OJSC MOESK

Consolidated Interim Condensed Financial Information for the six months ended 30 June 2008

Contents

	Note	6 months ended 30 June 2008 ’000 RUR	6 months ended 30 June 2007 ’000 RUR
Revenue	7	29 867 583	16 236 039
Operating expenses	8	(25 921 120)	(13 273 559)
Other operating income		77 539	103 861
Operating income		**4 024 002**	**3 066 341**
Financial income		336 692	25 286
Financial expenses		(1 063 944)	(555 191)
Profit before income tax		**3 296 750**	**2 536 436**
Income tax expense		(874 250)	(712 105)
Net profit for the period		**2 422 500**	**1 824 331**
Attributable to:			
Shareholders of OJSC MOESK		2 397 020	1 823 022
Minority interest		25 480	1 309
Earnings per ordinary share – basic and diluted (in Russian Roubles)	12	**0,085**	**0,065**

The consolidated interim condensed financial information was approved on 15 October 2008:

General Director

Y.I. Trofimov

Chief Accountant

L.A. Sklyarova

The consolidated interim condensed income statement is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 8 to 18 and with the consolidated financial statements for the year ended 31 December 2007.

	Note	30 June 2008 '000 RUR	31 December 2007 '000 RUR
ASSETS			
Non-current assets			
Intangible assets		78 524	-
Property, plant and equipment	9	143 516 094	98 223 193
Long-term investments	10	2 500 000	-
Other non-current assets		19 819 481	8 155 468
Deferred tax assets		30 717	46 850
Total non-current assets		**165 944 816**	**106 425 511**
Current assets			
Inventories		2 276 768	1 771 724
Income tax receivable		408 822	170 223
Trade and other receivables		16 690 146	5 275 258
Bank deposits		2 199 000	2 557 216
Cash and cash equivalents		8 586 944	4 790 726
Total current assets		**30 161 680**	**14 565 147**
Total assets		**196 106 496**	**120 990 658**
EQUITY AND LIABILITIES			
Equity	11		
Share capital		24 353 546	14 124 680
Treasury shares		(8 365)	-
Additional paid in capital		18 546 041	22 463 951
Revaluation reserve		8 270 005	8 270 005
Retained earnings		31 572 709	9 622 238
Total equity attributable to the shareholders of OJSC MOESK		**82 733 936**	**54 480 874**
Minority interest		1 122 114	1 096 634
Total equity		**83 856 050**	**55 577 508**
Non-current liabilities			
Loans and borrowings	13	26 872 041	20 799 431
Employee benefits		86 051	91 930
Deferred tax liabilities		11 373 175	9 085 316
Total non-current liabilities		**38 331 267**	**29 976 677**
Current liabilities			
Loans and borrowings	13	15 660 890	9 916 995
Income tax payable		884	1 238 856
Other taxes payable		256 338	99 989
Trade and other payables		57 613 062	23 787 695
Provisions		388 005	392 938
Total current liabilities		**73 919 179**	**35 436 473**
Total equity and liabilities		**196 106 496**	**120 990 658**

The consolidated interim condensed balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 8 to 18 and with the consolidated financial statements for the year ended 31 December 2007.

	6 months ended 30 June 2008 '000 RUR	6 months ended 30 June 2007 '000 RUR
OPERATING ACTIVITIES		
Profit before income tax	**3 296 750**	**2 536 436**
Adjustments for:		
Depreciation	2 682 328	2 026 777
Gain on disposal of property, plant and equipment	(41 078)	(60 102)
Provisions	(20 796)	197 487
Financial income	(336 692)	(25 286)
Financial expenses	1 063 944	555 191
Allowance for impairment of accounts receivable	11 642	(1 779)
Other non-cash items	(3 493)	(8 895)
Operating profit before changes in working capital	**6 652 605**	**5 219 829**
Decrease/ (increase) in inventories	1 067	(201 718)
Decrease/ (increase) in trade and other receivables	543 666	(774 620)
Increase in trade and other payables	4 656 236	6 392 588
Increase in taxes payable other than income tax	125 745	7 884
Cash flows from operations before income taxes and interest paid	**11 979 319**	**10 643 963**
Income taxes paid	(1 880 396)	(587 356)
Cash flows from operating activities	**10 098 923**	**10 056 607**
INVESTING ACTIVITIES		
Proceeds from disposal of bank deposits	794 217	280 000
Interest received	162 718	23 048
Acquisition of property plant and equipment	(14 910 565)	(10 916 601)
Acquisition of subsidiary, net of cash acquired	-	(279 578)
Acquisition of long-term investments	(2 500 000)	-
Acquisition of bank deposits	(136 000)	(300 000)
Cash flows utilised by investing activities	**(16 589 630)**	**(11 193 131)**
FINANCING ACTIVITIES		
Proceeds from borrowings	16 208 265	4 500 000
Repayment of borrowings	(7 138 444)	-
Payment of finance lease liabilities	(2 445 166)	(1 716 530)
Purchase of treasury shares	(8 365)	-
Cash flows from financing activities	**6 616 290**	**2 783 470**
Cash acquired in result of merger (Note 6)	3 670 635	-
Net increase in cash and cash equivalents	**3 796 218**	**1 646 946**
Cash and cash equivalents at beginning of period	4 790 726	2 021 925
Cash and cash equivalents at end of period	**8 586 944**	**3 668 871**

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 8 to 18 and with the consolidated financial statements for the year ended 31 December 2007.

'000 RUR	**Attributable to shareholders of the Group**						**Minority interest**	**Total equity**
	Share capital	**Treasury shares**	**Additional paid in capital**	**Revaluation reserve**	**Retained earnings**	**Total**		
As at 31 December 2006	**14 124 680**	**-**	**22 453 124**	**8 270 005**	**3 141 359**	**47 989 168**	-	**47 989 168**
Profit for the year	-	-	-	-	6 540 879	6 540 879	85 807	6 626 686
Total recognised income and expenses	-	-	-	-	6 540 879	6 540 879	85 807	6 626 686
Acquisition under common control	-	-	10 827	-	-	10 827	1 010 827	1 021 654
Dividends to shareholders	-	-	-	-	(60 000)	(60 000)	-	(60 000)
As at 31 December 2007	**14 124 680**	**-**	**22 463 951**	**8 270 005**	**9 622 238**	**54 480 874**	**1 096 634**	**55 577 508**
Profit for the period	-	-	-	-	2 397 020	2 397 020	25 480	2 422 500
Total recognised income and expenses	-	-	-	-	2 397 020	2 397 020	25 480	2 422 500
Contribution by shareholders (Note 15 (vi))		-	662 093	-	-	662 093	-	662 093
Purchase of treasury shares (Note 11)	-	(8 365)	-	-	-	(8 365)	-	(8 365)
Issue of ordinary shares (Note 6)	10 228 866	-	-	-	-	10 228 866	-	10 228 866
Acquisition under common control (Note 6)	-	-	(4 580 003)	-	19 553 451	14 973 448	-	14 973 448
As at 30 June 2008	**24 353 546**	**(8 365)**	**18 546 041**	**8 270 005**	**31 572 709**	**82 733 936**	**1 122 114**	**83 856 050**

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 8 to 18 and with the consolidated financial statements for the year ended 31 December 2007.

1 Background

(a) Organisation and operations

Open Joint-Stock Company "Moskovskaya Ob'edinennaya Electrosetevaya Kompaniya" (the "Company") was established on 1 April 2005 by transference of assets and activities related to the electricity transmission of OJSC "Mosenergo", a subsidiary of OJSC RAO UES of Russia, within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1 adopted by shareholders of OJSC "Mosenergo" on 29 June 2004.

The Company's principal activity is electricity transmission by means of electrical networks located in Moscow Region and the parts of Moscow.

The government of Russian Federation directly affects the Group's operations through the state tariffs.

In accordance with legislation the Group's tariffs are controlled by the Federal Service on Tariffs, the Regional Energy Commission of Moscow and the Energy Committee of Moscow Region.

The Russian electric utilities industry in general and the Group in particular are presently undergoing a reform process designed to introduce competition into the electricity sector and to create an environment in which the Group can raise the capital required to maintain and expand current capacity.

As part of the reorganization process the Group was formed on 30 June 2008 as a merger of the Company and OJSC Moskovskaya Gorodskaya Electrosetevaya Kompaniya (OJSC "MGEsK") in accordance with the resolution of the Board of Directors of OJSC RAO UES of Russia dated 26 October 2007, resolution of the Board of Administration of OJSC RAO UES of Russia dated 13 February 2008 and resolution of the extraordinary shareholders meeting dated 18 April 2008.

The merger was effected through conversion of ordinary shares of OJSC "MGEsK" into the additionally issued shares of OJSC "MOESK" (see note 6), together referred as the Group.

The Group business is the natural monopoly which is supported by the Russian government. As at 30 June 2008 the Russian Federation owned 52,7% of OJSC RAO UES of Russia, which in its turn owned 50,9% of the Company.

The Company's registered office is at building 27, Ordgonikidze street, Podol'sk, Moscow Region, 142100, Russian Federation.

The actual address is building 3/2, 2nd Paveletskiy proezd, Moscow, 115114, Russian Federation.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected and may continue to affect the activities of enterprises operating in this environment. Consequently operations in the Russian Federation involve risks that typically do not exist in other markets. Furthermore the tax currency and customs legislation within the Russian Federation is a subject to varying interpretations and changes which can occur frequently. The accompanying consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

(b) Basis of measurement

The consolidated interim condensed financial information is prepared on the historical cost basis except that property, plant and equipment is stated at revalued amounts.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Group's functional currency and the currency in which these financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Use of judgements, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare this consolidated interim condensed financial information in conformity with IFRSs. Actual results may differ from those estimates.

The judgements, estimates and assumptions applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as of and for the year ended 31 December 2007.

3 Significant accounting policies

The accounting policies applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

4 Determination of fair values

The fair value of non-derivative financial instruments is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

5 Financial risk management

During the period the Group had exposure to the same risks as those, which existed as at and during the year ended 31 December 2007.

6 Merger with OJSC "MGEsK"

On 18 April 2008 the extraordinary shareholders meeting approved the reorganization of the Company in the form of merger with OJSC "MGEsK".

On 29 April 2008 OJSC "MOESK" issued 20 457 731 874 ordinary shares with par value of RUR 0,5 per share in amount of RUR 10 228 865 937 for the purpose of the merger.

The ordinary shares of OJSC "MGEsK" were converted to additional ordinary shares of OJSC "MOESK" using the following conversion coefficients: 1,38 shares of OJSC "MGEsK" with par value of RUR 0,2 per share were converted into 1 share of OJSC "MOESK" with par value of RUR 0,5 per share. The merger was completed on 30 June 2008.

If the merger had occurred on 1 January 2008, management estimates that consolidated revenue would have been RUR 31 730 016 thousand and consolidated profit before income tax for the period would have been RUR 5 819 770 thousand.

The merger had the following effect on the Group's assets and liabilities:

'000 RUR	**Carrying amount**
Intangible assets	78 524
Property, plant and equipment	36 019 036
Other non-current assets	5 639 664
Inventories	501 215
Income tax receivable	103 943
Trade and other receivables	13 748 547
Cash and cash equivalents	3 670 635
Total assets	**59 761 564**
Share capital	(10 228 866)
Treasury shares	-
Additional paid in capital	4 580 003
Retained earnings	(19 553 451)
Total equity	**(25 202 314)**
Employee benefits	(81 020)
Deferred tax liabilities	(1 728 427)
Loans and borrowings	(3 671 113)
Other taxes payable	(629 224)
Trade and other payables	(28 433 604)
Provisions	(15 862)
Total liabilities	**(34 559 250)**

7 Revenue

	6 months ended 30 June 2008 '000 RUR	6 months ended 30 June 2007 '000 RUR
Electricity transmission	25 962 273	13 007 255
Revenue from connection services	1 802 356	926 736
Other revenue	2 102 954	2 302 048
	29 867 583	**16 236 039**

Revenue from connection services represents services related to connection of customers' power receivers to the electricity network of the Group.

Other revenue is comprised of installation services and technical maintenance of electrical equipment and rental income.

8 Operating expenses

	6 months ended 30 June 2008 '000 RUR	6 months ended 30 June 2007 '000 RUR
Electricity transmission	(15 164 129)	(3 766 250)
Repairs, maintenance and installation services	(2 909 371)	(3 506 042)
Employee benefits	(2 560 903)	(1 947 283)
Depreciation	(2 682 328)	(2 026 777)
Raw materials and supplies	(308 734)	(213 492)
Insurance	(158 839)	(178 860)
Rent	(257 371)	(150 116)
Consulting, legal, audit services including professional training	(303 250)	(131 241)
Telecommunication services	(120 977)	(83 144)
Taxes other than income tax	(142 244)	(167 267)
Security services	(123 756)	(93 903)
Provision for legal claims and unused vacation	20 796	(73 913)
Other expenses	(1 210 014)	(935 271)
	(25 921 120)	**(13 273 559)**

9 Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2008 the Group acquired assets with a cost of RUR 48 036 794 thousand, including assets acquired through the merger of RUR 36 032 240 thousand.

Assets with a carrying amount of RUR 47 446 thousand were disposed of during the six months ended 30 June 2008 resulting in a gain on disposal of RUR 41 078 thousand, which is included in "other operating income".

During the six months ended 30 June 2007 the Group acquired assets with a cost of RUR 11 050 260 thousand, including assets acquired through business combination of RUR 261 854 thousand.

Assets with a carrying amount of RUR 954 708 thousand were disposed of during the six months ended 30 June 2007 resulting in a gain on disposal of RUR 60 102 thousand, which is included in "other operating income".

(b) Capital commitments

As at 30 June 2008 the Group has contracts relating to capital expenditures amounted to RUR 92 092 146 thousand, including finance leasing commitments in the amount of RUR 5 840 434 thousand.

10 Long-term investments

On 30 May 2008 the Group acquired a promissory note for the amount of RUR 2 500 000 thousand from a third party. The interest rate on the promissory note is 8,3% per annum. The maturity date is 30 June 2010.

11 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares 30 June 2008**
Authorised shares	48 701 514 949
Par value	RUR 0,50
On issue at beginning of year	28 249 359 700
Issued ordinary shares	20 457 731 874
Effect of own shares held	(5 576 625)
On issue at end of period, fully paid	**48 701 514 949**

(b) Treasury shares

During the six months ended 30 June 2008 the Group purchased 5 576 625 treasury shares at RUR 1,50 per each share. As at 30 June 2008 the Group held 5 576 625 of its own shares.

12 Earnings per share

The calculation of earnings per share is profit for the period allocated to shareholders of OJSC "MOESK" after the merger divided by weighted number of ordinary shares outstanding as at 30 June 2008. The Group has no dilutive potential ordinary shares.

The calculation of earnings per share is as follow:

Number of shares unless otherwise stated	**Ordinary shares**
Weighted number of ordinary shares	28 361 734 179
Profit for the period attributable to the shareholders of OJSC "MOESK" ('000 RUR)	2 397 020
Earnings per share (RUR)	0,085

13 Loans and borrowings

On 21 April 2008 the Group obtained the long-term unsecured syndicated loan at international markets of USD 150 000 thousand at an interest rate of 3 months LIBOR plus 2,5% per annum for the purpose of financing the business activity maturing on 21 April 2010. In order to hedge currency and interest rate associated with the loan the Group concluded cross currency swap agreement. The Group had swap transaction at fixed exchange rate with transferring of USD 150 000 thousand at an interest rate of 3 months LIBOR plus 2,5% per annum and obtaining RUR 3 511 500 thousand at an interest rate of 9,58% per annum. The maturity date is 21 April 2010.

On 26 May 2008 the Group issued four promissory notes for the amount of RUR 5 000 000 thousand from JSC Bank of Moscow for the purpose of financing of its business activity maturing on 26 May 2009. The interest rate on these promissory notes is 9% per annum. As at 30 June 2008 the outstanding balance was RUR 5 053 493 thousand, including accrued interest.

On 28 May 2008 the Group issued two interest free promissory notes amounting to RUR 4 750 047 thousand to a related party for the purpose of financing of its business activity maturing not earlier than 2010. As at 30 June 2008 the outstanding balance was RUR 3 908 116 thousand.

On 28 May 2008 the Group issued two interest free promissory notes with the par value of RUR 3 000 000 thousand to a related party for the purpose of financing of its business activity maturing before 31 December 2008. As at 30 June 2008 the outstanding balance was RUR 3 000 000 thousand.

As a result of the merger with OJSC "MGEsK" on 30 June 2008 the Group obtained a credit line of RUR 2 000 000 thousand under the agreement with JSC Sberbank established in 2007 maturing on 17 March 2009. The Group uses these borrowings for the purpose of financing of its business activity. As at 30 June 2008 the interest rate on the credit line was 8,9% per annum. As at 30 June 2008 the outstanding balance was RUR 1 680 684 thousand, including accrued interest.

As a result of the merger with OJSC "MGEsK" on 30 June 2008 the Group obtained a credit line of RUR 2 000 000 thousand under the agreement with JSC "Bank VTB" established in 2007 maturing on 17 April 2009. The Group uses these borrowings for the purpose of financing of its business activity. On 30 June 2008 the interest rate on the credit line was 8,79% per annum. As at 30 June 2008 the outstanding balance was RUR 1 990 106 thousand, including accrued interest.

During the six months ended 30 June 2008 the Group repaid two promissory notes issued in 2007 amounting to RUR 276 812 thousand to JSC “Bank of Moscow”, unsecured loan amounting to RUR 3 500 000 thousand to JSC “Bank VTB” and the outstanding amount of RUR 3 361 632 thousand of unsecured loan to Barclays Bank PLC.

During the six months ended 30 June 2007 the Group obtained short-term loan from JSC “Bank VTB” amounting to RUR 3 500 000 thousand and short-term loan from JSC “Alfa-Bank” amounting to RUR 1 000 000 thousand for the purpose of financing of its business activity.

14 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group’s operations and financial position.

(b) Litigation

The Group is party to certain legal proceedings arising in the ordinary course of business. The management does not believe that these matters will have a material adverse effect on the Group’s operating results.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

15 Related party transaction

(a) Control relationships

As at 30 June 2008 the parent of the Group was OJSC RAO UES of Russia. The party with ultimate control over the Group was the Russian Federation, which held the majority of the voting rights of OJSC RAO UES of Russia.

(b) Transactions with management and close family members

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

(i) Management remuneration

Total remuneration in the form of salary and bonuses paid to the key management during the six months ended 30 June 2008 was RUR 11 917 thousand (for the six months ended 30 June 2007: RUR 1 381 thousand).

(c) Transactions with other related parties

(i) Revenue

'000 RUR	Transaction value 6 months ended 30 June 2008	Transaction value 6 months ended 30 June 2007
Electricity transmission:		
Entities under common control of the parent	27 417 168	12 635 144
Other state controlled entities	535 646	-
Other revenue:		
Entities under common control of the parent	157	7 187
Other state controlled entities	27 867	-
	27 980 838	**12 642 331**

Related party revenue for electricity transmission is based on the tariffs determined by the Regional Energy Commission of Moscow; other related party transactions are based on market prices.

(ii) Expenses

’000 RUR	Transaction value 6 months ended 30 June 2008	Transaction value 6 months ended 30 June 2007
Electricity transmission:		
Entities under common control of the parent	(9 912 836)	(3 766 247)
Other state controlled entities	(1 685 838)	-
Other expenses:		
Entities under common control of the parent	(117 347)	(65 947)
Other state controlled entities	(608 491)	(63 804)
	(12 324 512)	**(3 895 998)**

(iii) Accounts receivable

’000 RUR	Outstanding balance 30 June 2008	Outstanding balance 31 December 2007
Electricity transmission:		
Entities under common control of the parent	1 941 522	1 012 110
Other state controlled entities	105 154	-
Other revenue:		
Entities under common control of the parent	7 177	50 621
Other state controlled entities	42 344	39 123
	2 096 197	**1 101 854**

(iv) Accounts payable

’000 RUR	Outstanding balance 30 June 2008	Outstanding balance 31 December 2007
Electricity transmission:		
Entities under common control of the parent	(254 882)	(220 230)
Other state controlled entities	(207 650)	-
Other expenses:		
Entities under common control of the parent	(5 611)	(127 227)
Other state controlled entities	(1 295 194)	(176 050)
	(1 763 337)	**(523 507)**

(v) Advances

’000 RUR	Outstanding balance 30 June 2008	Outstanding balance 31 December 2007
Advances given:		
Entities under common control of the parent	255 179	205 592
Other state controlled entities	6 815 891	127 683
	7 071 070	**333 275**
Advances received:		
Entities under common control of the parent	(27 416)	(1 248 967)
Other state controlled entities	(6 335 837)	(2 099 725)
	(6 363 253)	**(3 348 692)**

All outstanding balances with related parties are to be settled in cash within a year of the balance sheet date. None of the balances are secured.

All related party transactions are arm's length transactions, except for the loans received.

(vi) Loans and borrowings

’000 RUR	Transaction value 6 months ended 30 June 2008	Transaction value 6 months ended 30 June 2007
Loans:		
State controlled entities	(5 000 000)	(3 500 000)
Parent company	(7 750 047)	-
	(12 750 047)	**(3 500 000)**

’000 RUR	Outstanding balance 30 June 2008	Outstanding balance 31 December 2007
Loans:		
State controlled entities	(13 795 358)	(8 566 200)
Parent company	(7 151 805)	-
	(20 947 163)	**(8 566 200)**

During the six months ended 30 June 2008 the Group received the loans from state controlled entities in the total amount of RUR 5 000 000 thousand. The interest rate is 9%. The loans are repayable in 2008-2009.

During the six months ended 30 June 2008 the Group received interest free loans from the Parent company in the total amount of RUR 7 750 047 thousand. Upon initial recognition these loans were discounted using a market rate of interest of between 8-9%. The resulting difference was recognised in additional paid-in capital, net of deferred tax. The loans are repayable in 2008-2010.

(vii) Dividends

During 2008 the Group did not declare any dividends. As at 30 June 2008 the Group has dividends payable to the shareholders in the amount of RUR 2 941 thousand.

16 Events subsequent to the balance sheet date

On 1 July 2008 OJSC RAO UES of Russia ceased to exist as a separate legal entity and transferred its 50,9% of OJSC "MOESK" shares to OJSC "MRSK Holding", a state controlled entity.

On 11 July 2008 the Group concluded contracts on the issuance of promissory notes, totalling up to RUR 5 billion in the domestic markets. The promissory notes are repayable in 2008.

On 29 August 2008 the Board of Directors of OJSC "MOESK" approved the issue of Euro bonds, totalling up to USD 1 billion.