

**OGK-1 GROUP
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2008**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Open Joint Stock Company "First Generating Company of the Wholesale Electric Power Market" (JSC "OGK-1"):

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion we draw your attention to Notes 1, 28 and 29 to the accompanying consolidated financial statements. Governmental economic and social policies affect the Group's financial position, financial performance and cash flows.

ZAO PricewaterhouseCoopers Audit

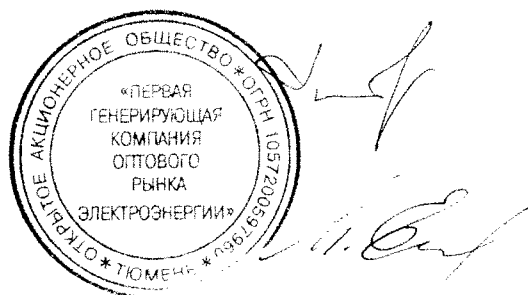
Moscow, Russian Federation
30 April 2009

OGK-1 GROUP
Consolidated Balance Sheet as at 31 December 2008
(in millions of Russian Roubles)

	Notes	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	7	33,677	29,557
Other non-current assets	8	477	315
Total non-current assets		34,154	29,872
Current assets			
Cash and cash equivalents	9	1,930	425
Accounts receivable and prepayments	10	4,377	3,372
Inventories	11	2,706	2,396
Loans issued	12	6,543	-
Other current assets	13	200	286
Total current assets		15,756	6,479
TOTAL ASSETS		49,910	36,351
EQUITY AND LIABILITIES			
Equity			
Share capital	14	25,660	25,660
Treasury shares		(40)	-
Merger reserve		(6,869)	(6,869)
Other reserves		(62)	(32)
Retained earnings		14,098	6,771
Total equity		32,787	25,530
Non-current liabilities			
Deferred profit tax liabilities	15	2,814	2,890
Pension liabilities	16	419	439
Non-current debt	17	3,316	521
Other non-current liabilities		7	8
Total non-current liabilities		6,556	3,858
Current liabilities			
Current debt and current portion of non-current debt	18	7,356	4,790
Accounts payable and accrued charges	19	2,651	1,649
Taxes payable	20	560	524
Total current liabilities		10,567	6,963
Total liabilities		17,123	10,821
TOTAL EQUITY AND LIABILITIES		49,910	36,351

General Director

Chief Accountant



Khlebnikov V.V.

Evdokimova M.R.

30 April 2009

OGK-1 GROUP

Consolidated Statement of Operations for the year ended 31 December 2008

(in millions of Russian Roubles, except for earnings per ordinary share information)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Revenues	21	49,898	44,891
Operating expenses	22	(47,249)	(41,926)
Operating profit		2,649	2,965
Gain on dilution of interest in NVGRES Holding Ltd.	25	4,641	-
Finance income / (costs)	23	628	(217)
Profit before profit tax		7,918	2,748
Total profit tax charge	15	(461)	(782)
Profit for the period		7,457	1,966
Attributable to:			
Shareholders of JSC OGK-1		7,457	1,966
Earnings per ordinary share for profit attributable to the shareholders of JSC OGK-1 – basic and diluted (in Russian Roubles)	24	0.167	0.044

General Director

Chief Accountant



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30 April 2009

OGK-1 GROUP

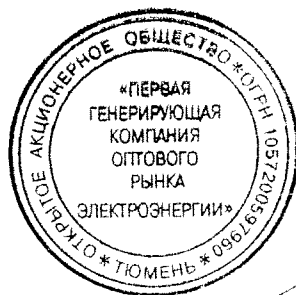
Consolidated Statement of Cash Flows for the year ended 31 December 2008

(in millions of Russian Roubles)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before profit tax		7,918	2,748
Adjustments to reconcile profit before profit tax to net cash provided by operations:			
Depreciation of property plant and equipment	22	1,640	1,490
Loss / (gain) on disposal of property plant and equipment	22	3	(3)
Write off of inventories to net realizable value	22	21	1
Write-off of accounts receivable	22	-	16
Impairment of accounts receivable	22	127	128
Finance (income) / costs	23	(628)	217
Change of pension liabilities		(61)	197
Write off of deferred VAT		-	(192)
Gain on dilution of interest in NVGRES Holding Ltd.	25	(4,641)	-
Other		194	7
Operating cash flows before working capital changes and profit tax paid		4,573	4,609
Working capital changes:			
Increase in accounts receivable and prepayments		(982)	(1,591)
Decrease / (increase) in other current assets		89	(286)
(Increase) / decrease in inventories		(330)	150
Increase in other non-current assets		(41)	(96)
Increase in accounts payable and accrued charges		1,027	579
Increase / (decrease) in taxes payable		215	(7)
Decrease in other non-current liabilities		(1)	(1)
Profit tax paid		(567)	(1,041)
Net cash generated by operating activities		3,983	2,316
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment		(7,357)	(4,647)
Proceeds from sales of property, plant and equipment		187	17
Proceeds from sales of subsidiaries		-	3
Proceeds from share issuance by NVGRES Holding Ltd.	25	6,291	-
Interest received		80	1
Loans issued		(6,244)	-
Net cash used by investing activities		(7,043)	(4,626)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt		12,060	4,200
Proceeds from non-current debt		1,800	2,200
Repayment of debt		(8,310)	(3,170)
Repayment of financial lease liabilities		(240)	(120)
Interest paid		(713)	(158)
Purchase of treasury shares		(32)	-
Dividends paid		-	(766)
Net cash generated by financial activities		4,565	2,186
Increase / (decrease) in cash and cash equivalents		1,505	(124)
Cash and cash equivalents at the beginning of the period		425	549
Cash and cash equivalents at the end of the period		1,930	425

General Director

Chief Accountant



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30 April 2009

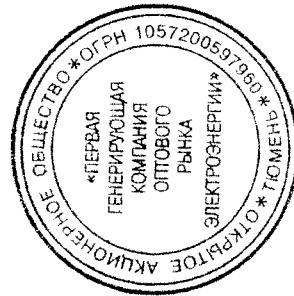
OGK-1 GROUP
Consolidated Statement of Changes in Equity for the year ended 31 December 2008
(in millions of Russian Roubles)

Attributable to the shareholders of JSC OGK-1

	Ordinary share capital	Treasury shares	Merger reserve	Other reserves	Retained earnings	Total
As at 1 January 2007	44,643	-	(25,852)	-	5,457	24,248
Decrease in share capital (Note 14)	(18,983)	-	18,983	-	-	-
Provision for buy out of JSC OGK-1 shares (Note 14)	-	-	-	(32)	-	(32)
Profit for the period	-	-	-	-	1,966	1,966
Dividends (Note 14)	-	-	-	-	(644)	(644)
Other	-	-	-	-	(8)	(8)
As at 31 December 2007	25,660	-	(6,869)	(32)	6,771	25,530
As at 1 January 2008	25,660	-	(6,869)	(32)	6,771	25,530
Change in fair value of available-for-sale investments	-	-	-	(62)	-	(62)
Profit for the period	-	-	-	-	7,457	7,457
Total recognized income for the period	-	-	-	(62)	7,457	7,395
Purchase of treasury shares (Note 14)	-	(351)	-	32	-	(319)
Merger with JSC OGK-1 Holding (Note 14)	-	311	-	-	(130)	181
As at 31 December 2008	25,660	(40)	(6,869)	(62)	14,098	32,787

General Director

Chief Accountant



Khlebnikov V.V.

Evdokimova M.R.

30 April 2009

OGK-1 GROUP

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

Note 1: The Group and its operations

Open Joint-Stock Company First Power Generating Company on the Wholesale Energy Market (JSC OGK-1, or the "Company") was established on 23 March 2005 within the framework of the Russian electric power industry restructuring in accordance with Resolution No. 1254-r adopted by the Government of the Russian Federation ("RF") on 1 September 2003.

The Company is registered by the District Inspectorate of the Ministry RF of Taxation No. 3 of Tyumen region. The legal address of the Company is 1/1, Odesskaya street, Tyumen, Tyumen Region, Russian Federation.

The Company's head office is located at 13/17, Bolshaya Cheremushkinskaya street, 117447, Moscow, Russian Federation.

The OGK-1 Group (the "Group") primarily consists of JSC OGK-1, two service subsidiaries and an interest in joint venture NVGRES Holding Ltd. (Nizhnevartovskaya GRES). JSC OGK-1 has the following power station assets: Permskaya GRES, Urengoyskaya GRES, Irikhinskaya GRES, Kashirskaya GRES, and Verkhnetagilskaya GRES.

The Group primary activities are generation and sale of electric power, capacity and heat energy, including re-sale of purchased electric power and capacity.

(a) Change in the Group

On 10 December 2007 JSC OGK-1 established a 100% owned subsidiary, CJSC Nizhnevartovskaya GRES. The property of Nizhnevartovskaya power station, a branch of JSC OGK-1, was contributed to this new entity

Further, on 6 March 2008 JSC OGK-1 established a 100% owned subsidiary, NVGRES Holding Ltd., located in Cyprus. JSC OGK-1 contributed in return for the share capital of NVGRES Holding Ltd. (10,000 shares par value EURO 1.00) its 100% share in CJSC Nizhnevartovskaya GRES (5,806,456,876 ordinary shares par value RR 1.00).

On 1 August 2008 NVGRES Holding Ltd. issued 3,335 additional shares with a par value of EURO 1.00 that comprised 25% plus one share of the increased share capital. All issued shares were acquired by TNK-BP International Limited (TNK-BP) for EURO 230,082 thousand. TNK-BP is a leading Russian oil and gas exploration and development company.

On 15 February 2008 JSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station and to finance, construct and operate a third unit at that power station with a capacity of 800 MW (Note 1). Pursuant to the terms of the Agreement, JSC OGK-1 and TNK-BP International Ltd jointly control NVGRES Holding Ltd.

(b) Reorganization of RAO UES

As at 30 June 2008 the Russian Federation owned 52.7% of Open Joint Stock Company Energy and Electrification Unified System of Russia ("RAO UES"), which in turn owned 91.7% of voting ordinary shares of JSC OGK-1.

On 1 July 2008 RAO UES completed a corporate reorganization ("the reorganization") and ceased to exist.

As a part of the reorganization, on 1 July 2008 JSC OGK-1 Holding was formed by the way of a spin-off from RAO UES as a new legal entity. Simultaneously with its formation, OJSC OGK-1 Holding was merged with JSC OGK-1 and its shares were converted into JSC OGK-1 shares.

As a result of the reorganization each holder of RAO UES shares, except for the Government of the Russian Federation was entitled to a number of shares in JSC OGK-1 Holding in proportion to the number of RAO UES shares held as at 6 June 2008. Subsequently, these shareholders became shareholders of JSC OGK-1 upon conversion of JSC OGK-1 Holding shares to shares in JSC OGK-1.

Shares of JSC OGK-1 owned by the Government of the Russian Federation are allocated between JSC Federal Grid Company (FGC UES) and JSC RusHydro.

OGK-1 GROUP

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

(c) Relations with the State and current regulation

As at 31 December 2008 the Government of the Russian Federation owned 77.7% of JSC FGC UES and 60.4% of JSC RusHydro, which in turn owned 40.2% and 21.7% of the voting ordinary shares of JSC OGK-1 respectively. The Government of the Russian Federation is the ultimate controlling party of the Group.

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

The Government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service on Tariff ("FST"), with respect to its wholesale energy sales, and by the regional services on tariff ("RSTs"), with respect to its heat sales. The operations of all generating facilities are coordinated by JSC System Operator of Unified Energy System ("SO UES"). SO UES is controlled by the Russian Federation.

Tariffs for heat are calculated in accordance with a "cost-plus" method, tariffs for electric power and capacity are calculated by an indexation method.

The Group is affected by Government policy through control of tariffs and other factors. The FST have not always permitted tariff increases in line with the Group's costs and thus some tariffs are insufficient to cover all the costs of generation. Moreover, increases in these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognised under an IFRS basis of accounting.

Starting from 1 January 2008, the share of electric power and capacity traded in the wholesale electric power and capacity market at non-regulated prices increased from 10% to 15%. The pace of such increase was set by the Government of the Russian Federation in accordance with socio-economic development forecasts. It is expected that the share of electric power and capacity traded at non-regulated prices will continue to increase and will, by the end of 2011, be the primary market for the distribution and sale of electricity by the Group.

The Government of the Russian Federation's economic, social and other policies could materially effect the operations of the Group.

Note 2: Financial condition

(a) Operating environment of the Group

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing Global financial and economic crisis ("the economic crisis") is proving to be difficult to anticipate or completely guard against.

In large part, because of this global economic crisis and despite strong economic growth in recent years, the Russian economy significantly deteriorated during 2008, particularly in the fourth quarter. Since September 2008, there has been a significant decline in the Russian stock market, the Russian Rouble (RR) has depreciated against certain major currencies, domestic interest rates have increased and the commodities industry, which is a significant contributor to the Russian economy, has seen prices fall precipitously. Furthermore, the volume of wholesale financing has also been significantly reduced.

To date, the impacts on the Group have ranged from lower demand levels for electricity due to decreasing industrial output across the Russian economy, to increased counter party risk, and to tighter credit markets which could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Deteriorating operating conditions for customers of the Group may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in their impairment assessments.

OGK-1 GROUP

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the global or Russian economy. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

(b) Financial condition of the Group

As at 31 December 2008, the Group had cash and deposit balances of approximately RR 1,930 million and outstanding debt of RR 10,672 million. The outstanding debt amount includes short-term debt of RR 6,356 million which is required to be repaid or refinanced during 2009. Included in short-term debt amount is RR 1,000 million due to CJSC Commerzbank which has been reclassified to current from long-term debt as the Group is in violation of certain financial covenants as of 31 December 2008.

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards on a going concern basis which presumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

In preparing these financial statements on such a basis, management has considered the macro-economic environment discussed above and the Group's debt position as at 31 December 2008 and believes that through its operations and through its ability to obtain additional financing the Group will be capable of funding its obligations and funding investment and operational requirements for the foreseeable future. In support, management considers the following factors to be significant:

- The Group has engaged in a number of measures to reduce costs and match expenditures to available funding, including the deferral of expenditure on certain development projects including the construction of the Urengoyskaya power station, see Note 7.
- In January 2009 Moody's Rating Agency rated JSC OGK-1 as having an international credit rating at the level of Ba3/Stable Forecast. This rating is consistent with the 2007 rating.
- On 25 March 2009, CJSC Commerzbank amended the financial covenants' requirements to be based on IFRS financial statement data rather than Russian statutory financial statement data. Based on this amendment, the Group is no longer in violation of the covenants.
- In March 2009, the rights attributable to JSC OGK-1's shares owned by JSC FGC UES (40.2% of total shares) and JSC RusHydro (21.7% of total shares), except for disposition rights, were transferred to JSC INTER RAO UES ("INTER RAO"), a State-controlled entity. Pursuant to this transfer, INTER RAO holds a controlling interest in the Group (Note 30). Also in March 2009, the Group entered into a loan agreement with INTER RAO whereby INTER RAO provided RR 1.7 billion to the Group
- Currently, the Group has unused open lines of credit amounting to approximately RR 10 billion. This amount includes the following lines of credit opened subsequent to 31 December 2008:
 - In January 2009, JSC VTB Bank provided the Group with a short-term credit limit of RR 1.5 billion.
 - In February 2009, the Group signed a loan agreement with Vnesheconombank for a five year term special-purpose credit line for RR 1.3 billion to finance the technical upgrading project at power generating unit No. 3 of Kashirskaya GRES.

The Group believes that the efforts and developments discussed above, together with ongoing efforts to secure long-term funding, will be sufficient to ensure the long-term financial stability of the Group and allow for the completion of strategic initiatives to grow the business.

As at 31 December 2007, the Group's current liabilities exceeded its current assets by RR 484 million, primarily related to the reclassification of long-term debt as current pursuant to the requirements of Russian law whereby creditors have the right to claim early repayment of debt in circumstances where the debtor company had resolved to merge with another company.

Pursuant to the decision to merge the Company and JSC OGK-1 Holding and per the application of Russian law, as discussed above, reclassified non-current debt amounted to RR 2,200 million as at 31 December 2007. These debt amounts were with CJSC Commerzbank and CJSC ING BANK (Eurasia) (see Note 18).

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

Subsequent to 31 December 2007, no creditor claimed early repayment of non-current debts from the Company. If the Company had not made the reclassification of non-current debt its current assets would have exceeded current liabilities by RR 1,716 million as at 31 December 2007.

Note 3: Basis of preparation

These consolidated financial statements ("Financial Statements") for the year ended 31 December 2008 have been prepared in accordance with IFRS. The Financial Statements are prepared on the historical cost basis except for certain financial instruments that are measured at fair value as described in Note 4.

Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation, except for NVGRES Holding Ltd. which maintains its accounting records in Euros and prepares its financial statement in accordance with IFRS. These Financial Statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Note 4: Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1. Consolidation**(a) Subsidiaries**

Subsidiaries are those entities over which the Company has the ability to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the cost cannot be recovered.

(b) Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in jointly controlled entities are accounted for using proportionate consolidation. The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over jointly controlled entities or where investments in joint ventures are reclassified to non-current assets held-for-sale.

Gains, losses and balances on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

4.2. Segment information

The Group operates in a single geographical area and industry, the generation of electric power, capacity and heat in the Russian Federation. The generation of electric power, capacity and heat are related activities and are subject to similar risks and returns; therefore they are reported as one business segment.

4.3. Foreign currency translation**(a) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of each of the Group's entities and the currency in which these Financial Statements are presented. All financial information presented in RR has been rounded to the nearest million.

(b) Transactions and balances

Monetary assets and liabilities, which are held by Group entities and denominated in foreign currencies at the balance sheet date, are measured into RR at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the measurement of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of operations.

(c) Group companies

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

As at 31 December 2008, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the RR and the US Dollar ("USD") was RR 29.38: USD 1.00 (31 December 2007: RR 24.55: USD 1.00), between the RR and EURO RR 41.44: EURO 1.00 (31 December 2007: RR 35.93: EURO 1.00).

4.4. Property, plant and equipment**(a) Recognition and measurement**

As at 31 December 2008 property, plant and equipment are stated at the carrying value determined at the date of their transfer to the Group by RAO UES, and adjusted for further additions, disposals and depreciation charges. Deemed cost was initially determined by a third party valuation as at 31 December 1997 and restated for the impact of inflation until 31 December 2002.

Cost of acquired assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self constructed asset includes cost of materials and direct labour. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Where an item of property, plant and equipment comprises major components with different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net in "Gain (loss) on disposals of property, plant and equipment" in the statement of operations.

(b) Subsequent costs

Renewals and improvements are capitalised and the assets replaced are retired. The costs of repair and maintenance are expensed as incurred.

(c) Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. The remaining useful lives are reviewed annually.

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

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

Type of facility	Revised starting from 1 January 2006
Power equipment	10-25
Production buildings	20-75
Facilities	15-41
Substations	8-25
Hydrotechnical facilities	13-67
Electricity grids and heating networks	3-28
Other	2-18

(d) Leased assets

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The assets acquired under finance leases are depreciated over their useful life.

(e) Impairment of property, plant and equipment

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of operations. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

4.5. Financial assets**4.5.1. Classification**

The Group classifies its financial assets into two categories: a) loans and receivables and b) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

4.5.2. Recognition and measurement

Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets are measured at fair value. Investments in quoted equity instruments classified as available-for-sale financial assets are measured at quoted market prices as of the reporting date. Investments in equity instruments for which there are no available market quotations are accounted for at fair value. The fair value of unquoted debt instruments classified as available-for-sale financial assets is determined using discounted cash flow valuation techniques based on prevailing market interest rates for similar instruments.

Gains and losses arising from changes in the fair value of securities classified as available-for-sale financial assets are recognized in equity in the consolidated statement of changes in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of operations as gains (losses) on disposal of available-for-sale financial assets.

4.5.3. Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment losses for financial assets carried at amortized cost are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the statement of operations.

4.6. Cash and cash equivalents

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

4.7. Accounts receivable and prepayments

Accounts receivable are recorded inclusive of value added taxes. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. Such provision for doubtful debtors is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of

OGK-1 GROUP

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

interest for similar borrowers at the date of origination of receivables. Prepayments are carried at cost less provision for impairment. Prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

4.8. Value added tax on purchases and sales

Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where a provision was recorded for impairment of receivables, the impairment loss was recorded for the gross amount of the debtor's balance, including VAT.

4.9. Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

4.10. Share capital

(a) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(b) Treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity attributable to the Company's equity holders until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the shareholders of JSC OGK-1.

4.11. Deferred profit tax

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

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

Deferred tax is not provided for the undistributed earnings of subsidiaries, as the Group requires profits to be reinvested, and only insignificant dividends are expected to be declared from future profits of the subsidiaries. Neither these future profits nor the related taxes are recognized in these financial statements.

4.12. Pension and post-employment benefits

In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

The Group operates a number of defined benefit plans: lump-sum payments at retirement, jubilee benefits, financial support for current pensioners, old-age life pension program and death benefits. Defined benefits plans, except old-age life pensions, are paid on a pay-as-you-go basis. For old-age life pension payments, the Group has contracted with a non-state pension fund. The Group settles its obligations in relation to former employees when they retire from the Group by purchasing annuity policies in the fund. All defined benefits plans are considered to be fully unfunded. When the pension obligation is settled via a non-state pension fund, the employer buys an annuity with the amount of contributions allocated to individual accounts held by the non-state pension fund and any additional contributions that may be required from the employer to meet the cost of the benefit promise.

Defined benefit plans determine the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligations at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service cost. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates on Government bonds that are denominated in Russian Roubles, and that have terms to maturity approximating the terms of the related pension liabilities.

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

4.13. Debt

Debt is recognised initially at its fair value, net of transaction costs incurred. Debt is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of operations as an interest expense over the period of the debt using the effective interest method.

4.14. Accounts payable and accrued charges

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

4.15. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4.16. Revenue recognition

Revenue is recognised on the delivery of electric power, capacity and heat during the period. Revenue amounts are presented exclusive of value added tax.

4.17. Leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

4.18. Interest

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Financial expenses comprises interest expense on borrowings other than interest expense on borrowings to finance the construction of property, plant and equipment, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on gross basis.

4.19. Profit tax

The profit tax expense for the period comprises current and deferred tax. The profit tax recognised in the statement of operations, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of operations because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

4.20. Earnings per share

The earnings per share are determined by dividing the profit attributable to ordinary shareholders of JSC OGK-1 by the weighted average number of ordinary shares outstanding during the reporting period.

4.21. Dividends

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

4.22. New Standards and Interpretations**(a) Interpretations effective in 2008**

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

(b) Amendments early adopted by the Group

- IAS 23 (Amendment), 'Borrowing costs' was early adopted from 1 January 2007. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. As a result starting from 1 January 2007 the Group prospectively capitalizes such borrowing costs as part of the cost of the asset.
- IAS 23 (Amendment), 'Borrowing costs'. The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments': Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23.

(c) Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- IFRIC 12, 'Service concession arrangements'.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 January 2009.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

The Group will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will

apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) from 1 January 2009.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The Group will apply the IAS 39 (Amendment) from 1 January 2009.
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply IFRS 1 (Amendment) from 1 January 2009.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised standard is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize

at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) from 1 January 2010.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009.
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009). IFRIC 17 provides guidance on accounting of distribution of assets other than cash (non-cash assets) as dividends to its owners. It also clarifies the situations, when entity gives its owners a choice of receiving either non-cash assets or cash alternative. The Group will apply IFRIC 17 from 1 January 2010.
- IFRIC 18, 'Transfers of Assets from Customers' (effective from 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.
- Amendments to IFRIC 9 and IAS 39 (effective from 1 July 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analyzed in detail.

Unless otherwise described above, these revised standards, amendments and interpretations are not expected to significantly affect the Group's financial statements.

(e) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

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

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments:

Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.

- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight-line method.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.
- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed

structure in order to make it easier for the reader to understand and to better accommodate future changes.

- Eligible Hedged Items – Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.
- Improving Disclosures about Financial Instruments - Amendment to IFRS 7, 'Financial Instruments: Disclosures' (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2008 (not addressed above).

Note 5: Critical accounting estimates and assumptions

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

(a) Provision for impairment of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectability of specific customer accounts deteriorated compared to prior estimates. If there is a deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates (see Note 10).

(b) Provision for impairment of other assets

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the statement of operations in the period in which the reduction is identified. If conditions change and management determines that the value of an asset other than goodwill has increased, the impairment provision will be fully or partially reversed (see Note 7).

(c) Tax contingencies

Russian tax legislation is subject to varying interpretations. The Group's uncertain tax positions (potential tax gains and losses) are reassessed by management at every balance sheet date. Liabilities are recorded for profit tax positions that are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes other than on profit are recognized based on management's best estimates of the expenditure required to settle tax obligations at the balance sheet date.

(d) Useful lives of property, plant and equipment

The estimation of the useful lives of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

(e) Accounting for plan assets and pension liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions. Actual results may differ from the estimates, and the Group's estimates can be revised in the future (see Note 16).

Note 6: Financial instruments and financial risk factors**6.1. Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including the effects of changes in foreign currency exchange rates, changes in interest rates), credit risk and liquidity risk. The Group does not have an approved risk policy in order to hedge its financial exposures.

(a) Market risk**(i) Foreign currency exchange risk**

Electric power, capacity and heat produced by the Group are sold on the domestic market of the Russian Federation with prices fixed in the RR. Hence, the Group's net exposure to foreign currency exchange risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities is minimal. The financial condition of the Group, its liquidity, financing sources, and the results of activities do not depend on foreign currency rates as the Group activities are planned and performed so that its assets and liabilities are denominated in the national currency (the Russian Rouble). Moreover, the Group does not plan to perform activities outside of the Domestic market.

However the Group is exposed to foreign exchange risk arising from a loan issued (Note 12) and cash and cash equivalents (Note 9) denominated in EURO:

Contractual foreign currency assets (in millions)	31 December 2008
EUR	232

A sensitivity analysis for foreign currency exchange rate risk at the reporting date is shown in the table below:

Foreign currency exchange rate	-10%	-5%	+5%	+10%
The hypothetical effect on profit / (loss)	(953)	(477)	477	953

(ii) Interest rate risk

The Group's debt financing activities expose it to interest rate risk. As at 31 December 2008, the Group has loans amounting to RR 4,000 million with international banks with a floating rate of MosPrime3M.

A sensitivity analysis to change in interest rates at the reporting date is shown in the table below:

Interest rate (absolute)	-1%	+1%	+5%	+10%	+15%
The hypothetical effect on financial expenses	(40)	40	200	400	600

(b) Credit risk

Financial assets which potentially subject Group entities to concentrations of credit risk consist principally of trade receivables.

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore the Group assesses the credit quality of the customer at the contract execution stage. The Group takes into account the customer's financial position and its credit history. The Group monitors the existing receivables on a continuous basis and takes actions regularly to ensure collection or to minimize losses.

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

The table below shows balances with the major counterparties at the balance sheet date:

	31 December 2008	31 December 2007
CJSC Financial Settling Center (CJSC CFR)	625	566
OJSC Dagestanskaya energy distribution company	216	21
Municipal unitary enterprise Teploresurs, (city Kashira)	126	57
OJSC SUAL	64	-
OJSC Sverdlovenergosbyt	62	-
OJSC Tyumenskaya energy distribution company	51	48
Municipal unitary enterprise UZHKKH (Energetic district)	33	12
Municipal unitary enterprise Dobryanskaya retail company	27	42
Municipal unitary enterprise UZHKKH, (Verkhniy Tagil district)	20	17
Municipal unitary enterprise UZHKKH (Izluchinsk district)	14	10
OJSC Kolskaya energy distribution company	14	-
OJSC Energosbytovaya company Vostoka	14	-
RAO UES	-	75
Total	1,266	848

Although the collection of receivables may be influenced by changes in macro-economic conditions, management believes that there is no significant risk of loss to the Group beyond the allowance for doubtful debtors already recorded.

Maximum exposure to credit risk is equal to RR 10,371 million (see Note 10).

(c) Liquidity risk

The Group's liquidity risk management includes maintaining a sufficient cash position and the availability of financing to support the Group's operational activity.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2008				
Debt and borrowings	7,194	1,127	4,015*	-
Trade and other payables	2,651	1	4	8
At 31 December 2007				
Debt and borrowings	2,827	669	2,903	-
Trade and other payables	1,649	1	4	9

*Although as at 31 December 2008 non-current debt in the amount RR 1,000 million was reclassified to current (see Note 2), the contractual terms for this debt have not changed.

Note 2 to these consolidated financial statements provide a discussion of the Group's financial condition at 31 December 2008 and should be read in conjunction with this note.

6.2. Capital risk management

The Group's capital risk management has as key objectives compliance with Russian legislative requirements and the reduction of the cost of capital.

As at 31 December 2008, the Group was in compliance with Russian legislative requirements.

The Group monitors capital on the basis of a financial leverage ratio. This ratio is calculated as the total debt divided by the total equity. The total debt is calculated as the sum of non-current debt and current debt, and the total equity is equal to the total equity at the reporting date.

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

The financial leverage ratios at 31 December 2008 and at 31 December 2007 were as follows:

	31 December 2008	31 December 2007
Total debt	10,672	5,311
Total equity	32,787	25,530
Financial leverage ratio	33%	21%

The increase in the financial leverage ratio within the year 2008 is caused by an increase in debt (Notes 17 and 18). The debt level and the overall financial condition of the Group is discussed in Note 2 to these consolidated financial statements.

6.3. Fair value estimation

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

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

OGK-1 GROUP
Notes to the Consolidated Financial Statements for the year ended 31 December 2008
(in millions of Russian Roubles)

Note 7: Property, plant and equipment

(a) Cost

Cost	Power equipment	Production buildings	Facilities	Substations	Hydrotechnical facilities	Electricity grids and heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2007	19,162	13,944	4,359	2,151	1,148	428	7,403	1,680	50,275
Additions	-	44	16	5	2	24	7,410	184	7,685
Transfers	608	415	187	124	3	-	(1,938)	601	-
Disposals	(1)	(84)	(7)	-	-	-	(126)	(9)	(227)
Disposals to a jointly controlled entity (Note 25)	(1,026)	(1,212)	(268)	(192)	(37)	(23)	(103)	(53)	(2,914)
Closing balance as at 31 December 2008	18,743	13,107	4,287	2,088	1,116	429	12,646	2,403	54,819

Accumulated depreciation (including impairment)

Opening balance as at 31 December 2007	(9,625)	(5,704)	(1,983)	(1,257)	(431)	(180)	(1,108)	(430)	(20,718)
Charge for the period	(711)	(230)	(163)	(176)	(39)	(29)	-	(292)	(1,640)
Disposals	-	80	4	-	-	-	8	-	92
Disposals to a jointly controlled entity (Note 25)	398	425	160	96	16	17	-	12	1,124
Closing balance as at 31 December 2008	(9,938)	(5,429)	(1,982)	(1,337)	(454)	(192)	(1,100)	(710)	(21,142)
Net book value as at 31 December 2008	8,805	7,678	2,305	751	662	237	11,546	1,693	33,677

OGK-1 GROUP
Notes to the Consolidated Financial Statements for the year ended 31 December 2008
(in millions of Russian Rubles)

Cost	Power equipment	Production buildings	Facilities	Substations	Hydrotechnic al facilities	Electricity grids and heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2006	18,857	13,824	3,542	2,115	1,145	423	4,134	828	44,868
Additions	2	3	801	2	-	-	4,535	98	5,441
Transfers	303	122	19	36	3	5	(1,254)	766	-
Disposals	-	(5)	(3)	(2)	-	-	(12)	(12)	(34)
Closing balance as at 31 December 2007	19,162	13,944	4,359	2,151	1,148	428	7,403	1,680	50,275
Accumulated depreciation (including impairment)									
Opening balance as at 31 December 2006	(8,930)	(5,481)	(1,817)	(1,074)	(391)	(151)	(1,118)	(281)	(19,243)
Charge for the period	(693)	(224)	(167)	(179)	(40)	(29)	-	(158)	(1,490)
Transfers	(2)	(1)	-	(5)	-	-	10	(2)	-
Disposals	-	2	1	1	-	-	-	11	15
Closing balance as at 31 December 2007	(9,625)	(5,704)	(1,983)	(1,257)	(431)	(180)	(1,108)	(430)	(20,718)
Net book value as at 31 December 2007	9,537	8,240	2,376	894	717	248	6,295	1,250	29,557

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

Borrowing costs of RR 328 million for the year ended 31 December 2008 are capitalized in the above table. A capitalization rate of 8.73% for the year ended 31 December 2008 was used to determine the amount of borrowing costs eligible for capitalization representing the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

Construction in progress includes advances to construction companies and suppliers of property, plant and equipment of RR 2,451 million (net of VAT) and RR 2,222 million (net of VAT) as of 31 December 2008 and 31 December 2007 respectively.

Construction in progress relates primarily to the construction of new generating units at existing power stations as follows:

	31 December 2008	31 December 2007
Kashirskaya GRES	7,146	4,108
Urengoyskaya GRES	2,986	313
Permskaya GRES	839	859
Verkhnetagilskaya GRES	336	326
Nizhneartovskaya GRES	178	535
Irkliinskaya GRES	61	98
Other	-	56
Total	11,546	6,295

The commissioning and subsequent operation of an additional generating unit at Kashirskaya GRES is planned for mid-year 2009. On commencement of operations, the above amount of construction in progress will transfer to other classes of Property, plant and equipment.

As discussed in Note 2, the Group had deferred further significant expenditure on the construction of additional units at Urengoyskaya GRES due to the current financial position of the Group. Management believes, however, that the Group will be successful in obtaining the necessary financing to complete construction and commence operations. Accordingly, management considers that the current amount of construction on progress to be recoverable.

The assets transferred to the Group upon the restructuring (as discussed in Note 1) did not include the land on which the Group's buildings and facilities are situated. The Group has the option to purchase this land upon application to the state registration body or to formalize the right to rent such land.

Currently in relation to Verkhnetagilskaya GRES, Irklinskaya GRES, Permskaya GRES, Urengoyskaya GRES and two servicing subsidiaries, 49 lease contracts are in place for terms ranging between 1 and 49 years.

For the land occupied by the facilities of Kashirskaya GRES and Irklinskaya GRES, the right for perpetual use has been registered, while the title belongs to the Russian Federation. In accordance with Russian legislation, the Group has the option to reregister the perpetual use right to a tenancy right for these lands or to acquire title for them.

(b) Impairment provision for property, plant and equipment

The carrying value of property, plant and equipment at 31 December 2008 and 31 December 2007 is stated net of an impairment loss of RR 2,228 million and 2,315 million respectively.

As described in Note 2, the operating environment of the Group has been impacted by the ongoing global financial and economic crisis ("the economic crisis"). Specifically:

- the economic crisis has resulted in capital markets instability, significant deterioration of liquidity in the Russian economy and tighter credit conditions within Russia;
- the medium-term forecast for primary economic indicators such as CPI and GDP have changed significantly;
- the decline in commodity prices, particularly, crude oil, stable gas condensate, liquefied petroleum gas, and oil products evidence lower energy demand levels ;
- the deterioration of liquidity has caused a decrease in output across a significant portion of Russian industry which has had a consequent negative impact on energy demand levels;

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

- OGK-1's market capitalization decreased significantly in the fourth quarter of 2008.

Given these developments, Management has assessed whether the carrying value of property, plant and equipment at 31 December 2008 is recoverable through future operations. In making this assessment, management has performed an impairment review ("the impairment test") in accordance with IAS 36 by comparing the recoverable amount of each cash generating unit to its net book value. Management considers that the individual power stations each represent a cash generating unit. The recoverable amount was assessed based on value in use, calculated by discounting the estimated future cash flows using various assumptions. A weighted average cost of capital of 15.7% was applied for discounting purposes.

Pursuant to this impairment test, management did not identify any instances where carrying values of property, plant and equipment were considered to be impaired thereby requiring the recording of an impairment loss for the year ended 31 December 2008.

(c) Operating lease

The Group leases a number of land areas owned by local governments under operating leases. Land lease payments are determined by lease agreements.

Operating lease rentals for land are payable as follows:

	31 December 2008	31 December 2007
Less than one year	102	98
Between one year and five years	405	393
After five years	4,451	4,326
Total	4,958	4,817

The above lease agreements are usually concluded for 1-49 years with prolongation rights. The lease payments are subject to regular review that may result in adjustment to reflect the market conditions.

(d) Finance lease

The Group leases certain equipment under finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment.

	31 December 2008	31 December 2007
Cost – capitalized finance leases	801	801
Accumulated depreciation	40	13
Net book amount	761	788

Note 8: Other non-current assets

	31 December 2008	31 December 2007
Pension plan assets	174	93
Software licenses	124	79
Non-current bank bills of exchange	63	73
Non-current trade receivables	55	46
(Net of provision for impairment of RR 49 million as at 31 December 2008 and RR 43 million as at 31 December 2007)		
Available-for-sale financial assets	27	-
Non-current value added tax recoverable	21	16
Other non-current assets	13	8
Total	477	315

Non-current trade receivables represent amounts due from consumers which according to historic conditions of contracts or restructuring terms are to be received more than one year after the reporting date. Under restructured terms these receivables are expected to be settled in the years 2010-2026. The recorded value approximates their fair value.

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

Bank bills of exchange	Rating	Rating agency	31 December 2008	31 December 2007
JSC Sberbank	Baa1	Moody's	34	-
JSC CB Agropromcredit	-	-	29	73
Total			63	73

All balances denominated in RR. Despite the fact that JSC CB Agropromcredit does not have an international credit rating, management believe the bank is a reliable counterparty that has stable positions in the financial markets of the Russian Federation.

Note 9: Cash and cash equivalents

	31 December 2008	31 December 2007
Cash at bank and in hand	538	425
Cash equivalents	1,392	-
Total	1,930	425

Cash at bank	Currency	Rating	Rating agency	31 December 2008	31 December 2007
Bank of Cyprus	EUR	A2	Moody's	27	-
JSC Sberbank	RR	Baa1	Moody's	67	6
JSC Alfa-Bank	RR	Ba1	Moody's	11	-
JSC Bank Alemar	RR	-	-	301	-
JSCB Peresvet (CJSC)	RR	-	-	99	380
Other	RR	-	-	33	45
Total				538	425

Despite the fact that JSCB Peresvet (CJSC) and JSC Bank Alemar do not have an international credit rating, management believes they are reliable counterparties.

Cash equivalents	Currency	Rating	Rating agency	31 December 2008	31 December 2007
CJSC ING Bank (EURASIA)	RR	A1	Moody's	500	-
JSC Sberbank	RR	Baa1	Moody's	250	-
BNP Paribas	EUR	AA1	Moody's	642	-
Total				1,392	-

Cash equivalents include short-term bank deposits.

Note 10: Accounts receivable and prepayments

	31 December 2008	31 December 2007
Trade receivables (Net of provision for impairment of RR 374 million as at 31 December 2008 and RR 246 million as at 31 December 2007)	1,410	961
Advances to suppliers and prepayments	1,512	1,385
Value added tax recoverable	658	498
Tax prepayments	644	377
Other receivables (Net of provision for impairment of RR 2 million as at 31 December 2008 and RR 3 million as at 31 December 2007)	153	151
Total	4,377	3,372

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

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

All impaired trade receivables and other receivables are provided for. The movement of the provision is shown in the table below:

	Year ended 31 December 2008	Year ended 31 December 2007
As at 1 January	249	121
Accrued provision	137	208
Reversal of provision	(10)	(80)
As at 31 December 2008	376	249

As at 31 December 2008, trade and other receivables of RR 478 million (31 December 2007: RR 258 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	31 December 2008	31 December 2007
Less than 3 months	78	70
3 to 6 months	57	44
6 to 12 months	250	41
More than 12 months	93	103
Total	478	258

The Group does not hold any collateral as security.

The total amount of financial assets as at 31 December 2008 comprises RR 10,371 million (as at 31 December 2007: RR 1,932 million) and includes current and non-current bills of exchange (Note 8 and Note 13), trade and other receivables (except for value added tax recoverable, tax prepayments and advances to suppliers (Note 8 and Note 10), available-for-sale financial assets (Note 8) and loan issued (Note 12).

Note 11: Inventories

	31 December 2008	31 December 2007
Fuel production stock	1,670	1,320
Materials and supplies	1,015	1,054
Other inventories	21	22
Total	2,706	2,396

The above inventory balances are recorded net of an obsolescence provision of RR 31 million and RR 10 million as at 31 December 2008 and 31 December 2007, respectively.

As at 31 December 2008 and 31 December 2007, the inventory balances did not include any inventories which were pledged as collateral according to loan agreements.

Note 12: Loans issued

	Rating	Rating agency	31 December 2008	31 December 2007
TNK-BP International Ltd	Baa2	Moody's	6,543	-
Total			6,543	-

As at 31 December 2008, NVGRES Holding Ltd. has a loan receivable from TNK-BP of EURO 210,500 thousand. The loan term expires on 1 July 2009. The effective interest rate is equal 7.75%. The carrying amount of the loan approximates its fair value.

As security for the loan, TNK-BP has granted a written call option to JSC OGK-1 which gives JSC OGK-1 the right to reacquire the 25% plus one share interest in NVGRES Holding Ltd. held by TNK-BP (see Note 1). As security for the Option, TNK-BP pledged, charged and assigned to JSC OGK-1 all the shares it owns in NVGRES Holding Ltd. As at 30 April 2009, the option is not exercisable

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

Note 13: Other current assets

	31 December 2008	31 December 2007
Bank bills of exchange (effective interest rate of 8%, maturity in 2009)	190	273
Other	10	13
Total	200	286

Bank bills of exchange	Rating	Rating agency	31 December 2008	31 December 2007
JSC Evrofinance Mosnarbank	Ba3	Moody's	149	224
JSC Sberbank	Baa1	Moody's	41	-
JSC Bank Alemar	-	-	-	49
Total			190	273

Note 14: Equity**(a) Share capital***(Number of shares unless otherwise stated)*

	31 December 2008	31 December 2007
Issued shares	44,643,192,918	44,643,192,918
Par value (in RR)	0.57478	0.57478

(b) Treasury shares

In 2008, the Group repurchased 139,272,200 ordinary shares at a price exceeding the nominal value. The consideration paid in the amount of RR 351 million for the purchase of these shares is accounted for as a deduction from capital (treasury shares).

Pursuant to the reorganization described in Note 1(b), shares of JSC OGK-1 in the amount 13,177,324,318 owned by RAO UES were contributed to the share capital of JSC OGK-1 Holding. On the same date JSC OGK-1 merged with JSC OGK-1 Holding. As a result, JSC OGK-1 Holding ceased to exist and shares of JSC OGK-1 Holding in the amount of 13,946,272,441 were converted into 13,300,765,501 Company's shares. The Company issued 123,441,183 treasury shares (RR 311 million) in the conversion process.

As at 31 December 2008, the number of treasury shares amounted to 15,831,017 comprising 0.035% of issued shares.

(c) Merger reserve

The difference as at 1 January 2007 of RR 25,852 million between the value of share capital issued and the IFRS carrying values of the contributed assets has been recorded as a merger reserve within equity.

The effect of the decrease in share capital according to Russian legislation in the amount of RR 18,983 million (see above) was offset by a corresponding movement in the merger reserve.

(d) Dividends

In accordance with Russian legislation, the Group distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

In 2008 the Group did not pay dividends.

The Group declared and paid dividends in 2007 amounting to RR 644 million that were recognized as a liability and deducted from equity.

(e) Provision for buy out of JSC OGK-1 shares

Owing to the reorganization described in Note 1 (a) and (b), on 31 December 2007 the Company created a provision for the buy out of its own shares in amount of RR 32 million as in accordance with Russian legislation those shareholders who voted against the reorganization or did not participate in shareholders

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

meeting had the right to demand that the Company buy back their shares within 45 days of the shareholders meeting.

As discussed above, the Company acquired 139,272,200 of its own shares in 2008 at a cost of RR 351 million. Included in this amount is the above provision.

Note 15: Profit tax**(a) Profit tax benefit / (charge)**

	Year ended 31 December 2008	Year ended 31 December 2007
Current profit tax charge	(390)	(837)
Deferred profit tax (charge) / benefit	(71)	55
Total profit tax benefit / (charge)	(461)	(782)

During 2008, Group entities were subject to 20 or 24 percent profit tax rate on taxable profits. The 20% profit tax rate was applied to Permskaya GRES due to local state tax relief of 4%.

On the 20 November 2008, the Government of the Russian Federation enacted legislation reducing the statutory income tax rate from 24 to 20 percent. Since this reduction in the statutory income tax rate was enacted prior to 31 December 2008, the effect of the change reduced net deferred liabilities by RR 529 million, which has been recognized in these consolidated financial statements.

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

	Year ended 31 December 2008	Year ended 31 December 2007
Profit before profit tax	7,918	2,748
Theoretical profit tax charge using the appropriate statutory tax rate of 20 or 24 percent	(1,900)	(633)
Effect from submitting amended tax declarations	325	-
Effect from the change in profit tax rate	529	-
Recognized deferred tax liability on investment to NVGRES Holding Ltd.	(596)	-
Tax effect of items which are not deductible or assessable for taxation purposes	1,181	(149)
Total profit tax charge	(461)	(782)

	Year ended 31 December 2008	Year ended 31 December 2007
Tax effect of items which are not deductible or assessable for taxation purposes		
Non-deductible expenses	(144)	(149)
Gain on dilution of interest in NVGRES Holding Ltd.	1,116	-
Non-taxable foreign exchange gains	209	-
Total	1,181	(149)

(b) Deferred profit tax

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred profit tax assets and liabilities are measured at 15.5 or 20 percent, the rate expected to be applicable when the assets or liabilities will reverse.

OGK-1 GROUP
Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

	31 December 2008	Movements for the year recognized in the statement of operations	Disposals to a jointly controlled entity (Note1)	31 December 2007
Deferred profit tax liabilities	(2,966)	(31)	148	(3,083)
Property, plant and equipment	(2,292)	603	148	(3,043)
Trade receivables	(41)	(10)	-	(31)
Investments in joint venture	(596)	(596)	-	-
Other	(37)	(28)	-	(9)
Deferred profit tax assets	152	(40)	(1)	193
Non-current debt	49	(55)	-	104
Current debt	32	(6)	-	38
Other	71	21	(1)	51
Deferred profit tax liabilities, net	(2,814)	(71)	147	(2,890)

On 15 February 2008 JSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station and to finance, construct and operate a third unit at that power station with a capacity of 800 MW (Note 1). According to the Agreement, JSC OGK-1 has granted a written call option to TNK-BP which gives TNK-BP the right to buy additional 25% minus two shares in NVGRES Holding Ltd. at a determinable price at a future date, which is defined as any day within 12 month after the date when the third unit passes certain performance tests. As a result of this call option, the Group recognised 25% of the deferred tax liability in respect of the temporary difference associated with the Group's investment in NVGRES Holding Ltd. The deferred tax liability recognized amounts to RR 596 million as at 31 December 2008.

The Group did not recognise a deferred tax liability in respect of the remaining temporary difference associated with the Group's investment in the joint venture because the reversal of the difference is within the control of the Group. As at 31 December 2008, the total amount of such unrecognised deferred tax liabilities ranges between zero and approximately RR 1,193 million depending on how the difference could reverse.

	31 December 2007	Movements for the year recognized in the statement of operations	31 December 2006
Deferred profit tax liabilities	(3,083)	81	(3,164)
Property, plant and equipment	(3,043)	121	(3,164)
Trade receivables	(31)	(31)	-
Other	(9)	(9)	-
Deferred profit tax assets	193	(26)	219
Trade receivables	-	(176)	176
Non-current debt	104	10	-
Current debt	38	38	-
Other	51	8	43
Deferred profit tax liabilities, net	(2,890)	55	(2,945)

Note 16: Pension liabilities

The tables below provide information about the benefit obligations and actuarial assumptions used for the years ended 31 December 2008 and 31 December 2007. Amounts recognized in the Group's consolidated balance sheet are as follows:

	31 December 2008	31 December 2007
Defined benefit obligations	412	535
Unrecognized actuarial gain / (loss)	35	(63)
Unrecognized past service cost	(28)	(33)
Net liability in balance sheet	419	439

OGK-1 GROUP
Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

Amounts recognized in the consolidated statement of operations are as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Current service cost	18	18
Interest cost	34	30
Net actuarial gain recognized in period	(14)	(2)
Immediate recognition of vested prior service cost	4	32
Curtailment	(14)	-
Other	-	148
Net expense recognized in the statement of operations	28	226

As a result of a change in estimate an additional charge of RR 148 million was recorded as at 31 December 2007. Management has treated this as a change in estimate rather than an actuarial loss, which would be deferred, as this allows the financial statements to better reflect the position at 31 December 2007.

Changes in the present value of the Group's pension benefit obligations are as follows:

	31 December 2008	31 December 2007
Benefit obligation at the beginning of the period	535	247
Current service cost	18	18
Interest cost	34	30
Actuarial (gain) / loss	(106)	58
Past service cost	-	63
Benefits paid	(38)	(29)
Curtailment	(16)	-
Disposals to a jointly controlled entity (Note 1)	(15)	-
Other	-	148
Benefit obligations at end of the period	412	535

Reconciliation of the balance sheet:

	31 December 2008	31 December 2007
Net liability at start of period	439	242
Net expense recognized in the statement of operations	28	226
Employer contributions	(38)	(29)
Disposals to a jointly controlled entity (Note 1)	(10)	-
Net liability at end of the period	419	439

Principal actuarial assumptions are as follows:

	31 December 2008	31 December 2007
Discount rate	9.0%	6.75%
Salary increase	8.0%	7.0%
Pension increase	7.0%	6.0%
Inflation	7.0%	6.0%

Actuarial gain and losses during this period correspond to experience adjustments in full.

	31 December 2008	31 December 2007
Present value of defined benefit obligations (DBO)	412	535
Gains arising from experience adjustments on plan liabilities	64	10

OGK-1 GROUP
Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

Note 17: Non-current debt

Name of creditor	Currency	Due	Effective interest rate	31 December 2008	31 December 2007
CJSC ING BANK (EURASIA)	RR	2013	MosPrime3M + 2.60%	1,500	-
CJSC ING BANK (EURASIA)	RR	2012	MosPrime3M + 1.75%	1,500	-
Finance lease liability	RR	2009-2010		522	711
Total non-current debt				3,522	711
Less: current portion of finance lease liability				(206)	(190)
Total				3,316	521

No property was pledged as collateral for long-term debt.

The carrying amounts of non-current debts, which have variable interest rate linked to MosPrime, approximate the fair value.

The Group has not entered into any hedging arrangements in respect of its interest rate exposure.

Gross finance lease liabilities – minimum lease payments	31 December 2008	31 December 2007
No later than 1 year	240	240
Later than 1 year and no later than 5 years	325	565
Total	565	805
Future finance charges on finance leases	(43)	(94)
Present value of finance lease liabilities	522	711

The present value of finance lease liabilities is as follows	31 December 2008	31 December 2007
No later than 1 year	206	190
Later than 1 year and no later than 5 years	316	521
Total	522	711

Note 18: Current debt and current portion of non-current debt

Name of creditor	Currency	Effective interest rate	31 December 2008	31 December 2007
OJSC Sberbank RF	RR	8.00% – 14.00%	3,100	1,050
CJSC Commerzbank	RR	9.35% – 10.25%	2,050	700
CJSC Commerzbank	RR	MosPrime3M + 1.8%	1,000	1,000
CJSC UniCredit Bank	RR	20.83% – 25.50%	500	400
JSC Evrofinance Mosnarbank	RR	19.00%	250	-
CJSC International Industrial Bank	RR	18.00%	250	-
CJSC ING BANK (EURASIA)	RR	MosPrime3M + 1.75%	-	1,200
OJSC Bank of Moscow	RR	7.25%	-	250
Current portion of finance lease liability			206	190
Total			7,356	4,790

As at 31 December 2008 and 31 December 2007, the Group has made certain reclassification of non-current debts to current debts (Note 2).

The carrying amounts of current debts approximate their fair values. No property was pledged as collateral for current debts.

Note 19: Accounts payable and accrued charges

	31 December 2008	31 December 2007
Trade payables	1,916	1,305
Dividends payable	5	5
Accrued liabilities and other creditors	730	339
Total	2,651	1,649

OGK-1 GROUP
Notes to the Consolidated Financial Statements for the year ended 31 December 2008

(in millions of Russian Roubles)

Trade payables are classified as financial liabilities. The total amount of liabilities as at 31 December 2008 comprises RR 13,323 million (as at 31 December 2007: RR 6,960 million) and includes, besides trade payables, non-current debt (see Note 17) and current debt (see Note 18).

Management believes that the majority of customers, balances of which are included into trade payables, comprise a single class, as they bear the same characteristics.

Note 20: Taxes payable

	31 December 2008	31 December 2007
Water tax	301	364
Property tax	93	74
Value added tax	72	39
Profit tax	31	-
Unified social tax	29	28
Other taxes	34	19
Total	560	524

Note 21: Revenues

	Year ended 31 December 2008	Year ended 31 December 2007
Electric power	38,517	34,159
Capacity	10,035	9,683
Heating	508	451
Other	838	598
Total	49,898	44,891

Approximately 21% of sales of electric power and capacity in 2008 (27% – 2007) relates to the resale of purchased electric power and capacity (see Note 22).

Note 22: Operating expenses

	Year ended 31 December 2008	Year ended 31 December 2007
Raw materials and consumables used, comprising	25,418	20,304
<i>Fuel expenses</i>	24,718	19,800
<i>Other materials</i>	700	504
Purchased electric power and capacity for resale	10,251	11,712
Employee benefit expenses and payroll taxes	3,899	3,161
Third parties services, including:	3,405	2,717
<i>Repairs and maintenance</i>	1,123	1,085
<i>Commission fees</i>	715	563
<i>Consulting, legal and information expenses</i>	545	217
<i>Security expenses</i>	231	180
<i>Rent expenses</i>	166	154
<i>Transportation expenses</i>	117	137
<i>Insurance expenses</i>	108	67
<i>Telecommunication services</i>	57	46
<i>Other</i>	343	268
Taxes other than profit tax	1,798	1,835
Water usage expenses	159	-
Depreciation of property, plant and equipment	1,640	1,490
Loss / (gain) on disposals of property, plant and equipment	3	(3)
Social charges	122	97
Write-off of accounts receivable	-	16
Impairment of accounts receivable	127	128
Write-off of inventories to net realizable value	21	1
Other expenses	406	468
Total	47,249	41,926

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

Note 23: Finance income / (costs)

	Year ended 31 December 2008	Year ended 31 December 2007
Interest expense	(282)	(180)
Finance lease expense	(50)	(30)
Foreign exchange gain	868	-
Interest income	80	1
Effect of discounting of long-term accounts receivable/payable	12	(8)
Total	628	(217)

Note 24: Earnings per ordinary share for profit attributable to the shareholders of JSC OGK-1 basic and diluted (in RR)

	Year ended 31 December 2008	Year ended 31 December 2007
Weighted average number of ordinary shares issued and outstanding (million of shares)	44,629	44,643
Profit attributable to the shareholders of JSC OGK-1 (million of RR)	7,457	1,966
Weighted average earnings per share – basic and diluted (in RR)	0.167	0.044

Note 25: Dilution of interest in NVGRES Holding Ltd.

On 1 August 2008 NVGRES Holding Ltd. issued 3,335 additional shares that comprised 25% plus one share of the increased share capital. All issued shares were acquired by TNK-BP (Note 1). Pursuant to the terms of the Agreement, JSC OGK-1 and TNK-BP International Ltd jointly control NVGRES Holding Ltd.

The carrying values of the 25% interest attributable to TNK-BP International Ltd in identifiable assets and liabilities de-recognized as a result of the dilution interest in NVGRES Holding Ltd. were as follows:

	Carrying amount
Trade receivables	16
Property, plant and equipment	1,790
Other payables	(9)
Deferred income tax liability	(147)
Net identifiable assets and liabilities	1,650
Gain on loss of control	4,641
Net cash inflow on the dilution	6,291

Note 26: Interest in joint venture

Subsequent to the dilution discussed in Note 25, the Group held a 75% interest in NVGRES Holding Ltd. proportionally consolidated as a joint venture as per the terms of the Agreement between the Group and TNK-BP control is jointly exercised. The following amounts represent the Group's 75% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and statement of operations:

	31 December 2008
Assets:	
Non-current assets	5,455
Current assets	7,691
Total assets	13,146
Liabilities:	
Non-current liabilities	373
Current liabilities	244
Total liabilities	617
Net assets	12,529

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

	Year ended 31 December 2008
Income	2,999
Expenses	(2,574)
Profit for the period	425
Proportionate interest in joint venture's commitments	133

There are no contingent liabilities relating to the Group's interest in the joint venture.

Note 27: Commitments**(a) Fuel commitments**

The Group has long-term contracts with subsidiaries of OJSC Gazprom for guaranteed gas supplies for the period from 2008 to 2012. Pricing under these contracts is regulated by the Federal Tariffs Service.

Additional gas volumes are purchased through short-term agreements from independent gas suppliers, such as JSC Uralsevergas, JSC NOVATEK, LLC Gasenergoprom and subsidiaries of OJSC Gazprom and/or on a electronic communication system of LLC Mezhrefiongas at unregulated (by Federal Tariffs Service) prices.

(b) Capital commitments

Future capital expenditures for which contracts have been signed amounted to RR 28,961 million at 31 December 2008 (at 31 December 2007: RR 4,408 million).

Note 28: Contingencies**(a) Operating environment**

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

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

(b) Insurance

The Group holds insurance policies that cover its assets and other property, personnel, public liability or other risks insurable in accordance with the established business practice and applicable legislation of the Russian Federation. Accordingly, the Group is exposed to those risks for which insurance are not applicable, which have not been insured or are covered by standard exclusions under insurance contracts.

(c) Legal proceedings

Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(d) Tax contingencies

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

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

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**
(in millions of Russian Roubles)

believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

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

(e) Environmental matters

The Group is primarily made up of a number of generating plants that have operated in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving as is the enforcement posture of Government authorities. Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities may arise as a result of changes in legislation and regulation or as a result of civil litigation. The impact of these potential changes cannot be estimated but could be material. Currently, management believes that there are no significant exposures to environmental matters.

(f) Termination payments

In February 2008, the Company approved the program for termination payments to key management personnel of the Company. The maximum estimated amount of termination payments may reach RR 168 million.

(g) Investments

Subsequent to the year end the Group deferred further significant expenditures to construction UGRES. Management believes that the construction will be completed and funding will be raised.

(h) TNK-BP Call Option

On 15 February 2008 JSC OGK-1 and TNK-BP International Ltd signed an Agreement to jointly operate the existing units at the Nizhnevartovskaya power station, to finance and construct a third unit at that power station with a capacity of 800 MW (Note 1). According to the Agreement, JSC OGK-1 has granted a written call option to TNK-BP which gives TNK-BP the right to buy additional 25% minus two shares in NVGRES Holding Ltd. at a determinable price at a future date, which is defined as any day within 12 months after the date when the third unit passes the performance tests. As the exercise price under this option is expected to be equal to fair value at the date of exercise, there is no fair value attributed to the option. As at 30 April 2009, the option is not exercisable.

Note 29: Related Parties

Related parties are defined in IAS 24 "Related parties disclosures". Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions.

Related parties with whom the Group entered into significant transactions in reporting periods ended 31 December 2008 and 31 December 2007 or had significant balances at 31 December 2008 and at 31 December 2007 are detailed below.

(a) Parent company

On 1 July 2008 RAO UES completed the reorganization and ceased to be the shareholder of JSC OGK-1 (Note 1).

As at 31 December 2008 the principal shareholders that can exercise significant influence over the Group's activity are JSC FGC UES (40.2%) and JSC RusHydro (21.7%). Both entities are owned by the Government of the Russian Federation which is the ultimate controlling party of the Company.

The Group had the following significant transactions with JSC FGC UES and JSC RusHydro for the period 1 July to 31 December 2008.

Transactions with JSC RusHydro were as follows:

	1 July to 31 December 2008
Electric power and capacity revenues	122

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

Transactions with JSC FGC UES were as follows:

	1 July to 31 December 2008
Other revenues	6

As at 31 December 2008, the Group has outstanding payables balances on purchase of treasury shares with JSC FGC UES and JSC RusHydro in the amount of RR 203 million and RR 110 million accordingly.

Before 30 June 2008, the Group was under control of RAO UES which owned 91.7% ordinary shares of JSC OGK-1.

The Group had the following significant transactions with RAO UES and its subsidiaries for the period ended 30 June 2008 and 31 December 2007 and had the following outstanding balances as at 31 December 2007.

Transactions with RAO UES and its subsidiaries were as follows:

	1 January to 30 June 2008	Year ended 31 December 2007
Electric power and capacity revenues	11,797	20,449
Other revenues	-	39
Other expenses	87	864

Balances with RAO UES and its subsidiaries were as follows:

	31 December 2007
Accounts receivable	175
Dividends payable	1
Accounts payable	192

(b) CJSC Financial Settling Center (CJSC CFR)

Effective July 2006, one of the Company's employees held key management positions in both JSC OGK-1 and CJSC CFR. Accordingly, CJSC CFR is considered to be a related party.

Transactions with CJSC CFR were as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Electric power and capacity revenues	19,105	14,890
Electric power and capacity purchases	11,942	11,659

Balances with CJSC CFR were as follows:

	31 December 2008	31 December 2007
Accounts receivable	625	566
Accounts payable	314	395

(c) Group KVARC

Before 30 June 2008, certain members of the Board of Directors held key management positions in both JSC OGK-1 and LLC Management Company KVARC. LLC Management Company KVARC is the parent company of JSC PermGRESenergoemont, JSC PermGRESelektroremont and CJSC KVARC – West Siberia. Accordingly, LLC Management Company KVARC and its subsidiaries are considered to be related parties.

Transactions with LLC Management Company KVARC and its subsidiaries were as follows:

	1 January to 30 June 2008
Other revenues	3
Other expenses	752

Balances with LLC Management Company KVARC and its subsidiaries were as follows:

	31 December 2007
Accounts payable	15

OGK-1 GROUP**Notes to the Consolidated Financial Statements for the year ended 31 December 2008**

(in millions of Russian Roubles)

(d) State-controlled entities

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

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

	Year ended 31 December 2008	Year ended 31 December 2007
Heating revenues	309	331
Other revenues	46	14
Fuel expenses	12,492	10,990

The Group had the following significant balances with other state-controlled entities:

	31 December 2008	31 December 2007
Accounts receivable	894	595
Accounts payable and accruals	80	116
Current debt	3,100	1,300
Other non current assets	9	8

Tax balances are disclosed in the balance sheet and Notes 15 and 20. Tax transactions are disclosed in the Group's statement of operations and Notes 15 and 22.

(e) Directors' compensation

Key management personnel (the members of the Board of Directors and the Management Board of JSC OGK-1) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Remuneration to the members of the Board of Directors is paid for attending the Board meetings; compensation of key management personnel (other than remuneration for attending the Board meetings) is determined by the terms of the employment contracts.

Total remuneration accrued to the members of the Board of Directors and the Management Board was as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Short-term compensations, including salary and bonuses	191	74
Remuneration for attending the Board meetings	16	17

Short-term compensations include personal income tax and are net of social tax.

Note 30: Events after the balance sheet date

On 17 March 2009, INTER RAO received under trust management 27,628,151,912 ordinary JSC OGK-1 shares. These shares had been held by JSC FGC UES and JSC RusHydro and account for 61.9% of voting shares of JSC OGK-1.

In accordance with the agreements signed by JSC FGC UES, JSC RusHydro and INTER RAO, JSC OGK-1 shares have been transferred under trust management for 5 years with the right for prolongation for the same period. INTER RAO has obtained all rights, concerning the shares, except for the right of disposition.