OJSC Enel OGK-5

Consolidated Interim Financial Statements
for the six months ended 30 June 2009 (unaudited)

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Independent Auditors' Report

To the Board of Directors of Open Joint-Stock Company ENEL OGK-5

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of OJSC ENEL OGK-5 (the "Company") and its subsidiaries (the "Group") as at 30 June 2009, 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 2009, 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*.

ZAO KPMG

ZAO KPMG

23 October 2009

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Consolidated interim statement of financial position as at 30 June 2009

Thousands of Russian Roubles, unless otherwise stated

	Notes	30 June 2009 (unaudited)	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	5	80,035,591	74,024,524
Intangible assets	6	216,150	48,152
Prepaid expense	7	642,553	-
Value added tax recoverable		360,846	142,971
Available-for-sale financial assets		47,610	24,733
Investments in equity accounted investees	8	74,536	69,993
Other non-current assets	9	1,140,979	816,116
Total non-current assets		**82,518,265**	**75,126,489**
Current assets			
Inventories	11	2,178,927	2,356,220
Trade and other receivables	10	3,946,408	4,298,473
Income tax receivable		241,569	134,178
Cash and cash equivalents	12	508,800	857,345
Total current assets		**6,875,704**	**7,646,216**
TOTAL ASSETS		**89,393,969**	**82,772,705**
EQUITY AND LIABILITIES			
Equity	13		
Share capital		35,371,898	35,371,898
Share premium		6,818,747	6,818,747
Treasury shares		(749,239)	(749,239)
Reserves		15,571,397	15,565,415
Retained earnings		8,766,632	7,034,448
Total equity attributable to equity holders of OJSC Enel OGK-5		**65,779,435**	**64,041,269**
Non-controlling interest		**49,839**	**50,436**
TOTAL EQUITY		**65,829,274**	**64,091,705**
Non-current liabilities			
Loans and borrowings	15	3,222,251	-
Deferred tax liabilities	14	7,642,421	7,535,362
Employee benefits	16	485,961	444,182
Provisions	19	362,681	322,489
Other non-current liabilities		673	556
Total non-current liabilities		**11,713,987**	**8,302,589**
Current liabilities			
Current borrowings	15	8,670,886	6,864,850
Trade and other payables	17	2,398,668	2,581,520
Income tax payable		-	79,351
Other taxes payable	18	387,563	490,122
Current provisions	19	393,591	362,568
Total current liabilities		**11,850,708**	**10,378,411**
Total liabilities		**23,564,695**	**18,681,000**
TOTAL EQUITY AND LIABILITIES		**89,393,969**	**82,772,705**

General Director A.Y. Kopsov

Chief Accountant D.A. Polenov

23 October 2009

The notes on pages 8 to 39 are an integral part of these consolidated interim financial statements.

	Notes	For the six months ended 30 June 2009 (unaudited)	For the six months ended 30 June 2008 (unaudited) (as restated)
Revenue	20	19,213,450	20,176,365
Operating expenses	21	(16,911,042)	(18,947,983)
Other operating income		63,550	298,554
Operating profit		**2,365,958**	**1,526,936**
Finance income	22	8,530	177,918
Finance expenses	22	(274,483)	(318,687)
Share of profit of equity accounted investees (net of income tax)	8	4,543	74
Profit before income tax		**2,104,548**	**1,386,241**
Income tax expense	14	(377,136)	(339,759)
Profit for the period		**1,727,412**	**1,046,482**
Other comprehensive income			
Net change in fair value of available-for-sale assets		7,478	(11,573)
Income tax on other comprehensive income		(1,496)	2,778
Other comprehensive income for the period, net of income tax		**5,982**	**(8,795)**
Total comprehensive income for the period		**1,733,394**	**1,037,687**
Profit attributable to:			
Owners of OJSC Enel OGK-5		1,728,009	1,046,881
Non-controlling interest		(597)	(399)
Total comprehensive income attributable to:			
Owners of OJSC Enel OGK-5		1,733,991	1,038,086
Non-controlling interest		(597)	(399)
Earnings per ordinary share for profit attributable to the equity holders of OJSC Enel OGK-5 - basic and diluted (in Russian Roubles per share)	13	**0.049**	**0.030**

General Director — A.Y. Kopsov

Chief Accountant — D.A. Polenov

23 October 2009

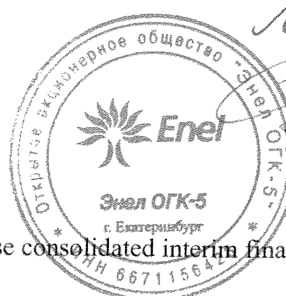
The notes on pages 8 to 39 are an integral part of these consolidated interim financial statements.

	Note	For the six months ended 30 June 2009 (unaudited)	For the six months ended 30 June 2008 (unaudited) (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		2,104,548	1,386,241
Adjustments for:			
Depreciation and amortisation	5, 6	1,376,934	1,224,737
Loss on disposal of property, plant and equipment		90,933	116,855
Stock option plan expense/(benefit)		4,175	(32,992)
Allowance for impairment of accounts receivable		67,594	(376,585)
Finance income	22	(8,530)	(177,918)
Finance expenses	22	274,483	318,687
Share of result of equity accounted investees		(4,543)	(74)
Allowance for impairment obsolescence		4,667	-
Adjustments for other non-cash transactions		(6,578)	(4,045)
Decrease in trade and other receivables		57,986	1,563,043
Increase in prepayments		(281,752)	(164,149)
Decrease/(Increase) in inventories		172,626	(394,731)
Increase/(Decrease) in trade and other payables		296,803	(1,310,835)
(Decrease)/Increase in taxes payable, other than income tax		(82,881)	216,514
Net cash inflow from operating activities before income tax paid		**4,066,465**	**2,364,748**
Interest paid		(175,688)	(194,918)
Income tax (paid)/refund		(458,315)	35,423
Net cash from operating activities		**3,432,462**	**2,205,253**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and other non-current assets		(8,122,443)	(7,982,754)
Proceeds from sale of property, plant and equipment		7	64,163
Net repayments from short-term investments		-	5,404,329
Interest received		8,297	232,949
Increase in equity investments		-	(160,000)
Net cash used in investing activities		**(8,114,139)**	**(2,441,313)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current loans and borrowings		6,003,932	315,000
Proceeds from non-current loans and borrowings		3,427,624	-
Repayment of current loans and borrowings		(4,292,728)	(315,000)
Payment of transaction costs related to loans and borrowings		(805,566)	-
Dividends paid		(130)	(1,431)
Proceeds from sale of treasury shares		-	61,265
Net cash from financing activities		**4,333,132**	**59,834**
Net decrease in cash and cash equivalents		**(348,545)**	**(176,226)**
Cash and cash equivalents at 1 January		**857,345**	**826,566**
Cash and cash equivalents at 30 June	12	**508,800**	**650,340**

General Director — A.Y. Kopsov

Chief Accountant — D.A. Polenov

23 October 2009



The notes on pages 8 to 39 are an integral part of these consolidated interim financial statements.

	Attributable to equity holders of OJSC Enel OGK-5							
	Ordinary share capital	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2008	**35,371,898**	**6,818,747**	**(882,022)**	**14,017,044**	**5,435,747**	**60,761,414**	-	**60,761,414**
Total comprehensive income for the period								
Profit for the period (unaudited)	-	-	-	-	1,046,881	1,046,881	(399)	1,046,482
Other comprehensive income (unaudited)								
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(8,795)	-	(8,795)	-	(8,795)
Total other comprehensive income (unaudited)	-	-	-	(8,795)	-	(8,795)	-	(8,795)
Total comprehensive income for the period (unaudited)	-	-	-	**(8,795)**	**1,046,881**	**1,038,086**	**(399)**	**1,037,687**
Transactions with owners, recorded directly in equity								
Contribution from non-controlling interest	-	-	-	-	-	-	51,200	51,200
Share options exercised	-	-	132,099	-	(5,899)	126,200	-	126,200
Transactions with treasury shares	-	-	684	-	235	919	-	919
Total transactions with owners	-	-	132,783	-	(5,664)	127,119	51,200	178,319
Balance at 30 June 2008	**35,371,898**	**6,818,747**	**(749,239)**	**14,008,249**	**6,476,964**	**61,926,619**	**50,801**	**61,977,420**

General Director — A.Y. Kopsov

Chief Accountant — D.A. Polenov

23 October 2009

The notes on pages 8 to 39 are an integral part of these consolidated interim financial statements.

OJSC Enel OGK-5

Consolidated interim statement of changes in equity for the six months ended 30 June 2009

Thousands of Russian Roubles, unless otherwise stated

	Attributable to equity holders of OJSC Enel OGK-5							
	Ordinary share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	**35,371,898**	**6,818,747**	**(749,239)**	**15,565,415**	**7,034,448**	**64,041,269**	**50,436**	**64,091,705**
Total comprehensive income for the period								
Profit for the period (unaudited)	-	-	-	-	1,728,009	1,728,009	(597)	1,727,412
Other comprehensive income (unaudited)								
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	5,982	-	5,982	-	5,982
Total other comprehensive income (unaudited)	-	-	-	5,982	-	5,982	-	5,982
Total comprehensive income for the period (unaudited)	**-**	**-**	**-**	**5,982**	**1,728,009**	**1,733,991**	**(597)**	**1,733,394**
Transactions with owners, recorded directly in equity								
Employee share option plan	-	-	-	-	4,175	4,175	-	4,175
Total transactions with owners	-	-	-	-	4,175	4,175	-	4,175
Balance at 30 June 2009	**35,371,898**	**6,818,747**	**(749,239)**	**15,571,397**	**8,766,632**	**65,779,435**	**49,839**	**65,829,274**

General Director A.Y. Kopsov

Chief Accountant D.A. Polenov

23 October 2009

The notes on pages 8 to 39 are an integral part of these consolidated interim financial statements.

1 BACKGROUND

(a) Organisation and operations

Open Joint-Stock Company "Enel OGK-5" (the "Company", previously known as OJSC "The Fifth Generating Company of the Wholesale Electric Power Market") was established on 27 October 2004 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Government of the Russian Federation on 1 September 2003.

On 9 February 2007 the Board of Directors of RAO "UES of Russia" approved the change of RAO "UES of Russia" interest in the Company from 75.03% to 50% by disposing 8,853,757,803 ordinary non-documentary shares of the Company (25.03%) through the open auction sale.

The open auction for the sale of 25.03% of the Company shares owned by RAO "UES of Russia" was held on 6 June 2007. Enel Investment Holding B.V. won the auction. During 2007-2008 the stock of Enel Investment Holding B.V. changed several times and by the end of 2008 it was 55.78 %.

The OGK-5 Group (the "Group") operates 4 State District Power Plants ("SDPP") and its principal activity is electricity and heat generation. The Company has:

- a wholly-owned subsidiary LLC "OGK-5 Finance";
- 40% interest associate OJSC "Energeticheskaya Severnaya Companiya" (OJSC "ESC") (see Note 8). OJSC "Novatek" owns the remaining 60% of the ordinary shares of OJSC "ESC".

During 2008, through LLC "OGK-5 Finance", the Group established a new subsidiary, OJSC "Teploprogress", in which it holds a 60% interest. The principal activity of OJSC "Teploprogress" is maintenance of heating networks. The State Property Committee of Sredneuralsk holds the remaining 40% ownership interest in OJSC "Teploprogress".

The Company is registered by the Lenin District Inspectorate of the Russian Federation Ministry of Taxation of Yekaterinburg, Sverdlovsk Region. The Company's office is located at bld. 2, 10-A, 4th Setunsky proezd, 119136, Moscow, Russia.

(b) Relations with the State and its influence on the Group's activities

The Government of the Russian Federation, represented by the Federal Agency of Property Management, remains a party with a significant influence after the spin-off, owning 26.43% of shares of the Company.

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 Tariff Service ("FTS"), with respect to its wholesale energy sales, and by the Regional Energy Commissions ("RECs") or by the Regional Tariff Services ("RTSs"), with respect to its heat sales. The operations of all generating facilities are coordinated by OJSC "System Operator – the Central Despatch Unit of Unified Energy System" ("SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by NP "Administrator of trade system".

Tariffs which the Group may charge for sales of electricity and heat are calculated on the basis of normative documents, which regulate pricing in the field of heat and electricity. Tariffs are calculated in accordance with the "Cost-Plus" method of indexation. Costs are determined under the Regulations on Accounting and Reporting of the Russian Federation, a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS").

As described in Notes 25, the government's economic, social and other policies could have material effects on the operations of the Group.

(c) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the

environment. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated interim financial statements ("Financial Statements") have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Each enterprise of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The accompanying Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated interim 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 and property, plant and equipment are stated at fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the Group's functional currency and the currency in which these financial statements are presented.

All financial information presented in RR has been rounded to the nearest thousand.

(d) Use of judgments, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 3 (q) – segment reporting;

Note 5 – property, plant and equipment;

Note 10 – trade and other receivables; and

Note 25 – tax contingencies.

(e) Changes in accounting policies

(i) Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisitions of non-controlling interests
- Accounting for borrowing costs
- Determination and presentation of operating segments

- Presentation of financial statements.

(ii) Accounting for business combinations

The Group has adopted early IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on the financial statements.

(iii) Accounting for acquisitions of non-controlling interests

The Group has adopted early IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

The change in accounting policy was applied prospectively and had no material impact on the financial statements.

(iv) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented in note 3(q).

(v) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the financial statements.

(f) Restatement of comparative information

The changes in the consolidated interim financial statements for the six months ended 30 June 2008 were introduced due to the following restatements:

- reversal of income and expenses for items presented below incurred in the statement of comprehensive income for the six months ended 30 June 2008;
- recognition of provisions at 31 December 2007.

Due to restatement and reclassifications introduced into the consolidated financial statements for 2008 for the year ended 31 December 2007 the following reversals were made in the consolidated interim financial statements for the six months ended 30 June 2008:

- revenue of RR 39,871 thousand from the Caucasus region's customers as no economic benefits were obtained from these customers;
- termination benefits expense of RR 307,818 thousand recognised in profit or loss. Provision for termination benefits related to the Group's top management in accordance with the terms of the employment contracts was recognised at 31 December 2007;

- release of a provision for onerous contract of RR 30,916 thousand set up at 31 December 2007 as a restatement of the consolidated financial statements for 2008;
- allowance for impairment of accounts receivable of RR 69,514 thousand recognised in profit or loss but existed at 31 December 2007;
- reclassification of foreign exchange effect of RR 13,168 thousand into financial costs;
- reclassification of interest payable of RR 101,048 thousand into trade and other payables.

The adjustments presented in the table below represent the financial effect of changes introduced into the interim consolidated financial statements for the six months ended 30 June 2008:

	As previously reported	Restatement adjustment	As restated
Statement of comprehensive income			
Revenue	20,216,236	(39,871)	20,176,365
Operating expense	(19,343,063)	395,080	(18,947,983)
Other operating income	298,554	-	298,554
Net finance item	(153,937)	13,168	(140,769)
Share of profit of equity accounted investees (net of income tax)	74	-	74
Income tax expense	(251,348)	(88,411)	(339,759)
Profit for the period	**766,516**	**279,966**	**1,046,482**

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The non-controlling interest has been presented as part of equity.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interest as transactions with the owners in their capacity of owners. In case of acquisition of non-controlling interest, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recognised in equity.

(iv) Investments in associates (equity accounted investees)

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, which form part of the investor's net investment in associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(c) Financial instruments

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Loans and receivables

Loans and receivables are 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 reporting date. These are classified as non-current assets. Loans and receivables are represented by trade receivables (Note 10) (except for value added tax recoverable and advances to suppliers), long-term loans issued (Note 9), bank deposits and bank bills of exchange.

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

Held-to-maturity investments

Held to maturity classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity.

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 other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the profit or loss within finance items (net), in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the comprehensive income as part of finance income when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as gains and losses from investment securities.

Dividends on available-for-sale equity instruments are recognised in the comprehensive income as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the comprehensive income. Impairment losses recognised in the comprehensive income on equity instruments are not reversed through profit or loss.

Except for loans and receivables and available-for-sale investments, the Group did not have other financial assets in the year ended 31 December 2008 or the six months ended 30 June 2009.

(d) Equity

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.

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 retained earnings.

Dividends

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

(e) Property, plant and equipment

(i) Recognition and measurement

Following finalization of the Group restructuring and the start of full operational activity at all of its plants from 1 January 2006, the Group changed its accounting policy to revaluing its property, plant and equipment, excluding construction in progress, from that date. Management believes that this resulted in a more meaningful presentation of the Group's financial position and financial performance.

Property, plant and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in equity. However, the increase shall be recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the income statement. The Group does not transfer revaluation surplus directly to retained earnings when the asset is derecognized or as the asset is used by the entity.

Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset, and the net amount is restated to the revalued amount of the asset.

The Group charges deferred tax liabilities in respect of revaluation of property, plant and equipment directly to equity.

Renewals and improvements are capitalized and the carrying amount of assets replaced are retired, if it is probable that the future economic benefits embodied within the newly installed parts will flow to the Group and its cost can be measured reliably. The costs of repair and maintenance are expensed as incurred.

Gains and losses arising from the retirement of property, plant and equipment are recognised in profit or loss as incurred.

(ii) Depreciation

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

The estimated useful lives of assets by type of facility are as follows:

- Electricity and heat generation — 9 - 60 years;
- Electricity distribution — 8 - 33 years;
- Heating networks — 15 - 41 years;
- Other — 6 - 63 years.

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.

(f) Intangible assets

(i) Patents and licenses

Patents and licenses that are acquired by the Group are measured on initial recognition at cost at the acquisition date.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognised in the profit or loss as incurred.

The amortization charge on all intangible assets with finite useful lives is accrued on a straight-line basis over their useful life starting from the month following the month in which the asset is available for use.

The amortization charge is recognised in the income statement as an operating expense.

The useful life of intangible assets is 5 - 10 years.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable 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.

(h) Borrowings

Borrowings are recognised initially at their fair value. Fair value is determined using the prevailing market rate of interest for similar instruments, if significantly different from the transaction price. In subsequent periods, borrowing are stated at amortised cost using the effective interest rate; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss as an interest expense over the period of the debt obligation.

The Group capitalise borrowing costs in qualifying assets according to IAS 23 *Borrowing costs*.

(i) Employee benefits

(i) Defined benefit plans

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

Defined benefit plans determine the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service cost. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related pension liabilities.

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

Past service cost related to defined benefit pension plans is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognizes past service cost immediately.

(ii) Share-based payment transactions

The share option plan allows Group employees to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an expense, over the period fair value of the options is measured at grant date and considers the period for which employees become unconditionally entitled to the options. The fair value of the options is then expensed between the grant date and the vesting date written into the share option contract. The fair value of the options is measured based on the Black-Scholes-Merton model, which takes into account the terms and conditions upon which the instruments were granted.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be

required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for (see Note 19).

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 19).

(k) Environmental obligations

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

(l) Impairment

(i) Financial assets

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

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

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

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

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

(ii) 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.

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

(m) Revenue

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.

(n) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and impairment losses on financial assets other than trade receivables (see note 22). Borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(q) 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 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.

For the six months ended 30 June 2009 the Group has revenues of RR 4,100,370 thousand from transactions with a single external customer.

(r) New financial reporting standards

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2009, and have not been applied in preparing these consolidated 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.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, with retrospective application required, is not expected to have any significant impact on the consolidated financial statements.

- Amendment to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* which clarifies that the entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets is required to recognise the goods or services received in its financial statements. Amendment will come into effect on 1 January 2010. The Group has not yet determined the potential effect of the amendment.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* addresses the accounting of non-cash dividend distributions to owners. The interpretation clarifies when and how the non-cash dividend should be recognised and how the differences between the dividend paid and the carrying amount of the net assets distributed should be recognised. IFRIC 17 becomes effective for annual periods beginning on or after 1 July 2009.

- *IFRIC 18, Transfers of Assets from Customers* (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2010. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 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.

(a) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, 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.

(c) 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.

5 PROPERTY, PLANT AND EQUIPMENT

	Heat and electricity generation	Electricity distribution	Heating networks	Other	Construction in progress	Total
Cost						
At 1 January 2009	**45,075,046**	**2,746,960**	**487,199**	**12,393,229**	**15,777,388**	**76,479,822**
Additions	1,057	-	-	39,930	7,422,578	7,463,565
Transfers from construction in progress	1,901,850	194,850	-	455,478	(2,552,178)	-
Disposals	(90)	(18,556)	-	(77,397)	(16)	(96,059)
At 30 June 2009	**46,977,863**	**2,923,254**	**487,199**	**12,811,240**	**20,647,772**	**83,847,328**
Accumulated depreciation						
At 1 January 2009	**1,502,336**	**190,612**	**18,384**	**743,966**	**-**	**2,455,298**
Depreciation charge	820,657	106,839	9,381	424,688	-	1,361,565
Disposal	(7)	(884)	-	(4,235)	-	(5,126)
At 30 June 2009	**2,322,986**	**296,567**	**27,765**	**1,164,419**	**-**	**3,811,737**
Net book value at 1 January 2009	**43,572,710**	**2,556,348**	**468,815**	**11,649,263**	**15,777,388**	**74,024,524**
Net book value at 30 June 2009	**44,654,877**	**2,626,687**	**459,434**	**11,646,821**	**20,647,772**	**80,035,591**

	Heat and electricity generation	Electricity distribution	Heating networks	Other	Construction in progress	Total
Cost						
At 1 January 2008	**42,284,070**	**2,465,024**	**494,336**	**11,003,857**	**7,276,044**	**63,523,331**
Additions	261,706	43	1,208	66,326	6,724,791	7,054,074
Transfers from construction in progress	833,519	57,128	-	108,947	(999,594)	-
Disposals	(33,236)	(880)	(13,520)	(131,997)	(21,643)	(201,276)
At 30 June 2008	**43,346,059**	**2,521,315**	**482,024**	**11,047,133**	**12,979,598**	**70,376,129**
Accumulated depreciation						
At 1 January 2008	-	-	-	-	-	-
Depreciation charge	741,471	94,231	9,298	369,403	-	1,214,403
Disposal	(576)	(2)	(211)	(8,304)	-	(9,093)
At 30 June 2008	**740,895**	**94,229**	**9,087**	**361,099**	**-**	**1,205,310**
Net book value at 1 January 2008	**42,284,070**	**2,465,024**	**494,336**	**11,003,857**	**7,276,044**	**63,523,331**
Net book value at 30 June 2008	**42,605,164**	**2,427,086**	**472,937**	**10,686,034**	**12,979,598**	**80,035,591**

The assets transferred to the Group upon privatization did not include the land on which the Company's buildings and facilities are situated. The Group holds lease agreements in respect of these land plots. The Group has the right to purchase this land upon application to the state registration body.

At 30 June 2009 construction in progress includes advance prepayments for property, plant and equipment of RR 13,990,874 thousand (31 December 2008: RR 10,195,558 thousand).

During the six months ended 30 June 2009 the Group capitalized borrowing costs in the amount RR 297,237 thousand into property, plant or equipment.

As at 30 June 2009 and 31 December 2008, no property, plant or equipment was pledged as collateral according to loan agreements.

(a) 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 2009	31 December 2008
Not later than one year	24,681	17,722
Later than one year and not later than five years	88,448	60,720
Later than five years	10,649	10,814
Total	**123,778**	**89,256**

The land areas leased by the Group are in the territories on which the Group's electric power stations, heating stations and other assets are located. The leases typically run for an initial period of 5 to 45 years with an option to renew the lease after that date. The lease payments are subject to regular review that may result in adjustments to reflect market conditions.

6 INTANGIBLE ASSETS

	Patents and licenses	Software	Total
Cost			
At 1 January 2009	**7,503**	**80,073**	**87,576**
Additions	34,983	148,384	183,367
At 30 June 2009	**42,486**	**228,457**	**270,943**
Accumulated amortisation			
At 1 January 2009	**3,027**	**36,397**	**39,424**
Amortisation charge	2,332	13,037	15,369
At 30 June 2009	**5,359**	**49,434**	**54,793**
Net book value at 1 January 2009	**4,476**	**43,676**	**48,152**
Net book value at 30 June 2009	**37,127**	**179,023**	**216,150**

7 PREPAID EXPENSE

Prepaid expense represents transaction costs paid to European Bank for Reconstruction and Development and ABN AMRO for credit facility provided but not yet utilised:

	30 June 2009
EBRD	47,392
ABN AMRO	595,161
Total	**642,553**

8 EQUITY ACCOUNTED INVESTEES

Equity accounted investees are presented by investment in OJSC "Energeticheskaya Severnaya Companiya" (OJSC "ESC").

Financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group, is follows:

	30 June 2009	31 December 2008
Total assets	481,761	470,813
Total liabilities	1,048	360,553

	30 June 2009	30 June 2008
Revenue	14,543	1,524
Profit for the period	10,450	185

9 OTHER NON-CURRENT ASSETS

	30 June 2009	31 December 2008
Advances issued to fuel suppliers	131,035	103,254
Value added tax deposit paid to customs	661,938	401,110
Long-term trade and other receivables	113,516	90,776
Other	234,490	220,976
Total	**1,140,979**	**816,116**

Long-term trade and other receivables include a non-current portion of loans issued to the Group's employees and long-term notes (with maturity between November 2011 and February 2015).

10 TRADE AND OTHER RECEIVABLES

	30 June 2009	31 December 2008
Trade receivables (net of impairment allowance of RR 178,004 at 30 June 2009 RR 110,410 at 31 December 2008)	1,828,464	2,025,481
Interest receivable	1,318	1,318
Advances issued to suppliers	752,443	690,840
Value added tax recoverable	1,032,277	792,374
Other receivables (net of impairment allowance of RR 81,930 at 30 June 2009 RR 81,930 at 31 December 2008)	331,906	788,460
Total	**3,946,408**	**4,298,473**

Management believes that the majority of customers, the balances of which are included in trade receivables, comprise a single class, as they bear the same characteristics. Those customers belong to the same wholesale

market of electric power (NOREM), which is regulated by NP ATS (Non-commercial Partnership "Administrator of Trade System").

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

During the six months ended 30 June 2009 RR 76,090 thousand of the Group's total accounts receivable was settled via non-cash settlements, mostly by promissory notes (during the six months ended 30 June 2008 - RR 117,462 thousand).

Other receivables are mainly represented by prepayments for insurance.

The Group does not hold any collateral as security.

The table below provides information about the changes in allowance for impairment of receivables:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
At 1 January	192,340	604,758
Accruals	67,594	-
Reversals	-	(376,585)
Write-offs	-	(35,833)
At 30 June	**259,934**	**192,340**

11 INVENTORIES

	30 June 2009	31 December 2008
Fuel supplies	1,440,110	1,740,631
Materials and supplies	325,682	286,105
Spare parts and other inventories	424,153	335,835
Total inventories	2,189,945	2,362,571
Less: Provisions for obsolescence of inventories	(11,018)	(6,351)
Total	**2,178,927**	**2,356,220**

As at 30 June 2009 and as at 31 December 2008 none of the inventories held were pledged as collateral according to loan agreements.

12 CASH AND CASH EQUIVALENTS

	30 June 2009	31 December 2008
Bank balances	508,800	63,518
Call deposits	-	793,827
Total	**508,800**	**857,345**

The currency of cash is the Russian Roubles.

The Group's exposure to interest rate risk is disclosed in note 23.

13 EQUITY

(a) Share capital

The Group's share capital as at 30 June 2009 was RR 35,371,898 thousand comprising 35,371,898,370 ordinary shares with a par value of RR 1.00. All shares issued are fully paid in.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) 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. As at 30 June 2009 the Company had retained earnings, including the profit for the current year, of RR 3,721,028 thousand (2008: RUR 3,651,944 thousand).

(c) Other reserves

	30 June 2009	31 December 2008
Merger reserve	(15,537,266)	(15,537,266)
Revaluation reserve	31,102,610	31,102,610
Fair value reserve	6,053	71
Total	**15,571,397**	**15,565,415**

(d) Earnings per share

The calculation of earnings per share is based upon the profit for the year and the weighted average number of ordinary shares outstanding during the year, calculated as shown below. The dilutive potential of share-based payments is not considered as the effect is immaterial.

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Weighted average number of shares issued, in thousands	35,371,898	35,371,898
Adjustment for weighted average number of treasury shares, in thousands	(308,183)	(308,183)
Weighted average number of shares outstanding, in thousands	35,063,715	35,063,715
Profit attributable to shareholders of OJSC Enel OGK-5	1,728,009	1,046,881
Profit per share – basic and diluted (RR per share)	0.049	0.030

14 INCOME TAXES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Current income tax expense	271,573	33,391
Deferred tax expense	105,563	306,368
Total income tax expense	**377,136**	**339,759**

During the six months ended 30 June 2009, the Group entities were subject to 20% income tax rate on taxable profits (during the six months ended 30 June 2008: 24%). With effect from 1 January 2009 the income tax rate for Russian companies has been reduced to 20%. This rate hasn't been used for the calculation of the deferred tax assets and liabilities for the six months ended 30 June 2008.

In accordance with Russian tax legislation, tax losses in different Group companies may not be offset against taxable profits of other Group companies. Accordingly, tax may be accrued even where there is a net consolidated tax loss.

A reconciliation of the theoretical income tax, calculated at the tax rate effective in the Russian Federation, to the amount of actual income tax expense recorded in the statement of comprehensive income, is as follows:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Profit before income tax	2,104,548	1,386,241
Theoretical income tax expense	(420,910)	(332,698)
Tax effect of non-deductible expenses	43,774	(7,061)
Total income tax expense	**(377,136)**	**(339,759)**

Movements in all temporary differences were recognised as income or expense, except for the increase of RR 1,496 thousand in deferred tax liabilities recognised directly in equity.

The tax effects of temporary differences that give rise to deferred taxation are presented below:

	30 June 2009	31 December 2008
Tax effect of deductible temporary differences		
Accounts receivable	267,655	189,697
Trade and other payables	156,331	157,682
Pension plan	97,192	88,836
Inventory	-	8,204
Other	40,574	59,237
Deferred tax assets	**561,752**	**503,656**
Tax effect of taxable temporary differences		
Property, plant and equipment	(8,127,661)	(8,023,216)
Trade receivables	(53,058)	(15,335)
Inventory	(1,470)	-
Other	(21,984)	(467)
Deferred tax liabilities	**(8,204,173)**	**(8,039,018)**
Net deferred tax liabilities	**(7,642,421)**	**(7,535,362)**

15 LOANS AND BORROWINGS

	Currency	Maturity	30 June 2009		31 December 2008	
			Carrying value	Face value	Carrying value	Face value
ABN AMRO	EUR	2023	1,923,475	1,923,475	-	-
EBRD	EUR	2021	1,298,776	1,298,776	-	-
Total long-term borrowings			**3,222,251**	**3,222,251**	-	-

All the Group's borrowings are denominated in RR. The interest rate varies from 5.04% to 15.25%.

Name of lender	Currency	30 June 2009		31 December 2008	
Current borrowings and current portion of long-term borrowings		Carrying value	Face value	Carrying value	Face value
Bonds	RR	5,000,000	5,000,000	5,000,000	5,000,000
JSB Banca Intesa, CJSK	EUR	1,139,297	1,139,297	1,864,850	1,864,850
JSB Khanty-Mansijsky bank, OJSK	RR	700,000	700,000	-	-
JSB Rosbank, OJSK	RR	250,000	250,000	-	-
JSB Sberbank	RR	1,581,589	1,581,589	-	-
Total current borrowings		**8,670,886**	**8,670,886**	**6,864,850**	**6,864,850**

The bonds were classified as current as at 30 June 2009 as the Prospectus included an early redemption option in October 2009. This option was not exercised and hence at 31 December 2009 the bonds will be reclassified as non-current borrowings.

16 EMPLOYEE BENEFITS

The tables below provide information about the employee benefit obligations, plan assets and actuarial estimations used for the six months ended 30 June 2009 and for the year ended 31 December 2008. Amounts recognised in the Group's consolidated Statement of financial position are as follows:

	30 June 2009	31 December 2008
Present value of defined benefit obligation	1,438,456	1,451,398
Unrecognised actuarial losses	(221,056)	(221,056)
Unrecognised past service costs	(731,439)	(786,160)
Net pension liabilities in the statement of financial position	**485,961**	**444,182**

Amounts recognised in profit or loss are as follows:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Current service cost	39,345	38,251
Interest cost	65,313	41,005
Amortisation of prior service cost	54,721	54,721
Total expense recognised in profit or loss	**159,379**	**133,977**

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

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Present value of defined benefit obligations at the beginning of year	**1,451,398**	**1,214,960**
Current service cost	39,345	38,251
Interest cost	65,313	41,005
Benefits paid	(117,600)	(150,332)
Present value of defined benefit obligation at the end of period	**1,438,456**	**1,143,884**

Principal actuarial assumptions are as follows:

	30 June 2009	31 December 2008
Nominal discount rate	11%	9%
Future salary increase	8%	8%
Future pensions increase and inflation rate	8%	6%

Historical information

	30 June 2009	31 December 2008	31 December 2007	31 December 2006
Present value of defined benefit obligation	1,438,456	1,451,398	1,214,960	1,222,179
Deficit in plan	1,438,456	1,451,398	1,214,960	1,222,179
Losses arising from experience adjustments on plan liabilities	(382,401)	(382,401)	(12,323)	(51,736)

Expected benefit payments under the schemes during the year ended 31 December 2009 are RR 122,248 thousand.

17 TRADE AND OTHER PAYABLES

	30 June 2009	31 December 2008
Trade payables	2,019,991	2,383,561
Accrued liabilities and other payables	216,674	74,567
Interest payable	138,032	101,048
Advances received	19,445	17,324
Dividends payable	4,526	5,020
Total	**2,398,668**	**2,581,520**

Management believes that the majority of suppliers, balances of which are included into trade payables, comprise the single class, as they bear the same characteristics. Those suppliers are mainly providers of repair and maintenance services.

18 OTHER TAXES PAYABLE

	30 June 2009	31 December 2008
Property tax	179,657	173,223
Value added tax	50,366	104,756
Payroll taxes	25,421	1,352
Fines and interest	22,813	22,813
Other taxes	109,306	187,978
Total	**387,563**	**490,122**

19 PROVISIONS

	Restructuring	Onerous contract	Other	Total
Balance at 1 January 2009	310,832	165,984	208,241	685,057
Provisions made during the period	-	-	41,966	41,966
Unwinding of discount	62,500	35,526	-	98,026
Provisions used during the period	(40,116)	(28,661)	-	(68,777)
Balance at 30 June 2009	**333,216**	**172,849**	**250,207**	**756,272**
Non-current	252,561	110,120	-	362,681
Current	80,655	62,729	250,207	393,591
Total	**333,216**	**172,849**	**250,207**	**756,272**

(a) Restructuring

In 2008 management approved a five-year headcount restructuring plan which is aimed at aligning the headcount/Megawatt ratio to the best international standards in the power sector, changing the quality mix of staff and decreasing the average age of employees.

These goals will be achieved through the optimization of processes and organizational structure, the centralization of staff functions and processes, the development of multi-skill competencies, the adoption of new IT platform (SAP/R3) and decommissioning of old units.

The provision is based on estimates of the staff reduction and average salaries.

(b) Onerous contract

The provision for onerous contract relates to future supplies to customers from Caucasus region. The provision is based on estimates of fuel costs associated with electricity supplies. The Group expects the resulting outflow of economic benefits over the next three years.

(c) Other

Other provisions include provision for annual bonus and unused vacations.

20 REVENUE

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Electricity	17,728,510	18,951,341
Heating	1,292,364	1,110,501
Rent	32,058	25,056
Water circulation	18,065	18,780
Other	142,453	70,687
Total	**19,213,450**	**20,176,365**

Approximately 9% of sales of electricity for the six months ended 30 June 2009 relates to resale of purchased power on wholesale market NOREM (for the six months ended 30 June 2008 – 8%).

21 OPERATING EXPENSES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Fuel cost	9,983,024	11,497,785
Employee benefits	1,490,799	1,406,765
Depreciation and amortisation of fixed assets and intangible assets	1,376,934	1,224,737
Purchased electricity	1,227,020	2,141,680
Repairs and technical maintenance	675,941	846,947
Taxes other than income tax and payroll taxes	401,079	391,121
Fees to Trade System Administrator, Centre of financial settlements, System Operator	349,720	285,210
Water usage	300,434	293,586
Insurance	147,362	147,474
Security	97,680	90,569
Raw materials and supplies	92,683	84,183
Loss on disposal of fixed assets	90,317	116,855
Allowance for impairment of accounts receivable	67,594	-
Reversal of allowance for impairment of accounts receivable	-	(376,585)
Advisory, legal and information services	29,144	118,157
Social expenses	16,627	9,697
Loss on sale of trade receivable	8,765	297,702
Other	555,919	372,100
Total	**16,911,042**	**18,947,983**

Employee benefits expenses comprise the following:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Wages and other benefits to employees and related taxes	1,392,558	1,346,785
Share option plan	4,175	(32,992)
Non-governmental pension fund expenses (Note 16)	94,066	92,972
Total	**1,490,799**	**1,406,765**

22 FINANCE ITEMS

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Interest expense	186,418	236,317
Effect of discounting	54,915	82,370
Exchange differences	33,150	-
Finance expenses	**274,483**	**318,687**
Finance income	**(8,530)**	**(177,918)**

Interest expense relates to financial liabilities measured at amortised cost.

Finance income arose from interest accrued on call deposits, maintained with commercial banks.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rates, forex risk and the collectability of receivables.

At 30 June 2009 the Group implemented operating and financial risk assessment through the analysis of the main business processes and put in place internal control system on financial reporting. The Group has also started the process of developing a new risk management system expected to be in line with best corporate governance practices.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references.

More than 85% of the Group's customers have been transacting with the Group for over several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Although collection of receivables 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 receivables already recorded.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a high credit rating. Given this management does not expect any counterparty to fail to meet its obligations.

(iii) Cash balances and deposits

The majority of cash balances and short-term deposits are held with strong banks or financial institutions. The Group places funds in financial institutions characterized by a quite stable financial status.

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

	30 June 2009	31 December 2008
Available-for-sale financial assets	47,610	24,733
Trade receivables	1,828,464	2,025,481
Cash and cash equivalents	508,800	857,345
Long-term trade and other receivables	113,516	90,776
Total	**2,498,390**	**2,998,335**

The aging of trade receivables at the reporting date was:

	30 June 2009		31 December 2008	
	Gross	Impairment allowance	Gross	Impairment allowance
Not past due	985,878	-	1, 662,580	-
Past due for less than 3 months	634,171	-	230,276	-
Past due for 3 to 12 months	207,866	-	43,043	-
Past due for more than one year	178,553	178,004	199,992	110,410
Total	**2,006,468**	**178,004**	**2,135,891**	**110,410**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, ability of the Group to fulfil the current obligations. In order to implement the main investment projects the Group have already attracted long-term financing for 12-15 years. The short term financing for not more than 1 year is attracted to cover the temporary cash shortage for operating activity. The given allocation of financial liabilities by terms enables to ensure that:

- at the required moment the Group has the needed amount of monetary funds in order to fulfil all required financial liabilities of the Group;

- at the required moment the Group will be able to redeem all its financial liabilities in full.

The amounts disclosed in the table are the contractual undiscounted cash flows including interest payable and assuming that the bondholders will exercise their "put" option. Balances due within 6 months approximate their carrying balances.

	Less than 1 year	1-2 years	More than 5 years
At 30 June 2009			
Bank loans	3,670,886	-	3,222,251
Bonds	5,000,000	-	-
Trade and other payables	2,398,668	-	-
Total	**11,069,554**	-	**3,222,251**
At 31 December 2008			
Bank loans	1,864,850	-	-
Bonds	5,000,000	-	-
Trade and other payables	2,581,520	-	-
Total	**9,446,370**	-	-

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	30 June 2009		31 December 2008	
	USD	**EUR**	**USD**	**EUR**
Prepaid expense	-	642,553	-	-
Bank loans	-	(4,361,548)	-	(1,864,850)
Trade and other payables	(1,266)	(363,105)	-	(120,683)
Gross/ Net exposure	**(1,266)**	**(4,082,100)**	-	**(1,985,533)**

The following significant exchange rates applied during the period:

RUR	Average rate		Reporting date spot rate	
	For the six month ended 2009	**For the six month ended 2008**	**30 June 2009**	**30 June 2008**
USD	33,0679	23,9440	31,2904	23,4573
EUR	44.1073	36,6095	43.8191	36,9077

Sensitivity analysis

A strengthening of the Russian roubles, as indicated below, against the USD and EUR at 30 June would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

Effect in thousands of Russian roubles

	Profit or loss
At 30 June 2009	
EUR (10 percent strengthening)	6,564
USD (10 percent strengthening)	113
At 30 June 2008	
EUR (10 percent strengthening)	2,264
USD (10 percent strengthening)	94

A weakening of the Russian roubles against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The financing strategy of the Group envisages appropriate hedging against interest rate and forex fluctuation.

For the future strategy of attraction of monetary funds, the Group plans to use the most reasonable sources of financing in terms of cost. The interest rates may be both fixed and floating. In case of loans with floating interest rates and in order to minimize losses from the possible increase of interest rates, the Group plans to hedge the given risk by using derivative instruments.

Management believes that interest rate risk is not significant.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	30 June 2009	**31 December 2008**
Fixed rate instruments		
Financial assets	-	793,827
Financial liabilities	(9,853,547)	(5,000,000)
	(9,853,547)	**(4,206,173)**
Variable rate instruments		
Financial liabilities	(2,447,622)	(1,889,082)
	(2,447,621)	**(1,889,082)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase	**100 bp decrease**
At 30 June 2009		
Variable rate instruments	68,334	(68,334)
Cash flow sensitivity (net)	**68,334**	**(68,334)**

(e) Fair value of financial instruments

Management believes that the fair value of the Group's financial assets and liabilities at 30 June 2009 approximates their carrying value.

(f) Capital risk management

The following capital requirements have been established for joint stock companies by the legislation of Russian Federation:

- Share capital can not be lower than 1,000 minimum salaries on the date of company registration;
- If the share capital of the entity is greater than statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets;
- If the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation.

As at 30 June 2009, the Group has been in compliance with the above share capital requirements.

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 for shareholders and benefits for other stakeholders and to maintain an optimal capital 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.

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

24 COMMITMENTS

(a) Fuel commitments

The Group has entered into several long-term contracts for the supply of gas and coal that will be used in the ordinary course of the Group's activities. The pricing terms of these contracts are based on market prices.

The Group has entered into the contracts for the supply of gas for the needs of the Group's plants – Nevinnomysskaya SDPP, Konakovskaya SDPP and Sredneuralskaya SDPP.

(b) Capital commitments

Future capital expenditure for which contracts have been signed amounted to RR 20,230,741 thousand at 30 June 2009 (at 31 December 2008: RR 26,519,247 thousand).

25 CONTINGENCIES

(a) Political environment

The operations and earnings of the Group 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.

(b) 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 which are not covered by the existing insurance policies.

(c) Legal proceedings

The Group was not a party to any legal proceedings which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(d) Tax contingency

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

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

(e) Environmental matters

The Group and its predecessor 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. The Group periodically evaluate its 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. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.
Due to the attraction of the financing for the investment project on the construction of the new combined cycle gas turbine unit with the capacity of 410 MW at Nevinnomysskaya SDPP the Group undertook to follow the EU environmental standards.

This circumstance significantly reduces the risks of the Company as well as the fact that the Company is a material subsidiary of Enel Group that pays special attention to environmental and safety matters.

26 RELATED PARTIES DISCLOSURES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include shareholders, directors, subsidiaries and enterprises controlled by the state.

Transactions with Enel Group

For the six months ended 30 June 2009 the Group had the following transactions with Enel Group entities:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Sale of electricity	249,551	226,686
Other revenue	6,431	5,882

As at 30 June 2009 the Group had the following balances with Enel Group entities:

	30 June 2009	31 December 2008
Trade and other receivables	7,635	13,154
Advances issued for capital construction	1,027,157	-
Trade and other payables	(113,983)	(94,585)

Transactions with state controlled entities

In the normal course of business the Group enters into transactions with other entities under government control. Prices for natural gas, electricity and heat are based on tariffs set by FTS and RTS. Taxes are charged and paid under the Russian tax legislation.

For the year ended 30 June 2009 the Group had the following transactions with state controlled entities:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Sale of electricity	1,314,916	237,655
Sale of heat	121,849	106,500
Other revenue	4,179	3,652
Purchase of fuel	(3,486,816)	(3,767,390)
Purchase of raw materials and supplies	(68)	(757)
Other expenses	(536,092)	(123,199)
Finance income	-	90,153
Finance expense	(62,594)	-

As at 30 June 2009 the Group had the following balances with state controlled entities:

	30 June 2009	31 December 2008
Trade and other receivables (net of allowance for impairment of receivables)	910,459	477,711
Trade and other payables	139,381	85,422

Transactions with other related parties

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Other sales	62	228
Other expense	120,000	153,400

As at 30 June 2009 the Group had not balances with other related parties.

Transactions with key management personnel

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

Total remuneration accrued to the members of the Board of Directors and Management Board for the six months ended 30 June 2009 and for the six months ended 30 June 2008 was as follows:

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Remuneration	13,381	24,544
Stock option plan benefit	-	(43,160)

There were no loans provided to key management personnel during the six months ended 30 June 2009.

At 30 June 2009 there were 11 members of the Board of Directors and 5 members of the Management Board.

27 EMPLOYEE SHARE OPTION PLAN

In October 2006, the Board of Directors approved a Share Option Plan for the Board members, General Director and employees of the Company (hereinafter the Plan) and a total of up to 353,716,855 ordinary shares (or one percent of the issued ordinary shares of the Company) may be allocated under the Plan.

The Plan provides for the granting of share options to the members of the Group's management and employees of the Company (hereinafter the Plan participants).

The Plan participants are rewarded for their work in the Company over the period of 3 years, starting from 1 December 2006.

Participation of the members of the Board of Directors and General Director in the Share Option Plan and the number of shares in their share option agreements are determined by decision of the Board of Directors. General Director (Executive Board Chairman) determines the list of employees (including top managers) who will participate in the Plan, the number of such persons and personal volumes of participation.

Ordinary shares ultimately issued under the Plan are allocated from treasury shares purchased by the Group for that purpose on the open market by a special-purpose entity, LLC "OGK-5 Finance", which is controlled by the Group.

In the event of reorganization of the share capital in the Group, the participants will obtain the right for the shares distributed among the Company shareholders or into which the shares are converted.

The number of share options granted to participants of the Plan is calculated proportionally based on the number of days worked prior to terminating the employment. In case of breaching certain defined provisions of the labour agreement and termination of employment at the initiative of the Group, the Plan participants will forfeit their right to purchase the shares.

The exercise price of the share option is determined for the date of adoption of resolution on participation in the Plan and is calculated as average weighted price of ordinary shares for the period of 365 days before the date of adoption of the resolution on participation in the Plan according to MICEX data.

The share options can be exercised by a Plan participant in the period of 2 – 3 weeks after vesting date.

As at 31 December 2006, in relation to the Plan, the Group had purchased 350,383,660 treasury shares. Their purchase cost was RR 879,549 thousand. The shares were purchased by LLC "OGK-5 Finance" during the initial public offering of 5,100,000 thousand shares performed by the Group in 2006.

As at 30 June 2009 the following number of share options is outstanding:

	Number of shares	Weighted average exercise price, RR
Options outstanding at 1 January 2009	170,078,087	2.34
Options forfeited during the period ended 30 June 2009	(3,835,315)	2.30
Options outstanding at 30 June 2009	166,242,772	2.34

The fair values of services received in return for share options granted to employees are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes-Merton model.

	Options granted at 31 December 2007
Share price (in Russian Roubles)	3.59 - 4.23
Exercise price (in Russian Roubles)	2.60 - 3.55
Expected volatility	27% - 32%
Option life	1,096 days
Risk-free interest rate	6.13%
Fair value at measurement date (in Russian Roubles)	**1.51**

No options were granted during the six months ended 30 June 2009.

The measure of volatility used in option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Volatility has been determined on the basis of the historical volatility of the share price over the most recent period (one year before grant date).

During the six months ended 30 June 2009, the Group recognised expenses of RR 4,175 thousand relating to the options (during the year ended 31 December 2008 the Group recognised an income of RR 26,063 thousand).

28 SUBSEQUENT EVENTS

On 28 July 2009 the Company has placed at MICEX commercial papers of the БО-01 and БО-02 series, each worth a total amount of 2 billion rubles, with 364 days maturity period. The coupon rate for each commercial paper was set at 12.2%. The coupon period is 182 days. The commercial papers were included in MICEX Quotation List A1.