WGC-3 GROUP
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

CONTENTS

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

To the Board of Directors of Open Joint-Stock Company Third Generation Company of the Wholesale Electricity Market (JSC WGC-3)

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of JSC WGC-3 (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the consolidated interim financial statements). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the consolidated interim financial position of the Group as at 30 June 2010, and its consolidated interim financial performance and its consolidated interim cash flows for the six month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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ZAO KPMG
22 September 2010

(in thousands of Russian Roubles)

	Notes	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	5	41 933 760	38 160 994
Intangible assets	6	64 438	60 630
Investments in equity accounted investees	7	13 920 392	14 023 501
Other non-current assets	8	195 561	275 107
Total non-current assets		**56 114 151**	**52 520 232**
Current assets			
Inventories	9	1 816 009	1 887 763
Accounts receivable and prepayments	10	3 894 891	4 176 544
Deposits and other financial assets	11	42 970 919	8 893
Income tax receivables		269 104	471 730
Cash and cash equivalents	12	4 899 443	51 145 845
Assets held for sale	13	638 999	958 291
Total current assets		**54 489 365**	**58 649 066**
TOTAL ASSETS		**110 603 516**	**111 169 298**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	47 487 999	47 487 999
Share premium		63 136 744	63 136 744
Treasury shares		(7 947 303)	(7 947 303)
Other reserves		(8 215 457)	(8 238 245)
Retained earnings		9 685 212	10 394 863
Total equity		**104 147 195**	**104 834 058**
Non-current liabilities			
Deferred tax liabilities	15	2 197 585	2 306 969
Employee benefits	16	302 638	272 615
Other non-current liabilities		776	-
Total non-current liabilities		**2 500 999**	**2 579 584**
Current liabilities			
Accounts payable and accruals	17	2 147 530	2 017 411
Provisions	18	12 044	114 095
Taxes payable	19	1 795 748	1 624 150
Total current liabilities		**3 955 322**	**3 755 656**
Total liabilities		**6 456 321**	**6 335 240**
TOTAL EQUITY AND LIABILITIES		**110 603 516**	**111 169 298**

General Director — Vladimir Kolmogorov

Chief Financial Officer — Andrey Gainanov

22 September 2010

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set on pages 9 to 36

(in thousands of Russian Roubles)

	Notes	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Revenue			
Electricity		19 953 778	17 245 086
Heat		503 292	443 747
Other		122 019	109 431
Gross revenue		**20 579 089**	**17 798 264**
Operating expenses	20	(20 567 726)	(16 395 413)
Other operating income	21	410 099	152 212
Results from operating activities		**421 462**	**1 555 063**
Income from investing activities	22	1 032 122	2 318 589
Loss on investing activities	23	(319 648)	-
Finance income/(costs)	24	18 700	(7 627)
Foreign exchange (loss)/gain		(1 946 376)	730 113
Share in loss of equity accounted investees	7	(103 109)	(391 547)
(Loss)/profit before income tax		**(896 849)**	**4 204 591**
Income tax	15	187 198	(391 752)
(Loss)/profit for the period		**(709 651)**	**3 812 839**
Other comprehensive income			
Foreign currency translation differences for foreign operations		-	98 282
Net change in fair value of available-for-sale financial assets	8	28 485	39 272
Income tax on other comprehensive income	15	(5 697)	(27 511)
Other comprehensive income, net of income tax		**22 788**	**110 043**
Total comprehensive (loss)/income for the period		**(686 863)**	**3 922 882**
(Loss)/Earnings per share, basic and diluted (in RR per share)	25	**(0.0156)**	**0.084**

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set on pages 9 to 36

(in thousands of Russian Roubles)

	Notes	For the six months ended 30 June 2010	For the six months ended 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/Profit before income tax		**(896 849)**	**4 204 591**
Adjustments for:			
Depreciation and amortization	20	916 477	833 941
(Reversal)/accrual of provision for impairment of accounts receivable	21,20	(153 632)	270 100
Income from investing activities	22	-	(871 757)
Loss on investing activities	23	319 648	-
Finance costs/(income)	24	(18 700)	7 627
Interest income	22	(1 032 122)	(1 446 832)
Foreign exchange loss/(gain)		1 946 376	(730 113)
Gain on disposal of property, plant and equipment		(9 931)	(12 611)
Share in losses of equity accounted investees		103 109	391 547
Other non-cash items		(81 759)	147 461
Operating cash flows before working capital changes and income tax paid		**1 092 617**	**2 793 954**
Working capital changes:			
Decrease/(increase) in accounts receivable and prepayments		1 624 253	(67 164)
Decrease in inventories		97 445	736 128
Decrease/(increase) in other assets		19 976	(6 250)
Increase in accounts payable and accruals		161 940	6 616
Increase/(decrease) in taxes payable, other than income tax		342 064	(51 951)
Increase in other non-current liabilities		30 799	10 583
Income tax paid, net of refund		104 278	(2 495 262)
Net cash from operating activities		**3 473 372**	**926 654**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(5 080 485)	(876 043)
Purchase of intangible assets	6	(13 465)	(5 293)
Deposited to banks		(43 541 930)	13 271 754
Proceeds from disposal of property, plant and equipment and other non-current assets		36 038	12 593
Purchases of investments		-	(209 941)
Interest received		338 159	2 151 010
Net cash (used in)/generated from investing activities		**(48 261 683)**	**14 344 080**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Sale of treasury shares		-	7 389
Dividends paid to the Company's shareholders		(90 651)	-
Dividend paid to minority interests		(986)	(3 942)
Net cash (used in)/generated from financing activities		**(91 637)**	**3 447**
Effect of exchange rate changes on cash and cash equivalents		(1 366 454)	(2 070 988)
Net (decrease)/increase in cash and cash equivalents		**(46 246 402)**	**13 203 193**
Cash and cash equivalents at the beginning of the period		**51 145 845**	**13 438 834**
Cash and cash equivalents at the end of the period	12	**4 899 443**	**26 642 027**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set on pages 9 to 36

WGC-3 Group
Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2010 (unaudited)
(in thousands of Russian Roubles)

	Attributable to equity holders of the Company					
	Share capital	**Share Premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2010	**47 487 999**	**63 136 744**	**(7 947 303)**	**(8 238 245)**	**10 394 863**	**104 834 058**
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(709 651)	(709 651)
Other comprehensive income						
Net change in fair value of available-for-sale investments, net of tax	-	-	-	22 788	-	22 788
Foreign currency translation differences for foreign operations	-	-	-	-	-	-
Total other comprehensive income	-	-	-	22 788	-	22 788
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**22 788**	**(709 651)**	**(686 863)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2010	**47 487 999**	**63 136 744**	**(7 947 303)**	**(8 215 457)**	**9 685 212**	**104 147 195**

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set on pages 9 to 36

WGC-3 Group
Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2010 (unaudited)
(in thousands of Russian Roubles)

	Attributable to equity holders of the Company					
	Share capital	**Share Premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2009	**47 487 999**	**63 228 766**	**(8 046 714)**	**(8 355 872)**	**6 098 800**	**100 412 979**
Total comprehensive income for the period						
Profit for the period	-	-	-	-	3 812 839	3 812 839
Other comprehensive income						
Net change in fair value of available-for-sale investments, net of tax	-	-	-	31 417	-	31 417
Foreign currency translation differences for foreign operations	-	-	-	78 626	-	78 626
Total other comprehensive income	-	-	-	110 043	-	110 043
Total comprehensive income for the period	**-**	**-**	**-**	**110 043**	**3 812 839**	**3 922 882**
Transactions with owners, recorded directly in equity						
Sale of treasury shares	-	(92 022)	99 411	-	-	7 389
Total transactions with owners	**-**	**(92 022)**	**99 411**	**-**	**-**	**7 389**
Balance at 30 June 2009	**47 487 999**	**63 136 744**	**(7 947 303)**	**(8 245 829)**	**9 911 639**	**104 343 250**

1 The Group and its operations

Open Joint Stock Company "Third Generation Company of the Wholesale Electricity Market" (OJSC "WGC-3", or the "Company") was established on 23 November 2004 within the framework of the Russian electricity sector restructuring in accordance with Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

Branches. The WGC-3 Group (the "Group") operates 7 power plants and its principal activity is electricity and heat generation. These SDPPs (state district power plants) are incorporated as production branches. The Group's principal branches as at 31 December 2009 are Kostromskaya SDPP, Cherepetskaya SDPP, Pechorskaya SDPP, Kharanorskaya SDPP, Yuzhnouralskaya SDPP, Gusinooserskaya SDPP, and Dzhubginskaya TPP.

Subsidiaries. The Company has 16 subsidiaries which are service and heating retail companies and operate in the regions where power plants are situated. All subsidiaries are 100% controlled and their income is mainly generated by intra-group operations.

Principal shareholders. As at 30 June 2010 the Company's ultimate controlling party is the Group "MMC "Norilsk Nickel" (66.75% of shares). The rest of the shares are held by individual and nominee holders (33.25%).

The Company is registered by the District Inspectorate of the RF Ministry of Taxation of Republic of Buryatiya. The Company's office is located at bld. 25, Ermolaevsky lane, Moscow, 123001, Russia.

Operating environment. The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Relations with the state and current regulation. The Group's customer base includes a large number of entities controlled by or related to the state. Moreover, 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 Tariffs ("FST"), with respect to its wholesale energy sales. Tariffs which the Group may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies.

As described in Notes 27 and 28, the government's economic, social and other policies could have material effects on the operations of the Group.

2 Basis of preparation

Statement of compliance. These consolidated interim financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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. These Financial Statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

Change in presentation. Effective 1 January 2010 the Group started to present electricity purchases entered into to support a delivery of non-regulated bilateral contracts net within revenue. The comparative information has been reclassified to conform with the current presentation. The effects of this reclassification are disclosed below:

(in thousands of Russian Roubles)

	Six months ended 30 June 2009		
	As previously reported	Change in presentation	As adjusted
Electricity revenues	17 689 260	(444 174)	17 245 086
Operating expenses	(16 839 587)	444 174	(16 395 413)

The management of the Group believes that the revised presentation provides more relevant and meaningful information about the changes in the financial performance of the Group.

Basis of measurement The financial statements are prepared on the historical cost basis except that derivative financial instruments, investments at fair value through profit or loss, financial investments classified as available-for-sale are stated at fair value.

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 thousand.

New financial reporting standards and Interpretations not yet adopted. The following new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2010, and have not been applied in preparing these consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- *IFRS 9 Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.
- In May 2010 the IASB issued *Improvements to IFRSs 2010,* which comprise 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective 1 January 2011.The Group has not yet analyzed the likely impact of the improvements on its financial position or performance.

New and revised standards, amendments and interpretations effective from 1 January 2010

- IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendment did not have any impact on Financial Statements.
- IFRS 3 *Business Combinations* (2008) and IAS 27 (2008) *Consolidated and Separate Financial Statements*. The revisions address how non-controlling interests in subsidiaries should be measured upon acquisition and require to account for effects of transactions with non-controlling interest directly in equity. The amendment did not have any impact on Financial Statements.
- IAS 17 *Leases* (*Improvements to IFRSs* 2009) Guidance about the classification of leases of land that meant that such leases were classified as operating if title did not transfer to lessee has been deleted. The amendment did not have any impact on Financial Statements.

Critical accounting estimates and assumptions. The Group makes estimates and judgements 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 recognized 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 Notes 10, 28).

(b) Provision for impairment of other assets

At each reporting 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 profit or loss 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 5).

(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 reporting date. Liabilities are recorded for income 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 reporting 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 leases

Management applies judgment in determining whether to account for lease agreements as finance or operating leases. In the application of this judgment, management makes assessment of various factors including which party carries the risks and rewards of ownership, the extent of the lease term and whether early termination clauses can be exercised by the different parties to the lease.

(f) Revenue recognition

Electricity purchases entered into to support a delivery of non-regulated bilateral contracts are presented net within revenue. Management applies judgement in determining which electricity purchases are entered into in order to support a delivery of non-regulated bilateral contracts.

3 Summary of significant accounting policies

Principles of consolidation. The financial statements comprise the financial statements of JSC WGC-3 and the financial statements of those entities whose operations are controlled by JSC WGC-3. Control is presumed to exist when JSC WGC-3 controls, directly or indirectly through subsidiaries, more than 50% of voting rights.

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 acquired by 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) Associates
An associate is an entity over which the Group exercises significant influence, but not control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for the Group's the share of post-acquisition changes in associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified.

The results of associates are equity accounted for based on their most recent financial statements. Losses of associates are recorded in the consolidated interim financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates.

Assets held for sale. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale. The extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Foreign currency

Foreign currency transactions. Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the reporting date, are translated 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 translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.
As at 30 June 2010, 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 31.1954: USD 1.00 (31 December 2009: RR 30.2442: USD 1.00), between the RR and EURO - RR 38.1863: EURO 1.00 (31 December 2009: RR 43.3883: EURO 1.00).

Foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rouble at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to rouble at exchange rates at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR.

Property, plant and equipment. In 2004 property, plant and equipment were recognized at the carrying value determined in accordance with the IFRS at the date of their transfer to the Group by the Predecessor.

(in thousands of Russian Roubles)

Renewals and improvements are capitalized and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the statement of comprehensive income as incurred.

Depreciation of 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. For the property, plant and equipment which were subject to an independent valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives.

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

Type of facility	**Acquired prior to 31 December 1997**	**Acquired subsequent to 31 December 1997**
Electricity and heat generation	4-63	25 -50
Electricity distribution	7-30	30
Heating networks	4-22	25
Other	8	10

Social assets are not capitalized as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

Inventories. Inventories are valued at the lower of net realizable value and weighted average acquisition cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

Financial assets. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets are required. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss. Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.
A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing in the near future; or
- it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

(b) Loans and accounts receivable. Loans and accounts receivable 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.

(c) Held-to-maturity financial assets. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and accounts receivable originated by the Group.

(d) *Available-for-sale financial assets.* Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets mainly include investments in listed and unlisted shares. Listed shares held by the Group that are traded in an active market are stated at their market value. Gains and losses arising from changes in fair value are recognized in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in the consolidated statement of comprehensive income for the period. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established. Investments in unlisted shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at management's estimate of fair value.

Leases. Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value or present value of future minimum lease payments at the date of acquisition, with the related lease obligation recognised at the same value. Assets held under finance leases are depreciated over their estimated economic useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the period of expected use is useful life of the asset.

Finance lease payments are allocated using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the related lease obligation to the lessor.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Equity

(a) Ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(b) Repurchase of share capital (treasury shares). When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from share premium.

(c) Dividends are recognized 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.

Intangible assets. Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Type of intangible assets	Useful lives (in years)
Computer software	1-5
Licenses	1-5

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with maturities of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of value added taxes. Trade 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 a bad debt allowance and write-off of accounts receivable 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 accounts receivable. The amount of the provision 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 interest for similar borrowers at the date of origination of the accounts receivable. The primary factors that the Group considers whether a receivable is impaired is its overdue status and reliability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Value added tax on purchases and sales. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the accounts receivable 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. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of accounts receivable, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Income tax. The income tax expense represents the sum of the tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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.

Deferred income tax. Deferred tax is provided using the balance sheet liability method for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as per the consolidated financial statements. 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 or loss. 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 utilized. 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 utilized.

Deferred tax movements are recorded in the statement of comprehensive income 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.

Accounts payable and accruals. Accounts payable are stated inclusive of value added tax. Trade accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. If accounts payable are restructured and the discounted present value of the cash flows under the restructured terms discounted using the original effective interest rate differs by more than ten percent from the discounted present value of the remaining cash flows of the original financial liability, then the fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms. In this case the amount of the discount is credited to the statement of comprehensive income (finance costs) as a gain on restructuring, and the non-current portion of the discounted payable is reclassified to other non-current liabilities. The discount is amortized over the period of the restructuring as an interest expense.

Impairment

(a) Financial assets. A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(b) Non-financial assets. The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

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 that cannot be tested individually 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 groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised 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 does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Debt. Debt is recognized initially at its fair value. If it is significantly different from the transaction price, fair value is determined using the prevailing market interest rate for a similar instrument. In subsequent periods, debt is stated at amortized cost using the effective interest rate method; any difference between the fair value at initial recognition (net of transaction costs) and the redemption amount is recognized in the statement of comprehensive income as an interest expense over the period of the debt obligation.

Employee 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 has also operated a combination of defined benefit and defined contribution plans until December 2007, in respect of which it had contracts with a non-governmental pension fund. The Board of Directors at their meeting of 28 December 2007 has taken the decision to curtail the defined benefit part of the plan which affected the liability recognized in the statement of financial position. The defined benefit pension plans are no longer included in calculation of the liability, but the Group offers various post-employment, long-term and jubilee benefits to its employees which are of a defined benefit nature. The defined benefit obligations and costs are assessed using the projected unit credit method. The present value of the obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits associated with the operations of the plan will be paid, and that have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses arising from changes in actuarial estimations and exceeding 10% of the obligations are charged or credited to the statement of operations over the average remaining service lives of employees starting from the next reporting period.

Provisions. Provisions are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

Environmental obligations. Liabilities for environmental remediation are recorded where there is a present obligation, the payment is probable and reliable estimates can be made.

Revenue recognition. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer of electricity and heat or non-utility goods and services. Revenue is measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services sold/provided. Revenue is stated net of value added tax.

Social expenditure. To the extent that the Group's contributions to social programs benefit the community at large without creating constructive obligation to provide such benefits in the future and are not restricted to the Group's employees, they are recognized in the statement of comprehensive income as incurred.

Interest. Interest income and expense are recognized in the statement of comprehensive income for all debt instruments on an accrual basis using the effective rate of interest method. Interest income includes nominal interest and amortized discount and premium. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

(in thousands of Russian Roubles)

Fair values

(a) *Determination of fair values.* A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(b) *Investments in equity securities.* The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(c) *Trade and other receivables.* The fair value of non-current trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(d) *Non-derivative financial liabilities.* Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Earnings per share. The earnings per share are determined by dividing the profit from continuing operations attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Segment reporting. The Group has a single reportable segment - the generation of electric power and heat in the Russian Federation as the management does not review profit measures for SDPPs or any other components in order to make a decision about allocation of resources. The generation of electricity and heat are related activities and are subject to similar risks and returns, therefore they are reported as one business segment. The Group generates its revenues from the generation of electricity and heat in the Russian Federation. The Group holds assets in the same geographical area – the Russian Federation.

Seasonality. Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, although less intense, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

4 Related parties

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the six months ended 30 June 2010 and 30 June 2009 or had significant balances outstanding at 30 June 2010 and at 31 December 2009 are detailed below.

Parent and parent's subsidiaries

The Group had the following significant transactions with the Group "MMC "Norilsk Nickel":

	For the six months ended 30 June 2010	**For the six months ended 30 June 2009**
Purchases	834 659	322 052

(in thousands of Russian Roubles)

The Group had the following balances with the parent or its subsidiaries as at 30 June 2010 and 31 December 2009:

	30 June 2010	31 December 2009
Accounts receivable	377 585	-
Accounts payable	12 648	-

Revenues and purchases from related parties are determined at regulated tariffs where applicable, in other cases revenues and purchases are determined at normal market prices.

Transactions with key management and close family members Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the six months ended 30 June 2010 was RR 63 038 thousand (for the six months ended 30 June 2009 – RR 60 675 thousand).

5 Property, plant and equipment

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2009	**30 975 785**	**4 088 335**	**977 739**	**18 089 102**	**7 933 047**	**62 064 008**
Additions	-	-	-	4 704 627	29 194	4 733 821
Transfers	135 846	18 245	-	(295 583)	141 492	-
Disposals	(73 576)	(83)	-	(5 441)	(28 839)	(107 939)
Closing balance as at 30 June 2010	**31 038 055**	**4 106 497**	**977 739**	**22 492 705**	**8 074 894**	**66 689 890**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2009	**(14 446 065)**	**(2 734 850)**	**(532 276)**	**-**	**(6 189 823)**	**(23 903 014)**
Charge for the period	(589 794)	(52 292)	(22 186)	-	(242 548)	(906 820)
Disposals	34 226	76	-	-	19 402	53 704
Closing balance as at 30 June 2010	**(15 001 633)**	**(2 787 066)**	**(554 462)**	**-**	**(6 412 969)**	**(24 756 130)**
Net book value as at 30 June 2010	**16 036 422**	**1 319 431**	**423 277**	**22 492 705**	**1 661 925**	**41 933 760**
Net book value as at 31 December 2009	**16 529 720**	**1 353 485**	**445 463**	**18 089 102**	**1 743 224**	**38 160 994**

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Construction in progress	Other	Total
Opening balance as at 31 December 2008	**30 461 018**	**4 005 865**	**951 295**	**10 583 504**	**7 541 753**	**53 543 435**
Additions	42 927	303	7 871	785 724	21 083	857 908
Transfers	59 310	703	-	(90 340)	30 327	-
Disposals	(5 555)	(464)	-	(5 218)	(9 292)	(20 529)
Closing balance as at 30 June 2009	**30 557 700**	**4 006 407**	**959 166**	**11 273 670**	**7 583 871**	**54 380 814**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2008	**(14 972 531)**	**(2 796 226)**	**(524 067)**	**(104 038)**	**(5 859 260)**	**(24 256 122)**
Charge for the period	(537 901)	(46 413)	(20 195)	-	(225 379)	(829 888)
Disposals	2 179	420	-	2 977	7 179	12 755
Closing balance as at 30 June 2009	**(15 508 253)**	**(2 842 219)**	**(544 262)**	**(101 061)**	**(6 077 460)**	**(25 073 255)**
Net book value as at 30 June 2009	**15 049 447**	**1 164 188**	**414 904**	**11 172 609**	**1 506 411**	**29 307 559**
Net book value as at 31 December 2008	**15 488 487**	**1 209 639**	**427 228**	**10 479 466**	**1 682 493**	**29 287 313**

(in thousands of Russian Roubles)

At 30 June 2010 construction in progress includes advance prepayments for property, plant and equipment of RR 14 057 615 thousand (31 December 2009: RR 12 300 111 thousand, 30 June 2009: RR 6 829 433).

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated.

Impairment

The impairment provision included in accumulated depreciation balance as at 30 June 2010 and 31 December 2009 is RR 109 868 thousand and RR 113 895 thousand respectively.

Operating leases

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

Non-cancellable operating lease rentals are payable as follows:

	30 June 2010	31 December 2009
Not later than one year	47 277	23 382
Later than one year and not later than five years	158 567	83 328
Later than five years	898 539	760 458
Total	**1 104 383**	**867 168**

The land areas leased by the Group are the territories on which the Group's electric power stations, heating stations and other assets are located. Lease payments are reviewed regularly to reflect market rentals.

6 Intangible assets

Cost	Computer software	Licenses	Total
Balance at 1 January 2010	60 963	20 264	81 227
Additions	12 484	981	13 465
Balance at 30 June 2010	73 447	21 245	94 692
Amortisation			
Balance at 1 January 2010	(19 174)	(1 423)	(20 597)
Amortisation for the period	(9 025)	(632)	(9 657)
Balance at 30 June 2010	(28 199)	(2 055)	(30 254)
Carrying amounts			
At 1 January 2010	**41 789**	**18 841**	**60 630**
At 30 June 2010	**45 248**	**19 190**	**64 438**

Cost	Computer software	Licenses	Total
Balance at 1 January 2009	39 298	18 967	58 265
Additions	3 799	1 494	5 293
Balance at 30 June 2009	43 097	20 461	63 558
Amortisation			
Balance at 31 December 2008	(5 882)	(359)	(6 241)
Amortisation for the period	(6 555)	(475)	(7 030)
Balance at 30 June 2009	(12 437)	(834)	(13 271)
Carrying amounts			
At 31 December 2008	**33 416**	**18 608**	**52 024**
At 30 June 2009	**30 660**	**19 627**	**50 287**

(in thousands of Russian Roubles)

7 Investments in equity accounted investees

Equity investments in associated company accounted for using the equity method are presented by investment in RUSIA Petroleum as follows:

	RUSIA Petroleum
Balance at 1 January 2010	**14 023 501**
Share of losses	(103 109)
Balance at 30 June 2010	**13 920 392**

The following is summarized financial information for the six months ended 30 June 2010 for equity accounted investee, not adjusted for percentage ownership held by the Group:

Name of associate	Market value	Carrying value of investment	Total assets	Total liabilities	Sales	Loss
RUSIA Petroleum	n/a	13 920 392	32 624 879	16 108 188	10 229	(412 436)

On 20 October 2008 the Group acquired 25% (minus one share) of OJSC RUSIA Petroleum Company (RUSIA Petroleum) which holds a licence for Kovyktinskoe gas condensate field, one of the most strategically important gas fields in Russia with estimated gas resources in excess of 2 trillion cubic metres. The carrying value of the investment as at 30 June 2010 is RR 13 920 392 thousand.

In 2010, TNK-BP, the majority shareholder of RUSIA Petroleum, demanded an immediate repayment of loans which it provided to RUSIA Petroleum, amounting to RR 11 871 749 thousand. Subsequently, the general director of RUSIA Petroleum filed for its bankruptcy due to inability to meet this demand. According to a court decision, a monitoring procedure was introduced at RUSIA Petroleum in June 2010 in accordance with the Russian law on bankruptcy, and this procedure is currently underway. Further decisions as to the course of the bankruptcy process are expected to be taken in October 2010 at a general creditors' meeting.

Based on future creditors' and court's decisions, the bankruptcy process may proceed from the current monitoring stage to the receivership stage, being the final stage of the bankruptcy process. Should the bankruptcy process proceed to the receivership stage, management believes that the Group may recover its investment in RUSIA Petroleum through the receivership's disposal of the assets of RUSIA Petroleum, including the relevant production licenses, as such conduct of receivership is anticipated by the law and is expected to be in the best interests of both RUSIA Petroleum and its creditors.

Management will closely monitor the developments around the initiated bankruptcy and will seek alternative courses of action should the receivership not proceed in a fair manner based on market terms.

Realisation of the Group's investment depends on the outcome of the bankruptcy process, which is currently at an early stage of development, and the resolution of a number of uncertainties. Impairment losses, if any, may be sustained by the Group as and if the bankruptcy process develops further, and the Group may not be able to recover the full value of its investment. No adjustment to the carrying value of the investment has been recorded in these interim condensed consolidated financial statements. Management will continue to revisit these estimates as further information is received indicating the likely course of realisation of the Group's investment in RUSIA Petroleum.

8 Other non-current assets

	30 June 2010	31 December 2009
Available-for-sale investments	170 350	142 221
Accounts receivable	24 777	123 977
Value added tax	316	7 515
Other non-current assets	118	1 394
Total	**195 561**	**275 107**

(in thousands of Russian Roubles)

The available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of other categories of financial assets. The available-for-sale financial assets mainly comprise marketable and non-marketable securities. Available-for-sale financial assets are stated at fair value and fall into Level 1 category in the fair value hierarchy.

Net gain arising from changes in fair value of available-for-sale investments during the six months ended 30 June 2010 comprised RR 28 129 thousand, RR 28 485 thousand of which were recognized in other comprehensive income. During the six months ended 30 June 2009 the RR 39 272 thousand gain from changes in fair value of available-for-sale investments was recognised directly in equity.

9 Inventories

	30 June 2010	31 December 2009
Fuel supplies	1 106 190	1 336 940
Materials and supplies	330 189	257 274
Other inventories	379 630	293 549
Total	**1 816 009**	**1 887 763**

The above inventory balances are recorded net of an obsolescence provision of RR 59 391 thousand and RR 130 718 thousand as at 30 June 2010 and 31 December 2009 respectively.

10 Accounts receivable and prepayments

	30 June 2010	31 December 2009
Trade accounts receivable (net of impairment provision for accounts receivable of RR 459 567 thousand as at 30 June 2010 and RR 609 453 thousand as at 31 December 2009)	1 598 316	1 995 261
Prepayments to suppliers (net of impairment provision for prepayments to suppliers of RR 68 038 thousand as at 30 June 2010 and RR 68 744 thousand as at 31 December 2009)	455 970	1 022 983
Value added tax recoverable	307 528	769 340
Interest and other accounts receivable (net of impairment provision for other accounts receivable of RR 236 625 thousand as at 30 June 2010 and RR 239 665 thousand as at 31 December 2009)	1 533 077	388 960
Total	**3 894 891**	**4 176 544**

The foreign exchange gain from accounts receivable comprised RR 116 thousand during the six months ended 30 June 2010 (during the six months ended 30 June 2009: RR 27 195 thousand).

(in thousands of Russian Roubles)

11 Deposits and other financial assets

Name of bank	Currency	Type	Interest rate, %	30 June 2010 (foreign currency)	30 June 2010 (RR' 000)	31 December 2009 (RR' 000)
VTB Bank	USD	Deposit	8,50	444 933	13 879 871	-
VTB Bank	RR	Deposit	5,25-7,40	-	12 617 408	7 500
VTB Bank	EUR	Deposit	7,25	187 859	7 173 640	-
Sberbank	RR	Promissory notes	8,50-8,60	-	-	1 393
Rosbank	RR	Deposit	6,15-8,10	-	7 900 000	-
Sviaz Bank	RR	Deposit	6,24	-	1 400 000	-
Total					**42 970 919**	**8 893**

As at 30 June 2010 cash held in deposits amounted to RR 42 970 919 thousand. All deposits nominated in Russian Rouble can be repaid prior to maturity date at several days notice depending on the terms of specific contract. Deposit terms are from three months to one year and interest rates are fixed for a certain period.

For the six months ended 30 June 2010 interest income on deposits and promissory notes amounted to RR 1 032 122 thousand (for the six months ended 30 June 2009: RR 1 395 569 thousand).

The Group's deposits in banks and other financial assets are short-term and their carrying amount approximates fair value.

The foreign exchange loss from deposits and other financial assets comprised RR 579 904 thousand for the six months ended 30 June 2010 (for the six months ended 30 June 2009: gain of RR 2 773 907 thousand).

12 Cash and cash equivalents

	30 June 2010		31 December 2009	
	RUR'000	Foreign currency ' 000	RUR'000	Foreign currency ' 000
Cash nominated in:				
RUR	2 345 173	-	6 346 506	-
USD	3 067	98	538 775	17 814
EUR	1 094	29	15 337	354
GBR	109	2	111	2
Term deposits with original maturity of less than three months:				
RUR	2 550 000	-	-	-
USD	-	-	24 069 582	795 841
EUR	-	-	20 175 534	464 999
Total	**4 899 443**		**51 145 845**	

For the six months ended 30 June 2010 the foreign exchange loss from cash equivalents and transactions with cash comprised RR 1 366 454 thousand (for the six months ended 30 June 2009: loss of RR 2 070 988 thousand).

For exchange rate sensitivity analysis please refer Note 28.

13 Assets held for sale

Plug Power. On 30 June 2009 investment in associated company Plug Power was classified as asset held for sale following the decision of the Group's management, approved on 28 May 2009, to sell shares in Plug Power. Efforts to sell the Plug Power shares have commenced, and a sale was expected by 30 June 2010. However, the period required to complete the sale was extended due to the circumstances beyond the management's control. The Group management nevertheless remains committed to its plan to sell the asset.

(in thousands of Russian Roubles)

Plug Power shares valued at lower of carrying amount (RR 958 291 thousand) and market price (RR 638 999 thousand). An impairment loss recognized during the six months ended 30 June 2010 and 30 June 2009 comprised RR 319 292 thousand and nil respectively (Note 23).

14 Equity

Share capital *(Number of shares unless otherwise stated)*	**Ordinary shares 30 June 2010**	**Ordinary shares 31 December 2009**
Issued shares	47 487 999 252	47 487 999 252
Par value (in RR)	1.00	1.00

Treasury shares. As at 30 June 2010 and 31 December 2009, the number of treasury shares amounted to 1 966 180 818 shares comprising 4.14% of issued shares.

Dividends. In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

15 Income tax

Income tax	**For the six months ended 30 June 2010**	**For the six months ended 30 June 2009**
Current income tax benefit / (expense)	72 117	(148 988)
Deferred income tax benefit / (expense)	115 081	(242 764)
Total income tax	**187 198**	**(391 752)**

During the six months ended 30 June 2010 and 30 June 2009 the Group entities were subject to 20% income tax rate on taxable profits. In accordance with Russian tax legislation, tax losses in different Group companies may not be offset against taxable profits of other Group companies.

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

	For the six months ended 30 June 2010	**For the six months ended 30 June 2009**
(Loss)/profit before income tax	**(896 849)**	**4 204 591**
Theoretical income tax benefit / (expense)	179 370	(840 918)
Unrecognised deferred tax asset on share in losses of associates	(20 622)	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible sponsorship expenses	(75 517)	-
Taxes overprovided in prior years	95 924	462 351
Effect of changes in provisions	20 410	(22 223)
Other non-deductible and non-taxable items, net	(12 367)	9 038
Total income tax benefit / (expense)	**187 198**	**(391 752)**

Deferred income 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 their tax bases. At 30 June 2010 deferred tax assets and liabilities are measured at 20%, the rate applicable when the temporary differences will reverse.

(in thousands of Russian Roubles)

Deferred tax liabilities

	31 December 2009	Movement for the period recognized in profit or loss	Movement for the period recognized in the statement of changes in equity	30 June 2010
Property, plant and equipment	(2 393 860)	50 778	-	(2 343 082)
Foreign currency translation differences	(19 657)	-	-	(19 657)
Total	**(2 413 517)**	**50 778**	**-**	**(2 362 739)**

Deferred tax assets

	31 December 2009	Movement for the period recognized in profit or loss	Movement for the period recognized in the statement of changes in equity	30 June 2010
Assets held for sale	5 764	63 858	-	69 622
Accounts payable	64 515	(5 690)	-	58 825
Inventories	17 862	11 078	-	28 940
Accounts receivable including provision for impairment	12 346	(5 014)	-	7 332
Long-term available-for-sale investments	6 061	71	(5 697)	435
Total	**106 548**	**64 303**	**(5 697)**	**165 154**
Net deferred tax liabilities	**(2 306 969)**	**115 081**	**(5 697)**	**(2 197 585)**

Deferred tax assets have not been recognised in respect of share in losses of associates because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Deferred tax liabilities

	31 December 2008	Movement for the period recognized in profit or loss	Movement for the period recognized in the statement of changes in equity	30 June 2009
Property, plant and equipment	(2 094 467)	(168 904)	-	(2 263 371)
Investments in equity accounted investees	(80 104)	48 608	-	(31 496)
Foreign currency translation differences	-	-	(19 656)	(19 656)
Accounts payable	(1 205)	1 108	-	(97)
Other	(500)	-	500	-
Total	**(2 176 276)**	**(119 188)**	**(19 156)**	**(2 314 620)**

(in thousands of Russian Roubles)

Deferred tax assets

	31 December 2008	Movement for the period recognized in profit or loss	Movement for the period recognized in the statement of changes in equity	30 June 2009
Accounts payable	46 666	2 484	-	49 150
Investments in equity accounted investees	-	38 713	-	38 713
Inventories	8 476	6 056	-	14 532
Long-term available-for-sale investments	21 435	-	(8 355)	13 080
Accounts receivable including provision for impairment	5 730	3 139	-	8 869
Financial assets at fair value through profit or loss	173 084	(173 968)	-	(884)
Total	**255 391**	**(123 576)**	**(8 355)**	**123 460**
Net deferred tax liabilities	**(1 920 885)**	**(242 764)**	**(27 511)**	**(2 191 160)**

16 Employee benefits

The Group provides various long-term and post employment benefits including lump sum payments upon retirement and jubilee benefits to active employees and others. Additionally the Group provides quarterly financial support payments of a defined benefit nature to its former employees, who have reached the age of the state old age pension.

Amounts recognized in the consolidated statement of financial position:

	30 June 2010	31 December 2009
Defined benefit obligations	449 303	425 602
Unrecognized net actuarial loss	(50 832)	(51 516)
Unrecognized past service cost	(95 833)	(101 470)
Net liability in statement of financial position	**302 638**	**272 615**

Amounts recognized in the consolidated statement of comprehensive income:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Current service cost	13 890	10 984
Interest cost	19 348	17 202
Recognized actuarial loss	684	537
Amortization of past service cost	5 638	6 582
Total	**39 560**	**35 305**

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

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Defined benefit obligations at the beginning of the period	425 602	368 244
Current service cost	13 890	10 984
Interest cost	19 348	17 202
Benefits paid	(9 537)	(7 953)
Defined benefit obligations at the end of the period	**449 303**	**388 477**

(in thousands of Russian Roubles)

Principal actuarial estimations are as follows:

	30 June 2010	31 December 2009
Discount rate	9.00	9.00
Salary increase	8.00	8.00
Financial support benefits increase	6.50	6.50
Inflation	6.50	6.50

Reconciliation of the statement of financial position:

	30 June 2010	31 December 2009
Net liability at the beginning of the year	272 615	207 934
Net expense recognised in the statement of comprehensive income	39 560	82 459
Benefits paid	(9 537)	(17 778)
Net liability at the end of the period	**302 638**	**272 615**

Experience adjustments:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Present value of defined benefit obligations	449 303	388 477
Deficit in plan	449 303	388 477

Sensitivity of defined benefit obligation to changes in assumptions:

	Increase	Effect on DBO
Discount rate	+1.00%	-8,30%
Salary growth	+1.00%	4,70%

17 Accounts payable and accruals

	30 June 2010	31 December 2009
Trade accounts payable	1 551 121	1 270 153
Accrued liabilities and other accounts payable	551 901	611 594
Dividends payable	3 692	95 329
Advances from customers	40 816	40 335
Total	**2 147 530**	**2 017 411**

The foreign exchange loss from accounts payable and accruals comprised RR 134 thousand during the six months ended 30 June 2010 (during the six months ended 30 June 2009: loss of RR 144 thousand).

18 Provisions

Movements in provisions and charges were as follows:

	Note	Tax Risks	Legal claims	Total
At 1 January 2010		**38 668**	**75 427**	**114 095**
Reversal of provision	21	(38 668)	(63 383)	(102 051)
At 30 June 2010		**-**	**12 044**	**12 044**

All of the above provisions were classified as current liabilities because the Group does not have any rights to defer settlements beyond one year.

Tax risks. Management assessed, based on their interpretation of the relevant tax legislation that there is a low probability that certain tax positions taken by the Group would not be sustained, if challenged by the tax authorities. Accordingly, the Group reversed provisions for taxes and the related penalties and interest risks.

(in thousands of Russian Roubles)

Legal claims. Reversal of provision for legal claims relates to the redemption of claims brought against the Group referred to repayment of cash for joint liability with other counterparty for foregone expenses. The balance at 30 June 2010 is expected to be utilised within a year. In the management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts.

19 Taxes payable

	30 June 2010	31 December 2009
Value added tax	1 464 357	1 195 697
Water usage tax	150 614	128 901
Property tax	72 074	70 615
Unified social tax	56 250	21 954
Land tax	19 309	18 994
Income tax	1 016	163 191
Other taxes	32 128	24 798
Total	**1 795 748**	**1 624 150**

20 Operating expenses

	Notes	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Fuel		(9 977 422)	(7 314 473)
Purchased electricity		(4 231 277)	(3 239 169)
Employee benefits		(2 177 135)	(2 015 955)
Depreciation and amortization	5,6	(916 477)	(836 918)
Taxes other than income tax		(806 233)	(443 584)
Raw materials and supplies		(379 736)	(304 366)
Sponsorship expenses		(377 585)	(280 358)
Fees to Trade System Administrator, System Operator		(342 514)	(348 448)
Transportation of gas		(338 536)	(299 847)
Repairs and maintenance		(229 348)	(263 703)
Water usage expenses		(117 802)	(24 299)
Security services		(110 014)	(92 470)
Insurance cost		(97 414)	(26 128)
Rent		(48 406)	(38 895)
Consulting, legal and audit services		(47 593)	(113 360)
Social overhead costs		(46 147)	(19 206)
Transportation services		(33 759)	(25 756)
Safety arrangement costs		(22 722)	(21 425)
Telecommunication services		(19 516)	(19 388)
Business trip expenses		(18 990)	(11 225)
Charity expenses		(17 048)	(49 720)
Annual General Meeting Expenses		(15 391)	(26 009)
Impairment of accounts receivable		-	(270 100)
Change in provisions		-	(111 573)
Other		(196 661)	(199 038)
Total operating expenses		**(20 567 726)**	**(16 395 413)**

(in thousands of Russian Roubles)

Employee benefits expenses comprise the following:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Salaries and wages, payroll taxes	(2 077 010)	(1 944 295)
Financial aid to employees and pensioners	(69 771)	(43 811)
Non-governmental pension fund	(30 354)	(27 849)
Employee benefits	**(2 177 135)**	**(2 015 955)**

21 Other operating income

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Reversal of provision for impairment of accounts receivable	153 632	-
Change in other provisions	102 051	-
VAT refund	96 039	31 100
Fines, penalties and legal proceedings	22 737	16 667
Capacity supply agreement losses reimbursement	18 111	43 709
Gain on disposal of property, plant and equipment	9 931	12 611
Surplus resulting from stock-take	917	40 929
Other operating income	6 681	7 196
Total	**410 099**	**152 212**

22 Income from investing activities

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Interest income on bank deposits	959 924	1 395 569
Interest income on bank account contracts	71 865	51 025
Revaluation of financial assets at fair value through profit or loss	-	869 839
Other interest income	333	2 156
Total	**1 032 122**	**2 318 589**

23 Loss on investing activities

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Impairment of asset held for sale	(319 292)	-
Impairment of available-for-sale investments	(356)	-
Total	**(319 648)**	**-**

24 Finance income/(costs)

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Effect of discount	18 700	(6 608)
Interest expense	-	(1 019)
Total	**18 700**	**(7 627)**

(in thousands of Russian Roubles)

25 (Loss)/Earnings per share

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
(Loss)/Profit attributable to the shareholders of JSC WGC-3 (thousands of RR)	(709 651)	3 812 839
Weighted average number of ordinary shares issued (thousands of shares)	45 521 818	45 514 927
(Loss)/Earnings per share, basic and diluted (in RR per share)	**(0.0156)**	**0.084**

26 Commitments

Fuel commitments. The Group has a number of outstanding contracts to purchase natural gas and coal. The volume of gas supplied by Gazprom at regulated tariffs is subject to pre-agreed limits. Such limits are typically less than SDPPs require for their generating operations, and any gas required in excess of those limits may only be obtained at non-regulated prices, either from Gazprom or an independent producer. The gas industry is highly regulated by the Russian government, which regularly increases prices for natural gas supplied by Gazprom. In contrast to gas, coal prices are not regulated.

The following long-term contracts on delivery of gas for the needs of production were concluded by the Group:

- Kostromskaya SDPP – for delivery of gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC “Gazprom” – LLC “Kostromaregiongas”; for delivery of over-limited gas for the term of 5 years (2007-2011) with OJSC “Novatek”
- Pechorskaya SDPP – for delivery of gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC “Gazprom” – LLC “Komiregiongas”
- Yuzhnouralskaya SDPP – for delivery of gas within pre-agreed limits for the term of 5 years (2008-2012) with the regional gas company of OJSC “Gazprom” – LLC “Chelyabinskregiongas”; for delivery of over-limited gas for the term of 5 years (2007-2011) with OJSC “Novatek”.

Capital commitments. Future capital expenditure for which contracts have been signed amounted to RR 41 326 677 thousand at 30 June 2010 (at 31 December 2009: RR 45 952 895 thousand) including VAT.

The Group is planning to fulfil its capital commitments in accordance with investment program.

27 Contingencies

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

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

Legal proceedings. The 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 and not provided for which, upon final disposition, will have a material adverse effect on the financial position of the Group.

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 way of accounting for tax purposes of tariff imbalance, water tax, deductibility of certain expenses and property received in the course of reorganisation. 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 proceeding the year of review. Under certain circumstances review may cover longer periods.

As at 30 June 2010 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 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 reorganisation related to reforming of the electric utilities industry. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

Environmental matters. Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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

28 Financial instruments and financial risks

Risk management framework. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial risk factors. The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, changes in interest rates, and the collectability of accounts receivable. The Group does not have a risk policy to hedge its financial exposures.

Credit risk. Credit risk is the risk of financial loss for the Group in the case of non-fulfilment by the contractor the obligations on the financial instrument under the particular contract.

Trade accounts receivable

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of trade accounts receivable. Although collection of accounts receivable could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of accounts receivable already recorded.

Credit risk is managed on a Group basis. For wholesale customers there is no independent rating and therefore Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The bad debt allowance and write-off of accounts receivable are therefore calculated based on analysis of collectability.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a reliable credit rating. Management does not expect any counterparty to fail to meet its obligations. The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(in thousands of Russian Roubles)

Narrative	Rating	Rating agency	Currency	30 June 2010	31 December 2009
Accounts receivable					
CJSC Center of financial settlements	unrated	-	RUR	622 999	831 331
OJSC Dagestanskaya energy retail company	unrated	-	RUR	108 186	7 556
OJSC Energosbyt Rostovenergo energy retail company	unrated	-	RUR	97 836	120 975
OJSC Komienergo energy retail company	unrated	-	RUR	69 485	570 252
OJSC Yaroslavskaya energy retail company	unrated	-	RUR	61 338	-
OJSC Nigegorodskaya energy retail company	unrated	-	RUR	45 726	1 736
OJSC Nignovatom energy retail company	unrated	-	RUR	37 789	11 148
OJSC Sevkavkazenrgo energy retail company	unrated	-	RUR	28 902	-
OJSC Karachaevo-Cherkesskenergo energy retail company	unrated	-	RUR	26 030	-
OJSC Voronegskaya energy retail company	unrated	-	RUR	12 488	-
Total accounts receivable				**1 110 779**	**1 542 998**
Deposits and other financial assets					
VTB	BBB/negative/A-3	S&P	RUR	12 617 408	7 500
VTB	BBB/negative/A-3	S&P	USD	13 879 871	-
VTB	BBB/negative/A-3	S&P	EUR	7 173 640	-
Rosbank	BB+/stable/B	S&P	RUR	7 900 000	-
Svyaz-bank	unrated		RUR	1 400 000	-
Sberbank	BBB/ stable/C/D	Fitch	RUR	-	1 393
Total deposits and other financial assets				**42 970 919**	**8 893**
Cash and cash equivalents					
VTB	BBB/negative/A-3	S&P	RUR	2 665 081	3 102
VTB	BBB/negative/A-3	S&P	USD	4	22
VTB	BBB/negative/A-3	S&P	EUR	61	20 187 005
Sberbank	BBB/stable/C/D	Fitch	RUR	1 901 652	6 222 845
Sberbank	BBB/stable/C/D	Fitch	USD	994	24 606 541
Sberbank	BBB/stable/C/D	Fitch	EUR	3 063	3 648
Rosbank	BB+/stable/B	S&P	RUR	45 371	13 222
Gazprombank	BB/positive/B	S&P	RUR	199 310	-
Gazprombank	BB/positive/B	S&P	USD	39	1 794
Gazprombank	BB/positive/B	S&P	EUR	-	218
Gazprombank	BB/positive/B	S&P	GBP	109	111
Chitapromstroybank	n/a	-	RUR	-	11 214
Eurofinance Mosnarbank	B+/stable/D	Fitch	RUR	3 699	6 451
Alfabank	B+/positive/B	S&P	RUR	28 351	80 896
Chelyabinvestbank	unrated	-	RUR	1 804	-
Other	-	-	RUR	49 905	8 776
Total cash and cash equivalents				**4 899 443**	**51 145 845**

(in thousands of Russian Roubles)

Impairment losses

The aging of accounts receivable at the reporting date was:

	Gross as at 30 June 2010	Impairment as at 30 June 2010	Gross as at 31 December 2009	Impairment as at 31 December 2009
Not past due	3 503 164	-	3 405 442	-
Past due 0-180 days	345 574	(89)	610 282	(108 329)
Past due 181-365 days	50 283	(40 171)	304 106	(109 942)
Past due more than 365 days	760 100	(723 970)	774 576	(699 591)
Total	**4 659 121**	**(764 230)**	**5 094 406**	**(917 862)**

Movement of the impairment provision is shown in the table below:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
As at 1 January	917 862	968 852
Reversal of provision	(158 275)	(27 846)
Accrued provision	4 643	297 946
As at 30 June	**764 230**	**1 238 952**

Management has determined the impairment provision and write-off of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows.

The Group has the following overdue balances of accounts receivable which are not considered impaired as at 30 June 2010:

Overdue period	30 June 2010	31 December 2009
Less than 180 days	345 485	501 953
More than 180 days but less than 365 days	10 112	194 164
Over 365 days	36 130	74 985
As at 31 December	**391 727**	**771 102**

Management believes that Group entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and therefore the recorded value of accounts receivable approximates their fair value.

Guarantees received

Guaranties received as at 30 June 2010 for projecting, supply and construction agreements relate to the construction of energy unit №3 of 225 MW at Kharanorskaya SDPP, energy units (2*225 MW) at Chrepetskaya SDPP, construction of the Power complex Yugnouralskaya SDPP-2 and reconstruction and power unit restoration №4 at Gusinoozerskaya SDPP:

(in thousands of Russian Roubles)

			Amount	
Guarantor	**Creditor**	**Maturity date**	**Currency EUR**	**Equivalent in RR**
OJSC Rosbank	CJSC "Energoproject"- “Centerenergoproject”	01.05.2011	-	852 347
OJSC Rosbank	CJSC "Energoproject"- “Centerenergoproject”	31.05.2011	-	304 350
OJSC Gazprombank	OJSC "Technopromexport"	03.08.2013	-	1 552 087
OJSC VTB	OJSC "Technopromexport"	03.08.2013	-	1 862 504
OJSC VTB	OJSC "Technopromexport"	03.05.2013	-	1 241 669
OJSC VTB	OJSC "Technopromexport"	03.11.2013	-	1 241 669
OJSC VTB	OJSC "Technopromexport"	03.08.2013	-	3 606 541
OJSC VTB	OJSC "Technopromexport"	03.08.2013	-	1 552 087
OJSC Alfabank	CJSC "Atomstroyexport"	31.10.2012	-	102 070
OJSC Alfabank	CJSC "Atomstroyexport"	31.10.2012	38 432 432	1 467 592
OJSC Alfabank	CJSC "Atomstroyexport"	28.11.2014	-	1 183 275
OJSC Alfabank	CJSC "Atomstroyexport"	28.11.2014	17 441 146	666 013
OJSC Alfabank	CJSC "Atomstroyexport"	31.10.2012		242 068
OJSC VTB	CJSC Energiya-service	14.02.2012		808 491
OJSC VTB	CJSC Energiya-service	14.02.2012		167 640
OJSC Alfabank	CJSC "Atomstroyexport"	31.10.2012	-	551 146
Total			**55 873 578**	**17 401 549**

Collateral received

Collateral received as at 30 June 2010 for projecting, supply and construction agreements relate to energy unit construction № 3 225 MW at Kharanorskaya SDPP

Pledger	**Maturity date**	**Currency**	**Amount**
OJSC "Energoproject"	16.05.2011	RUR	82 578
OJSC "Energoproject"	16.05.2011	RUR	93 559
LTD "Diversificaciya-M"	-	RUR	225
LTD “Komplectsnab”	-	RUR	168
LTD "Diversificaciya-M"	-	RUR	500
Total			**177 030**

Interest rate risk. The Group’s operating profits and cash flows from operating activities are largely not dependent on the changes in market interest rates. At 30 June 2010 the Group has significant short-term interest-bearing assets. The interest rates on these assets are fixed; these are disclosed in Note 11. They are not exposed to significant interest rate risk through market value fluctuations as the interest-bearing assets are short-term.

The Group has no interest-bearing short-term borrowings exposed to interest rate risk through market value fluctuations.

Interest rate risk is monitored by the Board of Directors who approve the maximum acceptable level of weighted average borrowing cost for a certain period (usually a quarter).

Currency risk. Power and heat produced by the Group is sold on the internal market of Russian Federation with prices fixed in the currency of Russian Federation. Hence, the Group’s net exposure to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities is kept at minimum level. The financial condition of the Group, its liquidity, financing sources and the results of activities do not considerably depend on currency rates as the Group activities are planned to be performed in such a way that its assets and liabilities be denominated in the national currency. Moreover, the Group does not plan to perform activities on the outer market. That is why the influence of foreign currency rates fluctuations on the financial position of the Group is estimated as insignificant.

However the Group is exposed to foreign exchange risk arising from deposit balances (see note 11) and liabilities denominated in US dollars and Euro. Foreign currency contracts are presented below:

Contractual foreign currency obligations	**30 June 2010**
EUR	135 979
USD	12

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the respective Group entities, with all other variables held constant:

In thousands of Russian Roubles	**At 30 June 2010 Impact on profit or loss**
US Dollar strengthening by 10%	1 387 987
US Dollar weakening by 10%	(1 387 987)
Euro strengthening by 10%	717 364
Euro weakening by 10%	(717 364)

The exposure was calculated only for deposited balances denominated in currencies other than the functional currency of the respective entity of the Group.

Other price risk. The Group has limited exposure to equity price risk. Transactions in equity products are monitored and authorized by the Board of Directors.

Liquidity risk. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the particular maturity date. The amounts disclosed in the table are the contractual and legal undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 30 June 2010				
Trade and other accounts payable	2 106 714	-	-	-
At 31 December 2009				
Trade and other accounts payable	1 977 076	-	-	-

Capital risk management. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain the optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings shown in the consolidated statement of financial position less cash and cash equivalents. Total capital is calculated as equity, shown in the consolidated statement of financial position, plus net debt.

Taking into consideration the absence of borrowings as at 30 June 2010 and the significant amount of short-term bank deposits the Group is not exposed to the capital risk at 30 June 2010.

(in thousands of Russian Roubles)

Financial instruments by category. For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and accounts receivable; (b) available-for-sale financial assets. The following table provides a reconciliation of classes of financial assets with these measurement categories as at 30 June 2010 and 31 December 2009:

	Loans and accounts receivable	Available-for-sale financial assets
30 June 2010		
Assets as per statement of financial position		
Deposits and other financial assets	42 970 919	-
Accounts receivable	3 131 393	-
Other non-current assets	24 777	170 350
Total	**46 127 089**	**170 350**

	Loans and accounts receivable	Available-for-sale financial assets
31 December 2009		
Assets as per statement of financial position		
Deposits and other financial assets	8 893	-
Accounts receivable	2 384 221	-
Other non-current assets	123 977	142 221
Total	**2 517 091**	**142 221**

Fair value of financial instruments. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The carrying value less impairment provision for trade receivables is assumed to approximate their fair values due to their short-term nature.

The Group's deposits in banks are short-term and their carrying amount approximates fair value.

The maximum exposure for each risk is limited to the fair value of each class of financial instrument.