OJSC Territorial'naya generiruyuschaya kompaniya # 11

Interim condensed consolidated financial statements

for the six months ended 30 June 2011

OJSC Territorial’naya generiruyuschaya kompaniya #11

Interim condensed consolidated financial statements

for the six month ended 30 June 2011

Contents

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Report on review of interim condensed consolidated financial statements

To the Board of Directors of Open Joint Stock Company Territorial'naya generiruyuschaya kompaniya # 11 (OJSC TGK-11)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC TGK-11 and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

29 August 2011

OJSC Territorial'naya generiruyuschaya kompaniya # 11

Interim consolidated statement of financial position as at 30 June 2011

(All amounts are in thousands of rubles, unless stated otherwise)

	Note	30 June 2011 (unaudited)	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment	6	15,530,606	15,459,317
Intangible assets		74,904	75,896
Prepayments	6	1,141,048	17,662
Trade and other receivables		6,817	12,938
Total non-current assets		**16,753,375**	**15,565,813**
Current assets			
Inventories		1,391,171	725,045
Trade and other receivables		2,182,262	1,957,149
Prepayments		123,786	56,905
Prepaid income tax		2,513	15,113
VAT recoverable		9,014	10,312
Cash and cash equivalents		41,836	153,075
Total current assets		**3,750,582**	**2,917,599**
Total assets		**20,503,957**	**18,483,412**
Equity			
Share capital	7	5,128,277	5,128,277
Treasury shares	7	(20,671)	(20,671)
Additional paid-in capital	7	125,590	125,590
Retained earnings		7,669,487	7,280,359
Total equity		**12,902,683**	**12,513,555**
Liabilities			
Non-current liabilities			
Loans and borrowings	8	2,912,753	1,730,810
Employee benefits		472,806	492,173
Provisions	9	150,069	86,165
Deferred tax liabilities		1,255,764	1,158,244
Total non-current liabilities		**4,791,392**	**3,467,392**
Current liabilities			
Loans and borrowings	8	953,879	907,155
Trade and other payables		1,027,861	583,479
Income tax		2,014	-
Other taxes payable		270,033	479,008
Prepayments received		222,470	212,059
Payables to employees		303,019	279,333
Provisions		30,606	41,431
Total current liabilities		**2,809,882**	**2,502,465**
Total liabilities		**7,601,274**	**5,969,857**
Total equity and liabilities		**20,503,957**	**18,483,412**

General Director Kozhemyako S.I.

Chief Accountant Chizhenko I.V.

29 August 2011

The notes set out on pages from 6 to 16 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of comprehensive income for the six months ended 30 June 2011

(All amounts are in thousands of rubles, unless stated otherwise)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Revenue		10,972,946	10,609,696
Other operating income		138,078	82,432
Operating expenses		(10,521,895)	(9,906,477)
Operating profit		**589,129**	**785,651**
Finance income		1,962	11,794
Finance expenses		(90,810)	(136,141)
Net finance expenses		**(88,848)**	**(124,347)**
Profit before tax		**500,281**	**661,304**
Income tax	5	(111,153)	(175,892)
Profit for the period		**389,128**	**485,412**
Other comprehensive income		-	-
Total comprehensive income for the period		**389,128**	**485,412**
Earnings per ordinary share, basic and diluted (RUR per share)		**0.0008**	**0.0009**

The notes set out on pages from 6 to 16 are an integral part of these interim condensed consolidated financial statements.

OJSC Territorial'naya generiruyuschaya kompaniya # 11

Interim consolidated statement of cash flows for the six months ended 30 June 2011

(All amounts are in thousands of rubles, unless stated otherwise)

	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Operating activities		
Profit before tax	**500,281**	**661,304**
Adjustments for:		
Depreciation and impairment losses	577,739	577,802
Allowance for impairment of accounts receivable	207,028	158,710
Changes in other provisions	7,326	93,562
Net finance expense	88,848	124,347
(Profit)/loss on disposal of property, plant and equipment	(446)	520
Other non-cash transactions	3,403	25,357
Operating profit before changes in working capital, income taxes and interest paid	**1,384,179**	**1,641,602**
Changes in working capital:		
Increase in trade and other receivables	(420,841)	(181,826)
(Increase)/decrease in inventories	(666,118)	118,191
Increase in prepayments	(244,266)	(127,157)
Decrease in VAT recoverable	1,298	89
Increase/(decrease) in trade and other payables	445,827	(207,478)
(Decrease)/increase in other taxes payable	(208,975)	56,938
Increase in payables to employees	5,536	4,875
Decrease in employee benefits	(39,107)	(6,791)
Increase/(decrease) in prepayments received	10,411	(88,682)
Cash flows from operating activities before income taxes and interest paid	**267,944**	**1,209,761**
Interest paid	(123,855)	(130,815)
Income tax paid	(8,072)	(81,666)
Net cash inflows from operating activities	**136,017**	**997,280**
Investing activities		
Purchase of property, plant and equipment	(1,483,185)	(583,038)
Proceeds from disposal of property, plant and equipment	1,308	247
Repayment of loan issued	-	250,000
Other investing transactions	1,127	412
Net cash flows used in investing activities	**(1,480,750)**	**(332,379)**
Financing activities		
Proceeds from loans and borrowings	5,997,566	9,346,143
Repayment of loans and borrowings	(4,762,074)	(9,970,944)
Dividends paid	(36)	(332)
Other	(1,962)	(13,894)
Net cash flows from/(used in) financing activities	**1,233,494**	**(639,027)**
Net (decrease)/increase in cash and cash equivalents	**(111,239)**	**25,874**
Cash and cash equivalents at the beginning of the period	153,075	7,076
Cash and cash equivalents at the end of the period	**41,836**	**32,950**

The notes set out on pages from 6 to 16 are an integral part of these interim condensed consolidated financial statements.

OJSC Territorial'naya generiruyuschaya kompaniya # 11

Interim consolidated statement of changes in equity
for the six months ended 30 June 2011

(All amounts are in thousands of rubles, unless stated otherwise)

	Attributable to equity holders of TGK-11				
	Share capital	**Treasury shares**	**Additional paid-in capital**	**Retained earnings**	**Total equity**
At 1 January 2010	**5,128,277**	**(20,671)**	**125,590**	**7,407,147**	**12,640,343**
Total comprehensive income for the period (unaudited)	-	-	-	485,412	485,412
At 30 June 2010 (unaudited)	**5,128,277**	**(20,671)**	**125,590**	**7,892,559**	**13,125,755**
At 1 January 2011	**5,128,277**	**(20,671)**	**125,590**	**7,280,359**	**12,513,555**
Total comprehensive income for the period (unaudited)	-	-	-	389,128	389,128
At 30 June 2011 (unaudited)	**5,128,277**	**(20,671)**	**125,590**	**7,669,487**	**12,902,683**

The notes set out on pages from 6 to 16 are an integral part of these interim condensed consolidated financial statements.

(All amounts are in thousands of rubles, unless stated otherwise)

1 General information

(a) The Group and its operations

Open Joint Stock Company Territorial'naya generiruyuschaya kompaniya # 11 (hereinafter - the "Company" or "TGK-11") was established on 26 August 2005 in the course of reforming the Russian power industry. The reorganization of TGK-11 was completed on 1 November 2007 as a result of the merger of OJSC Omsk Electricity Generation Company (hereinafter - "OEGC") and JSC Tomskenergo (hereinafter - "Tomskenergo") with TGK-11.

The head office of TGK-11 is located at 5 Sovetskaya st., Novosibirsk, 630007, Russia.
As at 30 June 2011 and 31 December 2010
OJSC Territorial'naya generiruyuschaya kompaniya # 11 Group (hereinafter - the "Group") comprises TGK-11 and its subsidiaries:

	Ownership, %
OJSC Production and Repairs Enterprise Omskenergoremont	100
OJSC Engineering and Construction Company	100
OJSC Energoservis	100
LLC SibEnergoFinance	100

The Group's main activity is electricity and heat generation and sale.

The Group's consolidated financial statements as at and for the year ended 31 December 2010 are available upon request from TGK-11's head office or at the official website http://www.tgk11.com.

(b) Business environment in the Russian Federation

The Group operates in the Russian Federation. Accordingly, the Group's business is affected by economy and financial markets of the Russian Federation, which display certain characteristics consistent with a developing market. Legal, tax and administrative systems continue to evolve, but they are subject to varying interpretations and frequent changes, which, together with other legal and fiscal obstacles, create additional problems for enterprises operating in the Russian Federation. These interim condensed consolidated 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.

(c) Government regulation of tariffs for electricity and heat energy

The government affects the Group's activities by controlling tariffs for electricity and heat energy. The Federal Tariff Service and Regional Energy Commissions do not always approve increase of tariffs in line with the increase of the Group's expenses; therefore, certain tariffs may not be sufficient to cover all the Group's energy generation expenses. Tariffs are determined based on the expenses calculated in accordance with the Russian Accounting Standards.
Electric power generated in excess of volumes sold at regulated tariffs is realized at market prices on a non-regulated market.

2 Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements for the six months ended 30 June 2011 (hereinafter “Financial Statements”), have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*.

These financial statements do not include all the information and data to be disclosed in the annual financial statements and shall be considered collectively with the Group's financial statements as at and for the year ended 31 December 2010.

(b) Basis of cost measurement

These financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble (RUR), which is the functional currency of the Group entities and the presentation currency of these financial statements. All amounts in these financial statements are presented in rubles and have been rounded to the nearest thousand.

(d) Use of professional judgments, estimates and assumptions

For the purposes of preparing these financial statements, the Group's management made a number of estimates and assumptions in respect of assets, liabilities, income, expenses and contingent assets and liabilities. Estimates and assumptions are analyzed on an ongoing basis and based on the practical experience of the Group's management and other factors, including future expectations, which are deemed reasonable in current circumstances. The actual data may differ from these estimates.

Judgments, estimates and assumptions made by the Group’s management to prepare these financial statements correspond to the judgments, estimates and assumptions made for the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2010, except for estimates of future site restoration costs described in Note 9.

(e) New standards, interpretations and amendments

Accounting principles used in preparation of these financial statements correspond with the principles applied in preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2010, with the exception of new standards and interpretations adopted at 1 January 2011 and described below:

- Amendment to IAS 32 *Financial instruments: Presentation*

It amends the definition of a financial liability in IAS 32 in order to classify rights issues and certain options or warrants as equity instruments. The amendment is applied in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

2 Basis of preparation (continued)

(e) New standards, interpretations and amendments (continued)

- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

The amendment excludes unintended consequences that took place in situations when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. According to IFRIC 14, the entity's early payment for the future service cost can be recognized as a pension asset. Minimum funding requirements are not set in the Russian Federation, therefore, the Group is not subject to these requirements. Accordingly, the adoption of this amendment did not have any impact on the financial position or performance of the Group.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 *Business Combinations* - changes to valuation methods of non-controlling interest;
- IFRS 3 *Business Combinations* - clarifies that the contingent consideration resulting from a business combination performed before the adoption of IFRS 3 (amended 2008) is accounted under IFRS 3 (amended 2005).
- IFRS 3 *Business Combinations* - unreplaced or voluntarily replaced share-based consideration and its recognition as a part of a business combination;
- IAS 1 *Presentation of Financial Statements* - clarifies that the analysis of each component of other comprehensive income may be included in the statement of changes in equity or in notes to the financial statements.
- IAS 27 *Consolidated and Separate Financial Statements* - adoption of transitional requirements of IAS 27 (amended 2008) with regard to consequential amendments to the other standards within IFRS;
- IFRIC 13 *Customer Loyalty Programs* - in determining the fair value of points an entity should consider discounts and incentives, which would be also proposed to clients not participating in loyalty programs.

The Group has not early adopted any other standard, interpretation and amendment that was issued but is not yet effective.

3 Seasonality of operations

Demand level for heat and electricity is subject to seasonal fluctuations and depends on weather conditions. The highest revenues from heat sales are generated in the period from October to March. Electricity sales are also subject to seasonal fluctuations, though to a lesser extent, with the highest revenue period also falling on October through March. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, equipment repair and maintenance costs tend to grow in the period from April to September. The seasonality of operations does not have an impact on the accounting of operating income and expenses in accordance with the Group accounting policy.

4 Operating segments

The Group identifies the following operating segments:

- Generation (heat and electricity production) in the Omsk region.
- Generation (heat and electricity production) in the Tomsk region.

In accordance with a decision of the Board of Directors, beginning from 1 January 2010 for the management accounting purposes, the Group determines the segment performance result as gross profit adjusted by the depreciation amount. Gross profit is determined as net profit calculated at segment-level in accordance with Russian accounting principles (RAP). Comparative data for the six months ended 30 June 2010 have been presented correspondingly.

Information on the Group's segment performance is presented in the table below:

For the six months ended 30 June 2011 (unaudited):

	Omsk	**Tomsk**	**Total**
Revenue from external sales	7,904,883	3,045,334	10,950,217
Revenue from inter-segment sales	9,857	1,093	10,950
Depreciation	(317,145)	(241,388)	(558,533)
Reporting segments performance result	987,380	470,680	1,458,060

For the six months ended 30 June 2010 (unaudited):

	Omsk	**Tomsk**	**Total**
Revenue from external sales	7,242,976	3,334,338	10,577,314
Revenue from inter-segment sales	9,782	527	10,309
Depreciation	(315,782)	(225,183)	(540,965)
Reporting segments performance result	950,974	739,226	1,690,200

Reconciliation of reporting segments performance result by revenue, profit or loss for the period (unaudited):

	Six months ended 30 June 2011 (unaudited)	**Six months ended 30 June 2010 (unaudited)**
Total revenue of reporting segments	10,961,167	10,587,623
Undistributed amounts by segments	40,402	27,844
Revenue from inter-segment sales	(10,950)	(10,309)
Other items	(17,673)	4,538
Consolidated revenue	**10,972,946**	**10,609,696**

4 Operating segments (continued)

	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Reporting segments performance result	**1,458,060**	**1,690,200**
Undistributed amounts by segments	(69,017)	(86,640)
Adjustment of repair expenses	-	75,111
Change in provisions for unused vacation and bonus payments	(18,151)	(25,865)
Change in other provisions	10,825	(67,697)
Allowance for impairment of accounts receivable	(208,020)	(158,710)
Depreciation and impairment losses	(577,739)	(577,802)
Other items	(6,829)	(62,946)
Operating results according to IFRS	**589,129**	**785,651**
Net financial expense	(88,848)	(124,347)
Profit before tax	**500,281**	**661,304**

Other items are presented by other adjustments, which represent the difference between methods used for accounting in accordance with RAP and for financial statements in accordance with IFRS. For the six months ended 30 June 2011, the revenue received from the major external client - CJSC CFR amounted to 3,860,733 (for the six months ended 30 June 2010: 2,424,737).

5 Income tax

As at 30 June 2011, the Group recalculated its taxable profit for the years ended 31 December 2009 and 31 December 2010 and deducted for tax accounting purposes its mobilization expenses of 2,449,705 which were capitalized in the financial accounting records. The Group also adjusted the respective amounts of depreciation charge and writing down allowance of 996,400. The Group, therefore, filed amended income tax returns. No similar recalculations were made as at 30 June 2010.

As a result of this recalculation, the Group's deferred tax asset related to prior period losses per tax accounting records increased to 346,812. During the six months ended 30 June 2011, the Group utilized part of this tax asset amounting to 81,315 to cover current income tax expenses.

6 Property, plant and equipment

For the six months ended 30 June 2011, the Group acquired items of property, plant and equipment in total amount of 579,181 (for the six months ended 30 June 2010: 523,623).

For the six months ended 30 June 2011 the Group made advance payments in the amount of 1,123,386 to acquire property, plant and equipment (for the six months ended 30 June 2010: 77,751). Major portion of the prepayments relates to installation of PGU-90 and GTU-16 (Note 11).

7 Equity

(a) Share capital

As at 30 June 2011 and 31 December 2010 the Company has authorized and fully paid share capital of 512,827,729,472 ordinary shares with a par value of RUR 0.01.
As at 31 December 2010 nobody had control over the Group. On 28 March 2011 OAO INTER RAO UES acquired a controlling interest (83%) in the Group.

(b) Treasury shares

In September 2008 the Group purchased 725,282,150 treasury shares for the total amount of 20,671. These shares are held by one of the Group's subsidiaries and carried at the acquisition cost.

(c) Additional paid-in capital

Additional paid-in capital represents the amount of cash received by the Group in the year 2007 as a result of the sale of 100% shares of subsidiaries owned by Tomskenergo and OEGC, performed before their merger with TGK-11 under common control. These subsidiaries had not been consolidated in the retrospective consolidation period.

8 Loans and borrowings

The table below shows summarized information on the Group’s loans and borrowings.

	Currency	Effective interest rate (annual)	Maturity	31 December 2010
Non-current liabilities				
Long-term bank loans	RUR	8.28-14.2%	2012-2013	1,730,022
Finance lease liabilities	RUR	12.6%	2014	788
				1,730,810
Current liabilities				
Short-term bank loans	RUR	6.65-14.5%	2011	904,875
Financial lease liabilities, current portion	RUR	12.6%	2011	2,280
				907,155

	Currency	Effective interest rate (annual)	Maturity	30 June 2011 (unaudited)
Non-current liabilities				
Long-term bank loans	RUR	8.45-9.0%	2016	2,912,208
Finance lease liabilities	RUR	12.6%	2014	545
				2,912,753
Current liabilities				
Short-term bank loans	RUR	6.7-8.51%	2011-2012	953,318
Financial lease liabilities, current portion	RUR	12.6%	2011-2012	561
				953,879

8 Loans and borrowings (continued)

Bank loans

Bank loans bear fixed interest rate.

The effective interest rate is the market interest rate applicable to the loan at the date of origination.

9 Provisions

The site restoration provision is calculated based on expected costs and the time required to restore the land occupied by ash dumps after expiry of their useful life to avoid their damaging effect on the environment. The change in provision is related to revised site restoration costs. Below is the movement in the site restoration provision:

	2011	2010
As at 1 January	**86,165**	**81,048**
Unwinding of the discount (unaudited)	3,018	4,171
Change in estimates (unaudited)	60,886	6,816
As at 30 June (unaudited)	**150,069**	**92,035**

10 Financial instruments and risk management

The Group's activities are exposed to a variety of financial risks, including credit risk, liquidity risk and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not hedge these risks.

During the six months ended 30 June 2011, there were no material changes in financial risks and in the Group's financial risk management policies which are disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

11 Contingent liabilities

(a) Insurance

As at 30 June 2011, the Group has insurance coverage for its property, plant and equipment in the amount of 99,181,756 (as at 31 December 2010 - 13,481,534). As at 30 June 2011 and 31 December 2010, the Group has insurance coverage for liabilities to third parties in respect of damage to the environment and life and health injury arising from accidents on the Group's activities in the amount of 185,172. Nevertheless, the Group is exposed to a risk of negative impact on the Group's performance and financial position in case of a loss or damage to assets which have no or partial insurance coverage.

11 Contingent liabilities (continued)

(b) Litigation

The Group's entities are party to a number of legal proceedings arising in the ordinary course of business. The Group's management believes that there are no current legal proceedings or claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(c) Taxation

The taxation system in the Russian Federation is relatively new and is characterized 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. Fiscal periods remain open to review by the tax authorities for three subsequent calendar years; however, under certain circumstances reviews may cover longer periods. 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 exposures in the Russian Federation that are significantly higher 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 can differ and, if they will succeed in enforcing their interpretations, the effect on these financial statements can be significant.

(d) Environmental liabilities

The Group's entities are subject to extensive environmental control and regulation by federal and regional authorities. The management believes that the Group's production technologies comply with all requirements of environmental regulations of the Russian Federation. However, environmental laws and regulations continue to change. The Group is unable to predict timing or extent of such changes. Such changes, if they occur, may require the Group to modernize its technology in order to comply with more strict regulations.

(e) Contingencies related to compliance with instructions of state authorities for technical supervision

State authorities for technical supervision monitor the technical condition of the Group's production equipment on a regular basis. As a result of such reviews, the Group may be required to perform modernization or repairs of its production equipment. The total amount necessary to fulfill the requirements of state authorities for technical supervision issued to the Group as a result of such reviews as at 30 June 2011 cannot be estimated reliably, given that the volume, estimates and timing of the required measures are now under consideration and approval by the Group's management.

11 Contingent liabilities (continued)

(f) Capital construction obligation

Due to the entry into force of Decree of the Government of the Russian Federation No. 89 dated 24 February 2010, *Concerning Certain Issues Related to Organizing Long-Term Power Takeoff on a Competitive Basis on the Wholesale Market for Electrical Energy (Capacity)*, Decree of the Government of the Russian Federation No. 238 dated 13 April 2010, *Concerning the Determination of Pricing Parameters for Trading in Power on the Wholesale Market for Electrical Energy (Capacity) of the Transition Period,* and Instruction of the Government of the Russian Federation No. 1334-r dated 11 August 2010, *Concerning the Approval of the List of Generating Facilities to be Used for Supplying Capacity under Capacity Supply Agreements*, NP Market Council, together with wholesale market participants, developed a contractual framework for selling the capacity of new generating facilities which are under construction in accordance with suppliers' investment programs approved by the Government of the Russian Federation under the comprehensive investment program of RAO UES of Russia.

In accordance with the contractual framework, suppliers will enter into an agency agreement with JSC FSC, JSC TSA, NP Market Council and JSC SO UPS to sell investment capacities. In compliance with this agreement JSC FSC will enter into capacity supply agreements with all buyers of electrical energy (capacity) for and on behalf of the supplier.

On 1 November 2010, the Company entered into an Agency Agreement with JSC FSC, JSC TSA, NP Market Council and JSC SO UPS, in accordance with which JSC FSC undertakes to enter into capacity supply agreements in the interests of the Company.

From December 2010 through February 2011, JSC FSC entered into agreements for the supply of capacity of some generating facilities planned to be commissioned with a total capacity of 282 MW. According to the terms of the Agency Agreement, should the Company fail to meet the dates of commissioning the generating facilities or supply the requisite capacity, it will pay to the Agent a penalty, the amount of which will depend on the period by which the commissioning of the generating facilities is overdue, quantity of the undersupplied capacity and the price of the capacity under the long-term capacity supply agreement. The Company's management does not expect that it will be prevented from performing its obligations under the capacity supply agreements, in whole or in part.

In pursuance of its contractual obligations under the capacity supply agreement, TGK-11 has commenced the installation of the combined cycle plant PGU-90 at Omskaya TETs-3 and the gas turbine plant GTU-16 at Tomskaya PRK.

12 Related party disclosures

Below is the summary of the Group's transactions with the related parties, except for the transactions with state-controlled not-for-profit organizations (unaudited):

Related parties		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		for six months ended 30 June 2011		as at 30 June 2011 and 31 December 2010	
Parent company					
OAO INTER RAO UES	2011	15,415	-	1,290	-
	2010	-	-	-	-
Entities under common control					
OAO OGK-3	2011	4,187	10	-	-
	2010	-	-	-	-
OAO Altayenergosbyt	2011	29,730	-	-	-
	2010	-	-	-	-

Related parties	Type of operation	Amounts due from related parties as at 30 June 2011 (unaudited)	Amounts due from related parties as at 31 December 2010	Amounts due to related parties as at 30 June 2011 (unaudited)	Amounts due to related parties as at 31 December 2010
Key management personnel	Salaries and other benefits	4	29	1,084	1,828

During the six months ended 30 June 2011 the Group sold a portion of heat power to state-controlled not-for-profit entities in the amount of 1,117,647 (10.19 % of total revenue) (during the six months ended 30 June 2010: 1,553,476). Terms of these agreements were similar to those to third parties. Establishing procedure regarding tariffs for electricity and heat is disclosed in the Note 1 (c).

During the six months ended 30 June 2011 the Group sold a portion of heat power to state-controlled Group Gazprom in the amount of 1,040,227 (9.48 % of total revenue) (during the six months ended 30 June 2010: 797 155).

During the six months ended 30 June 2011 all the Group's gas purchases in the amount of 2,935,117 (during the six months ended 30 June 2010: 2 947 240) were made from state-controlled entities, based on contractual market prices. As at 30 June 2011, the Group's accounts payable to state-controlled entities for gas supply amount to 11,611 (as at 31 December 2010 – 20,098).

During the six months ended 30 June 2011 the Group obtained loans from state-controlled banks based on market interest rates. As at 30 June 2011, the Group's liabilities to state-controlled banks amount to 1,856,000 (as at 31 December 2010 - 93,754).

12 Related party disclosures (continued)

Other purchases from state-controlled entities represented an insignificant portion of other Group's purchases.

Terms and conditions of transactions with related parties

At the end of reporting periods outstanding balances are unsecured, interest-free, except for loans, and settled mainly in cash.

Compensation to key management personnel

	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Salaries and other benefits	37,476	22,646
	37,476	**22,646**

13 Events after the reporting period

On 30 December 2010, the Supervisory Board of NP Market Council approved changes to the wholesale market trading procedures to allow from 1 January 2011 non-regulated pricing by II price zone power generation plants operating at a minimum sustaining level.

After rigorous and extensive consultations at the Russian Ministry of Energy, NP Market Council, JSC TSA and the Federal Tariff Service of Russia have developed proposals and discussed the relevant decisions with all infrastructure entities operating on the wholesale electricity market. The Supervisory Board of NP Market Council adopted the required changes to the procedures regulating the wholesale electricity market. By virtue of these changes, the generation plants at Omskaya TETs-3 and TETs-4, Tomskaya GRES-2 and TETs-3, which operate at a minimum sustaining level, from 1 July to 31 December 2011 are allowed to sell energy on the day-ahead market at the tariffs published by the Federal Tariff Service.