FEDERAL GRID COMPANY UES GROUP

COMBINED AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

(UNAUDITED)

CONTENT

Notes to the Combined and Consolidated Financial Statements (Unaudited)

Combined and Consolidated Interim Statement of Financial Position as at 30 June 2009 (Unaudited)
(in millions of Russian Roubles)

	Notes	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	6	498,792	467,349
Intangible assets	7	5,981	6,933
Investments in associates	8	46,345	44,632
Available-for-sale investments	9	25,208	11,774
Long-term promissory notes	10	34,179	51,010
Other non-current assets	11	3,681	3,216
Total non-current assets		**614,186**	**584,914**
Current assets			
Cash and cash equivalents	12	37,976	15,685
Short-term promissory notes	10	45,955	57,251
Accounts receivable and prepayments	13	35,221	31,076
Profit tax prepayments		1,463	3,635
Inventories	14	3,084	2,767
Other current assets	15	938	2,413
Non-current assets held for sale	16	1,013	-
Total current assets		**125,650**	**112,827**
TOTAL ASSETS		**739,836**	**697,741**
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	17	576,757	576,757
Treasury shares	17	(6,864)	(6,864)
Share premium	17	10,347	10,347
Reserves	17	9,572	(2,860)
Retained earnings		21,453	13,337
Equity attributable to shareholders of FGC UES		**611,265**	**590,717**
Minority interest	17	1,319	1,346
Total equity		**612,584**	**592,063**
Non-current liabilities			
Deferred tax liabilities	18	37,751	36,779
Non-current debt	19	6,000	17,318
Retirement benefit obligations	20	3,183	2,933
Total non-current liabilities		**46,934**	**57,030**
Current liabilities			
Accounts payable to shareholders of FGC UES	17	32,296	-
Current debt and current portion of non-current debt	21	12,528	16,211
Accounts payable and accrued charges	22	34,156	31,456
Taxes payable	23	1,338	981
Total current liabilities		**80,318**	**48,648**
Total liabilities		**127,252**	**105,678**
TOTAL EQUITY AND LIABILITIES		**739,836**	**697,741**

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First Deputy Chairman of the Management Board D.A. Troshenkov

Chief Accountant V.V. Shchukin

FGC UES Group

Combined and Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2009 (Unaudited)
(in millions of Russian Roubles)

	Notes	The six months ended 30 June 2009	The six months ended 30 June 2008
Revenues	24	42,247	33,579
Other operating income	24	2,022	2,423
Operating expenses	25	(35,526)	(30,676)
Gain on sale of available-for-sale investments	9	303	-
Impairment of property, plant and equipment	6	(3,617)	(95)
Operating profit		**5,429**	**5,231**
Finance income	26	4,997	990
Finance cost	27	(1,305)	(1,690)
Share of profit / (loss) of associates	8	1,480	(1)
Profit before profit tax		**10,601**	**4,530**
Profit tax	18	(2,661)	(1,489)
Profit for the period		**7,940**	**3,041**
Other comprehensive income			
Share of other comprehensive income of associates	8	186	-
Foreign currency translation difference	8	47	30
Revaluation of available-for-sale investments	9	13,478	-
Profit tax on other comprehensive income	18	(1,130)	-
Other comprehensive income for the period, net of profit tax		**12,581**	**30**
Total comprehensive income for the period		**20,521**	**3,071**
Profit attributable to:			
Shareholders of JSC "FGC UES"		7,967	3,482
Minority interest		(27)	(441)
Total comprehensive income attributable to:			
Shareholders of JSC "FGC UES"		20,548	3,512
Minority interest		(27)	(441)
Earning per ordinary share for profit attributable to the shareholders of JSC "FGC UES" – basic and diluted (in Russian Roubles)	28	0.01	0.01

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First Deputy Chairman of the Management Board — D.A. Troshenkov

Chief Accountant — V.V. Shchukin

FGC UES Group

Combined and Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2009 (Unaudited)
(in millions of Russian Roubles)

	Notes	The six months ended 30 June 2009	The six months ended 30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before profit tax		**10,601**	**4,530**
Adjustments to reconcile profit before profit tax to net cash provided by operations			
Depreciation of property, plant and equipment	25	9,421	8,070
Loss on disposal of property, plant and equipment	25	554	846
Impairment of property, plant and equipment	6	3,617	95
Amortisation of intangible assets	25	308	226
Impairment of promissory notes	10	-	47
Gain on disposal of available-for-sale-investments	9	(303)	-
Share of profit in associates	8	(1,480)	(1)
Accrual of bad debt provision	25	2,250	717
Interest income	26	(4,591)	(989)
Interest expense	27	1,284	1,639
Other non-cash transactions		(18)	(320)
Operating cash flows before working capital changes and profit tax paid		**21,643**	**14,860**
Working capital changes:			
Increase in accounts receivable and prepayments		(6,977)	(4,321)
Increase in other current assets		(46)	(14)
Increase in inventories		(317)	(66)
Increase in other non-current assets		(335)	(448)
Increase in accounts payable and accrued charges		1,528	2,648
Increase in taxes payable, other than profit tax		1,335	926
Increase in retirement benefit obligations		250	136
Profit tax paid		(1,636)	(807)
Net cash generated by operating activities		**15,445**	**12,914**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(44,180)	(36,660)
Proceeds from sale of property, plant and equipment		491	470
Purchase of intangible assets		(368)	(602)
Purchase of investments		-	(370)
Purchase of promissory notes		-	(5,045)
Purchase of other short-term assets		(150)	(17,900)
Redemption of promissory notes		31,209	98
Redemption of other short-term assets		1,671	2,745
Disposal of available-for-sale investments	9	345	-
Interest received		1,975	892
Net cash used in investing activities		**(9,007)**	**(56,372)**

FGC UES Group

Combined and Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2009 (Unaudited)
(in millions of Russian Roubles)

CASH FLOWS FROM FININCING ACTIVITIES:			
Proceeds from shares issuance	17	32,296	20,425
Proceeds from issuance of non-current debt		-	5,571
Proceeds from issuance of current debt		4,000	46,688
Repayment of debt		(19,001)	(88)
Dividends paid		(1)	(401)
Interest paid		(1,441)	(1,165)
Net cash generated by financing activities		**15,853**	**71,030**
Net increase in cash and cash equivalents		**22,291**	**27,572**
Cash and cash equivalents at the beginning of the period	12	**15,685**	**15,740**
Cash and cash equivalents at the end of the period	12	**37,976**	**43,312**

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First Deputy Chairman of the Management Board D.A. Troshenkov

Chief Accountant V.V. Shchukin

Combined and Consolidated Statement of Changes in Equity for the six months ended 30 June 2009
(Unaudited)
(in millions of Russian Roubles)

		Attributable to shareholders of FGC UES							
	Note	**Ordinary share capital**	**Share premium**	**Treasury shares**	**Reserves (Note 17)**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
As at 1 January 2009		576,757	10,347	(6,864)	(2,860)	13,337	590,717	1,346	592,063
Comprehensive income for the period									
Profit for the period		-	-	-	-	7,967	7,967	(27)	7,940
Other comprehensive income, net of related profit tax									
Share of other comprehensive income of associates	8	-	-	-	-	149	149	-	149
Foreign currency translation difference	8	-	-	-	47	-	47	-	47
Gain on change of fair value of available-for -sale investments	9	-	-	-	12,385	-	12,385	-	12,385
Total other comprehensive income		-	-	-	12,432	149	12,581	-	12,581
Total comprehensive income for the period		-	-	-	12,432	8,116	20,548	(27)	20,521
As at 30 June 2009		576,757	10,347	(6,864)	9,572	21,453	611,265	1,319	612,584

The accompanying notes on pages 9 to 51 are an integral part of these combined and consolidated interim financial statements

Combined and Consolidated Statement of Changes in Equity for the six months ended 30 June 2008
(Unaudited)
(in millions of Russian Roubles)

		Attributable to shareholders of FGC UES							
	Note	**Ordinary share capital**	**Share premium**	**Treasury shares**	**Reserves (Note 17)**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
As at 1 January 2008		**180,691**	-	-	**37,809**	**37,284**	**255,784**	**27,142**	**282,926**
Comprehensive income for the period									
Profit for the period		-	-	-	-	3,482	**3,482**	(441)	**3,041**
Other comprehensive income, net of related profit tax									
Foreign currency translation difference	8	-	-	-	30	-	**30**	-	**30**
Total other comprehensive income					30	-	**30**	-	**30**
Total comprehensive income for the period		-	-	-	**30**	**3,482**	**3,512**	**(441)**	**3,071**
Changes in Group structure		-	-	-	**(363)**	-	**(363)**	-	**(363)**
Transactions with shareholders of FGC UES recorded directly in equity									
Issue of share capital	17	57,483	10,347	-	-	-	**67,830**	-	**67,830**
Dividends		-	-	-	-	(376)	**(376)**	(24)	**(400)**
Total transactions with shareholders of FGC UES		**57,483**	**10,347**	-	-	**(376)**	**67,454**	**(24)**	**67,430**
As at 30 June 2008		**238,174**	**10,347**	-	**37,476**	**40,390**	**326,387**	**26,677**	**353,064**

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First Deputy Chairman of the Management Board — D.A. Troshenkov

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The accompanying notes on pages 9 to 51 are an integral part of these combined and consolidated interim financial statements

Note 1. The Group and its operations

Open Joint Stock Company "Federal Grid Company of Unified Energy System" ("FGC UES" or "the Company") was established on 25 June 2002 as a wholly-owned subsidiary of the Russian Open Joint Stock Company for Energy and Electrification United Energy System of Russia ("RAO UES") as a result of implementing the decisions of the Board of Directors of RAO UES dated 25 January 2002 and 7 May 2002 in accordance with the Russian Federation Government Resolution No. 526 "Electric Utilities Reform in the Russian Federation" dated 11 July 2001.

RAO UES itself was created as the holder of certain significant electricity power generation, transmission and distribution assets during the industry privatization in 1992.

The Company was established in the course of the Russian electric utilities industry restructuring, discussed further below, to maintain and operate the high voltage electricity transmission network, received from RAO UES and its subsidiaries, and to provide electricity transmission services using that network.

In 2002 and 2003 the assets of the transmission business (the high voltage network and related assets under construction) belonging to RAO UES were transferred to the Company by RAO UES as a contribution to the share capital of the Company.

In 2008 the reorganization of RAO UES was completed. RAO UES ceased to exist as a legal entity and FGC UES is RAO UES legal successor (See also Sector restructuring).

As at 30 June 2009 the FGC UES Group (the "Group") comprises FGC UES and its subsidiaries presented in Note 4.

The Group's primary activity is the provision of services for the transmission of electric power via the Unified National Electrical Network (UNEN).

Starting from July 2008 the Company's ordinary registered uncertified shares are traded at the exchanges MICEX and RTS. The shares have been included in the quotation list «B» and received the trading code «FEES».

The registered office of the Company is located at 5a, Academician Chelomey Str., 117630, Moscow, Russian Federation.

Segment Information. Under IFRS 8 operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker (further "CODM") in deciding how to allocate resources and in assessing performance. The Board of Directors of the Company has been determined as the CODM.

The Group has a single primary activity i.e. the provision of electricity transmission services within the Russian Federation. Internal management reporting system is based on two segments – Transmission Segment and Generating and Distribution Segment (activities related to generation and distribution of energy). Board of Directors regularly evaluates and analyzes financial information of the segments reported in statutory financial statements of respective Group entities. Revenues related to activities of Generation and Distribution Segment constitute less than 5 percent of total Group revenues and total assets of this segment constitute less than 3 percent of total Group assets. The net loss of the Generation and Distribution Segment for the six month ended 30 June 2009 amounts to RR 374 million (for the six month ended 30 June 2008 - RR 807 million). This segment is not considered by management to be material for financial reporting purposes and related financial information is not disclosed separately in combined and consolidated interim financial statements.

Information on revenues for separate services and products of the Group is presented in Note 24.

The Group performs most of its activities in Russian Federation and do not have any significant revenues from foreign customers or any non-current assets located in foreign countries (except for investment in JSC "UES "GruzRosEnergo" disclosed in Note 8).

The major customers of the Group are entities controlled by Government of Russian Federation. The amounts of revenues from such entities are disclosed in Note 5. The Group has no other major customers with turnover over 10 percent of the Group revenues.

Note 1. The Group and its operations (continued)

Relations with the state. At 30 June 2009 and 31 December 2008 the state owned 77.66 per cent of the voting ordinary shares of the Company. As at 30 June 2008 and 31 December 2007 the state owned 12.44 per cent of the Company and 52.68 per cent of RAO UES who, in its turn, owned 87.56 per cent of the voting ordinary shares of the Company. The Government of the Russian Federation ("RF") is the ultimate controlling party of the Company.

The RF directly affects the Group's operations through regulation by the Federal Tariff Service (FTS).

The investment program of FGC UES is subject to approval by the Ministry of Industry and Electricity and FTS.

As described in the *Operating environment* section below, the Government's economic, social and other policies could have material effects on the operations of the Group.

Sector restructuring and FGC UES reorganisation. Over a period of years the Russian electric utilities industry underwent a reform process designed to introduce competition into the electricity sector and to create an environment in which RAO UES and its successor companies could raise the capital required to maintain and expand current capacity.

The regulatory framework governing the process of reforming the Russian Federation electric utilities industry and the functioning of the industry, both during the transition period and subsequent to the completion of reforms, is set forth in the following legislation: Federal Law No.35-FZ of 26 March 2003 "On Electric Utilities" and Federal Law No.36-FZ of 26 March 2003 "On the Specifics of the Functioning of Electric Utilities During the Transition Period and the Introduction of Amendments to Certain Russian Federation Legislative Acts and the Invalidation of Certain Russian Federation Legislative Acts in Connection with the Adoption of the Law "On the Electric Utilities of the Russian Federation".

The reform assumed changes in the industry structure with the separation of natural monopoly activities (power transmission, dispatching) from potentially competitive ones (electric power production, supply). The result of the reorganisation of RAO UES is that generation and retailing companies entered the private sector for the most part and will operate in a competitive market. Government control will continue in natural monopoly areas within the industry.

The formation of the transmission companies (TCs), which were formed on the basis of transmission businesses of the regional electric and heat companies during the reform, was completed in 2007. As at 31 December 2007 RAO UES had transferred to FGC UES the shares of 50 TCs (Note 4). This transaction under common control was recorded under the predecessor accounting method (Note 2).

On 1 July 2008 the reorganization of RAO UES was completed by its merger into FGC UES. As a result RAO UES ceased to exist as a legal entity and FGC UES became the legal successor of RAO UES. The reorganization scheme included, inter alia, the spin off from RAO UES of the following companies:

- JSC "State Holding", which received shares in FGC UES (in the amount proportional to the interest of the Russian Federation in the authorized capital of RAO UES as of the date of approval of the decision on reorganization), shares in six TCs, investments in associates, other assets and liabilities;
- JSC "Minority Holding of FGC UES", which received a minority stake in FGC UES (proportional to the interest of the minority shareholders in the authorized capital of RAO UES as of the date of approval of the decision on reorganization).

The spin-off of the above holding companies was accompanied by their simultaneous merger with and into FGC UES. The merger was performed in the form of conversion of additionally issued shares of the Company for the outstanding shares of JSC "State Holding" and JSC "Minority Holding of FGC UES".

All transmission companies, including the six TCs whose shares were held by RAO UES (Note 4), except for JSC "Kuban Trunk Grids" and JSC "Tomsk Trunk Grids", were merged into FGC UES. Seven interregional transmission companies that were controlled by the Russian Federation: ITC Centre, ITC North-West, ITC Volga, ITC South, ITC Ural, ITC Siberia and ITC East, were merged into FGC UES at the same date.

According to the merger agreement the Company's shares received from all the merged entities mentioned above and not used in the conversion of shares of these merged entities were cancelled on 1 July 2008.

Note 1. The Group and its operations (continued)

As a result of the reorganization the Company received:

- shares of subsidiaries: LLC "Index Energetiki", JSC "Mobile gas-turbine electricity plants";
- shares of associates JSC "The First Power Generating Company on the Wholesale Energy Market (WGC-1)", JSC "Territorial Generating Company number 6 (TGC-6)", JSC "Volzhskaya Territorial Generating Company (TGC-7)", JSC "Territorial Generating Company number 11 (TGC-11)", and others (Note 8);
- minority shareholdings in companies of utilities industry (Note 9);
- other assets and liabilities.

The Company's management does not intend to hold the investments in utilities companies (including associates) for the long-term period. It is envisaged that the shares will be sold and the proceeds used to support the Group's investment in its transmission business.

Operating environment. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation. Despite strong economic growth in recent years, the financial situation in the Russian market significantly deteriorated during 2008, particularly in the fourth quarter. As a result of global volatility in financial and commodity markets, among other factors, there has been a significant decline in the Russian stock market since mid-2008. Since September 2008, there has also been increased volatility in currency markets.

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

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group.

Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Note 2. Basis of preparation

Statement of compliance. These combined and consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" and other relevant International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). All information should be read in conjunction with the Group's annual audited combined and consolidated financial statements for the year ended 31 December 2008.

Each enterprise of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"). The accompanying Interim Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The national currency of the Russian Federation is the Russian Rouble (RR), which is FGC UES's functional currency and the currency in which these Interim Financial Statements are presented. All financial information presented in RR has been rounded to the nearest million.

Predecessor accounting. The changes in the Group structure are described in Note 1. In these Interim Financial Statements the Group accounted for the acquisition of businesses under the control of RAO UES and its subsidiaries as transactions amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the contributed entities were combined from the earliest period presented and accounted for at the carrying value, as determined by RAO UES in its IFRS consolidated financial statements. Information in respect of the comparative period and opening balances as at 1 January 2007 has been restated as if the business combination took place at the beginning of the earliest period presented. The weighted average number of shares in issue was also calculated in accordance with the predecessor method of accounting (Note 28).

The difference between the consideration paid and the predecessor carrying values of the net assets relating to the acquisition of a business from an entity under common control is recorded directly to equity, and reflected in the merger reserve.

All businesses acquired in 2008 were accounted for using predecessor values method. In July 2008 the following former subsidiaries of RAO UES were received by the Group during reorganisation: JSC "Mobile gas-turbine electricity plants", JSC "The Amur Transmission Company", JSC "The Yakutiya Transmission Company", JSC "The Primorie Transmission Company", JSC "The Ulyanovsk Transmission Company", JSC "The Khabarovsk Transmission Company" and JSC "The Tyva Transmission Company".

New accounting developments. These combined and consolidated interim financial statements have been prepared by applying the accounting policies consistent with those of the annual financial statements for the year ended 31 December 2008, except for those policies which were changed to comply with the new or amended standards and interpretations that are in force for the financial periods beginning on 1 January 2009.

Certain new Standards and Interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods:

- 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, with segment information presented on a similar basis to that used for internal reporting purposes. The information about operating segments is disclosed in Note 1.

- Amendment to IAS 23, "Borrowing Cost" (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 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. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The adoption of IAS 23 did not have a material effect on these Interim Financial Statements.

Note 2. Basis of preparation (continued)

- Amendment to 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 also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are 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 of errors. The Group has elected to present one statement: a statement of comprehensive income. These combined and consolidated interim financial statements have been prepared under the revised disclosure requirements.

- 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. Entities are 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 the cash flows. Entities will also 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 considering the effect of the new requirements on the disclosure in the annual 2009 financial statements.

- Amendments to IFRS 2, "Share-based Payment Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 1 January 2009). The amendment deals with two matters: it clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This interpretation does not have any impact on the Group's combined and consolidated interim financial statements as it has no share-based payments scheme at the reporting date.

- IAS 28 (Amendment), "Investment in associates" (and consequential amendments to IAS 32, "Financial instruments: Presentation", and IFRS 7 "Financial instruments: disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example goodwill. Reversals of impairment are reordered as an adjustment to the investment balance to the extent that the recoverable amount of associate increases. This amendment does not have any material impact on the Group's combined and consolidated interim financial statements.

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on 1 January 2009 but are not relevant for the current Group's operations:

- IFRS 1 (Amendment) "First time adoption of IFRS" and IAS 27, "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for annual periods beginning on or after 1 January 2009).

- IAS 1 (Amendment) and IAS 32 (Amendment), "Puttable financial instruments and obligations arising on liquidation" (effective for annual periods beginning on or after 1 January 2009).

- IAS 16 (Amendment) "Property, Plant and Equipment" (and consequential amendments to IAS 7) (effective from 1 January 2009).

- IAS 20 (Amendment), "Accounting for governmental grants and disclosure of governmental assistance" (effective from 1 January 2009).

Note 2. Basis of preparation (continued)

- IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009).
- "Reclassification of Financial Assets"—Amendments to IAS 39, "Financial Instruments: Recognition and Measurement", a subsequent amendment, "Reclassification of Financial Assets: Effective Date and Transition".
- IFRIC 9 and IAS 39 (Amendment), "Embedded Derivatives" (effective for annual periods ending on or after 30 June 2009).
- IFRIC 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 15, "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008).

There are a number of minor amendments to IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10,"Events after the reporting period", IAS 18 "Revenue", IAS 19 "Employee benefit", which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments do not have a material impact on the Group's.

(b) The following standards, amendments and interpretations to existing standards that have been published are not yet effective and have not been early adopted by the Group:

- IAS 24, "Related Parties Disclosures" (revised November 2009; effective for annual periods beginning on or after 1 January 2011, with earlier application permitted). The revised standard has simplified the definition of a related party and removed inconsistencies. It has also provided a partial disclosure exemption for government-related entities by requiring disclosure about transactions with other entities controlled, or significantly influenced by the same government only if they are individually or collectively significant. The Group is currently assessing the impact of the amended standard on its combined and consolidated financial statements.
- IAS 27, "Consolidated and Separate Financial Statements" (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the 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 combined and consolidated financial statements.

Note 2. Basis of preparation (continued)

- IFRS 3, "Business Combinations" (revised 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 the application of the acquisition method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. 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 revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group will apply the new standard to any business combination from 1 January 2010.

- IFRS 9 "Financial Instruments" (issued November 2009; effective date of mandatory adoption is 1 January 2013 with earlier adoption permitted for 2009 year-end financial statements). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. IFRS 9 is expected to improve comparability and make financial statements easier to understand for investors and other users. The Group is currently assessing the impact of the new standard on its combined and consolidated financial statements.

- Classification of Rights Issues - Amendment to IAS 32, "Financial Instruments: Presentation" (effective for annual periods beginning on or after 1 February 2010 with earlier application permitted). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment issued requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has no any rights issues.

- 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 amendment is not expected to have any impact on the Group's financial statements as the Group does not apply hedge accounting.

- Amendment to IAS 40 "Investment property" (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 July 2009). The amendment clarifies that property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. IAS 40 is not applicable to the Group's financial statements as the Group does not hold any significant investment property.

- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group has no share-based payment transactions.

Note 2. Basis of preparation (continued)

- 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 the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners 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. The Group will apply IFRIC 17 if it distributes non-cash assets to owners in the future.
- 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 the 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. The Group's accounting policy in respect of assets transferred from customers complies with the requirements of IFRIC 18.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010 with earlier application permitted). The interpretation clarifies the requirements of International Financial Reporting Standards when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 is not applicable to the Group's financial statements.
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. As a listed entity, the Group is not eligible to apply the IFRS for SMEs.

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods but are not expected to be relevant for the Group financial statements.

- IFRS 5 (Amendment), "Non-current assets held-for sale and discontinued operations" (and consequential amendments to IFRS 1, "First-time adoption of IFRS") (effective from 1 July 2009).
- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 July 2009).
- IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 16) (effective from 1 July 2009).
- IAS 41 (Amendment), "Agriculture" (effective from 1 July 2009).
- IFRS 1 "First time adoption of IFRS" (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).
- IFRS 1 "Additional Exemptions for First-time Adopters" - Amendments to IFRS 1, "First-time Adoption of IFRS" (effective for annual periods beginning on or after 1 January 2010).

There are a number of minor amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 which are part of the IASB's annual improvements project published in April 2009 (not addressed above). These amendments are not expected to have a material impact on the Group's accounts.

Going concern. These Interim Financial Statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

Note 2. Basis of preparation (continued)

Critical accounting estimates and assumptions. Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these Financial Statements in conformity with IFRS. Estimates and judgments 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 preparation of estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the Interim Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Property, plant and equipment. The fair value of property, plant and equipment was established by an independent valuer as at 1 January 2007 as part of a revaluation. The carrying amount and depreciation of property, plant and equipment are affected by assumptions on the replacement cost, depreciated replacement cost, grouping of individual assets and remaining useful life (Note 6). Actual results may be different from these estimates.

Changes in fair value of available-for-sale equity investments. Changes in fair value of available for sale equity instruments are recognized through other comprehensive income, while impairment is recognized as current period loss. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of changes in technology or a deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows. In 2008 financial statements the Group recorded the impairment loss for its available-for-sale investments for RR 43,431 million. In these Interim Financial Statements the increase in the fair value of these investments of 13,487 million was recorded in Other comprehensive income.

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the 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 in these IFRS Interim Financial Statements. The possible tax claims in respect of certain open tax positions of the Group companies are disclosed in Note 29.

Note 3. Summary of significant accounting policies

Principles of consolidation. The Interim Financial Statements comprise the financial statements of FGC UES and the financial statements of those entities whose operations are controlled by FGC UES. Control is presumed to exist when FGC UES controls, directly or indirectly, through subsidiaries, more than 50 percent of voting rights. The Group holds 49% of the voting rights in JSC "Kuban Trunk Grids", a fully consolidated subsidiary. The Group has the power to govern the financial and operating policies of this subsidiary on the basis of a significant shareholding combined with other factors which allow the Group to exercise control, most importantly: FGC UES has appointed the majority or all of the members of the Board of Directors, FGC UES is the dominant owner and FGC UES has in substance full control of all aspects of the entities assets and operations.

All inter-company balances and transactions have been eliminated. The minority interest in the Group subsidiaries has been disclosed as part of the Group's equity.

Transfers of subsidiaries between entities under common control. Transfers of businesses between parties under common control are accounted for using the predecessor basis of accounting 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 subsidiaries 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 combined and consolidated financial statements as an adjustment to merger reserve within equity.

Associates. Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition and is reduced by accumulated impairment losses, if any. The Group discontinues the use of the equity method of accounting from the date when it ceases to have significant influence in the associate.

The Group's share of the post-acquisition profits or losses of associates is recorded in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill. Goodwill is recognised on acquisitions of subsidiaries. Goodwill arising on the acquisitions represents any excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of transaction. The carrying amount of goodwill is assessed for impairment on an annual basis. Any excess of the fair value of the net identifiable assets acquired over the cost of acquisition is recognised immediately in profit or loss. Goodwill arising on the acquisition of associates is included in the carrying amount of the investment and is not tested separately for impairment.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Note 3. Summary of significant accounting policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these Interim Financial Statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the Statement of Financial Position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. The Group holds financial assets of the following measurement categories: loans and receivables and available-for-sale financial assets.

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.

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities. The Group's financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. The Group's financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. The Group classifies investments as available for sale at the time of purchase. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in the Statement of Comprehensive income as profit. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive income as profit when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

(in millions of Russian Roubles unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

Impairment losses are recognised in the Statement of Comprehensive Income when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments.

A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss– is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through current period's profit or loss.

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

As at 30 June 2009, the official rate of exchange as determined by the Central Bank of the Russian Federation, between the Russian Rouble and the US Dollar ("US$") was RR 31.29:US$ 1.00 (31 December 2008 – RR 29.38:US$ 1.00); between the Russian Rouble and Euro: RR 43.82:Euro 1.00 (31 December 2008 RR 41.44:Euro 1.00).

Property, plant and equipment. Property, plant and equipment are stated at revalued amounts less any subsequent accumulated depreciation and any subsequent accumulated impairment losses, where required.

Property, plant and equipment are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that which is determined using the fair value at the balance sheet date. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and increase the revaluation reserve in equity; the increase is recognised in current period profits to the extent that it reverses previously recognised impairment loss of the same assets. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation reserve in equity; all other decreases are recognised in profit or loss for the period. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the assets, and the net amount is restated to the revalued amount of the asset.

The revaluation reserve in respect of an item of property, plant and equipment is transferred directly to retained earnings when the item is derecognised (on the retirement or disposal of the asset).

Renewals and improvements are capitalised and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in profit or loss as incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. The useful lives are reviewed at each financial year end and, if expectations differ from previous estimates, the changes are recognised prospectively.

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

	Useful lives
Buildings	25-60
Electric power transmission grids	30-50
Substations	15-35
Other	5-15

Note 3. Summary of significant accounting policies (continued)

At each reporting date the management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the 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 impairment loss is recognised as current period loss to the extent it exceeds the previous revaluation surplus in equity on the same asset. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets. All of the Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits, are recognised as intangible assets. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is calculated on a straight-line basis over the useful lives.

At each reporting date the management assesses whether there is any indication of impairment of intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

Research costs are recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure incurred during the development. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The carrying value of development costs is reviewed for impairment 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 and have a maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Trade and other receivables. Accounts receivable are recorded inclusive of value added tax (VAT). Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in profit or loss.

Note 3. Summary of significant accounting policies (continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Value added tax on purchases and sales. Output VAT on sales should be charged on the earliest of the dates: the date of shipment of goods (works, services) or the date of advance payment receipt from the buyer. Input VAT could be recovered without payment for the goods (works, services). Before 1 January 2009 no VAT on advances given could be recovered, Starting from 1 January 2009 VAT on advances given is generally recoverable VAT due to the budget (due from the budget) is calculated as the difference between output VAT on sales of goods (works, services) and input VAT charged by suppliers and recovered.

Income taxes. Income taxes have been provided for in these combined and consolidated interim financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss unless it relates to transactions that are recognised, in the same or a different period, in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

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

Deferred income tax is provided on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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 more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. 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 obligations at the balance sheet date.

Accounts payable and accrued charges. Accounts payable are stated inclusive of value added tax. Trade payables are accrued when the counterparty performed its obligations under the contract. Accounts payable are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Note 3. Summary of significant accounting policies (continued)

Debt. Debt is recognised initially at its fair value plus transaction costs that are directly attributable to its issue. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective yield method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss as an interest expense over the period of the debt obligation. Borrowing costs are expensed in the period in which they are incurred if not related to purchase or construction of qualifying assets. Starting from 2009 the borrowing costs related to purchase or construction of assets that take a substantial period of time to get ready for use or sale (qualifying assets) are capitalised as part of the cost of the asset. The Group applies transitional provisions of IAS 23 for borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

Pension and post-employment benefits. In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees accounting for as defined contribution pension plan. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and payroll taxes in profit or loss.

The Group operates defined benefit plans that cover the significant part of the Group's employees. These benefit plans define the amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rate of government bonds that have terms to maturity approximating the terms of the related pension liabilities.

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

Actuarial gains and losses and post service cost related to long-term employee benefits other than pension scheme are recognised in profit or loss in the period when they arise.

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 period of the lease.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in debts. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Treasury shares. Treasury shares are stated at weighted average cost. Any gains or losses arising on the disposal of treasury shares are recorded directly in shareholders' 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 when they are declared after the balance sheet date, but before the financial statements are authorised for issue.

Minority interest. Minority interest represents minority's proportionate share of the equity and comprehensive income of the Group's subsidiaries. This has been calculated based upon the minority interests' ownership percentage of these subsidiaries. Specific rights on liquidation for preference shareholders of subsidiaries are included in the calculation of minority interests. The Group uses the 'economic entity' approach to the recognition of minority, whereby minority is treated as equity participants in the Group. As a consequence, any gains or losses resulting from the purchases and sales of the minority interests are recognised in the statement of changes in equity.

(in millions of Russian Roubles unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

Revenue recognition. Revenue from rendering the electricity transmission services is recognised in the period when the services are provided. Revenue amounts are presented exclusive of value added tax. Revenue from sales of electricity is recognised on the delivery of electricity, exclusive of value added tax.

Seasonality. The Group's business is not materially impacted by seasonality factors.

Note 4. Principal subsidiaries

All subsidiaries are incorporated and operate in the Russian Federation. The principal subsidiaries as at 30 June 2009 and 31 December 2008 are presented below:

	30 June 2009		31 December 2008	
Name	**Ownership, %**	**Voting, %**	**Ownership, %**	**Voting, %**
Transmission companies:				
JSC "The Kuban Trunk Grids"	49.0	49.0	49.0	49.0
JSC "The Tomsk Trunk Grids"	52.0	59.9	52.0	59.9
Other companies				
JSC "Power Industry Research and Development Centre"	100.0	100.0	100.0	100.0
JSC "Energostroisnabkomplekt"	100.0	100.0	100.0	100.0
JSC "Nurenergo"	77.0	77.0	77.0	77.0
JSC "The principle electricity transmission service company of Unified National Electrical Network"	100.0	100.0	100.0	100.0
JSC "Specialized electricity transmission service company of Unified National Electrical Network"	100.0	100.0	100.0	100.0
JSC "Engineering and Construction Management Centre of Unified energy system"	100.0	100.0	100.0	100.0
JSC "DalEnergosetProject"	100.0	100.0	100.0	100.0
JSC "Mobile gas-turbine electricity plants"	100.0	100.0	100.0	100.0
LLC "Index Energetiki"	100.0	100.0	100.0	100.0

Transmission companies. The shares of the transmission companies (TCs) were received by FGC UES in 2006-2008 as payment for additional issues of ordinary shares of FGC UES. These Interim Financial Statements present these transactions as transactions under common control (Note 2). On 1 July 2008 54 transmission companies and 7 ITC companies (see Note 1) ceased to exist as separate legal entities and were merged into the Company forming a single legal entity.

JSC "Power Industry Research and Development Centre". JSC "Power Industry Research and Development Centre" is a research and development project institution in the sphere of electric power.

JSC "Energostroisnabkomplekt". JSC "Energostroisnabkomplekt" organises the supply of goods and services for companies operating in the industry.

JSC "Nurenergo". JSC "Nurenergo" performs electricity and heat distribution and sale activity in the Republic of Chechnya. Due to the difficult operating environment in the Republic of Chechnya, JSC "Nurenergo" has negative net assets after accounting for impairment (Note 6); no minority interest in the negative net asset position of JSC "Nurenergo" is recognised.

JSC "DalEnergoSetProject". The shares of JSC "DalEnergoSetProject" were purchased from RAO UES in July 2008 for consideration of RR 370 million paid in cash. JSC "DalEnergoSetProject" is a grid engineering company.

JSC "Mobile gas-turbine electricity plants" has been received as a result of merger of RAO UES in July 2008 and accounted for as a business combination under common control using the predecessor value method (Note 2). The primary activity of the company is generating and sale of electricity provided by mobile gas-turbine electricity plants used in power deficient points of the power system or in peak periods as temporary source of additional capacity.

(in millions of Russian Roubles unless otherwise stated)

Note 4. Principal subsidiaries (continued)

LLC "Index Energetiki" owns minority shares in electricity industry entities, former subsidiaries of RAO UES. Control over LLC "Index Energetiki" was obtained as a result of RAO UES reorganization.

Note 5. Related parties

State controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Bank loans are provided at the prevailing market rates. Taxes are accrued and settled in accordance with the Russian tax legislation.

During the six months ended 30 June 2009 and 2008 the Group had the following significant transactions with state controlled entities:

	The six months ended 30 June 2009	The six months ended 30 June 2008
Transmission fee	38,394	31,445
Electricity cost	7,439	6,278
Other revenues	3,594	2,115
Other expenses	2,734	1,254
Interest income	1,867	707
Sub-lease expenses of FGC UES paid to ITC Centre	-	2,187
Operating lease income of TCs received from ITC Centre	-	2,183

The Company also guaranteed obligations of certain state-controlled companies (Note 29).

During the six months ended 30 June 2008 the ITC Centre (85% owned by the Russian Federation and 15% owned by FGC UES) acted as the lessee of the property, plant and equipment of TCs (Group entities) and subleased it to FGC UES. Repair and maintenance expenses and depreciation of this property, plant and equipment were borne by the Group's companies. The income received and expenses incurred during the six months ended 30 June 2008 in relation to operating leases of the TCs' property, plant and equipment, disclosed in the table above are presented net in these Interim Financial Statements based on the substance of the arrangement.

Significant balances with state controlled entities are presented below:

	30 June 2009	31 December 2008
Cash and cash equivalents	4,708	8,731
Accounts payable and accrued charges	11,889	10,752
Trade receivables (Net of allowance for doubtful debtors of RR 2,051 million as at 30 June 2009 and nil as at 31 December 2008)	10,949	4,391
Other receivables (Net of allowance for doubtful debtors of RR 297 million as at 30 June 2009 and RR 468 million as at 31 December 2008)	757	1,238
Advances to suppliers and prepayments (Net of allowance for doubtful debtors of RR 862 million as at 30 June 2009 and RR 409 million as at 331 December 2008)	875	1,246
Loans received	299	299
Loans issued	505	505
Long-term promissory notes	25,606	42,815
Short-term promissory notes	44,390	55,147

Tax balances and charges are disclosed in Notes 18, 23 and 25. Tax transactions are disclosed in the Statement of Comprehensive Income.

(in millions of Russian Roubles unless otherwise stated)

Note 5. Related parties (continued)

RAO UES of Russia

Up to the moment of it's liquidation on 1 July 2008, RAO UES of Russia was the controlling shareholder of the Group. The Group had the following significant transactions with RAO UES of Russia during the six months ended 30 June 2008:

	The six months ended 30 June 2008
Other revenues	44
Other expenses	250
Interest income	13

Associates

During the six months ended 30 June 2009 and 2008 the Group had the following significant transactions with associates:

	The six months ended 30 June 2009	The six months ended 30 June 2008
Electricity cost	26	30
Dividend income	24	-
Other revenues	9	81
Other expenses	5	2

The Group had the following significant balances with associates:

	30 June 2009	31 December 2008
Trade receivables	19	1
Other receivables	229	222
Trade payables	81	318

Directors' compensation. Compensation is paid to members of the Management Board for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, and a performance bonus depending on results for the period according to Russian statutory financial statements. Also, additional medical coverage is provided to the members of Management Board and their close family members.

Fees, compensation or allowances to the members of the Board of Directors for their services in that capacity and for attending Board meetings are paid depending on results for the year. Fees, compensation or allowances to the members of the Board of Directors, being government employees, are not paid.

Total remuneration in the form of salary, bonuses and non-cash benefits provided to the members of the Board of Directors and Management Board for the six months ended 30 June 2009 and 2008 was as follows:

	The six months ended 30 June 2009		The six months ended 30 June 2008	
	Expense	Accrued liability	Expense	Accrued liability
Short-term compensation, including salary and bonuses	10	1	30	49
Remuneration for serving on the Board of Directors	1	1	8	-
Post-employment benefits	11	57	9	38
Total	22	59	47	87

(in millions of Russian Roubles unless otherwise stated)

Note 6. Property, plant and equipment

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Opening balance as at 1 January 2009	15,380	152,170	98,435	212,365	22,725	501,075
Additions	747	4	2,990	40,709	1,257	45,707
Transfers	251	254	3,604	(4,827)	718	-
Disposals	(6)	(8)	(416)	(767)	(155)	(1,352)
Closing balance as at 30 June 2009	16,372	152,420	104,613	247,480	24,545	545,430
Including PPE under finance lease	-	-	5,830	-	68	5,898
Accumulated depreciation and impairment						
Opening balance as at 1 January 2009	(657)	(10,723)	(16,376)	(1,481)	(4,489)	(33,726)
Charge for the period	(212)	(3,012)	(4,752)	-	(1,445)	(9,421)
Impairment loss/reversal of impairment provision	-	-	-	(3,606)	(11)	(3,617)
Disposals	4	8	86	-	28	126
Closing balance as at 30 June 2009	(865)	(13,727)	(21,042)	(5,087)	(5,917)	(46,638)
Including PPE under finance lease	-	-	(3,186)	-	(48)	(3,234)
Net book value as at 1 January 2009	14,723	141,447	82,059	210,884	18,236	467,349
Net book value as at 30 June 2009	15,507	138,693	83,571	242,393	18,628	498,792

(in millions of Russian Roubles unless otherwise stated)

Note 6. Property, plant and equipment (continued)

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Opening balance as at 1 January 2008	15,059	148,227	93,059	109,885	19,042	385,272
Additions	27	4	49	39,210	741	40,031
Transfers	196	2,878	4,202	(8,031)	755	-
Disposals	(38)	(41)	(545)	(1,140)	(78)	(1,842)
Closing balance as at 30 June 2008	15,244	151,068	96,765	139,924	20,460	423,461
Including PPE under finance lease	-	-	5,830	-	68	5,898
Accumulated depreciation and impairment						
Opening balance as at 1 January 2008	(373)	(5,217)	(8,618)	(1,320)	(2,058)	(17,586)
Charge for the period	(140)	(2,723)	(3,935)	-	(1,272)	(8,070)
Impairment loss	-	-	-	(90)	(5)	(95)
Disposals	2	3	60	13	14	92
Closing balance as at 30 June 2008	(511)	(7,937)	(12,493)	(1,397)	(3,321)	(25,659)
Including PPE under finance lease	-	-	(3,005)	-	(24)	(3,029)
Net book value as at 1 January 2008	14,686	143,010	84,441	108,565	16,984	367,686
Net book value as at 30 June 2008	14,733	143,131	84,272	138,527	17,139	397,802

Construction in progress is represented by the carrying amount of property, plant and equipment that has not yet been put into operation and advances to construction companies and suppliers of property, plant and equipment. Such advances amounted to RR 62,562 million as at 30 June 2009 (RR 58,375 million as at 31 December 2008).

The Group receives bank guarantees in relation to advances paid to construction companies and suppliers of property, plant and equipment. These guarantees represent an irrevocable assurance of the bank to make payments to the Group in the event of the default of the construction company or supplier of property, plant and equipment on its obligations. The total amount of guarantees received is RR 72,343 million as at 30 June 2009 (RR 57,434 million as at 31 December 2008).

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

The Group's assets do not include land on which the Group's buildings and facilities are situated. The Group has the option to purchase this land upon application to the state registering body or to formalize the right for rent. According to Russian legislation the expiry date of this option is 1 January 2010 and for the land on which electric power transmission lines are located is 1 January 2013. The Group companies have not filed any application to purchase the land as at 30 June 2009.

Revaluation. The property, plant and equipment have been revaluated at 1 January 2007. The revaluation was performed by independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The fair value of property, plant and equipment is measured based on depreciated replacement cost method. The replacement cost for most buildings, power transmission lines, substations and construction in progress is based on their technical capabilities, construction costs and construction cost estimates. The cost to replace the majority of the Group's equipment is measured on the basis of purchase agreements and manufacturers' and selling companies' price-lists.

(in millions of Russian Roubles unless otherwise stated)

Note 6. Property, plant and equipment (continued)

An increase in the carrying amount resulting from the revaluation of property, plant and equipment has been recognised as a revaluation reserve in equity unless it reverses a previously recognised impairment loss in which case this reversal was recognised in profit or loss. A decrease in the carrying amount has been recognised in profit or loss.

For each revaluated class of property, plant and equipment stated at revalued amount in these Interim Financial Statements, the carrying amount that would have been recognized had the assets been carried under the historical cost basis is as follows:

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Net book value as at 30 June 2009	10,787	114,485	66,719	233,411	19,546	444,948
Net book value as at 31 December 2008	9,877	116,650	63,170	203,123	19,069	411,889

Impairment. The impairment loss recognised for the six months ended 30 June 2009 in the amount of RR 28 million (the six months ended 30 June 2008: RR 95 million) arose in relation to property, plant and equipment of JSC "Nurenergo". As a consequence of the military, political and economic situation in Chechen Republic, the earnings of JSC "Nurenergo" from sales of electricity purchased on wholesale electricity market do not exceed current operating expenses. An impairment loss was recognised in respect of the balance for all construction in progress and property, plant and equipment in JSC "Nurenergo".

During the six months ended 30 June 2009 the Group recorded the impairment provision in relation to advances issued for purchase of property, plant and equipment and construction in progress in the amount of RR 3,589 million (nil as at 31 December 2008).

The impairment provision included in accumulated depreciation balance as at 30 June 2009 is RR 7,768 million (as at 31 December 2008 - RR 4,151 million).

Leased property, plant and equipment. Subsequently to the latest revaluation the Group leased certain equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2009 the net book value of leased property, plant and equipment was RR 2,664 million (as at 31 December 2008 – RR 2,766 million). The leased equipment is pledged as security for the lease obligations.

Operating leases. The Group leases a number of land areas owned by the local government under operating lease. The expected lease payments due are determined based on the lease agreements and payable as follows:

	30 June 2009	31 December 2008
Under one year	278	125
Between two and five years	1,203	815
Over five years	4,560	5,031
Total	**6,041**	**5,971**

The above lease agreements are usually signed for period of 1 to 49 years and may be extended for a longer period. The lease payments are subject to review on a regular basis to reflect market rent prices.

As at 30 June 2009 the carrying value of property, plant and equipment leased out under operating lease is RR 781 million (31 December 2008: RR 795 million).

(in millions of Russian Roubles unless otherwise stated)

Note 7. Intangible assets

	Corporate system of managing geographically dispersed resources	Corporate information management system (SAP-R3)	Other software	Total
Cost at 1 January 2008	1,488	3,009	1,039	5,536
Accumulated amortisation	(193)	(195)	(262)	(650)
Carrying value at 1 January 2008	1,295	2,814	777	4,886
Additions	2	417	270	689
Disposals	(23)	-	(65)	(88)
Amortisation charge	(83)	(89)	(54)	(226)
Carrying value at 30 June 2008	1,191	3,142	928	5,261
Cost at 30 June 2008	1,467	3,426	1,244	6,137
Accumulated amortisation	(276)	(284)	(316)	(876)
Carrying value at 30 June 2008	1,191	3,142	928	5,261
Cost at 1 January 2009	1,706	3,952	2,376	8,034
Accumulated amortisation	(361)	(398)	(342)	(1,101)
Carrying value at 1 January 2009	1,345	3,554	2,034	6,933
Additions	1	348	236	585
Disposals	-	(1,015)	(214)	(1,229)
Amortisation charge	(85)	(150)	(73)	(308)
Carrying value at 30 June 2009	1,261	2,737	1,983	5,981
Cost at 30 June 2009	1,707	3,285	2,398	7,390
Accumulated amortisation	(446)	(548)	(415)	(1,409)
Carrying value at 30 June 2009	1,261	2,737	1,983	5,981

The Corporate system of managing geographically dispersed resources is a software system for gathering, processing and storing information on conditions in the transmission network, which is required for effective maintenance of UNEN. The Corporate system of managing geographically dispersed resources is amortised during 5 years. The Corporate system of managing geographically dispersed resources includes the development cost of RR 847 million at 30 June 2009 and 31 December 2008.

Corporate information management system (SAP-R3) consists of several modules (parts) and related licenses. As at 30 June 2009 only certain modules (parts) were placed in operation and are subject to amortisation. These modules are amortised during 5 years, on a straight-line basis. The Corporate information management system (SAP-R3) includes the development cost of RR 1,933 million as at 30 June 2009 and RR 1,745 million as at 31 December 2008.

Other software includes capitalised software development costs that meet the definition of an intangible asset of RR 1,151 million as at 30 June 2009 and RR 1,122 million as at 31 December 2008.

As at 30 June 2009 intangible assets in the total amount RR 1,013 million were reclassified as held for sale under IFRS 5 "Non-current assets held-for sale and discontinued operations" as the management of the Company has committed to a plan to sell these assets during 2009 - 2010 years (see Note 16).

(in millions of Russian Roubles unless otherwise stated)

Note 8. Investments in associated companies

The movements in the carrying value of investments in associates are as follows:

	The six months ended 30 June 2009	The six months ended 30 June 2008
Carrying value at 1 January	44,632	509
Share of profit / (loss) of associates	1,480	(1)
Translation difference	47	30
Other equity movements	186	-
Carrying value at 30 June	**46,345**	**538**

In July 2008 significant investments in associates were acquired as a result of the merger with RAO UES in exchange for additional shares issued by the Company. These investments, except for JSC "WGC-1", were initially recognized at their fair value at the date of transaction as the Company's shares were not actively traded at that date. The investment in JSC "WGC-1" was acquired in a transaction under common control and was recorded at the predecessor entity's carrying amount.

	30 June 2009	31 December 2008
JSC "WGC-1"	17,966	17,657
JSC "TGC-7"	16,706	15,920
JSC "TGC-6"	8,077	7,772
JSC "TGC-11"	2,571	2,294
JSC "UES "GruzRosEnergo"	615	570
Other associates	410	419
Total	**46,345**	**44,632**

Where there was an active market and quoted prices for shares, the fair value of the associates as at the date of acquisition was established using the market prices. When no published quoted price was available, the fair value was determined by applying various valuation techniques. The fair value of investments in associates for which a published price is available is as follows:

	30 June 2009	31 December 2008
JSC "WGC-1"	11,641	6,581
JSC "TGC-7"	7,100	2,515
JSC "TGC-6"	3,680	1,748
JSC "TGC-11"	1,732	786

The following is summarised financial information, in aggregate, in respect of significant associates:

30 June 2009	Ownership/ Voting,%	Assets	Liabilities	Revenues	Profit/(Loss)
JSC "UES "GruzRosEnergo"	50.0	1,526	(297)	144	2
JSC "WGC-1"	43.1	57,322	(15,637)	23,259	287
JSC "TGC-6"	24.7	39,006	(6,310)	10,853	1,228
JSC "TGC-7"	33.7	64,731	(15,084)	26,637	2,339
JSC "TGC-11"	27.5	14,055	(4,687)	8,681	1,009

31 December 2008	Ownership/ Voting,%	Assets	Liabilities	Revenues (since the date of acquisition)	Profit/(Loss) (since the date of acquisition)
JSC "UES "GruzRosEnergo"	50.0	1,421	(276)	271	5
JSC "WGC-1"	43.1	60,105	(19,162)	25,120	(2,182)
JSC "TGC-6"	24.7	42,257	(6,310)	9,853	437
JSC "TGC-7"	33.7	67,943	(15,084)	27,021	1,126
JSC "TGC-11"	27.5	14,225	(4,687)	7,596	(3,445)

(in millions of Russian Roubles unless otherwise stated)

Note 8. Investments in associated companies (continued)

Acquisition of associates

On 1 July 2008 as a result of RAO UES reorganisation the Group acquired significant influence over the following entities: JSC "WGC-1", JSC "TGC-6", JSC "TGC-7", JSC "TGC-11", JSC "IT-energy Service", JSC "Ural Energy Management Company" and JSC "Energy Institute named after G.M.Krzhizhanovsky".

According to contracts concluded by RAO UES with the third parties before the merger into the Company, JSC "TGC-6", JSC "TGC-7" and JSC "TGC-11" were in the process of sale. The terms of the agreements presumed several payments to be made during 2008-2009. However, due to global financial situation the terms of these agreements were not met by the share purchasers. As at 30 June 2009 management of the Company is unable to determine the possibility of renegotiation of the terms of agreements on sale of shares of JSC "TGC-7" and JSC "TGC-6" and has, consequently, continued to treat the investments as held directly by the Company. The advances received by RAO UES for the shares of JSC "TGC-7" and JSC "TGC-6" in total amount of RR 2,039 million are included in accounts payable in these combined and consolidated financial statements at 30 June 2009 (Note 22).

Impairment of investments in associates. As at 31 December 2008 the Group has assessed whether the carrying value of the investments at 31 December 2008 exceeded their recoverable amount. The Group determined the recoverable amount based on value in use being the present value of the future cash flows expected to be derived from the investment. The future cash flows were based on the expectation of the full competitive electricity and capacity market introduction from 2011. The future expected cash flows were discounted at 17.5% - 20.3%. Pursuant to this impairment test, the impairment loss in relation to investment in JSC "TGC-7" was recognised in 2008 and as at 31 December 2008 amounts to RR 1,766 million. No additional impairment loss was recorded as at 30 June 2009.

Note 9. Available-for-sale investments

	31 December 2008	Disposal	Change in fair value*	30 June 2009
JSC "RusHydro"	2,673	-	2,819	5,492
JSC "Bashkirenergo"	1,395	-	2,978	4,373
JSC "Mosenergo"	1,705	-	872	2,577
JSC "WGC 6"	1,039	-	1,078	2,117
JSC "Kuzbassenergo"	1,003	-	1,046	2,049
JSC "MRSK Holding"	1,033	-	879	1,912
JSC "WGC 4"	528	-	878	1,406
JSC "Inter RAO UES"	351	-	945	1,296
JSC "Sangtudinskaya GES-1"	1,100	-	-	1,100
JSC "WGC 3"	199	-	784	983
JSC "WGC 2"	176	-	299	475
JSC "TGC 1"	177	-	239	416
JSC "TGC 9"	100	-	192	292
JSC "TGC 11"	45	-	231	276
JSC "RAO ES Vostoka"	86	-	189	275
JSC "TGC 13"	74	-	27	101
JSC "TGC 2"	56	(44)	22	34
JSC "TGC 14"	34	-	-	34
Total	**11,774**	**(44)**	**13,478**	**25,208**

* - Change in fair value of available-for-sale investments is recognised in other comprehensive income.

Note 9. Available-for-sale investments (continued)

JSC "Sangtudinskaya GES-1"

Available-for-sale investments include shares of JSC "Sangtudinskaya GES-1", which is incorporated and operates in Tajikistan. As at 30 June 2009 and 31 December 2008 the Group's interest in JSC "Sangtudinskaya GES-1" was 14.78%. The controlling shareholder in JSC "Sangtudinskaya GES-1" is the Russian Federation.

In 2008 JSC "Sangtudinskaya GES-1" started operation of three out of four hydro components; the fourth was put into operation in the beginning of 2009. These developments allowed management to estimate future cashflows of the entity and assess the fair value of the investment. The fair value of shares of JSC "Sangtudinskaya GES-1" as at 31 December 2008 was determined using valuation techniques and estimated at RR 1,100 million. The accumulated impairment loss of RR 1,935 was recorded in relation to this investment in 2008.

JSC "Bashkirenergo" and JSC "Kuzbassenergo"

As a result of merger with RAO UES the Group acquired a 21.27% share in JSC "Bashkirenergo" and a 20.27% share in JSC "Kuzbassenergo". As at 30 June 2009 the share of the voting rights was 21.27% and 20.27%, respectively. Management had assessed the level of influence that the Group has on JSC "Bashkirenergo" and JSC "Kuzbassenergo" and determined that it does not amount to significant influence. Consequently, the investments in these entities were classified as available-for-sale investments. The Group sold the shares in JSC "Kuzbassenergo" in November 2009 (See Note 32).

JSC "TGC 2"

During the six months ended 30 June 2009 the Company has partially sold the shares of JSC "TGC 2". The carrying value of the disposed investment was RR 89 million, gain on sale of this investment amounted to RR 303 million and was recorded as Gain on sale of available-for-sale investments in Statement of Comprehensive Income. The remaining package of shares of JSC "TGC 2" with carrying value of RR 34 million as at 30 June 2009 was sold in July 2009.

Other investments available for sale

In 2008 as a result of the reorganisation of RAO UES the Company acquired packages of shares of less than 20% in certain electricity utilities companies. These investments are classified as available-for-sale financial investments in these combined and consolidated interim financial statements and recorded at fair values as of the date of acquisition of these investments on 1 July 2008.

Available-for-sale investments valuation

The fair value of the available-for-sale financial instruments was determined based on the quoted market prices or, where the quotations were not available, based on valuation techniques. At 30 June 2009 the total carrying value of the investments which fair value was determined based on the quoted market prices was RR 24,110 million.

Change in fair value of available-for-sale investments

The Group assessed the available-for-sale investments for impairment as at 31 December 2008 and concluded that an impairment had taken place as there was evidence of a significant and prolonged decline in the fair value of equity instruments below their cost.

The Group recognised the impairment loss for these investments in 2008 financial statements in amount of RR 43,341 million. The partial reversal of this impairment loss that resulted from the increase of market prices during the six months ended 30 June 2009 was recognised in other comprehensive income in the amount of RR 13,478 million.

(in millions of Russian Roubles unless otherwise stated)

Note 10. Promissory notes

	Rating	Rating agency	Effective interest rate, %	Due	30 June 2009	31 December 2008
Long-term promissory notes						
JSC "VTB Bank"	BBB	Fitch Ratings	7.2-7.3%	2010	24,863	42,084
LLC "Otkritie Finance"			9.1%	2015	4,220	4,042
LLC "FC Otkritie"			10.0-10.1%	2014-2015	3,454	3,294
JSC "System Operator UES"			7.0%	2012	525	509
JSC "Alfa-Bank"	BB-	Fitch Ratings	12.6%	2010-2015	263	248
JSC "ROSBANK"	BBB+	Fitch Ratings	12.0%	2015	231	219
JSC "Evrofinance Mosnarbank"	B	Fitch Ratings	12.6%	2010-2014	180	170
JSC "IDGC of Center and Volga region"			12.6%	2011-2020	122	115
Other long-term promissory notes			12.6%	2010-2026	321	329
Total long-term promissory notes					**34,179**	**51,010**
Short-term promissory notes						
JSC "VTB Bank"	BBB	Fitch Ratings	8.4-8.5%	2009	40,571	48,218
JSC "System Operator UES"				2009	3,712	3,712
JSC "Alfa-Bank"	BB-	Fitch Ratings		2009-2010	1,439	845
JSC "Ulyanovskenergo"				2009	98	206
JSC "MOESK"				2009	-	3,013
JSB "Alemar Bank"				2009	-	1,029
Other short-term promissory Notes			0-12.6%	2009-2010	135	228
Total short-term promissory notes					**45,955**	**57,251**

All promissory notes are denominated in Russian roubles.

As at 30 June 2009 and 31 December 2008 the fair value of promissory notes was RR 77,891 million and RR 102,502 million respectively.

Note 11. Other non-current assets

	30 June 2009	31 December 2008
Long-term bank deposits	1,926	1,820
Long-term accounts receivable	476	398
Total financial assets	**2,402**	**2,218**
Other non-current assets	230	672
VAT recoverable	1,049	326
Total	**3,681**	**3,216**

Long-term deposits represent long-term irrevocable deposits within Kit-Finance Investment Bank with a maturity date of 26 November 2010. Interest on these deposits equal to the current refinance rate of the Central Bank of Russian Federation and is payable on the maturity date. As at 30 June 2009 the refinance rate was 11.5 percent. Kit-Finance Investment Bank is undergoing financial rehabilitation procedures. Management believes that the Group will collect the full value of the deposit upon expiration of the agreement.

(in millions of Russian Roubles unless otherwise stated)

Note 12. Cash and cash equivalents

	30 June 2009	31 December 2008
Cash at bank and in hand	9,092	7,007
Cash equivalents	28,884	8,678
Total	**37,976**	**15,685**

Cash at bank	Rating	Rating agency	30 June 2009	31 December 2008
JSB "Gazprombank"	Baa3	Moody's	4,140	77
	BB	Standard & Poor's		
JSB "Sberbank"	BBB	Fitch Ratings	3,308	1,232
	Baa1	Moody's		
OJSC "Alfa-Bank"	BB-	Fitch Ratings	1,224	4,009
	Ba1	Moody's		
	B+	Standard & Poor's		
"Yugo-Zapadniy bank"	BBB	Fitch Ratings	234	213
JSCB "Agropromcreditbank"	Baa1	Moody's	-	1,009
Other			186	467
Total cash at bank			**9,092**	**7,007**

Cash equivalents include short-term investments in certificates of deposit:

Bank deposits	Interest rate	Rating	Rating agency	30 June 2009	31 December 2008
JSB "Gazprombank"	6.0-13.0%	Baa3	Moody's	27,711	216
JSB "VTB bank"	12.2-13.6%	BBB	Moody's	1,065	-
JSB "Sberbank"	11.5%	BBB	Fitch Ratings	101	6,912
JSB "Otkrytie bank"	6.0-11.0%			-	1,546
Other				7	4
Total bank deposits				**28,884**	**8,678**

Although some of the banks have no international credit rating, management believes that they are reliable counterparties with a stable position on the Russian market.

There are no deposits denominated in foreign currency included in cash equivalents as at 30 June 2009 (RR 1,216 million as at 31 December 2008).

(in millions of Russian Roubles unless otherwise stated)

Note 13. Accounts receivable and prepayments

	30 June 2009	31 December 2008
Trade receivables (Net of allowance for doubtful debtors of RR 2,231 million as at 30 June 2009 and RR 1,455 million as at 31 December 2008)	13,737	6,164
Other receivables (Net of allowance for doubtful debtors of RR 846 million as at 30 June 2009 and RR 703 million as at 31 December 2008)	2,175	2,636
Total financial assets	**15,912**	**8,800**
Advances to suppliers and prepayments (Net of allowance for doubtful debtors of RR 1,657 million as at 30 June 2009 and 427 million as at 31 December 2008)	2,894	2,956
VAT related to advances received	1,265	1,079
VAT recoverable	10,609	13,712
Tax prepayments	4,541	4,529
Total	**35,221**	**31,076**

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

Tax prepayments will be settled against future tax liabilities.

Management has determined the provision for doubtful debtors based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows. The effects of discounting are reflected in the doubtful debtor allowance and expense. The management of the Group believes that Group entities will be able to realise the net receivable amount through direct collections and other non-cash settlements, and that therefore the recorded value approximates their fair value.

Change in Tax legislation on value-added tax. Since 1 January 2009 the Russian legislation on VAT has changed (Note 3) that resulted into decrease of outstanding recoverable amount.

The movement of the provision for doubtful debts is shown below:

Six months ended 30 June 2009	Trade receivables	Other receivables	Advances to suppliers and prepayments	Total
As at 1 January	**1,455**	**703**	**427**	**2,585**
Provision reversal	(9)	(58)	(3)	(70)
Debt written-off	(2)	(99)	-	(101)
Provision accrual	786	301	1,233	2,320
As at 30 June	**2,230**	**847**	**1,657**	**4,734**

Six months ended 30 June 2008	Trade receivables	Other receivables	Advances to suppliers and prepayments	Total
As at 1 January	**1,032**	-	**27**	**1,059**
Provision reversal	(8)	(1)	(21)	(30)
Debt written-off	-	-	-	-
Provision accrual	328	10	409	747
As at 30 June	**1,352**	**9**	**415**	**1,776**

The provision for doubtful debts primarily relates to accounts receivable of JSC "Nurenergo" in respect of electricity supplied to consumers in the Chechen Republic.

(in millions of Russian Roubles unless otherwise stated)

Note 13. Accounts receivable and prepayments (continued)

As at 30 June 2009 the overdue receivables for which the provision had not been recorded amounted to RR 7,909 million (at 31 December 2008: RR 2,957 million). The ageing analysis is shown below:

	30 June 2009	31 December 2008
Less than 3 months	3,398	809
3 to 6 months	2,751	673
6 to 12 months	668	483
1 year to 5 years	1,092	992
Total	**7,909**	**2,957**

The analysis of overdue accounts receivables for which the provision had been recorded as at 30 June 2009 is shown below, gross of allowance for doubtful accounts:

	30 June 2009	31 December 2008
Less than 3 months	5	255
3 to 6 months	2	255
6 to 12 months	5	632
1 year to 5 years	3,065	1,016
Total	**3,077**	**2,158**

Note 14. Inventories

	30 June 2009	31 December 2008
Repair materials	1,831	1,307
Spare parts	716	620
Other inventories	537	840
Total	**3,084**	**2,767**

The cost of inventories is shown net of an obsolescence provision for nil as at 30 June 2009 (RR 1 million as at 31 December 2008). At 30 June 2009 and 31 December 2008 the Group had no inventories pledged as security under loan and other agreements.

Note 15. Other current assets

Other current assets include short-term investments in certificates of deposit.

	Interest rate	Rating	Rating agency	30 June 2009	31 December 2008
JSB Otkrytie bank deposit account	6.5-7.5%			861	2,356
JSB Sberbank deposit account	10.0-12.7%	Baa1	Moody's	60	30
Total bank deposits				**921**	**2,386**
Other current assets				17	27
Total current assets				**938**	**2,413**

Although JSB Otkrytie bank has no international credit rating, management believes that the bank is a reliable counterparty with a stable position on the Russian market.

Other current assets include deposits denominated in foreign currency in amount of nil as at 30 June 2009 (RR 2,056 million as at 31 December 2008).

Note 16. Assets classified as held for sale

As at 30 June 2009 licenses for Corporate information management system (SAP-R3) in amount of RR 1,013 million originally acquired by the Company with a view of a further sale are classified as "Non-current assets held for sale". The Company is in process of active negotiations with potential buyers (former RAO UES Group companies), realization of these assets is scheduled for 2009-2010 years.

(in millions of Russian Roubles unless otherwise stated)

Note 17. Equity

Basis of presentation of movements in equity. The Group was formed by the combination of certain electricity transmission businesses under common control. Due to the use of the predecessor basis of accounting (Note 2), the majority of the net equity recognised by the Group is based on the carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, subject to effects of subsequent revaluation of property, plant and equipment. Similarly, for the purpose of comparability, the equity of the Group has been presented for comparative periods and as at 1 January 2008 as if the current Group structure has existed from 1 January 2008 (Note 4).

Share capital

	Number of shares issued and fully paid		30 June 2009	31 December 2008
	30 June 2009	31 December 2008		
Ordinary shares	1,153,514,196,362	1,153,514,196,362	576,757	576,757

As at 30 June 2009 the authorised share capital comprised 1,346,805,824 thousand ordinary shares with a nominal value of RR 0.5 per share.

Additional issue of shares. In August 2007 the Group started the process of placing an additional 114,965,254 thousand ordinary shares with an offering price of RR 0.59 per share. The issue was completed and registered in April 2008. Additional consideration was received in respect of the issue in 2008 in the form of cash amounts, being RR 1,625 million from RAO UES and RR 18,800 million from the Russian Federation. As a result of this issue, which was registered and competed in April 2008, the share capital was increased to RR 238,174 million and additional share premium recognised in the amount of RR 10,347 million.

In January 2009 FGC UES started to place additional 146,500 million shares with a par value RR 0.5 each for the amount of RR 73,250 million. The share issue was not completed as at 30 June 2009 (see Note 32). The amount of RR 32,296 million considerations received for shares issued was included in Combined and Consolidated Interim Statement of Financial Position as accounts payable to shareholders of FGC UES.

Issue and conversion of shares transaction. On 1 July 2008 the Company issued 771,743,118 thousand ordinary shares, which were used for the conversion of the outstanding ordinary and preference shares of 54 transmission companies, 7 interregional transmission companies, JSC "State Holding", JSC "Minority Holding of FGC UES" and RAO UES in connection with the merger of these entities into the Company.

The difference of RR 69,180 million between the nominal value of the shares issued and IFRS carrying values of the subsidiaries together with the fair value of other assets contributed to the Company as a result of the merger, was recorded within the reserves in equity.

Treasury shares. Treasury shares as at 30 June 2009 and 31 December 2008 represent 13,727,165 thousand of ordinary shares in the amount of RR 6,864 million.

Treasury shares were received by the Group during the reorganisation process in the form of a legal merger with RAO UES in 2008. The Company's shares are held by its subsidiary, LLC "Index Energetiki".

Reserves. Reserves include Revaluation reserve for property, plant and equipment and available-for-sale investments, Merger reserve and Foreign currency translation reserve.

Based on the application of predecessor accounting (Note 2), the difference between the value of the share capital issued, the IFRS carrying values of the contributed assets and the minority interest has been recorded as a merger reserve within equity in amount of RR 56,891 million.

The translation reserve, relating to the exchange differences arising on translation of the net assets of foreign associate, as at 30 June 2009 was credit of RR 94 million (31 December 2008: credit of RR 47 million) and is included in other reserves.

(in millions of Russian Roubles unless otherwise stated)

Note 17. Equity (continued)

Reserves comprise the following:

	At 30 June 2009	At 31 December 2008
Revaluation reserve, net of tax, for:		
- for property, plant and equipment (Note 6)	53,984	53,984
- available-for-sale investments (Note 9)	12,385	-
Merger reserve	(56,891)	(56,891)
Foreign currency translation reserve	94	47
Total	**9,572**	**(2,860)**

Reserves for the six months ended 30 June 2009:

	Revaluation reserve for:				
	property, plant and equipment (Note 6)	available-for-sale investments (Note 9)	Merger reserve	Foreign currency translation reserve	Total reserves
As at 1 January 2009	**53,984**	-	**(56,891)**	47	**(2,860)**
Foreign currency translation difference (Note 8)	-	-	-	47	**47**
Gain on change of fair value of available-for -sale investments (Note 9)	-	12,385	-	-	**12,385**
As at 30 June 2009	**53,984**	**12,385**	**(56,891)**	**94**	**9,572**

Reserves for the six months ended 30 June 2008:

	Revaluation reserve for property, plant and equipment (Note 6)	Merger reserve	Foreign currency translation reserve	Total reserves
As at 1 January 2008	**43,740**	**(5,917)**	**(14)**	**37,809**
Foreign currency translation difference (Note 8)	-	-	30	**30**
Changes in Group structure	-	(363)	-	**(363)**
As at 30 June 2008	**43,740**	**(6,280)**	**16**	**37,476**

Dividends. The annual statutory accounts of the parent company, FGC UES, form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as the net profit. For the year ended 31 December 2008, the statutory net profit of the parent company, FGC UES, as reported in the published statutory financial statements was RR 4,465 million (for year ended 31 December 2007: RR 2,296 million). At the Annual General Meeting in June 2009 the decision was approved not to declare dividends for the year ended 31 December 2008. A dividend was declared in June 2008 in respect of the year ended 31 December 2007 of RR 0.0008 per ordinary share for a total amount of RR 380 million.

(in millions of Russian Roubles unless otherwise stated)

Note 18. Profit tax

Profit tax expense comprises the following:

	The six months ended 30 June 2009	The six months ended 30 June 2008
Current profit tax charge	(2,819)	(1,644)
Deferred profit tax credit/(charge)	158	155
Total Profit tax	**(2,661)**	**(1,489)**

During six months ended 30 June 2009 most entities of the Group were subject to tax rates of 20 percent on taxable profit (during six months ended 30 June 2008: 24 percent on taxable profit).

In accordance with Russian tax legislation, tax losses in different Group companies may not be offset against taxable profits of other Group companies. Accordingly, tax may be accrued even where there is a net consolidated tax loss.

From 1 January 2009 the income tax rate for Russian companies has been reduced to 20 percent. This rate of 20 percent has been used for the calculation of the deferred tax assets and liabilities as at 30 June 2009 and 31 December 2008 (tax rate of 24 percent has been used for the calculation of the deferred tax assets and liabilities as at 30 June 2008 and 31 December 2007). Net profit before profit tax for financial reporting purposes is reconciled to profit tax expenses as follows:

	The six months ended 30 June 2009	The six months ended 30 June 2008
Profit before profit tax	**10,601**	**4,530**
Theoretical profit tax charge at statutory tax rate of 20 (24 for six months ended 30 June 2008) percent	(2,120)	(1,087)
Tax effect of items which are not deductible or assessable for taxation purposes	(177)	(283)
Non-recognised deferred tax asset	(364)	(119)
Total Profit tax	**(2,661)**	**(1,489)**

Deferred profit 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 for profit tax purposes. Deferred profit tax assets and liabilities are measured at 20 percent at 30 June 2009 and 31 December 2008 (at 24 percent at 30 June 2008 and 31 December 2007), the rate expected to be applicable when the asset or liability will reverse.

(in millions of Russian Roubles unless otherwise stated)

Note 18. Profit tax (continued)

Deferred profit tax assets and liabilities for the six months ended 30 June 2009:

	30 June 2009	Movements for the period: Recognised in profit or loss	Movements for the period: Recognised in other comprehensive income	31 December 2008
Deferred profit tax liabilities				
Property, plant and equipment	29,644	331	-	29,313
Investments in associates	9,084	257	37	8,790
Available-for-sale investments	1,593	-	1,093	500
Other deferred tax liabilities	29	(53)	-	82
Total deferred profit tax liabilities	**40,350**	**535**	**1,130**	**38,685**
Deferred profit tax assets				
Property, plant and equipment	(885)	(69)	-	(816)
Available-for-sale investments	(276)	11	1,603	(1,890)
Long-term promissory notes	(1,052)	(206)	-	(846)
Accounts receivable and prepayments	(1,446)	(580)	-	(866)
Retirement benefit obligation	(212)	(50)	-	(162)
Accounts payable and accruals	(41)	4	-	(45)
Other deferred tax assets	(300)	22	-	(322)
Tax losses	(697)	(189)	-	(508)
Unrecognised deferred tax assets	2,310	364	(1,603)	3,549
Total deferred profit tax assets	**(2,599)**	**(693)**	**-**	**(1,906)**
Deferred profit tax liabilities, net	**37,751**	**(158)**	**1,130**	**36,779**

The Group has not recognised potential deferred tax assets as at 30 June 2009 in respect of tax losses carried forward of RR 2,765 million (31 December 2008: RR 2,543 million) at JSC "Nurenergo" and RR 720 million (31 December 2008: nil) at JSC "Mobile gas-turbine electricity plants". The tax losses expire 10 years after their origination. In particular, these tax losses expire during 2012-2019, including RR 634 million during 2012-2013.

During the first six months of 2009 the increase in fair value of the available-for-sale investments gave the rise to a partial reduction in the previously unrecognised deferred tax asset in the amount of RR 1,603 million.

Deferred profit tax assets and liabilities for the six months ended 30 June 2008:

	30 June 2008	Movements for the period, recognised in profit or loss	31 December 2007
Deferred profit tax liabilities			
Property, plant and equipment	34,532	(484)	35,016
Accounts receivable and prepayments	31	(177)	208
Other deferred tax liabilities	-	(131)	131
Total deferred profit tax liabilities	**34,563**	**(792)**	**35,355**
Deferred profit tax assets			
Property, plant and equipment	(986)	248	(1,234)
Accounts receivable and prepayments	(1,499)	(346)	(1,153)
Retirement benefit obligation	(243)	125	(368)
Accounts payable and accruals	(72)	756	(828)
Other deferred tax assets	(214)	52	(266)
Tax losses	(793)	(317)	(476)
Unrecognised deferred tax assets	2,654	119	2,535
Total deferred profit tax assets	**(1,153)**	**637**	**(1,790)**
Deferred profit tax liabilities, net	**33,410**	**(155)**	**33,565**

(in millions of Russian Roubles unless otherwise stated)

Note 19. Non-current debt

	Currency	Effective interest rate	Due	30 June 2009	31 December 2008
Certified interest-bearing non-convertible bearer bonds, Issue 02	RR	8.3%	22.06.2010	7,000	7,000
Certified interest-bearing non-convertible bearer bonds, Issue 04	RR	7.3%	06.10.2011	6,000	6,000
Certified interest-bearing non-convertible bearer bonds, Issue 05	RR	7.2%	01.12.2009	4,980	4,980
Loan from European Bank for Reconstruction and Development (EBRD)	RR	MosPrime+2.2%	12.06.2014	-	5,000
Total non-current debt				17,980	22,980
Less: current portion of non-current bonds				(11,980)	(4,980)
Less: current portion of EBRD loan				-	(682)
Non-current debt				**6,000**	**17,318**

The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans and the current market rate for floating rate loans.

At 30 June 2009 the estimated fair value of total non-current debts (including the current portion) was RR 16,802 million (31 December 2008: RR 21,130 million), which is estimated using the market prices for quoted FGC UES bonds as at 30 June 2009.

Since 2004 the Group issued certified interest-bearing non-convertible bearer coupon bonds for the total nominal value of RR 30,000 million. The interest was defined at the time of the issue and is fixed for the maturity period. The coupon is payable semi-annually.

Note 20. Retirement benefit obligation

	The six months ended 30 June 2009	The six months ended 30 June 2008
Retirement benefit liabilities at 1 January	**2,933**	**2,608**
Net expense recognised in the Statement of Comprehensive Income	363	298
Employer contributions	(113)	(162)
Retirement benefit liabilities at 30 June	**3,183**	**2,744**

The Group's post-employment benefits policy includes the employee pension scheme and various post-employment, retirement and jubilee payments. The post-employment and retirement benefit system is a defined benefit program as part of which every participating employee receives benefits calculated in accordance with certain formula or rules. The program's core element is the corporate pension scheme implemented by the Group in cooperation with the Non-State Pension Fund of Electric Power Industry (NPFE).

The Group also pays various long-term post-employment benefits, including lump sum benefits in case of death of employees or former employees receiving pensions, lump sum benefits upon retirement and in connection with jubilees.

Additionally, financial aid in the form of defined benefits is provided to former employees who have state, industry or corporate awards. Such financial aid is provided both to employees entitled and not entitled to non-state pensions.

The tables below provide information about benefit obligations, plan assets and actuarial assumptions as at 30 June 2009 and 31 December 2008.

(in millions of Russian Roubles unless otherwise stated)

Note 20. Retirement benefit obligation (continued)

The amounts recognised in the Interim Statement of Financial Position are determined as follows:

	30 June 2009	31 December 2008
Present value of defined benefit obligations	4,476	4,262
Unrecognised actuarial losses	(462)	(464)
Unrecognised past service cost	(831)	(865)
Liability recognised in the Statement of Financial Position	**3,183**	**2,933**

The amounts recognised in the Interim Statement of Comprehensive Income are as follows:

	The six months ended 30 June 2009	The six months ended 30 June 2008
Interest cost	193	129
Current service cost	134	129
Net Actuarial Loss Recognized in the period	2	-
Recognised past service cost	34	40
Net expense recognised in the Statement of Comprehensive Income	**363**	**298**

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

	The six months ended 30 June 2009	The six months ended 30 June 2008
Present value of defined benefit obligations at 1 January	**4,262**	**3,841**
Current service cost	134	129
Interest cost	193	129
Benefits paid	(112)	(162)
Present value of defined benefit obligations at 30 June	**4,477**	**3,937**

Principal actuarial assumptions are as follows:

	30 June 2009	31 December 2008
Nominal discount rate (determined by reference to the market yields of the government bonds denominated in Russian Roubles)	9.0%	9.0%
Nominal pension entitlement increase (prior to benefit commencements)	8.0%	8.0%
Nominal increase in pensions-in-pay (after benefit commencement)	7.0%	7.0%
Mortality	Russian population Mortality table 1998	Russian population Mortality table 1998

Note 21. Current debt and current portion of non-current debt

	Effective interest rate	30 June 2009	31 December 2008
Current portion of non-current bonds	7.2-8.3%	11,980	4,980
European Bank for Reconstruction and Development	MosPrime+2.2%	-	682
JSB Alfa Bank	14.0%	-	10,000
IDGC Holding	14.1%	505	505
Other current debt	14.0-17.0%	43	44
Total		**12,528**	**16,211**

The Group had undrawn committed financing facilities of RR 1,000 million (31 December 2008: RR 5,000 million) which may be used for the general purposes of the Group.

(in millions of Russian Roubles unless otherwise stated)

Note 22. Accounts payable and accrued charges

	30 June 2009	31 December 2008
Trade payables	10,192	8,960
Accounts payable to construction companies	10,095	8,771
Total financial liabilities	**20,287**	**17,731**
Accrued liabilities and other creditors	6,111	6,083
Advances received	7,758	7,642
Total	**34,156**	**31,456**

Note 23. Taxes payable

	30 June 2009	31 December 2008
Value added tax	542	508
Property tax	291	219
Employee taxes	152	49
Other taxes	353	205
Total	**1,338**	**981**

Note 24. Revenues

	The six months ended 30 June 2009	The six months ended 30 June 2008
Transmission fee	39,889	32,415
Electricity sales	1,563	924
Connection fee	465	11
Grids repair and maintenance services	330	229
Total	**42,247**	**33,579**

Other operating income primarily includes income from non-core activities.

	The six months ended 30 June 2009	The six months ended 30 June 2008
Design works	408	163
Communication service	243	223
Dividend income	236	-
Rental income	118	228
Other revenues	1,017	1,809
Total	**2,022**	**2,423**

(in millions of Russian Roubles unless otherwise stated)

Note 25. Operating expenses

	The six months ended 30 June 2009	The six months ended 30 June 2008
Depreciation of property, plant and equipment	9,421	8,070
Purchased electricity	7,834	6,407
Employee benefit expenses and payroll taxes	7,035	6,034
Repair and maintenance services:	2,416	2,110
(including materials for repair)	718	409
Accrual of allowance for doubtful debtors	2,250	717
Rent	801	790
Information system maintenance	620	681
Loss on disposal of property, plan and equipment	554	846
Insurance	572	649
Business trips and transportation expenses	489	498
Security services	434	373
Other materials	392	257
Amortisation of intangible assets	308	226
Consulting, legal and auditing services	279	338
Taxes, other than on income	223	637
Electricity transit via foreign countries	223	140
Fuel	194	169
Communication service	115	135
Research and development	27	380
Other	1,339	1,219
Total	**35,526**	**30,676**

Starting from 2006 FGC UES purchases electricity to compensate electricity losses which occurred during the transmission. Previously such losses were a direct expense incurred by the UNEN users. As a result of this change the transmission tariffs were adjusted to compensate for this additional expense.

Employee benefit expenses and payroll taxes include expenses on voluntary pension programs and long-term compensation payments.

	The six months ended 30 June 2009	The six months ended 30 June 2008
Wages and salaries	5,363	4,605
Payroll taxes	1,309	1,131
Pension costs - defined benefit plans	363	298
Total	**7,035**	**6,034**

Rent expense principally represent short-term operating lease, including rent of land (Note 6) and office facilities.

Note 26. Finance income

	The six months ended 30 June 2009	The six months ended 30 June 2008
Interest income	4,591	989
Foreign exchange difference	406	1
Total finance income	**4,997**	**990**

(in millions of Russian Roubles unless otherwise stated)

Note 27. Finance cost

	The six months ended 30 June 2009	The six months ended 30 June 2008
Interest expense	1,284	1,639
Impairment of promissory notes	-	47
Foreign currency exchange differences	21	4
Total finance cost	**1,305**	**1,690**

Note 28. Earnings per ordinary share for profit attributable to the shareholders of JSC "FGC UES"

	The six months ended 30 June 2009	The six months ended 30 June 2008
Weighted average number of ordinary shares (millions of shares)	1,153,514	385,223
Profit attributable to the shareholders of FGC UES (millions of RR)	7,967	3,482
Weighted average earnings per share – basic and diluted (in RR)	**0.01**	**0.01**

The weighted average number of shares was adjusted to reflect the effect of transactions under common control for shares registered after balance sheet date.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

Note 29. Contingencies, commitments and operating risks

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

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

Legal proceedings. In the normal course of business the Group entities may be a party to certain legal proceedings. In the opinion of management, currently there are no existing legal proceedings or claims outstanding or final dispositions which will have a material adverse effect on the financial position of the Group.

Being a legal successor of RAO UES, at 30 June 2009 the Company was engaged in litigation proceedings in relation to invalidation of the contract concluded by RAO UES to sell shares of JSC "TGC-2" and repayment of cash in amount of RR 9,308 million. No provision is made in these consolidated interim financial statements as the Group's management believes that it is not likely that any significant loss will eventuate.

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

As at 30 June 2009 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained, including the uncertainty of deductibility of certain types of costs for taxation purposes. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Interim Financial Statements. The Group estimates that possible tax claims in respect of certain open tax positions of the Group companies primarily related to deductibility of certain types of costs for taxation purposes could amount to as much as RR 2,409 million if the tax positions would be successfully challenged (as at 31 December 2008: RR 2,488 million).

(in millions of Russian Roubles unless otherwise stated)

Note 29. Contingencies, commitments and operating risks (continued)

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

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage, other than any amounts which have been accrued in these Interim Financial Statements.

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 229,057 million and RR 214,555 million at 30 June 2009 and 31 December 2008, respectively.

Obligations under guarantee contracts. Guarantee contracts are irrevocable assurances that the Group will make payments in the event of the other party's default on its obligations. At 31 December 2008 the Group guarantees the fulfilment of JSC Bureyskaya GES obligations under the promissory note with Ministry of Railways of Russian Federation in the amount of RR 1,144 million. The guarantee expires on 1 July 2009.

Note 30. Financial instruments and financial risks

Financial risk factors. The Group's ordinary financial and business activities expose it to a variety of financial risks, including but not limited to the following: market risk (foreign exchange risk, interest rate risks related to changes in the fair value of the interest rate and the cash flow interest rate, and price risk), credit risk, and liquidity risk. Such risks give rise to the fluctuations of profit, reserves and equity and cash flows from one period to another. The Group's financial management policy aims to minimize or eliminate possible negative consequences of the risks for the financial results of the Group. From the beginning of operations, the Group has not entered into agreements on derivative financial instruments. However, the Group could use derivative financial instruments from time to time for such purposes as part of its risk management strategy.

Financial instruments by categories:

30 June 2009	Loans and accounts receivable	Investments available for sale	Other financial liabilities	Total
Asset Balance Sheet items				
Investments available for sale (Note 9)	-	25,208	-	25,208
Other non-current assets (Note 11)	2,402	-	-	2,402
Accounts receivable (Note 13)	15,912	-	-	15,912
Long-term promissory notes (Note 10)	34,179	-	-	34,179
Short-term promissory notes (Note 10)	45,955	-	-	45,955
Other current assets (Note 15)	938	-	-	938
Cash and cash equivalents (Note 12)	37,976	-	-	37,976
Total assets	**137,362**	**25,208**	-	**162,570**
Liability Balance Sheet items				
Non-current debt (Note 19)	-	-	6,000	6,000
Current debt and current portion of non-current debt (Note 21)	-	-	12,528	12,528
Trade payables (Note 22)	-	-	10,192	10,192
Account payables to construction companies (Note 22)	-	-	10,095	10,095
Total liabilities			**38,815**	**38,815**

(in millions of Russian Roubles unless otherwise stated)

Note 30. Financial instruments and financial risks (continued)

31 December 2008	Loans and accounts receivable	Investments available for sale	Other financial liabilities	Total
Asset Balance Sheet items				
Investments available for sale (Note 9)	-	11,774	-	11,774
Other non-current assets (Note 11)	2,218	-	-	2,218
Accounts receivable (Note 13)	8,800	-	-	8,800
Long-term promissory notes (Note 10)	51,010	-	-	51,010
Short-term promissory notes (Note 10)	57,251	-	-	57,251
Other current assets (Note 15)	2,413	-	-	2,413
Cash and cash equivalents (Note 12)	15,685	-	-	15,685
Total assets	**137,377**	**11,774**	**-**	**149,151**
Liability Balance Sheet items				
Non-current debt (Note 19)	-	-	17,318	17,318
Current debt and current portion of non-current debt (Note 21)	-	-	16,211	16,211
Trade payables (Note 22)			8,960	8,960
Account payables to construction companies (Note 22)	-	-	8,770	8,770
Total liabilities			**51,260**	**51,260**

(a) Market risk

(i) Foreign exchange risk. The Group operates within the Russian Federation. The major part of the Group's purchases is denominated in Russian Roubles. Therefore, the Group's exposure to foreign exchange risk is insignificant.

(ii) Interest rate risk. The Group's operating profits and cash flows from operating activity are largely not dependent on the changes in market interest rates. The Group is exposed to interest rate risk in connection with the market value of interest-bearing long-term borrowings. The majority of interest rates on the borrowing are fixed, the exception being the loan issued by the European Bank for Reconstruction and Development to which a variable interest rate applies (Note 19). The loan from EBRD was repaid during 6 month ended 30 June 2009 so the Group has limited exposure to interest rate risk as of reporting date.

The Group's interest-bearing assets consist of certificates of deposit amounting to RR 31,731 million (as at 31 December 2008 – RR 12,884 million) placed at fixed rate and promissory notes amounting to RR 80,134 million (as at 31 December 2008 – RR 108,261 million).

For the purpose of interest risk reduction the Group makes credit market monitoring to identify favourable credit conditions.

(iii) Price risk. Equity price risk arises from available-for-sale investments received during the share conversion process. Management of the Group monitors its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are taken by the management of the Group. The primary goal of the Group's investment strategy is to maximize investment returns in order to meet partially the Group's investment programme's needs. Transactions in equity products are monitored and authorized by the Group treasury. The total amount of investments available-for-sale exposed to the market risk equals RR 24,108 million. At 30 June 2009, if equity prices at that date had been 60% higher (lower) with all other variables held constant, the Group's revaluation reserve in equity would increase by RR 14,466 million (profit before tax would be lower by RR 988 million. At 31 December 2008, if equity prices at that date had been 60% higher (lower) with all other variables held constant, the Group's revaluation reserve in equity would increase by RR 6,405 million (loss before tax would increase by RR 6,405 million).

(in millions of Russian Roubles unless otherwise stated)

Note 30. Financial instruments and financial risks (continued)

(b) Credit risk.

The amounts exposed to credit risk are as follows:

30 June 2009	Other non-current assets (Note 11)	Accounts receivable (Note 13)	Long-term promissory notes (Note 10)	Short-term promissory notes (Note 10)	Other current assets (Note 15)	Cash and cash equivalents (Note 12)
Not overdue, not impaired	2,402	8,003	26,505	45,955	938	37,976
Not overdue, but impaired:	-	-	-	-	-	-
- gross amount	-	-	-	-	-	-
- less impairment provision	-	-	-	-	-	-
Overdue, but not impaired	-	7,909	-	-	-	-
Overdue and impaired:	-	-	7,674	-	-	-
- gross amount	-	*3,077*	*12,083*	-	-	-
- less impairment provision	-	*(3,077)*	*(4,409)*	-	-	-
Total amount	**2,402**	**15,912**	**34,179**	**45,955**	**938**	**37,976**

31 December 2008	Other non-current assets (Note 11)	Accounts receivable (Note 13)	Long-term promissory notes (Note 10)	Short-term promissory notes (Note 10)	Other current assets (Note 15)	Cash and cash equivalents (Note 12)
Not overdue, not impaired	2,218	5,843	43,673	57,251	2,413	15,685
Not overdue, but impaired:	-	-	-	-	-	-
- gross amount	-	-	-	-	-	-
- less impairment provision	-	-	-	-	-	-
Overdue, but not impaired	-	2,957	-	-	-	-
Overdue and impaired:	-	-	7,337	-	-	-
- gross amount	-	*2,185*	*11,548*	-	-	-
- less impairment provision	-	*(2,185)*	*(4,211)*	-	-	-
Total amount	**2,218**	**8,800**	**51,010**	**57,251**	**2,413**	**15,685**

As at 30 June 2009 the amount of financial assets, which are exposed to credit risk, is RR 137,362 million (as at 31 December 2008: RR 137,377 million). Although collection of receivables could be influenced by economic factors, management of the Group believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. Although some of the banks and companies have no international credit rating, management believes that they are reliable counterparties with a stable position on the Russian market.

Credit risk is managed at the Group level. In most cases the Group does not calculate their customers' credit status but rates their creditworthiness on the basis of the financial position, prior experience and other factors.

The Group's customers in 2009 and 2008 principally represent former RAO UES subsidiaries. However main credit risks are concentrated within balances of promissory notes. The detailed information on promissory notes is presented in Note 10.

The maximum credit risk related to granted guarantees is exposed to RR 1,044 million as at 30 June 2009 and 31 December 2008 (Note 29)

(in millions of Russian Roubles unless otherwise stated)

Note 30. Financial instruments and financial risks (continued)

(c) Liquidity risk. Liquidity risk is managed at the Group level and includes maintaining the appropriate volume of monetary funds, conservative approach to excess liquidity management, and access to financial resources by securing credit facilities and limiting the concentrations of cash in banks. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
At 30 June 2009					
Non-current and current debt and interest payable	13,982	768	6,379	-	21,129
Trade payables	10,192	-	-	-	10,192
Account payables to construction companies	10,095	-	-	-	10,095
Total as at 30 June 2009	**34,269**	**768**	**6,379**	**-**	**41,416**
At 31 December 2008					
Non-current and current debt and interest payable	18,442	14,547	6,252	778	40,019
Trade payables	8,960	-	-	-	8,960
Account payables to construction companies	8,770	-	-	-	8,770
Total as at 31 December 2008	**36,172**	**14,547**	**6,252**	**778**	**57,750**

(d) Fair value. Management believes that the fair value of financial assets and liabilities is not significantly different from their carrying amounts. The carrying value less impairment provision of trade receivables is assumed to approximate their fair value due to the short-term nature of the receivables. The fair value of financial liabilities for disclosure in the financial statements is estimated by discounting future contractual cash flows at the current market interest rate that is available for the Group for similar financial instruments.

Note 31. Capital risk management

The Group's management of the capital of its entities aims to comply with the capital requirements established by the legislation of the Russian Federation for joint stock companies, in particular:

- share capital can not be lower than RR 100 thousand;
- in case the share capital of an entity is greater that statutory net assets of the entity, such entity must reduce its share capital to the value not exceeding its statutory net assets;
- in case the minimum allowed share capital exceeds the entity's statutory net assets, such entity is subject for liquidation.

At 30 June 2009 the Group was in compliance with the above share capital requirements.

The Group's capital management objectives are to ensure that its operations be continued at a profit for the shareholders and with benefits for other stakeholders, and to maintain the optimal capital structure with a view to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to the shareholders or their contributions to the authorized capital by issuing new shares or by selling assets to reduce debts.

The Group monitors capital ratios, including the gearing ratio, calculated on the basis of figures of financial statements prepared under the Russian Accounting Standards. The Group should ensure that its gearing ratio, being the total debt divided by the total equity, does not exceed 0.50. At 30 June 2009 the Company's gearing ratio calculated under RAS was 0.03.

Note 32. Post-balance sheet events

Additional share issue in 2009. In January 2009 FGC UES started to place an additional 146,500 million shares with a par value RR 0.5 each or a total amount of RR 73,250 million. In March 2009 under the placement of shares the Russian Federation represented by Federal Agency for the Administration of State Property purchased 58,356 million additional shares for RR 29,178 million, using its pre-emptive right. The execution of the pre-emptive right to purchase shares was completed in July 2009 when 64,612 million additional shares were placed. This share issue was completed in December 2009. The Company received cash in amount of RR 40,178 million for 80,027 million of shares placed.

Bonds issue and repayment. In November 2009 the Federal Financial Markets Service registered the Company's six bond issues for the total amount of RR 50,000 million. The bonds have a face value of RR 1,000, pay a fixed interest rate and mature in ten years.

On 1 December 2009 the Company fully repaid issue 05 bonds in the amount of RR 5,000 million.

Sale of share of JSC "Kuzbassenergo". In November 2009 the Company sold 18.98% of the shares of JSC "Kuzbassenergo to JSC "InterRAO UES" for RR 2,042 million. A gain on the sale of this available-for-sale investment will be recognized in the financial statements for the year ended 31 December 2009.