OJSC MOESK
Consolidated Interim Condensed Financial Information for the six months ended 30 June 2009

Contents

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Independent Auditors' Report

To the management of OJSC MOESK

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC MOESK (the "Company") and its subsidiaries (the "Group") as at 30 June 2009, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of selected explanatory notes (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2009 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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27 November 2009

	Note	30 June 2009 (unaudited) '000 RUR	31 December 2008 '000 RUR
ASSETS			
Non-current assets			
Property, plant and equipment	7	177 108 464	172 626 967
Intangible assets		131 854	152 576
Long-term investments		2 500 000	2 500 000
Other non-current assets		10 663 649	12 285 055
Deferred tax assets		192 946	-
Total non-current assets		**190 596 913**	**187 564 598**
Current assets			
Inventories		2 706 648	2 849 907
Income tax receivable		550 935	10 076
Trade and other receivables		22 441 826	22 935 890
Cash and cash equivalents		6 681 002	6 152 592
Total current assets		**32 380 411**	**31 948 465**
Total assets		**222 977 324**	**219 513 063**

The consolidated interim condensed financial information was approved on 27 November 2009:

Acting General Director

A.V. Mayorov

Chief Accountant

L.A. Sklyarova

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 21 and with the consolidated financial statements for the year ended 31 December 2008.

	Note	30 June 2009 (unaudited) '000 RUR	31 December 2008 '000 RUR
EQUITY AND LIABILITIES			
Equity	8		
Share capital		24 353 546	24 353 546
Treasury shares		-	(8 365)
Additional paid in capital		18 580 888	18 580 888
Revaluation reserve		8 703 157	8 703 157
Retained earnings		41 913 846	34 519 180
Total equity attributable to the shareholders of OJSC MOESK		**93 551 437**	**86 148 406**
Non-controlling interest		739 267	644 405
Total equity		**94 290 704**	**86 792 811**
Non-current liabilities			
Loans and borrowings	9	34 637 914	36 463 571
Employee benefits		376 596	282 963
Deferred tax liabilities		9 568 071	9 449 358
Total non-current liabilities		**44 582 581**	**46 195 892**
Current liabilities			
Loans and borrowings	9	16 626 659	19 796 981
Income tax payable		-	67 402
Other taxes payable		838 664	97 642
Trade and other payables		66 211 059	65 867 457
Provisions		427 657	694 878
Total current liabilities		**84 104 039**	**86 524 360**
Total equity and liabilities		**222 977 324**	**219 513 063**

The consolidated interim condensed financial information was approved on 27 November 2009:

Acting General Director

A.V. Mayorov

Chief Accountant

L.A. Sklyarova

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 21 and with the consolidated financial statements for the year ended 31 December 2008.

	6 months ended 30 June 2009 (unaudited) '000 RUR	6 months ended 30 June 2008 (restated) '000 RUR
Revenue	41 583 893	31 730 016
Operating expenses	(30 890 953)	(26 059 526)
Other operating income	1 162 533	1 006 585
Results from operating activities	**11 855 473**	**6 677 075**
Finance income	157 124	336 692
Finance costs	(2 513 457)	(1 193 997)
Profit before income tax	**9 499 140**	**5 819 770**
Income tax expense	(2 007 002)	(1 550 632)
Profit for the period	**7 492 138**	**4 269 138**
Total comprehensive income for the period	**7 492 138**	**4 269 138**
Total comprehensive income attributable to:		
Shareholders of OJSC MOESK	7 397 276	4 243 658
Non-controlling interest	94 862	25 480
Basic earnings per ordinary share (in Russian Roubles)	**0.152**	**0.087**

The consolidated interim condensed statement of comprehensive income was approved on 27 November 2009:

Acting General Director

A.V. Mayorov

Chief Accountant

L.A. Sklyarova

The consolidated interim condensed statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information set out on pages 9 to 21 and with the consolidated financial statements for the year ended 31 December 2008.

’000 RUR	**Attributable to shareholders of the Group**						**Non-controlling interest**	**Total equity**
	Share capital	**Treasury shares**	**Additional paid in capital**	**Revaluation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2009	**24 353 546**	**(8 365)**	**18 580 888**	**8 703 157**	**34 519 180**	**86 148 406**	**644 405**	**86 792 811**
Total comprehensive income for the period (unaudited)	-	-	-	-	7 397 276	7 397 276	94 862	7 492 138
Disposal of treasury shares (Note 8) (unaudited)	-	8 365	-	-	(2 610)	5 755	-	5 755
Balance at 30 June 2009 (unaudited)	**24 353 546**	**-**	**18 580 888**	**8 703 157**	**41 913 846**	**93 551 437**	**739 267**	**94 290 704**
Balance at 1 January 2008 (restated)	**24 353 546**	**(8 365)**	**17 883 947**	**8 270 005**	**27 329 052**	**77 828 185**	**1 096 634**	**78 924 819**
Total comprehensive income for the period (unaudited)	-	-	-	-	4 243 658	4 243 658	25 480	4 269 138
Discounting effect on loan given from the Parent company (unaudited)	-	-	662 093	-	-	662 093	-	662 093
Balance at 30 June 2008 (restated)	**24 353 546**	**(8 365)**	**18 546 040**	**8 270 005**	**31 572 710**	**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 9 to 21 and with the consolidated financial statements for the year ended 31 December 2008.

	6 months ended 30 June 2009 (unaudited) '000 RUR	6 months ended 30 June 2008 (restated) '000 RUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**9 499 140**	**5 819 770**
Adjustments for:		
Depreciation and amortization	4 930 170	3 810 954
Gain on disposal of property, plant and equipment	(902 573)	(758 343)
Impairment	65 019	-
Provisions	(267 221)	(44 741)
Finance income	(157 124)	(336 692)
Finance costs	2 513 457	1 193 997
Allowance for impairment of accounts receivable	212 217	11 642
Other non-cash items	(4 382)	(5 822)
Operating profit before changes in working capital	**15 888 703**	**9 690 765**
Change in inventories	149 372	9 590
Change in trade and other receivables	291 969	(2 250 867)
Change in trade and other payables	3 473 921	11 850 022
Change in taxes payable, other than income tax	629 626	1 903 014
Cash flows from operations before income taxes	**20 433 591**	**21 202 524**
Income taxes paid	(2 578 104)	(2 996 935)
Net cash from operating activities	**17 855 487**	**18 205 589**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	64 354	102 109
Acquisition of property plant and equipment	(9 728 173)	(21 670 780)
Proceeds from disposal of bank deposits	-	794 217
Acquisition of bank deposits	-	(136 000)
Acquisition of long-term investments	-	(2 500 000)
Interest received	38 338	166 406
Acquisition of intangible assets	(17 837)	(14 617)
Net cash used in investing activities	**(9 643 318)**	**(23 258 665)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	8 703 007	18 411 627
Repayment of borrowings	(12 424 598)	(7 138 444)
Payment of finance lease liabilities	(2 752 202)	(2 445 398)
Purchase of treasury shares	-	(13 867)
Interest paid	(1 209 966)	(112 000)
Net cash (used in)/generated from financing activities	**(7 683 759)**	**8 701 918**
Net increase in cash and cash equivalents	528 410	3 648 842
Cash and cash equivalents at beginning of period	6 152 592	4 938 102
Cash and cash equivalents at end of period	**6 681 002**	**8 586 944**

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 9 to 21 and with the consolidated financial statements for the year ended 31 December 2008.

1 Background

(a) Organisation and operations

Open Joint-Stock Company Moskovskaya Ob'edinennaya Electrosetevaya Kompaniya (OJSC MOESK or 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 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 Group's consolidated interim condensed financial information includes the following subsidiaries:

- OJSC Moskabel'set'montaj (MKSM);
- OJSC Moskabel'energoremont (MKER);
- OJSC Repair of Electrical and Technical Equipment Plant (RETEP);
- OJSC Energocentr.

On 1 July 2008 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. As at 30 June 2009 the party with ultimate control over the Group was the Russian Federation.

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.

The Group's principal activity is electricity transmission by means of electrical networks located in Moscow Region and the parts of Moscow. The Group also provides connection services as part of its core operations.

(b) Formation of the Group

The Russian electric utilities industry is 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 reform process the Group was legally formed on 30 June 2008 as a merger of OJSC MOESK and 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.

The merger has been accounted for as a business combination under common control. Accordingly, this consolidated interim condensed financial information is presented as if the merger had been completed before 1 January 2008 (Note 3).

(c) 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. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated interim condensed financial information reflects 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 2008.

(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 this consolidated interim condensed financial information is 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 2008.

3 Significant accounting policies

Except as described below, 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 2008.

Changes in accounting policy

(i) Business combinations under common control

In its consolidated financial statements for 2008 the Group changed its accounting policy regarding business combinations under common control in order to harmonize its IFRS accounting policies with the new parent company, OJSC MRSK Holding. Under the new policy such transactions are recognised at the carrying amounts in the combined entities' financial statements. The comparative information was restated as if the combinations were completed as at beginning of the earliest comparative period presented or, if later, at the date that common control was established. Under the previous policy business combinations arising from transfers of interests in entities under common control were accounted for at the date of acquisition. The change in accounting policy has the following impact on the Group's previously published financial information for the six-month period ended 30 June 2008:

Consolidated statement of comprehensive income as previously reported and restated for the six months ended 30 June 2008

'000 RUR	6 months ended 30 June 2008	Impact of change in accounting policy	6 months ended 30 June 2008 (restated)
Revenue	29 867 583	1 862 433	31 730 016
Operating expenses	(25 921 120)	(138 406)	(26 059 526)
Other operating income	77 539	929 046	1 006 585
Finance income	336 692	-	336 692
Finance costs	(1 063 944)	(130 053)	(1 193 997)
Income tax expense	(874 250)	(676 382)	(1 550 632)
Profit for the period	**2 422 500**	**1 846 638**	**4 269 138**

Consolidated statement of cash flows as previously reported and restated for the six months ended 30 June 2008

'000 RUR	6 months ended 30 June 2008	Impact of change in accounting policy	6 months ended 30 June 2008 (restated)
Profit before income tax	**3 296 750**	**2 523 020**	**5 819 770**
Adjustments for:			
Depreciation and amortization	2 682 328	1 128 626	3 810 954
Gain on disposal of property, plant and equipment	(41 078)	(717 265)	(758 343)
Provisions	(20 796)	(23 945)	(44 741)
Finance income	(336 692)	-	(336 692)
Finance costs	1 063 944	130 053	1 193 997
Allowance for impairment of accounts receivable	11 642	-	11 642
Other non-cash items	(3 493)	(2 329)	(5 822)

’000 RUR	6 months ended 30 June 2008	Impact of change in accounting policy	6 months ended 30 June 2008 (restated)
Operating profit before changes in working capital	**6 652 605**	**3 038 160**	**9 690 765**
Change in inventories	1 067	8 523	9 590
Change in trade and other receivables	543 666	(2 794 533)	(2 250 867)
Change in trade and other payables	4 656 236	7 193 786	11 850 022
Change in taxes payable, other than income tax	125 745	1 777 269	1 903 014
Cash flows from operations before income taxes and interest paid	**11 979 319**	**9 223 205**	**21 202 524**
Income taxes paid	(1 880 396)	(1 116 539)	(2 996 935)
Net cash from operating activities	**10 098 923**	**8 106 666**	**18 205 589**
Proceeds from disposal of property, plant and equipment	-	102 109	102 109
Proceeds from disposal of bank deposits	794 217	-	794 217
Interest received	162 718	3 688	166 406
Acquisition of property plant and equipment	(14 910 565)	(6 760 215)	(21 670 780)
Acquisition of long-term investments	(2 500 000)	-	(2 500 000)
Acquisition of bank deposits	(136 000)	-	(136 000)
Acquisition of intangible assets	-	(14 617)	(14 617)
Net cash used in investing activities	**(16 589 630)**	**(6 669 035)**	**(23 258 665)**
Proceeds from borrowings	16 208 265	2 203 362	18 411 627
Repayment of borrowings	(7 138 444)	-	(7 138 444)
Payment of finance lease liabilities	(2 445 166)	(232)	(2 445 398)
Purchase of treasury shares	(8 365)	(5 502)	(13 867)
Interest paid		(112 000)	(112 000)
Net cash from financing activities	**6 616 290**	**2 085 628**	**8 701 918**
Cash acquired in result of merger	3 670 635	(3 670 635)	-
Net increase in cash and cash equivalents	**3 796 218**	**(147 376)**	**3 648 842**
Cash and cash equivalents at beginning of period	4 790 726	147 376	4 938 102
Cash and cash equivalents at end of period	**8 586 944**	**-**	**8 586 944**

Consolidated statement of changes in equity as previously reported and restated as at 31 December 2007

'000 RUR	**As previously reported**	**Effect of changes in accounting policy**	**Restated**
Ordinary share capital	14 124 680	10 228 866	24 353 546
Treasury stock	-	(8 365)	(8 365)
Additional paid in capital	22 463 951	(4 580 004)	17 883 947
Revaluation reserve	8 270 005	-	8 270 005
Retained earnings	9 622 238	17 706 814	27 329 052
Total	54 480 874	23 347 311	77 828 185
Non-controlling interest	1 096 634	-	1 096 634
Total equity	**55 577 508**	**23 347 311**	**78 924 819**

(ii) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as at 1 January 2009. The application of revised IAS 1 had no material impact on the consolidated interim condensed financial information.

(iii) Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that is internally provided to the Board of Directors which is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously, the Group did not disclose information about operating segments.

Comparative segment information has been presented in this consolidated interim condensed financial information in accordance with the requirements of IFRS 8 Operating Segments. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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

Segment results that are reported to the Board of Directors include terms directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest income and expenses, other income and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, advances given for capital expenditures.

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 Company had exposure to the same risks as those, which existed as at and during the year ended 31 December 2008.

6 Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Board of Directors, the chief operating decision maker, to allocate resources to a segment and assess its performance.

The management has determined the following reportable segments:

- Electricity transmission in Moscow;
- Electricity transmission in Moscow region;
- Connection services in Moscow;
- Connection services in Moscow region.

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the segment "other".

The segment revenue and profit/(loss) before income tax for the six months ended 30 June 2009 are as follows (unaudited):

'000 RUR	**Electricity transmission**	**Connection services**	**Other**	**Total**
Revenues				
External revenues	37 651 943	3 560 555	371 395	41 583 893
Moscow	19 643 066	2 590 000	332 545	22 565 611
Moscow Region	18 008 877	970 555	38 850	19 018 282
Inter-segment revenue	-	-	1 068 523	1 068 523
Moscow	-	-	1 019 933	1 019 933
Moscow Region	-	-	48 590	48 590
Reportable segment profit/(loss) before income tax	7 508 041	1 415 513	(9 771)	8 913 783
Moscow	5 016 073	933 965	3 690	5 953 728
Moscow Region	2 491 968	481 548	(13 461)	2 960 055

Comparative segment revenue and profit/(loss) before income tax for the six months ended 30 June 2008 are as follows (unaudited):

'000 RUR	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	25 961 977	3 569 847	2 198 192	31 730 016
Moscow	13 425 508	2 185 889	2 184 661	17 796 058
Moscow Region	12 536 469	1 383 958	13 531	13 933 958
Inter-segment revenue	-	-	1 434 050	1 434 050
Moscow	-	-	1 282 843	1 282 843
Moscow Region	-	-	151 207	151 207
Reportable segment profit/(loss) before income tax	2 138 433	2 548 591	71 445	4 758 469
Moscow	3 231 985	1 903 752	60 988	5 196 725
Moscow Region	(1 093 552)	644 839	10 457	(438 256)

The segment assets are presented in the table below (unaudited):

'000 RUR	Electricity transmission	Connection services	Other	Unallocated	Total
30 June 2009					
Total assets	176 218 220	32 481 718	3 974 654	10 302 732	222 977 324
Moscow	120 741 335	21 843 437	3 456 304	-	146 041 076
Moscow Region	55 476 885	10 638 281	518 350	-	66 633 516
Unallocated	-	-	-	10 302 732	10 302 732
31 December 2008					
Total assets	151 564 392	27 090 778	4 869 193	35 988 700	219 513 063
Moscow	103 466 100	17 952 092	4 324 208	-	125 742 400
Moscow Region	48 098 292	9 138 686	544 985	-	57 781 963
Unallocated	-	-	-	35 988 700	35 988 700

Reconciliation of reportable segment profit:

’000 RUR	6 months ended 30 June 2009 (unaudited)	6 months ended 30 June 2008 (unaudited)
Reportable segment profit	8 923 554	4 687 024
Other profit or loss	(9 771)	71 445
Unallocated	(2 426 468)	496 563
Total profit before income tax per Russian Accounting Standards	**6 487 315**	**5 255 032**
Expenses associated with property, plant and equipment	2 109 641	757 292
Borrowing costs	1 042 063	872 924
Gain on disposal of property, plant and equipment	902 573	83 130
Expenses accrued on connection services	(766 837)	(1 309 429)
Allowance for impairment of accounts receivable	(212 217)	(11 642)
Other items	(63 398)	172 463
Consolidated profit before income tax per IFRS	**9 499 140**	**5 819 770**

Segment operating results that are reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards. Segment operating results represent the profit earned by each segment without allocation of finance income and expenses, other income and expenses which are included in “unallocated” component.

7 Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2009 the Group acquired assets with a cost of RUR 9 514 603 thousand.

Assets with a carrying amount of RUR 76 474 thousand were disposed of during the six months ended 30 June 2009 resulting in a gain on disposal of RUR 902 573 thousand, which is included in other operating income.

Assets with a carrying amount of RUR 65 019 thousand were impaired during the six months ended 30 June 2009. The result of impairment is included in operating expenses.

During the six months ended 30 June 2008 the Group acquired assets with a cost of RUR 14 563 264 thousand.

Assets with a carrying amount of RUR 117 186 thousand were disposed of during the six months ended 30 June 2008 resulting in a gain on disposal of RUR 758 343 thousand, which is included in other operating income.

(b) Capital commitments

Future capital expenditures for which contracts have been signed as at 30 June 2009 amount to RUR 60 353 171 thousand (31 December 2008: RUR 65 304 956 thousand) of which RUR 11 828 413 thousand (31 December 2008: RUR 21 343 016 thousand) is anticipated to be spent by 31 December 2009. In addition, the Group has entered into finance lease agreements for the items of property, plant and equipment in the amount of RUR 5 280 795 thousand (31 December 2008: RUR 5 280 795 thousand).

8 Equity

Treasury shares

During the six months ended 30 June 2009 the Group sold 5 576 625 treasury shares at RUR 5 766 thousand. The loss from sale of treasury shares in the amount of RUR 2 610 thousand was recognized in equity. As at 30 June 2009 the Group did not hold any own shares.

9 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 June 2009 '000 RUR	31 December 2008 '000 RUR
Non-current		
Unsecured bank facility	18 300 000	18 158 564
Unsecured bond issues	2 356 507	2 356 507
Finance lease liability	6 850 320	8 443 773
Promissory notes	7 131 087	7 504 727
Total non-current	**34 637 914**	**36 463 571**
Current		
Promissory notes	1 587 961	9 685 972
Current portion of finance lease liability	3 179 691	3 073 076
Current portion of bond issues	3 081 604	3 190 969
Unsecured bank facility	8 777 403	3 846 964
Total current	**16 626 659**	**19 796 981**

On 25 May 2009 the Group entered into a credit facility agreement with OJSC Alfa Bank. According to this agreement the Group received a loan in the amount of RUR 8 700 000 thousand at the interest rate of 18.7%. The loan is to be repaid on 25 May 2011.

During the six months ended 30 June 2009 the Group repaid four promissory notes amounting to RUR 6 211 198 thousand to JSC Bank of Moscow, three promissory notes amounting to RUR 3 101 136 thousand to LLC Commercial Bank Agropromcredit, unsecured bank facility amounting to RUR 2 042 074 thousand to JSC Bank VTB.

On 21 April 2008 the Group obtained the long-term unsecured syndicated loan maturing on 21 April 2010 at international markets. The Group obtained the first tranche of the loan in the amount of RUR 3 511 500 thousand at an interest rate of 9.58% per annum.

On 26 May 2008 the Group issued four promissory notes in the amount of RUR 5 000 000 thousand from JSC Bank of Moscow maturing on 26 May 2009. The interest rate on these promissory notes is 9% per annum.

On 28 May 2008 the Group issued two interest free promissory notes amounting to RUR 4 750 047 thousand to a related party maturing not earlier than 2010.

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 maturing before 31 December 2008.

During the six months ended 30 June 2008 the Group obtained credit lines for RUR 2 203 356 thousand under the agreement with JSC Sberbank maturing on 17 March 2009 and under the agreement with JSC Bank VTB maturing on 17 April 2009. The interest rate on the credit lines is 8.8%-8.9% per annum.

During the six months ended 30 June 2008 the Group repaid two promissory notes 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 RUR 3 361 632 thousand Barclays Bank PLC.

10 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.

11 Related party transaction

(a) Control relationships

As at 30 June 2009 the Parent of the Group was OJSC MRSK Holding, a state controlled entity.

The party with ultimate control over the Group was the Russian Federation, which held the majority of the voting rights of OJSC MRSK Holding.

(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 bonuses paid to the members of the Board of Directors during the six months ended 30 June 2009 was RUR 3 478 thousand (during the six months ended 30 June 2008: RUR 24 563 thousand).

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

'000 RUR	**Transaction value**	**Transaction value**	**Outstanding balance**	**Outstanding balance**
	6 months ended 30 June 2009	**6 months ended 30 June 2008**	**30 June 2009**	**31 December 2008**
Electricity transmission:				
Entities under common control of the parent and other state controlled entities	36 335 582	27 952 814	3 578 624	2 263 999
Other revenue:				
Entities under common control of the parent and other state controlled entities	585 380	315 097	199 068	426 561
	36 920 962	**28 267 911**	**3 777 692**	**2 690 560**

(ii) Expenses

'000 RUR	Transaction value	Transaction value	Outstanding balance	Outstanding balance
	6 months ended 30 June 2009	6 months ended 30 June 2008	30 June 2009	31 December 2008
Electricity transmission:				
Entities under common control of the parent and other state controlled entities	(13 495 280)	(6 119 356)	(1 000 507)	(613 863)
Other expenses:				
Entities under common control of the parent and other state controlled entities	(849 040)	(3 505 062)	(383 138)	(2 648 233)
	(14 344 320)	**(9 624 418)**	**(1 383 645)**	**(3 262 096)**

(iii) Advances

'000 RUR	Outstanding balance	Outstanding balance
	30 June 2009	31 December 2008
Advances received:		
Entities under common control of the parent and other state controlled entities	(14 674 952)	(11 729 878)
	(14 674 952)	**(11 729 878)**
Advances given:		
Entities under common control of the parent and other state controlled entities	8 570 906	7 788 850
	8 570 906	**7 788 850**

(iv) Loans and borrowings

'000 RUR	Transaction value	Transaction value	Outstanding balance	Outstanding balance
	6 months ended 30 June 2009	6 months ended 30 June 2008	30 June 2009	31 December 2008
Loans received:				
Entities under common control of the parent and other state controlled entities	-	(14 953 403)	(18 335 316)	(30 483 048)
	-	**(14 953 403)**	**(18 335 316)**	**(30 483 048)**

Loans are received under the market interest rate except for interest free loans received from parent company in the amount of RUR 4 750 047 thousand in May 2008. Upon initial recognition this loan was discounted using a market rate of 9%. The resulting difference was recognized in additional paid-in capital.

Related party revenue for electricity transmission is based on the tariffs determined by the government. Other related party transactions are based on normal market prices.

12 Events subsequent to the balance sheet date

On 31 July 2009 the Group concluded an additional agreement with OJSC Alfa Bank. According to this agreement the contracting parties changed the interest rate of RUR 8 700 000 thousand loan from 18.7% to 16%.