No. 529 of 31 August 2006. Under these rules, tariffs for electricity and capacity in the regulated market are fixed by the Federal Tariff Service, while in the competitive sector prices are determined by supply and demand.

From 1 January 2008 the market's liberalisation level was 15% to 20%, and from 1 July 2008 - 25% to 30%. Liberalisation levels were fixed by the government in Decision No. 205 of 7 April 2007.

In 2008 Federal Law No. 35-FZ "On Electric Utilities" was amended, tightening the state's control over power suppliers' dominance and manipulation of prices on the free market.

Russian Government Resolution No. 476, effective from 1 June 2008, was issued on 28 June 2008. The resolution provides for the launch of a capacity market, where "free" capacity will be traded at transitional auctions for supplies from 2009 to 2011 and at long-term auctions for 10-year supplies. Free capacity will be sold in its respective free flow zone. For the first time, wholesale market agents will have the option of concluding non-regulated contracts for capacity supplies. The wholesale electricity market is expected to be fully liberalised by the end of the transition period, in 2011.

Establishment of the Group

According to Resolution No. 1254-r of 1 September 2003, which approved the wholesale generating companies' structure, OAO OGK-4 was to consist of the following power stations: OAO Berezovskaya GRES-1, OAO Shaturskaya GRES-5, OAO Yajvinskaya GRES, OAO Smolenskaya GRES and OAO Surgutskaya GRES-2. These entities had been established as a result of the restructuring, when they were spin off from RAO UES subsidiaries.

OAO OGK-4 was founded on 4 March 2005 by RAO UES (the parent Company and merged with the above companies on 1 July 2006.

After the Merger, RAO UES had an 89.6% share in the Group.

RAO UES was liquidated on 1 July 2008.

OAO OGK-4 Holding was founded as a result of the RAO UES reorganisation. It was the proprietor of OAO OGK-4 ordinary shares and property previously owned by RAO UES. When it was spin off from RAO UES (on 1 July 2008), OAO OGK-4 Holding merged with OAO OGK-4, and its shares were converted into shares of OAO OGK-4.

Shares of the Company held by minority shareholders of RAO UES were transferred to OAO OGK-4 Holding. Subsequently, OAO OGK-4 Holding merged with the Company and its shares were converted into Company's shares. The Company's treasury shares were used for this conversion, as well as additionally issued shares.

Note 2. Financial condition

As at 31 December 2008 the Group's current assets exceeded its current liabilities by RUB 31,530,281 thousand (as at 31 December 2007: by RUB 40,826,633 thousand).

As discussed above, the Group is affected by government policy through control of tariffs and other factors. The FTS have not always permitted tariff increases equal to or in excess of increases in the Group's costs, and thus some tariffs are insufficient to cover all generation costs. Moreover, increases in these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude significant additional costs recognised under IFRS. As a result, tariffs may not consistently allow for an adequate return on investment and currently do not provide sufficient funds for the full replacement of property, plant and equipment.

Note 3. Basis of preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Each enterprise within the Group individually maintains its own accounting records and prepares statutory financial statements in accordance with RAR. The accompanying financial statements are based on the statutory records and adjusted and reclassified to meet IFRS disclosure and presentation requirements.

Reclassifications. Certain reclassifications have been made to prior year data so that they conform to the current year presentation. None of the reclassifications made were material.

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

Predecessor accounting. In these financial statements, the Group was accounted for as a business combination of entities under common control. Predecessor accounting methods were applied. Accordingly, assets and liabilities of the combined entities (OAO Berezovskaya GRES-1, OAO Shaturskaya GRES-5, OAO Yajvinskaya GRES, OAO Smolenskaya GRES and OAO Surgutskaya GRES-2) were recorded at their carrying value as reflected in the IFRS consolidated financial statements of RAO UES.

The difference between the statutory nominal value (see Note 11) and the predecessor carrying value of net assets received from a business combination with an entity under common control is recorded in equity as merger reserve.

Accounting for the effects of hyperinflation. Russia experienced relatively high levels of inflation in the past and was considered to be hyperinflationary as defined by IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The Russian economy is no longer hyperinflationary, and as of 1 January 2003 the Group has not applied provisions of IAS 29. The restatement requirements of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

Modification of initial and comparative data. The 2008 opening balance is the 2007 closing balance adjusted for prepayments in a foreign currency as of the end of 2007, at the exchange rate on the date of payment.

(RUB thousand)

Account	Amount before adjustment	Adjustment	Adjusted amount
Property, plant and equipment	31,929,729	(89,935)	31,839,794
Total asset	**31,929,729**	**(89,935)**	**31,839,794**
Retained earnings	4,264,712	(89,935)	4,174,777
Total liabilities	**4,264,712**	**(89,935)**	**4,174,777**

New accounting developments. Certain new IFRS became effective for the Group 1 January 2008. Listed below are those new interpretations which could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies:

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).
- IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).

Adopting the above new interpretations has not resulted in changes in the Group's financial position as at 31 December 2008 and 31 December 2007 and in the results of its operations for the years then ended.

Early adoption of new accounting developments. IAS 23, Borrowing Costs (the amendment applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. IAS 23, Borrowing Costs (revised) is effective for periods beginning on or after 1 January 2009.

The Group adopted the revised standard as at 1 January 2008. The Group's financial position as of 31 December 2008 and 31 December 2007 and its financial performance for the year than ended have not changed as a result of this early adoption.

Other new standards or interpretations. The Group elected not to adopt the following other new standards or interpretations early:

• IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group is currently assessing what impact the standard will have on segment disclosure in the consolidated financial statements.

• Puttable Financial Instruments and Obligations Arising on Liquidation — Amendment to IAS 32 and IAS 1 (effective from 1 January 2009). The amendment requires that certain financial instruments that meet the definition of a financial liability be classified as equity. The Group does not expect the amendment to affect its consolidated financial statements.

• IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies have any loyalty programmes.

• IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies or corrections. The Group expects that the revised IAS 1 will affect the presentation of its financial statements but will not affect the recognition and evaluation of business transactions and balances.

• IAS 27, Consolidated and Separate Financial Statements (revised in January 2008; effective for annual periods beginning on or after July 1, 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires any excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

• Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—Amendment to IFRS 1 and IAS 27 (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have any impact on the Group's consolidated financial statements.

• IFRS 3, Business Combinations (revised in January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on applying the purchase method to business combinations. The requirement to measure every asset and liability at each step in a step acquisition at fair value for the purposes of calculating the acquired entity's portion of goodwill has been removed.

Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the acquiree held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

• Vesting Conditions and Cancellation—Amendment to IFRS 2, Share-based Payments (effective for annual periods beginning on or after 1 January 2009). The amendment contains two basic changes: only service conditions and performance conditions are vesting conditions; and all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

• IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11, Construction Contracts, or IAS 18, Revenue, and when revenue from the construction should be recognised. The main expected change in practice is a shift for some entities from recognising revenue using the percentage of completion method (i.e. as construction progresses, by reference to the stage of completion) to recognising revenue at a single time (i.e., at completion, upon or after delivery). IFRIC

15 is not expected to have any impact on the Group's consolidated financial statements.

• IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation applies for entities that hedge foreign currency risk arising from net investments in foreign operations and wish to qualify for hedge accounting in accordance with IAS 39, Financial Instruments: Recognition and Measurement. The interpretation does not apply to other types of hedge accounting; it should not be applied by analogy. IFRIC 16 does not have any impact on these financial statements, as the Group does not have foreign operations.

• Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

• IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to owners should be recognised. An entity should measure the dividend payable at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

• IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue; and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's consolidated financial statements.

• Improving Disclosures about Financial Instruments—Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. An entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The Group is currently assessing the impact of the amendment on disclosures in its consolidated financial statements.

• Embedded Derivatives—Amendments to IFRIC 9 and IAS 39 (effective for annual periods beginning on or after 1 July 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. Amendments to IFRIC 9 and IAS 39 are not expected to have any impact on the Group's consolidated financial statements.

• Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications, including: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring a measure of total assets and liabilities for each reportable segment under IFRS 8 to be reported only if these amounts are regularly provided to the chief operating decision makers; amending IAS 1 to allow classification of certain liabilities settled by an entity's own equity instruments as non-current; changing

IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17, even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to a host contract if upon exercising it the borrower reimburses the economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

Going concern. These consolidated financial statements have been prepared on a going concern basis, which assumes that assets will be realised and debts repaid in the normal course of business. The recoverability of the Group's assets and the Group's future operations may be significantly affected by the economic environment. The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

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

Provision for impairment of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibility of specific customer accounts has deteriorated compared to prior estimates. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates (see Note 9).

Provision for impairment of other assets

As at each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated income statement 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.

Tax contingencies

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

Useful lives of property, plant and equipment

The estimation of the useful lives of an item of property, plant and equipment is a matter of management judgement based on 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 for future depreciation rates.

Note 4. Summary of significant accounting policies

Principles of consolidation. These financial statements comprise the financial statements of OAO OGK-4 and the financial statements of those entities whose operations are controlled by OAO OGK-4. Control is presumed to exist when OAO OGK-4 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Minority interest has been disclosed as part of equity.

Transactions eliminated on consolidation

Inter-Group balances and transactions, and any unrealised gains arising from inter-Group transactions, are eliminated in preparing the consolidated financial statements.

Transfers of subsidiaries between parties under common control. Transfers of investments between parties under common control are accounted for using the pooling of interest method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets and the nominal value of share capital contributed is accounted for in these consolidated financial statements as an adjustment to equity.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared (approved by shareholders) before or on the balance sheet date. Dividends are disclosed if they are declared after the balance sheet date but before the financial statements are authorised for issue.

Property, plant and equipment. Property, plant and equipment is stated at depreciated cost less impairment. Deemed cost was initially determined by a third party valuation as at 31 December 1997 and restated for the impact of inflation for the period until 31 December 2002. Adjustments are made for additions, disposals and depreciation charges. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the income statement. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

The amounts determined by the third party valuation represent an estimate of depreciated replacement cost. In accordance with paragraph 16 of IAS 29, Financial Reporting in Hyperinflationary Economies, a third party valuation was performed in order to determine a basis for cost because historical accounting records for property, plant and equipment were not readily available. Therefore, this third party valuation was not a recurring feature, since it was intended to determine the initial cost basis of property, plant and equipment and the Group had not adopted a policy of revaluation on subsequent measurement.

Renewals and improvements are capitalised and the assets replaced are retired. Repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset once it is available for use. For the property, plant and equipment which was subject to the third party valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives as at the valuation date. Remaining useful lives are reviewed annually. The useful lives, in years, of assets by type of facility are as follows:

(RUB thousand)

Type of facility	**Acquired before 31 December 1997**	**Acquired after 31 December 1997**
Electricity and heat generation	7-50	15-50
Electricity distribution	6-32	8-25
Heating network	4-20	12-20
Other	2-8	3-10

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

Intangible assets. Intangible assets are stated at depreciated cost less impairment. Depreciation of computer software and licences is calculated on a straight-line basis. The useful lives, in years, of intangible assets by type are as follows:

Type of intangible assets	**Useful life in years**
Computer software	1-16
Licences	1-25

At each reporting date management assesses whether there is any indication of impairment of intangible assets.

Subsequent expenses on an intangible asset after its purchase or put into use and expenses on computer software support are included in operating expenses, except cases when:

- it is probable that these expenses will allow an asset to create future economic benefits beyond what was originally expected;

- the cost of the asset can be measured reliably.

Amortisation of intangible assets is included in the income statement in operating expenses. Remaining useful lives are reviewed annually.

Cash and cash equivalents. Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash, have a maturity of three months or less from the date of acquisition, and are subject to insignificant changes in value.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value-added tax. Accounts receivable initially are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of accounts receivable is created if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted at the market interest for similar borrowers at the date the debt arose.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: financial assets at fair value through profit or loss, available for sale, held to maturity, and loans and receivables.

Financial assets at fair value through profit or loss are securities or other financial assets which are either acquired to generate a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio with a rapid turnover rate. The Group classifies financial assets into this category if it intends to sell them soon after acquisition. The Group does not have such assets as of reporting dates.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

The held to maturity category includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. The Group does not have such assets as of reporting dates.

All other financial assets are included in the available-for-sale category.

Value-added tax on purchases and sales. Output VAT on sales is payable to the tax authorities on the earlier of (a) collection of payment from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT if a VAT invoice is provided.

The tax authorities permit VAT settlement on a net basis. VAT on sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT. The related deferred VAT liability is maintained until the debt has been written off for tax purposes.

Inventories. Inventories are valued at the lower of cost and net realisable value. The cost of inventories is assigned by using weighed average cost formula. A provision is created for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realisable value.

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

Deferred income tax. Deferred tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as per the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences upon initial recognition of an asset or a liability in a transaction other than a business combination if the initial recognition of this asset or liability does not affect accounting or taxable profit or loss. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by the tax authorities based on management's interpretation of tax laws that have been enacted or substantively enacted at the balance sheet date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

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

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

Borrowing costs. Interest costs on loans received to fund the construction of fixed assets shall be capitalised over the period required to build and prepare these fixed assets for operation. All other costs related to loans shall be treated as expenses.

Pension and post-employment benefits. The Company makes all mandatory payments to the Russian state pension fund on behalf of its employees. Mandatory contributions to the state pension fund are expensed when incurred.

Group entities provide a number of post-employment and other long-term benefits of a defined benefit nature as well as a defined contribution pension benefit plans. Defined benefits include death in service and death in pension benefits, lump sum payment upon retirement, jubilee benefits to current and former employees retired from the Group as well as financial support after old-age retirement for such former employees.

Defined benefit plans, except for old-age and disability pensions, are unfunded and paid on pay-as-you-go basis, ie cost is met directly by the Group when due. With regard to old-age and disability pensions the Group has an agreement with a non-state pension fund. The defined benefit pension plan defines the pension allowance that an employee will receive upon retiring. The allowance usually depends on factors such as age, experience and salary. When a pension obligation is settled via a non-state pension fund, the Group buys an annuity. The annuity is paid for with funds accrued in individual pension accounts held by the non-state pension fund and any additional contributions that may be required from the Company to meet the cost of the benefit promised.

The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less plan assets and unrecognised past service cost, adjusted for unrecognised actuarial gains or losses. Defined benefit obligations are calculated using the projected unit credit method. The present value of defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from 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 the income statement over the employees' expected average remaining working lives.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance leases. 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 in property, plant and equipment at the lease commencement date at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges in order to achieve a constant rate on the outstanding debt. The corresponding rental obligations, net of future finance charges, are included in debt. The interest expense is charged to the income statement over the lease term using the effective interest method. Assets acquired under finance leases are depreciated over their useful lives or over the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Provisions. Provisions are recorded where the Group has legal or other obligations that have arisen as a result of past evens, there is a probability that the Group will need to spend resources to repay the obligation, and the amount of the obligation can be reliably estimated.

Revenue recognition. Revenue is recognised when electricity and heat is delivered and when other goods and services are provided during the period. Revenue amounts are presented exclusive of value-added tax.

Segment reporting. The Group operates in a single geographical area and a single industry: it generates electricity and heat in Russia. The generation of electricity and heat are related activities and are subject to similar risks and returns. Therefore, they are reported as one business segment.

Earnings per share. Earnings per share are determined by dividing the profit attributable to ordinary shareholders of the parent Group of the Group by the weighted average number of ordinary shares outstanding during the reporting period.

Minority interest. Minority interest represents minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This is calculated based on the minority interest's ownership in these subsidiaries. For purchases of minority interest, the difference between the carrying amount of a minority interest and the amount paid to acquire it, if any, is recorded as a loss directly in equity.

Interest. Interest income and expense are recognised in the income statement for all debt instruments on an accrual basis using the effective interest method. Interest income includes nominal interest and amortised discount and premium. When loans become doubtful, they are written down to their recoverable amounts, and interest income thereafter is recognised based on the interest that was used to discount future cash flows for the purpose of measuring the recoverable amount.

Share-based payment transactions. A stock option plan allows Group employees to acquire OAO OGK-4 shares. The fair value of options is measured at the grant date and recognised during the period in which employees become entitled to exercise the options. The fair value of options is measured based on the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

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

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

Note 5. Related parties

As at 31 December 2008 and 31 December 2007 the Group is ultimately controlled by E.ON AG and included in the E.ON AG Group, comprising E.ON AG and its subsidiaries.

On 30 January 2009 the Group received notification that E.ON Russia Power GmbH merged with E.ON Russia Holding GmbH on 30 December 2008. As a result, the Group's majority shareholder is now E.ON Russia Holding GmbH (as of 31 December 2007 – E.ON Russia Power GmbH).

The nature of related party relationships for those related parties with whom the Group entered into significant transactions in 2008 and in 2007 or had significant balances outstanding as at 31 December 2008 and 31 December 2007 are detailed below.

No accounts receivable connected with related parties exist as at 31 December 2008.

Accounts payable to related parties (expected to be paid within 12 months after the reporting date):

RUB thousand

№	Related Party	At 31 December 2008	At 31 December 2007
1	E.ON AG Joint Stock Company	2,771	-
	Total	**2,771**	-

The Group's proceeds from the sales of services (automobile transportation services) to related parties amounted to (VAT excluded):

RUB thousand

№	Related Party	2008	2007
1	OOO E.ON Russia Power	659	-
	Total	**659**	**-**

Services and works performed by the related parties in favour of the Group, PPE acquired (VAT excluded):

RUB thousand

№	Name	2008	2007
1	E.ON AG Joint Stock Company	3,031	-
2	E.ON Risk Consulting GmbH	3,715	-
3	OOO E.ON Russia Power	2,347	-
	Total	**9,093**	**-**

Transactions with RAO UES's subsidiaries

Transactions with subsidiaries of RAO UES were as follows:

	9 months ended 30 September 2007
Electricity and heating sales	15,333,084
Other sales	8,358
Purchase of electricity	26,272

Other, besides RAO UES and its subsidiaries, state-controlled entities

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

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

	9 months ended 30 September 2007
Electricity and heating sales	48,544
Purchase of fuel	353,142

Directors' compensation

Members of the Company's Management Board receive compensation for their services in full-time management positions. Compensation is made up of a contractual salary, non-cash benefits and a performance bonus depending on results for the period according to the Russian statutory financial statements.

Members of the Board of Directors receive fees and compensation for their services and for attending board meetings depending on results for the year.

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the year ended 31 December 2008 was RUB 326,924 thousand (31 December 2007: RUB 149,103 thousand):

№	Name	2008	2007
1	Short-term employee benefits	150,164	108,526
2	Post-employment benefits	46,659	40,577
3	Termination benefits	130,101	-

(RUB thousand)

Employee remuneration in the form of share purchase options

On 21 September 2007, the Board of Directors approved the OAO OGK-4 Stock Option Programme – the Share Option Plan (the "Plan"), including that 859,785,942 ordinary shares be distributed under the Plan, which comprises 1.75% of the total amount of the Group's placed ordinary shares.

The Plan provides for the provision of share purchase options to members of management bodies and employees of OAO OGK-4.

Participation of the Group's general director, top managers and employees in the Plan as well as the number of shares in their option agreements is determined by Board of Directors resolutions.

Plan participants are remunerated for their work in OAO OGK-4 during the three years following the date they sign their agreements.

Ordinary shares for the options issued under the Plan are purchased by the Group on the open market via a special Group-controlled Group - OOO OGK-4 Finance.

Plan participants who end their employment with the Group are entitled to an amount of shares proportional to the number of days they were employed. If a Plan participant violated its labour agreement and was fired by the Group, this employee loses its stock option.

The option price is determined as at the date the decision of participants to participate in the Plan is made and is calculated as the weighted average price of ordinary shares of the Group for the 365 days prior to the date of the agreement according to the data of a trading floor determined by the Group's Board of Directors.

Options may be exercised by a participant within one month after receiving shareholders' rights.

The fair value of the services received in return for the options provided is measured at the fair value of the options provided. The fair value of services was assessed according to the Black-Scholes model.

Share price (in RUB)	1.80 – 3.80
Option implementation price (in RUB)	2.726
Expected market volatility	26.92%
Option term	1,096 days
Risk-free interest rate	5.8%
Fair value of the option as at the evaluation date (in RUB)	1.0325 – 1.0407

The volatility assumption applied in calculation of the fair value of the options granted is based on historical volatility of the share prices for parent Group (E.ON). The historical volatility was estimated as the annualised standard deviation of the logarithmic price changes where price changes are calculated based on closing prices. Trading period used to estimate historical volatility commensurates with the expected term of the options granted.

A risk-free interest rate was assumed based on the annual yield on coupon-bearing state treasury bills/federal loan bonds (issue code 25061) issued in 2007 before October with a circulation term equal to the option term.

The exercise price of options issued in 2007 varied from RUB 1.0325 to 1.0407 per share, and the weighted average term before options could be exercised was 1,096 days.

(RUB thousand)

During 2007 the following agreements were concluded with Plan participants:

Date of Agreement	22 September 2007	23 September 2007	25 September 2007	27 September 2007	28 September 2007	29 September 2007	1 October 2007	Total
Number of shares over which options granted	691,120,507	5,207,846	13,560,052	39,304,501	37,977,973	4,176,103	68,438,960	859,785,942
Number of Plan participants	24	1	3	1	4	1	9	43

In 2008 no agreements were concluded with Plan participants. Some participants cancelled their agreements in the fourth quarter of 2008.

Date of Agreement	27 November 2008	2 December 2008	12 December 2008	18 December 2008	19 December 2008	Total
Number of shares in cancelled options	335,365,648	81,114,662	92,414,717	64,754,164	69,962,010	643,611,191
Number of Plan participants	17	4	3	3	4	31

The changes in the option flow are given below:

	2008	2007
Options issued, opening balance.	854,578,096	-
Options granted during the period	-	859,785,942
Options lost within the period	(643,611,191)	(5,207,846)
Options issued, closing balance	210,966,905	854,578,096

For the year ended 31 December 2008, the Group recorded the expenses associated with options' fair value in the amount of RUB 534,382 thousand (for the year ended 31 December 2007: RUB 249,728 thousand), including accelerated expenses due to cancelation of RUB 483,394 thousand for the year ended 31 December 2008 (RUB 0 for the year ended 31 December 2007)

(RUB thousand)

Note 6. Property, plant and equipment

	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost						
Opening balance as at 31 December 2007	**27,336,868**	**647,034**	**668,238**	**9,761,242**	**10,161,743**	**48,575,125**
Additions	70,414	-	10,649	15,169,273	241,202	15,491,538
Transfers	347,228	-	12,764	(815,277)	455,285	-
Disposals	(26,998)	-	-	(12,735)	(20,524)	(60,257)
Closing balance as at 31 December 2008	**27,727,512**	**647,034**	**691,651**	**24,102 503**	**10,837,706**	**64,006,406**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2007	**9,277,479**	**614,307**	**288,670**	-	**6,554,873**	**16,735,329**
Charge for the period	765,297	3,433	44,513	-	826,072	1,639,315
Disposals	(19,002)	-	-	-	(24,304)	(43,306)
Closing balance as at 31 December 2008	**10,023,773**	**617,741**	**333,183**	-	**7,356,641**	**18,331,338**
Net book value as at 31 December 2007	**18,059,389**	**32,726**	**379,568**	**9,761,242**	**3,606,870**	**31,839,794**
Net book value as at 31 December 2008	**17,703,739**	**29,293**	**358,468**	**24,102 503**	**3,481,065**	**45,675,068**

(RUB thousand)

	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost						
Opening balance as at 31 December 2006	**27,338,162**	**659,246**	**643,762**	**1,292,558**	**9,716,895**	**39,650,623**
Additions	2,781,	-	18,427	8,953,310	260,813	9,235,332
Transfers	103,402	-	6,049	(411,286)	301,836	-
Disposals	(107,477)	(12,214)	-	(73,341)	(117,801)	(310,832)
Closing balance as at 31 December 2007	**27,336,868**	**647,032**	**668,238**	**9,761,242**	**10,161,743**	**48,575,123**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2006	**8,478,813**	**622,668**	**241,738**	**349,846**	**5,912,189**	**15,605,254**
Charge for the period	825,966	3,505	46,932	-	736,958	1,613,362
Reversal of impairment loss	-	-	-	(349,846)	-	(349,846)
Disposals	(27,301)	(11,866)	-	-	(94,274)	(133,441)
Closing balance as at 31 December 2007	**9,277,479**	**614,307**	**288,670**	-	**6,554,873**	**16,735,329**
Net book value as at 31 December 2006	**18,859,349**	**36,578**	**402,024**	**942,712**	**3,804,706**	**24,045,369**
Net book value as at 31 December 2007	**18,059,389**	**32,725**	**379,568**	**9,761,242**	**3,606,870**	**31,839,794**

(RUB thousand)

Note 6. Property, plant and equipment (continued)

Construction in progress represents the carrying amount of property, plant and equipment that is not yet available for use in production, including generating stations under construction.

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

No items of property, plant and equipment were pledged as security for loans as at 31 December 2008 and 31 December 2007.

Operating lease

The OAO OGK-4 leases a number of pieces of land owned by local governments under operating leases. Land lease payments are determined by lease agreements.

Operating lease charges are payable as follows:

	As at 31 December 2008	31 December 2007
Less than one year	122,803	117,365
Between one and five years	305,135	349,576
More than five years	2,963,086	2,977,604
Total	**3,391,024**	**3,444,545**

OAO OGK-4 leases the land on which its electric power stations and other assets are located. Leases typically run for an initial period of 1–49 years, with an option to further extend the lease. Lease payments are subject to regular review to reflect market lease rates.

Impairment provision for property, plat and equipment

The impairment provision included in the accumulated depreciation balance as at 31 December 2008 was RUB 258,066 thousand (as at 31 December 2007: RUB 287,793 thousand).

As at 31 December 2008 a loss from the impairment of fixed assets as a result of the global financial crisis was considered possible. The Group has evaluated assets' recoverable amounts. The results of this evaluation showed that the Group did not have any losses from impairment of fixed assets.

Note 7. Intangible assets

	Computer software	Licences	Total
Cost			
Opening balance as at 31 December 2007	**502,685**	**5,700**	**508,385**
Additions	255,304	124	255,428
Disposals	(16,346)	(3,426)	(19,772)
Closing balance as at 31 December 2008	**741,643**	**2,398**	**744,041**
Accumulated amortisation			
Opening balance as at 31 December 2007	**53,053**	**971**	**54,024**
Charge for the period	55,851	3,268	59,119
Disposals	(16,346)	(3,426)	(19,772)
Closing balance as at 31 December 2008	**92,558**	**813**	**93,371**
Net book value as at 31 December 2007	**449,632**	**4,729**	**454,361**
Net book value as at 31 December 2008	**649,085**	**1,585**	**650,670**

(RUB thousand)

	Computer software	Licences	Total
Cost			
Opening balance as at 31 December 2006	**378,134**	**888**	**379,022**
Additions	134,696	4,908	139,604
Disposals	(10,145)	(96)	(10,241)
Closing balance as at 31 December 2007	**502,685**	**5,700**	**508,385**
Accumulated amortisation			
Opening balance as at 31 December 2006	**26,361**	**130**	**26,491**
Charge for the period	36,837	937	37,774
Disposals	(10,145)	(96)	(10,241)
Closing balance as at 31 December 2007	**53,053**	**971**	**54,024**
Net book value as at 31 December 2006	**351,773**	**758**	**352,531**
Net book value as at 31 December 2007	**449,632**	**4,729**	**454,361**

Note 8. Inventories

Breakdown of inventories

	31 December 2008	31 December 2007
Fuel production supplies	1,193,081	1,327,330
Materials and supplies	464,444	393,884
Other inventories	211,300	292,983
Provision for impairment of inventory	(64,858)	(66,994)
Total	**1,803,967**	**1,947,203**

In 2008 OAO OGK-4's fuel inventory declined by RUB 142,313 thousand mainly due to a reduction in coal inventories by RUB 124,602 thousand.

Note 9. Accounts receivable and prepayments

	At 31 December 2008	At 31 December 2007
Trade and other receivables		
Trade receivables	1,305,323	637,247
Other financial receivables	298,802	128,709
Less impairment loss provision	(424,666)	(182,765)
Total financial assets within trade and other receivables	**1,179,459**	**583,191**
VAT recoverable	1,300,178	25,975
Due from budget (excluding VAT)	9,084	5,451
Prepayments	399,234	661,045
Less impairment provision	-	-
Total account receivable and prepayments	**2,887,955**	**1,275,662**

Management has determined the bad debt provision based on specific customers' credit history, customer payment trends, the outlook for payments and settlements, and analyses of expected future cash flows. Management believes that Group will be able to realise the net receivable amount through direct collections and other non-cash settlements and that therefore the recorded value approximates the fair value.

In 2008 RUB 417,013 thousand of the Group's total accounts receivable was settled via non-cash settlements (in 2007: RUB 14,185 thousand).

The above accounts receivable and prepayments include amounts receivable from related parties (see Note 5).

Note 10. Short-term financial assets

Name	Currency	Rating	Rating agency	Effective interest rate, %	Closing balance as at 31 December 2008 (hard currency, thousand)	Closing balance as at 31 December 2008 (RUB, thousand)	Closing balance as at 31 December 2007 (RUB, thousand)
Short-term deposits							
OAO Vneshtorgbank	Rouble	Baa1	Moody's	8.70%	-	2,646,483	-
OAO Vneshtorgbank	US dollar	Baa1	Moody's	4.40%	20,517	602,788	-
OAO Vneshtorgbank	US dollar	Baa1	Moody's	6.88%	15,578	457,686	-
OAO Vneshtorgbank	Euro	Baa1	Moody's	6.80%	110,000	4,558,521	-
OAO Vneshtorgbank	Euro	Baa1	Moody's	4.90%	15,354	636,293	-
OAO Vneshtorgbank	Euro	Baa1	Moody's	5.80%	31,145	1,290,679	-
OAO Vneshtorgbank	Euro	Baa1	Moody's	6.60%	71,784	2,974,810	-
AB Gazprombank (ZAO)	Rouble	Baa2	Moody's	6.50%	-	3,801,764	-
AB Gazprombank (ZAO)	US dollar	Baa2	Moody's	4.80%	136,000	3,995,734	-
AB Gazprombank (ZAO)	US dollar	Baa2	Moody's	1.25%	31,845	935,623	-
AB Gazprombank (ZAO)	Euro	Baa2	Moody's	3.70%	31,021	1,285,525	-
AB Gazprombank (ZAO)	Euro	Baa2	Moody's	3.10%	11,183	463,417	-
OAO Sberbank	Rouble	Baa1	Moody's	8.50%	-	360,702	-
OAO Sberbank	US dollar	Baa1	Moody's	0.30%	17,776	522,263	-
OAO Sberbank	Euro	Baa1	Moody's	6.41%	74,023	3,067,591	-
OAO Sberbank	Euro	Baa1	Moody's	3.00%	15,996	662,888	-
OAO Sberbank	Euro	Baa1	Moody's	1.40%	62,010	2,569,776	-
OAO KB Agroimpuls	Rouble	B3	Moody's	10.00%	-	28,500	-
OAO Sberbank	Rouble	Baa1	Moody's	7.50%	-	5,100	-
OAO Vneshtorgbank	Rouble	Baa2	Moody's	9.00%	-	-	14,400,000
OAO Vneshtorgbank	Rouble	Baa2	Moody's	8.00%	--	-	913,919
AB Gazprombank (ZAO)	Rouble	Baa2	Moody's	7.30%	-	-	7,200,000
ZAO Unicreditbank	Rouble	A-	Standard & Poors	7.42%	-	-	3,252,224
OAO Sberbank	Rouble	Baa2	Moody's	7.00%	-	-	5,290,722

Name	Currency	Rating	Rating agency	Effective interest rate, %	Closing balance as at 31 December 2008 (hard currency, thousand)	Closing balance as at 31 December 2008 (RUB, thousand)	Closing balance as at 31 December 2007 (RUB, thousand)
OAO Sberbank	Rouble	Baa2	Moody's	6.80%	-	-	4,236,415
OAO AKB Strategiya	Rouble	-	-	8.50%	-	-	50,000
OAO AB Urals FD	Rouble	B3	Moody's	7.80%	-		200,000
Total short-term deposits						**30,886,143**	**35,543,280**
Promissory notes:							
OAO Ulianovskenergo	Rouble	-	-	0.00%		1,059	-
OAO KB Agroimpuls	Rouble	B3	Moody's	0.00%		85,549	246,462
OAO Sberbank	Rouble	Baa1	Moody's	0.00%		42,066	447
Total promissory notes						**128,674**	**246,909**
Total						**30,994,817**	**35,790,189**

In 2008 the Group temporarily deposited free cash received as the result of an additional share issue to deposit accounts in banks for one year. The interest on short-term deposits are fixed and, therefore, exposed to the risk of changes in market interest rates.

In 2008 the Group purchased fourteen non-interest banking promissory notes of OAO KB Agroimpuls for RUB 88,815 thousand, due in 2009, and seven non-interest banking promissory notes of OAO Sberbank for RUB 46,186 thousand. These promissory notes were purchased against repayment of customer debt for electric power and capacity sold in 2007–2008 (OAO Kalmenergosbyt, OAO Karachayevo-Cherkesskenergo, OAO Kabbalkenergo, OAO Sevkavkazenergo, OAO Dagestan ESK, OAO Ingushenergo).

Additionally in 2008, when RAO UES was reorganised the Group received non-interest banking promissory notes of OAO Ulianovskenergo for a total of RUB 2,050 thousand.

These promissory notes are reflected in the statements at their fair value as at the date of purchase. The fair values of these promissory notes were determined based on repayment dates and discount rates (using the average rate received on RUB deposits opened during 2008, 10.00%). The effect of discounting of these promissory notes reduced revenues by RUB 12,272 thousand for 2008. The interest income from unwinding of the discounting is reflected in finance income. In 2008 finance income was RUB 23,318 thousand. These promissory notes in the amount of RUB 128,674 thousand (less discounting effect) were recognised in other current assets as at 31 December 2008.

Note 11. Equity

Basis of presentation

The Group was formed through the combination of a number of businesses under common control. Because the predecessor basis of accounting (see Note 3) was applied, the majority of the net equity recognised for the Group is based on the historic carrying value of the net assets contributed, as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those assets. Since the Group was formed as a result of a series of share issues, the equity statement reflects additions to the share capital equal to the statutory nominal value of the shares issued. In accordance with the predecessor basis of accounting, the effect of these additions to equity was offset by corresponding decrease in minority interest or change of the merger reserve.

(RUB thousand)

Other reserves

Based on the application of predecessor accounting (see Note 3), a difference of RUB 31,406,171 thousand between the value of share capital issued, the IFRS carrying values of the contributed assets and the minority interest was recorded as a merger reserve in equity in other reserves.

In accordance with legal requirements, the Group reduced the share capital to an amount not exceeding its contributed assets in May 2007, eliminating the merger reserve in the process.

In the third quarter of 2008, as a result of the takeover of OGK-4 Holding, the Group received OAO Rusgidro shares and classified them as financial assets available for sale. That shares are reflected at the fair value based on market quotation .Changes in fair value are reflected in equity in other reserves.

The Group's obligation regarding the share option plan is also reflected in other reserves.

The movement of other reserves is provided below:

	31 December 2008	31 December 2007
Available-for-sale financial assets revaluation	(62,027)	-
Share option plan	784,110	249,728
Total	**722,083**	**249,728**

Share capital

	Ordinary shares 31 December 2008	Ordinary shares 31 December 2007
Number of issued shares	63,048,706,145	63,017,115,839
Nominal (in RUB)	0.40	0.40

On 10 May 2007 the Group introduced amendments to the Articles of Association to reduce the nominal value of shares from RUB 1.00 to RUB 0.40.

A resolution on increasing the authorised capital of the Group by placing up to 23 billion ordinary shares was approved at an extraordinary general shareholders meeting on 23 April 2007. On 19 October 2007 amendments to the Company's Articles of Association were introduced to place an additional issue of 13,886,489,865 whole shares and 44,925,042,874/49,130,625,974 fractional shares out of the 23 billion shares previously announced for placement.

As a result of this additional issue, the Group placed 13,886,489,865 shares with a par value of RUB 0.40 each. In total 60.376% of the total securities subject to placement were placed. The actual placement price approved by the Board of Directors was RUB 3.3503 per share. During the additional issue, 13,849,544,048 of the Group's shares were placed for the benefit of E.ON Russia Power GmbH. In addition, 36,945,817,91/43,999,691,225 additionally issued shares were placed by exercising the preemption right.

By placing the Group's shares at a price exceeding their nominal value, there was a gain of RUB 40,969,311 thousand, less placement costs of RUB 1,014,221 thousand, which were reflected as a deduction from capital.

On 10 October 2007 the extraordinary general meeting of shareholders passed a resolution to increase the Group's authorised capital by placing up to 32,539,735 ordinary registered book entry shares. As a result, 31,590,306 additional shares of RUB 0.40 each were issued.

The Group's reorganisation under the second stage of the restructuring of RAO UES involved two interdependent processes (similar for all companies in the sector):

(RUB thousand)

- the spin off of the intermediary OAO OGK-4 Holding from RAO UES;

- the takeover of OGK-4 Holding by the OGK-4.

Shares of the Group held by minority shareholders of RAO UES were transferred to OAO OGK-4 Holding. Subsequently, OAO OGK-4 Holding was consolidated with the Group and its shares were converted into Group shares. The Group's treasury shares were used for this conversion, as were additionally issued shares.

After the second stage of the reorganisation the RAO UES company terminated its operations.

As a result of all event described above the Group's authorised capital is RUB 25,219,482,458.77 as of 31 December 2008 . The Group has placed 63,048,706,145 whole ordinary registered shares with a par value of RUB 0.40 each and 44,925,042,874/49,130,625,974 fractional shares.

Treasury shares

In 2007 the Group repurchased 568,243 ordinary shares, or 0.001% of the share capital as at 31 December 2007. The shares were repurchased at a price RUB 2.20 per share based on valuation statement as at 1 January 2007.

Shares were repurchased from shareholders of OAO OGK-4 who voted against the resolution to reorganise the Group or who did not vote at the extraordinary general meeting of shareholders on 5 October 2007.

The Group's treasury shares were used to convert OGK-4 Holding OAO shares into Group shares.

Dividends

The Group's annual statutory accounts form the basis for profit distribution and other appropriations. Russian law identifies the basis of distribution as net profit. However, this legislation and other statutory laws and regulations on distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount for distributable reserves in these financial statements.

As at the beginning of 2008, liabilities of RUB 11,219 thousand represented dividends to be paid to participants, including RUB 6,689 thousand in remaining unpaid dividends of the merged companies.

As at 31 December 2008, liabilities of RUB 8,410 thousand represented dividends to be paid to participants.

Note 12. Pension liabilities

The tables below provide information on defined benefit obligations, pension expense, plan assets and actuarial assumptions used for the twelve months ended 31 December 2008 and 2007. Amounts recognised in the Consolidated Balance Sheet:

	31 December 2008	**31 December 2007**
Present value of funded obligations	719,748	822,503
Fair value of plan assets	(85,703)	-
	634,045	-
Present value of unfunded obligations	317,967	822,503
Unrecognised actuarial loss	(41,532)	(130,599)
Unrecognised past service cost	(455,944)	(253,109)
Net liability in Balance Sheet	**454,536**	**438,795**
Employees' average remaining working life (years)	12	12

(RUB thousand)

Amounts recognised in the Consolidated Income Statement:

	31 December 2008	31 December 2007
Current service cost	43,565	94,622
Interest cost	55,903	74,529
Expected return on plan assets	(7,217)	-
Net actuarial losses recognised in year	1,095	12,698
Amortisation of past service cost	50,622	73,126
Curtailment gain	-	(291,760)
Immediate recognition of vested prior service cost	26,718	126,748
Other	(9,805)	66,624
Net expense recognised in the Income Statement	**160,881**	**156,587**

Movements in the net liability recognized in the Consolidated Balance Sheet are as follows:

	31 December 2008	31 December 2007
Net liability at start of period	438,795	326,810
Reclassification of pension assets	(92,114)	-
Net expense recognized in the income statement	160,881	156,587
Contributions	(53,026)	(44,601)
Net liability at end of period	**454,536**	**438,795**

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

	31 December 2008	31 December 2007
Present value of defined benefit obligations (DBO) at the beginning of the year	822,503	1,056,910
Current service cost	43,565	94,622
Interest cost	55,903	74,529
Actuarial (gain)/loss	(126,323)	(49,088)
Past service cost	280,175	218,151
Benefits paid	(38,108)	(44,602)
Curtailment gain	-	(594,644)
	31 December 2008	**31 December 2007**
Other	-	66,624
Present value of defined benefit obligations (DBO) at the end of the year	**1,037,715**	**822,503**

Principal actuarial assumptions are as follows:

	31 December 2008	31 December 2007
Discount rate at 31 December	9.00%	6.60%
Expected return on plan assets at 31 December	9.84%	n/a
Future salary increase	10.24%	9.20%
Future financial support increases	6.00%	5.00%
Staff turnover	2.50%	2.50%
Mortality	Russian population table for 1998	Russian population table for 1998

(RUB thousand)

As at 31 December 2007 assets held in the non-state pension were not classified as plan assets. These assets were accounted for in Other non-current assets. At beginning of 2008 the Group reclassified the assets held in non-state pension fund as plan assets in accordance with IAS 19. The movements in the plan assets are as follows:

	31 December 2008
Account value at period start	92,114
Correction of the value of plan assets at the beginning of the period	9,804
Actual return on plan assets	(31,133)
Contributions by employer	53,026
Contributions by employees	-
Payments	(38,108)
Curtailment	-
Account value at period end	**85,703**

Experience adjustments on plan assets and plan liabilities are as follows:

	31 December 2008	31 December 2007	31 December 2006	31 December 2005
Present value of defined benefit obligations (DBO)	1,037,715	822,503	1,056,910	778,353
Fair value of plan assets	(85,703)	-	-	-
Deficit in plan	952,012	822,503	1,056,910	778,353
(Gains)/losses arising from adjustments to plan liabilities based on actual results	(8,148)	(49,088)	285,462	13,460
Losses arising from adjustments to plan assets based on actual results	38,351	-	-	-

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date equals to RUB 85,000 thousand.

The structure of the plan assets:

	31 December 2008
Corporate bonds	44,2%
Bank deposits	19,5%
Share and mutual funds	17,8%
Government bonds	8,7%
Cash	1,6%
Other	8,2%

(RUB thousand)

Note 13. Current debt and current portion of non-current debt

Name	Currency	Effective interest rate, %	31 December 2008	31 December 2007
ZAO Unicreditbank	RUB	6.4–7.5%%	-	**250,230**
Current portion of non-current debt (finance lease)	RUB		-	**60**
Total			-	**250,290**

Note 14. Accounts payable and accruals

	31 December 2008	31 December 2007
Financial liabilities	**2,402,439**	**1,250,950**
Trade payables	942,133	982,367
Other creditors	1,451,896	257,364
Dividends payable	8,410	11,219
Non- financial liabilities	**554,952**	**528,179**
Advances from customers	52,454	50,002
Staff payables	502,498	478,177
Total	**2,957,391**	**1,779,129**

Other creditors include accounts payable to capital construction contractors in amount of RUB 1,273,803 thousand as of 31 December 2008 (RUB 69,594 thousand as of 31 December 2007).

Note 15. Taxes payable

	31 December 2008	31 December 2007
Value-added tax	456,860	12,252
Property tax	85,738	84,107
Employee taxes	20,185	22,651
Other	57,249	59,249
Total	**620,032**	**178,259**

Note 16. Income tax

Income tax charge

	Year ended 31 December 2008	Year ended 31 December 2007
Current income tax charge	(2,351,795)	(986,305)
Deferred income tax benefit	964,951	206,170
Total	**(1,386,844)**	**(780,135)**

During the year ended 31 December 2007 most Group entities were subject to a 24% income tax rate on taxable profits. The Group applies a preferential income tax rate of 20% for Yajvinskaya GRES branch.

On 20 November 2008 the Russian Government approved a tax rate reduction to 20%, and for

(RUB thousand)

Yajvinskaya GRES branch, to 16%. The effect of the reduced tax rate is recognised by re-calculating the deferred tax balance as at 31 December 2008 and accounted as income on deferred tax under the income tax section of the 2008 income statement.

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

	Year ended 31 December 2008	Year ended 31 December 2007
Profit before income tax	**7,463,850**	**2,361,730**
Theoretical tax charge at the statutory tax rate of 24%	(1,791,324)	(566,815)
Effect of tax rate reduction to 20%	496,058	-
Tax effect of items that are not tax deductible or subject to taxation	(91,577)	(213,321)
Total income tax charge	**(1,386,843)**	**(780,135)**

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets and liabilities are measured at the rate applicable when the temporary differences reverse: 20% as of 31 December 2008 and 24% as of 31 December 2007.

Deferred tax assets/(liabilities) calculated on the temporary differences for balance sheet items are as follows.

	31 December 2008	Movement for the year recognised in the income statement in 2008	31 December 2007
Trade receivables	42,558	(69,491)	112,049
Inventories	-	(15 320)	15,320
Property, plant and equipment	(2,677,192)	1,103,567	(3,780,759)
Intangible assets	(7,308)	(7,308)	-
Pension liabilities	90,907	(14,406)	105,311
Accounts payable and other accruals	69,697	(56,131)	125,828
Other	1,047	24,039	(22,993)
Net deferred tax liability at the end of the year	**(2,480,291)**	**964,952**	**(3,445,244)**

	31 December 2007	Movement for the year recognised in the income statement in 2007	31 December 2006
Trade receivables	112,049	104,176	7,873
Inventories	15,320	12,167	3,153
Property, plant and equipment	(3,780,759)	(11,037)	(3,769,722)
Pension liabilities	105,311	26,877	78,434
Accounts payable and other accruals	125,828	96,994	28,834
Other	(22,993)	**(23,007)**	15
Net deferred tax liability at the end of the year	**(3,445,244)**	**206,170**	**(3,651,413)**

(RUB thousand)

Note 17. Revenues

	Year ended 31 December 2008	Year ended 31 December 2007
Electricity	36,908,834	30,633,361
Heating	733,437	635,478
Other	371,066	167,739
Total	**38,013,337**	**31,436,578**

Note 18. Operating expenses (except for a reversal of losses on the impairment of property, plant and equipment)

	Year ended 31 December 2008	Year ended 31 December 2007
Fuel	21,631,108	17,301,602
Repairs and maintenance	2,049,905	2,076,198
Employee benefits	4,015,665	3,449,715
Depreciation	1,698,434	1,651,134
Purchased power and electricity	2,416,709	2,236,879
Taxes other than income tax	399,579	471,838
Bank services	26,382	232,084
Provision for impairment/(reversal) of accounts receivable	241,964	(118,245)
Raw materials and supplies	166,149	413,312
Operational dispatch management	611,476	471,985
Water usage expenses	213,225	221,692
Transportation expenses	253,307	273,578
Guarding expenses	271,402	239,374
Rent expenses	183,829	144,180
Loss on disposals of property, plant and equipment	62,123	168,463
Insurance cost	97,828	93,247
Social expenses	39,205	47,706
Other expenses	897,889	668,298
Total	**35,276,179**	**30,043,040**

Employee benefits expenses comprise the following:

	Year ended 31 December 2008	Year ended 31 December 2007
Salaries and wages, payroll taxes	2,898,303	2,799,573
Termination benefits	153,185	4,856
Pension costs - Defined contributions plans (including state plan)	308,891	308,354
Pension costs - defined benefit plans	120,904	87,204
Share options granted to directors and employees	534,382	249,728
Employee benefits	**4,015,665**	**3,449,715**

Note 19. Finance income and expense

Finance income

	Year ended 31 December 2008	Year ended 31 December 2007
Effect of liability discounting	23,865	6,393
Interest income (deposits and cash)	2,376,799	622,726
Exchange gains	3,083,156	128,059
Total	**5,483,820**	**757,178**

Finance expense

	Year ended 31 December 2008	Year ended 31 December 2007
Effect of liability discounting	56,943	76,914
Interest expense (borrowings)	1,167	132,858
Exchange losses	933,322	42,905
Total	**991,432**	**252,677**

Note 20. Basic and diluted earnings per share payable to shareholders of OAO OGK-4

Basic earning per share is calculated by dividing the net profit for the Group's shareholders by the weighted average amount of ordinary shares in circulation, excluding treasury stock.

	Year ended 31 December 2008	Year ended 31 December 2007
Gross weighted average number of ordinary shares issued	63,032,429,062	52,136,195,014
Correction for weighted average number of treasury stock	240,357	(68,028)
Net weighted average number of ordinary shares issued during the year	63,032,669,419	52,136,126,986
Profit attributable to the shareholders of OAO OGK-4 (RUB thousand)	6,078,741	1,581,594
Earnings per ordinary share for profit attributable to the shareholders of OAO OGK-4 – basic (in RUB)	**0.096**	**0.030**

Earnings per share is calculated by dividing the net profit attributable to the Group's shareholders by the weighted average number of shares issued, increased by the number of additional ordinary shares that would be issued if all contracts with a dilutive effect were converted into ordinary shares.

In 2007 contracts with a potential dilutive effect relate to share purchase options that the Group provided to employees (see Note 5). In 2008 these options did not have a dilutive effect, as their conversion to ordinary shares would increase earnings per share.

	Year ended 31 December 2008	Year ended 31 December 2007
Net weighted average number of ordinary shares issued during the year	63,032,669,419	52,136,126,986
Correction for weighted average number of shares that would be issued at average market price	-	21,399,712
Weighted average number of ordinary shares adjusted	63,032,669,419	52,157,526,698
Profit attributable to the shareholders of OAO OGK-4 (RUB thousand)	6,078,741	1,581,594
Diluted earning per share (in RUB)	**0.096**	**0.030**

Note 21. Commitments

Sales commitments. The Group sells electricity in the two wholesale market sectors: the free trading sector and the regulated trading sector.

The Group has entered into a number of annual electricity sales agreements with ZAO Centre for Financial Settlements, retail companies and large industrial customers.

Fuel commitments. The Group concluded a number of contracts for fuel supplies (natural gas, peat, fuel oil and coal).

The principal suppliers of fuel are: OAO Surgutneftegaz, OAO Novatek, OOO Smolenskregiongaz, OOO Permregiongaz, OOO Mosregiongaz and OOO TD PromEnergoHolding. Agreements with these suppliers were concluded in 2007–2008 for a term of five years and for a total of RUB 88,925,838 thousand. The principal supplier of brown coal and coal is OAO Siberian Coal and Energy Group. Agreements with this supplier were concluded for a term from one to three years for a total of RUB 8,303,744 thousand.

New agreements with brown coal suppliers have been signed during 2008 year - OAO Transavto for RUB 182,840 thousand, OOO Polet-M for RUB 71,954 thousand and OAO UK Kuzbassrazrezugol for RUB 107,347 thousand, as well as with fuel oil suppliers: OOO PromTechResurs, OOO Selena-neftekhim, OOO Optima and OOO Regiontopprom for a total of RUB 109,919 thousand.

Capital commitments. During 2007, agreements for design work, supply of equipment and materials, and construction and commissioning of single-shaft combined cycle power plants with a capacity of 400 MW (turnkey construction) for the Shaturskaya GRES subsidiary were signed with General Electric International Inc. for RUB 3,620,264 thousand and with Gama Guc Sistemleri Muhendislik ve Taahhut A.S. for RUB 7,222,886 thousand, with an effective term until 2009.

In 2007 year agreements for design work, supply of equipment and materials, and construction and commissioning of single-shaft combined cycle power plants with a capacity of 2*400 MW (turnkey construction) for the Surgutskaya GRES subsidiary were signed with General Electric International, Inc., for RUB 7,960,893 thousand and with Gama Guc Sistemleri Muhendislik ve Taahhut A.S. for RUB 3,215,897 thousand, with an effective term until 2010.

A contract for completing the construction of power unit No. 3 based on STU-800, supplies of equipment, and a portion of design work for the Berezovskaya GRES subsidiary was signed with OAO KATEKenergoremont. The contract is effective from 2008 to 2010 and was signed for RUB 9,583,632 thousand, net of VAT. Additionally, a contract for design work, supply of equipment and materials, and construction and commissioning of single-shaft combined cycle power plants with a capacity of 400 MW (turnkey solution) for Yajvinskaya GRES subsidiary was signed with Enka Insaat ve Sanayi A.S. and

Enka Power Systems B.V. The contract is effective from 2008 to 2011 and was signed for RUB 12,517,774 thousand, net of VAT.

Note 22. Contingencies

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

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

Social obligations. The Group has a responsibility to the regions where it operates to contribute to the development of favourable living conditions, create jobs and minimise harm to the environment. It also has a responsibility to the public and governmental authorities to pay taxes, support important public initiatives, and participate in the social and economic development of the regions.

Following the principles of corporate citizenship, the Group believes it is important to make a contribution to the development of the regions where it has a presence. To this end, the Group actively participates in funding social and charity programmes to support vulnerable segments of society – first and foremost, children and pensioner. Particular attention is paid to the development of educational programmes for schoolchildren and students. Various sporting events are also supported.

The Group continues the traditions of the power plants which came under its control: aiding different organisations, public associations and individuals in the regions in which they operate. The Group spent RUB 5,134 thousand on these programmes in 2008 (in 2007 - RUB 18,289 thousand).

Legal proceedings. Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, the current legal proceedings and claims listed below could not have a material effect on the financial position of the Group.

The Group entered into joint liability agreements with the predecessor entities from which the Smolenskaya GRES, Yajvinskaya GRES, Shaturskaya GRES and Surgutskaya GRES-2 power plants were spun off. These agreements were finalised with OAO Mosenergo, OAO Tumenenergo, OAO Smolenskenergo, OAO Permenergo and their spin-offs. These agreements stipulate joint liability for these companies' debts, which were not reflected in the separation balance sheets during their reorganisation. There are risks associated with the Group's potential liability for these debts.

At present lawsuits have been filed against the Group by OAO Mosenergosbyt (where the Group is just one of the defendants) in the amount of RUB 23,355 thousand, by OAO Mosenergo in the amount of RUB 11,826 thousand, and by OAO Tumenergo in the amount of RUB 2,246 thousand.

The Group, in turn, has filed a lawsuit against OAO Nurenergo for payment for electricity in the amount of RUB 109,401 thousand and against OAO Tyvaenergo for the recovery of wholesale power supply in the amount of RUB 10,526 thousand. The Group has filed other lawsuits, mainly associated with thermal power debts from individual consumers, in the amount of RUB 7,517 thousand.

As at the date of issuing these consolidated financial statements, management believes that it has adequately provided for all significant potential losses that may result from any such lawsuits being asserted and contested.

Tax contingencies. Russian tax, currency and customs law 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 regional and federal authorities. In particular, the method for accounting for tariff imbalances, water tax and property received during the course of the reorganisation may be challenged. Tax authorities may be taking a more assertive position in their interpretation of the law and their assessments and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods for three calendar years proceeding the year of review remain open to review by the tax authorities. Under certain circumstances a review may cover longer periods.

No disclosure has been made regarding the possible financial effect of potential claims or disputes on these matters, so as not to prejudice seriously the position of the Group.

As of 31 December 2008, management believes that its interpretation of the relevant law is appropriate and that the Group's tax currency and customs positions will be sustained.

In addition, tax and other legislation does not specifically address all of the aspects of the Group's reorganisation resulting from power industry reform. As such, there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

Environmental matters. The Group's entities and their predecessor entities have operated in the Russian electric power industry for many years. The enforcement of Russian environmental regulation is evolving, and the position of government authorities on enforcing these regulations is continually being reconsidered.

The Group understands its responsibility for environmental protection and the rational use of natural resources. The Group's operations are directly related to the exploitation of natural resources and have a direct impact on the environment. The Group endeavours to fully understand the impact of its operations on the environment and to minimise any negative effects. The Group periodically evaluates its obligations according to environmental regulations. Electric power is an environmentally friendly type of energy for customers. Any environmental costs related to power generation are assumed by the power plants. The Group invests significant funds in programmes to minimise its adverse impact on the environment.

All branches of the Group apply an environmental management system developed in accordance with Russian law. In 2008 the Group began the process of adjusting the current environmental management system to ensure its compliance with the requirements of the ISO14001 standard. These activities will be completed in 2009.

Thanks to the Group's efforts, environmental performance indicators show that the ecological situation at Group branch locations may be classified as normal. Emissions and storage of hazardous substances by the Group's plants have always been below the established norms. Thanks to compliance with such norms and regulations, the Group pays minimal pollution taxes. The Group has a large-scale investment programme for new generation facilities using state-of-the-art steam gas technology. The Group intends to keep its impact on the environment to a minimum in implementing its investment programmes. The introduction of new, state-of-art facilities will enable the Group to decrease emissions of hazardous substances and meet all requirements of environmental protection laws.

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

Note 23. Financial instruments and financial risk factors

Financial risk factors. The Group's activities expose it to a variety of financial risks, including:

- Liquidity risk – the threat of a temporary inability to pay financial liabilities when they are due;
- Credit risk – the threat of counterparties being unable to fulfil their obligations;
- Market risks:
- Interest rate risk – the threat of losses as a result of increases in interest rates on borrowed funds;
- Currency risks – the threat of losses due to fluctuations in exchange rates;
- Price risk:
  – the risk of the price for electric power decreasing due to market mechanisms or state intervention;
  – the risk of a significant increase in the price of fuel due to macroeconomic conditions or market monopolisation.

The Group does not hedge financial risks, with the exception of currency risk, as described below.

(RUB thousand)

Liquidity risk. Reasonable management of liquidity risk includes having sufficient funds and access to sufficient credit resources to support the Group's continued operations. In most cases, the Group's financial obligations are of a short-term nature.

In 2008 the Group repaid short-term loans that amounted to RUB 250,290 thousand as at 31 December 2007. No new loans have been taken out within the reporting period.

One-hundred per cent of accounts payable are of a short-term nature (less than one month) and stem from the Group's agreements with fuel suppliers and providers of production-related services.

Credit risk. The financial assets that potentially subject the Group to credit risk consist principally of trade receivables (in the amount of RUB 880,657 thousand), bank deposits (in the amount of RUB 30,886,143 thousand), debt securities (in the amount of RUB 128,674 thousand) and cash (in the amount of RUB 130,615 thousand), in total of RUB 32,026,089 thousand. Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the impairment provision already recorded.

Accounts receivable and financial assets are disclosed in Notes 9 and 10, respectively.

The Group placed cash in the following banks:

Name	Rating	Rating agency	At 31 December 2008	At 31 December 2007
OAO KB Agroimpuls	B3	Moody's	9,004	4,083,304
OAO Sberbank	Baa1	Moody's	4,765	5,033
Royal Bank of Scotland			205	284
OAO Vneshtorgbank	Baa1	Moody's	2	7
AB Gazprombank (ZAO)	Ba2	Moody's	83,457	3
ZAO Unicreditbank	A-	Fitch Rating	6	7
Settlement Chamber RTC (OOO)	-	-	-	50,120
OAO Alfa-Bank			15,254	-
Gasenergoprombank OAO			6,044	-
OAO Vozrozhdenie			11,819	-
Cash			59	86
Total funds			**130,615**	**4,138,844**

Management believes that the majority of customers whose balances are included in trade receivables comprise a single class, as they bear the same characteristics. Those customers belong to the same wholesale electric power market (NOREM), which is regulated by NP ATS (Administrator of Trade System Non-commercial Partnership).

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

The Group tested trade receivables for impairment, and the results are as follows:

(RUB thousand)

	At 31 December 2008	At 31 December 2007
Current	518,808	200,211
Overdue but not impaired	361,849	254,526
Impaired	424,666	182,510
Total trade receivables	**1,305,323**	**637,247**

As at 31 December 2008 trade receivables of RUB 361,850 thousand (as at 31 December 2007: RUB 254,526 thousand) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The aging analysis of these trade receivables is given in the table below.

31 December 2008	Between 1 and 3 months	Between 3 and 12 months	More than 12 months
Trade receivables	160,718	183,141	17,990

31 December 2007	Between 1 and 3 months	Between 3 and 12 months	More than 12 months
Trade receivables	-	249,714	4,812

The movement in trade receivables impairment reserve is given in the table below:

	2008	2007
Balance as at 1 January	182,765	301,010
Additional trade receivables impairment reserve accrued	242,220	109,401
Trade receivables retired during the reported period as bad	(320)	(1,343)
Release of unused reserve	-	(226,303)
Balance as at 31 December	**424,665**	**182,765**

An impairment provision in the amount of RUB 242,220 thousand has been created, as the Group's management considers the collection of some debts to be doubtful. An impairment provision in the amount RUB 320 thousand has been reversed in connection with the collection of past-due receivables.

Due to the absence of an independent evaluation of buyers' and customers' solvency, credit risk is evaluated at the conclusion of an agreement with a potential debtor. The Group evaluates the financial position and credit history of the counteragent. The existing receivables are monitored in the Group's divisions, and collection measures are taken regularly.

Starting from 2007, the Group has been making advance payments in foreign currencies for equipment supplies to contractors on three investment projects, that are classified as construction in progress. Management considers that the credit risk on these advances is insignificant, as well as suppliers - General Electric International Inc. and GAMA Guc Sistemleri Muhendislik - have a high credit rating.

The Group's Board of Directors approved a list of banks in which deposits can be placed as well as rules governing bank deposits. In addition, the Group continuously assesses the financial position of these banks as well as ratings prepared by independent agencies, past practice and other factors.

Funds are placed in financial institutions which are considered at the time of the deposit to be at minimal risk of default.

Interest rate risk. The Group's profits and cash flows from its operations are largely not dependent on changes in market interest rates. The Group was exposed only to fair value interest rate risk, as all of its borrowings were at fixed interest rates as of 31 December 2007. The Group does not have borrowings as of 31 December 2008. The Group's significant interest bearing assets are disclosed in Note 10.

Currency risk. Profit and cash flows from the Group's current operations are largely not dependent on changes in the rouble's exchange rate. Electric and thermal power produced by the Group is sold in Russia and is paid for in roubles. A hedging strategy was developed and implemented in 2008 against financial risks related to currency purchases/sales for future investments. Hedge accounting was not applied by the Group in 2008 and exchange rate differences are recognized in the income statement and significantly influenced the increase in the financial result and income tax.

(RUB thousand)

The table below summarises the Group's exposure to foreign currency exchange rate risk:

	At 31 December 2008			At 31 December 2007		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Russian Roubles	8,258,867	(1,147,079)	7,111,788	40,512,224	(1,223,958)	39,288,266
US Dollars	6,536,520	(1,168,254)	5,368,266	-	(15,550)	(15,550)
Euros	17,509,504	(87,106)	17,422,398	-	(11,442)	(11,442)
Total	32,304,891	(2,402,439)	29,902,452	40,512,224	(1,250,950)	39,261,274

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss (no direct impact on equity was noted) to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the Group entities, with all other variables held constant (the estimation of 2007 exposure is not given as the amounts of monetary financial assets and monetary financial liabilities in foreign currencies were insignificant):

	At 31 December 2008
Incremental profit from US Dollar strengthening by 30%	1,610,480
Incremental loss from US Dollar weakening by 30%	(1,610,480)
Incremental profit Euro strengthening by 30%	5,226,719
Incremental loss Euro weakening by 30%	(5,226,719)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group. The Group's exposure to currency risk at the balance sheet date is not representative of the typical exposure during the year. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied to the average exposure to currency risk during the year, with all other variables held constant:

	Average exposure during 2008
Incremental profit from US Dollar strengthening by 30%	886,944
Incremental loss from US Dollar weakening by 30%	(886,944)
Incremental profit from Euro strengthening by 30%	3,415,155
Incremental loss from Euro weakening by 30%	(3,415,155)

Fair values. Management believes that the fair value of its financial assets and liabilities approximates their carrying amount.

Note 24. Risks associated with capital (capital management)

Management of the Group's capital provides for: 1) meeting legal requirements to ensure the Group's ability to continue its operations and provide income to shareholders; 2) implementing a corresponding borrowing policy to support the optimal capital structure and reduce costs of attracting capital.

Russian law states the following requirements for capital:

- The share capital must be at least 1,000 minimal monthly wages as at the date of the Group's registration;

- If the Group's share capital exceeds its net assets, the Group must decrease its share capital to a value not exceeding its net assets;

(RUB thousand)

- If the minimum approved share capital exceeds the Group's net assets, the Group will be subject to liquidation.

As at 31 December 2008, the Group's capital complied with the aforementioned requirements.

The Group's capital ensures the Group's ability to continue its operations and provide income to shareholders and remunerations to other stakeholders, as well as to maintain the optimal structure for increasing returns on capital.

To support or adjust the capital structure, the Group can regulate the amount of dividends that have been paid out, return capital to shareholders, issue new shares or sell assets to repay debts.

The Group manages capital structure using the debt factor.

The **debt factor** is calculated as the value of net debt compared to the EBITDA amount. The value of net debt is determined as the sum of total financial and pension liabilities represented in the consolidated balance sheet less total financial assets.

During 2008 the strategy of the Group provides for maintaining the debt factor at a level not exceeding 3. The debt factor as at 31 December 2008 and 31 December 2007 is represented below:

	At 31 December 2008	**At 31 December 2007**
Trade and other receivables (Note 9)	1,179,459	583,191
Short-term financial assets (Note 10)	30,994,817	35,790,189
Cash	130,615	4,138,844
Total financial assets	**32,304,891**	**40,512,224**
Total financial liabilities (Note 14)	**(2,402,439)**	**(1,250,950)**
Pension liabilities	**(454,536)**	**(438,795)**
Excess of financial assets over financial and pension liabilities	29,447,916	38,822,479
EBITDA	6,786,652	3,522,996
Debt factor	-	-

Nil debt factor demonstrates low level of financial risk.

Reconciliation of classes of financial instruments with measurement categories

IAS 39, Financial Instruments: Recognition and Measurement classifies financial assets of the Group into the following categories for measurement purposes: (a) loans and receivables, (b) available-for-sale financial assets. The following table provides a reconciliation of the classes of financial assets with these measurement categories as at 31 December 2008 and 31 December 2007:

	At December 31, 2008	**At December 31, 2007**
ASSETS		
Loans and receivables		
Accounts receivables and prepayments (Note 9)	**1,179,459**	**583,191**
Trade receivables	880,657	454,737

(RUB thousand)

	At December 31, 2008	At December 31, 2007
Other financial receivables	298,802	128,454
Short-term financial assets (Note 10)	**30,994,817**	**35,790,189**
Bank deposits	30,866,143	35,543,280
Promissory notes	128,674	246,909
Cash (Note 23)	**130,615**	**4,138,844**
Total loans and receivables	**32,304,891**	**40,512,224**
Available for sale financial assets		
Long-term financial assets	27,136	-
Total available for sale financial assets	**27,136**	-
Total financial assets	**32,332,027**	**40,512,224**
Non-financial assets	50,901,726	35,032,717
TOTAL ASSETS	**83,233,753**	**75,544,941**

All of the Group's financial liabilities as at 31 December 2008 and as at 31 December 2007 are carried at an amortised cost.

Note 25. Events subsequent to the balance sheet date

Liquidation of subsidiary OAO Avtotransenergo

On 6 March 2009 the Board of Directors of OAO OGK-4 approved a resolution on the liquidation of subsidiary OAO Avtotransenergo.

OAO Avtotransenergo provided transportation services on the Shatura's market (Moscow region) mainly to OAO "OGK-4".

The liquidation of the subsidiary is actually a transaction targeted at the internal transfer of the Group's assets and liabilities. Therefore, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is not applicable for this transaction.

On 19 March 2009 the Group provided a loan to E.ON AG in amount of RUB 1,470,000 thousand with pay-back period 30 December 2009. The contract provides monthly capitalization of interest and monthly specification of the interest rate (not less the refinancing rate of the Central Bank of Russian Federation).