OJSC Enel OGK-5

Consolidated Financial Statements
for the year ended 31 December 2009

Contents

ZAO KPMG
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow 123317
Russia

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

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of OJSC Enel OGK-5 (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that during the year the Group changed its accounting policy for property, plant and equipment. The reason for and the effect of the change are described in Note 2(f) to these consolidated financial statements. We have audited the adjustments described in Note 2(f) that were applied to restate the prior year consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

ZAO KPMG

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12 March 2010

OJSC Enel OGK-5
Consolidated Statement of Financial Position as at 31 December 2009
Thousands of Russian Roubles, unless otherwise stated

	Notes	31 December 2009	31 December 2008 (restated)	31 December 2007 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	78,619,281	65,870,306	55,947,061
Intangible assets	6	309,594	48,152	-
Prepaid expense	7	334,025	-	-
Value added tax recoverable		365,359	142,971	210,886
Available-for-sale financial assets		63,653	24,733	96,455
Investments in equity accounted investees	8	-	69,993	42,361
Other non-current assets	9	2,023,230	816,116	237,139
Total non-current assets		**81,715,142**	**66,972,271**	**56,533,902**
Current assets				
Inventories	11	2,065,414	2,356,220	1,944,532
Trade and other receivables	10	6,760,030	4,298,473	3,728,998
Income tax receivable		182,203	134,178	740,084
Short-term investments		-	-	7,160,272
Cash and cash equivalents	12	1,011,419	857,345	826,566
Total current assets		**10,019,066**	**7,646,216**	**14,400,452**
TOTAL ASSETS		**91,734,208**	**74,618,487**	**70,934,354**
EQUITY AND LIABILITIES				
Equity	13			
Share capital		35,371,898	35,371,898	35,371,898
Share premium		6,818,747	6,818,747	6,818,747
Treasury shares		(420,394)	(749,239)	(882,022)
Reserves		32,621	1,870	9,125
Retained earnings		19,265,940	16,074,619	13,336,147
Total equity attributable to equity holders of OJSC Enel OGK-5		**61,068,812**	**57,517,895**	**54,653,895**
Non-controlling interest		**49,303**	**50,436**	**-**
TOTAL EQUITY		**61,118,115**	**57,568,331**	**54,653,895**
Non-current liabilities				
Loans and borrowings	15	14,438,482	-	5,000,000
Deferred tax liabilities	14	6,398,802	5,904,518	6,859,102
Employee benefits	16	233,714	444,182	379,128
Provisions	19	488,037	322,489	165,984
Other non-current liabilities		563	556	8,444
Total non-current liabilities		**21,559,598**	**6,671,745**	**12,412,658**
Current liabilities				
Current borrowings	15	4,000,000	6,864,850	-
Trade and other payables	17	3,871,343	2,581,520	2,710,168
Income tax payable		-	79,351	-
Other taxes payable	18	783,652	490,122	545,043
Provisions	19	401,500	362,568	612,590
Total current liabilities		**9,056,495**	**10,378,411**	**3,867,801**
Total liabilities		**30,616,093**	**17,050,156**	**16,280,459**
TOTAL EQUITY AND LIABILITIES		**91,734,208**	**74,618,487**	**70,934,354**

Acting General Director E.V. Chernyshev
Chief Accountant D.A. Polenov
12 March 2010

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

OJSC Enel OGK-5
Consolidated Statement of Comprehensive Income for the year ended 31 December 2009
Thousands of Russian Roubles, unless otherwise stated

	Note s	For the year ended 31 December 2009	For the year ended 31 December 2008 (restated)
Revenue	20	43,505,408	42,812,968
Operating expenses	21	(38,568,999)	(40,481,606)
Other operating income		149,202	387,302
Operating profit		**5,085,611**	**2,718,664**
Finance income	22	183,126	173,177
Finance expenses	22	(979,335)	(461,352)
Impairment loss	8	-	(134,067)
Share of profit of equity accounted investees (net of income tax)	8	(69,993)	1,699
Profit before income tax		**4,219,409**	**2,298,121**
Income tax expense	14	(1,019,132)	(762,864)
Profit for the year		**3,200,277**	**1,535,257**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		38,439	(9,054)
Income tax on other comprehensive income		(7,688)	1,799
Other comprehensive income for the period, net of income tax		**30,751**	**(7,255)**
Total comprehensive income for the year		**3,231,028**	**1,528,002**
Profit attributable to:			
Owners of OJSC Enel OGK-5		3,201,410	1,536,021
Non-controlling interest		(1,133)	(764)
Total comprehensive income attributable to:			
Owners of OJSC Enel OGK-5		3,232,161	1,528,766
Non-controlling interest		(1,133)	(764)
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	**0.0912**	**0.0438**

Acting General Director E.V. Chernyshev
Chief Accountant D.A. Polenov
12 March 2010

Thousands of Russian Roubles, unless otherwise stated

	Note	For the year ended 31 December 2009	For the year ended 31 December 2008 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**4,219,409**	**2,298,121**
Adjustments for:			
Depreciation and amortisation	5, 6, 21	2,657,544	2,308,545
Loss on disposal of property, plant and equipment		176,871	440,794
Stock option plan expense/(benefit)		4,595	(26,063)
Impairment loss	8	-	134,067
Finance income	22	(183,126)	(173,177)
Finance expenses	22	979,335	461,352
Increase of provision for impairment of trade and other receivables		83,684	-
Loss/(gain) on sale of trade receivables		8,765	(65,445)
Share of result of equity accounted investees		69,993	(1,699)
Allowance for inventory obsolescence		12,206	(3,244)
Adjustments for other non-cash transactions		(342,368)	218,016
Operating cash flow before working capital changes		**7,686,908**	**5,591,267**
Increase in trade and other receivables		(2,011,842)	(442,518)
Decrease/(increase) in inventories		259,835	(253,704)
Increase/(decrease) in trade and other payables		903,042	(889,117)
Increase/(decrease) in taxes payable, other than income tax		293,530	(54,921)
Net cash inflow from operating activities before income tax paid		**7,131,473**	**3,951,007**
Income tax (paid)/refund		(659,912)	282,746
Net cash from operating activities		**6,471,561**	**4,233,753**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and other non-current assets		(17,214,624)	(13,227,739)
Proceeds from sale of property, plant and equipment		-	144,399
Net repayments from short-term investments		-	7,160,272
Proceeds from sales of investments		-	1,965
Dividend received		-	151
Interest received		97,571	246,882
Increase in equity investments		-	(160,000)
Net cash used in investing activities		**(17,117,053)**	**(5,834,070)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current loans and borrowings		11,307,421	2,200,432
Proceeds from non-current loans and borrowings		10,029,034	-
Repayment of current loans and borrowings		(9,307,856)	(636,500)
Payment of transaction costs related to loans and borrowings		(808,363)	-
Interest paid		(420,670)	-
Proceeds from sale of treasury shares		-	67,164
Net cash from financing activities		**10,799,566**	**1,631,096**
Net increase in cash and cash equivalents		**154,074**	**30,779**
Cash and cash equivalents at 1 January		**857,345**	**826,566**
Cash and cash equivalents at 31 December	12	**1,011,419**	**857,345**

Acting General Director — E.V.Chernyshev
Chief Accountant — D.A. Polenov
12 March 2010

Открытое акционерное общество Энел ОГК-5 Enel Энел ОГК-5 г. Екатеринбург ИНН 66711

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

OJSC Enel OGK-5
Consolidated Statement of Changes in Equity for the year ended 31 December 2009
Thousands of Russian Roubles, unless otherwise stated

	Attributable to equity holders of OJSC Enel OGK-5							
	Share capital	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2008 (as previously reported)	**35,371,898**	**6,818,747**	**(882,022)**	**14,017,044**	**5,435,747**	**60,761,414**	-	**60,761,414**
Effect of restatement	-	-	-	(14,007,919)	7,900,400	**(6,107,519)**	-	**(6,107,519)**
Balance at 1 January 2008 (restated)	**35,371,898**	**6,818,747**	**(882,022)**	**9,125**	**13,336,147**	**54,653,895**	-	**54,653,895**
Profit for the year	-	-	-	-	1,536,021	**1,536,021**	**(764)**	**1,535,257**
Other comprehensive income							-	
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(7,255)	-	**(7,255)**	-	**(7,255)**
Total other comprehensive income	-	-	-	(7,255)	-	**(7,255)**	-	**(7,255)**
Total comprehensive income for the year	-	-	-	**(7,255)**	**1,536,021**	**1,528,766**	**(764)**	**1,528,002**
Transactions with owners, recorded directly in equity								
Owners of non-controlling interest	-	-	-	-	-	-	51,200	**51,200**
Income tax rate effect	-	-	-	-	1,234,178	**1,234,178**	-	**1,234,178**
Share options exercised	-	-	132,099	-	(31,962)	**100,137**	-	**100,137**
Transactions with treasury shares	-	-	684	-	235	**919**	-	**919**
Total transactions with owners	-	-	**132,783**	-	**1,202,451**	**1,335,234**	**51,200**	**1,386,434**
Balance at 31 December 2008 (restated)	**35,371,898**	**6,818,747**	**(749,239)**	**1,870**	**16,074,619**	**57,517,895**	**50,436**	**57,568,331**

E.V. Chernyshev

Thousands of Russian Roubles, unless otherwise stated

	Attributable to equity holders of OJSC Enel OGK-5							
	Share capital	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2009	**35,371,898**	**6,818,747**	**(749,239)**	**1,870**	**16,074,619**	**57,517,895**	**50,436**	**57,568,331**
Profit for the year	-	-	-	-	3,201,410	**3,201,410**	(1,133)	**3,200,277**
Other comprehensive income								
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	30,751	-	**30,751**	-	**30,751**
Total other comprehensive income	-	-	-	**30,751**	-	**30,751**	-	**30,751**
Total comprehensive income for the year	-	-	-	**30,751**	**3,201,410**	**3,232,161**	**(1,133)**	**3,231,028**
Transactions with owners, recorded directly in equity								
Share options exercised	-	-	328,845	-	(10,089)	**318,756**	-	**318,756**
Total transactions with owners	-	-	**328,845**	-	**(10,089)**	**318,756**	-	**318,756**
Balance at 31 December 2009	**35,371,898**	**6,818,747**	**(420,394)**	**32,621**	**19,265,940**	**61,068,812**	**49,303**	**61,118,115**

Acting General Director E.V. Chernyshev
Chief Accountant D.A. Polenov
12 March 2010

Открытое акционерное общество "Энел ОГК-5" Enel Энел ОГК-5 г. Екатеринбург ИНН 6671156423

The notes on pages 10 to 43 are an integral part of these consolidated 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" ("RAO UES") approved the change of its 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 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. increased several times and by the end of 2008 it was 55.86 %. In December 2009 as a result of option plan exercising the participation of Enel Investment Holding B.V. in the share capital of the Company increased up to 56.33%. Ultimate parent company is Enel S.p.A.

The Enel 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";
- 60% interest subsidiary OJSC "Teploprogress". The State Property Committee of Sredneuralsk holds the remaining 40% ownership interest in OJSC "Teploprogress".
- 43.48% interest associate OJSC "Energeticheskaya Severnaya Companiya" (OJSC "ESC") (see Note 8). OJSC "Novatek" owns the remaining 56.52% of the ordinary shares of OJSC "ESC".

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 financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRSs")

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

(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 financial statements is included in the following notes:

Note 5 – property, plant and equipment;

Note 10 – trade and other receivables; and

Note 25 (d) – tax contingency.

(e) Changes in accounting policies

(i) Overview

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

- Accounting for property, plant and equipment
- Determination and presentation of operating segments

(ii) Determination and presentation of operating segments

Starting 1 January 2009 the Group determines and presents operating segments based on the information that 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).

Thousands of Russian Roubles, unless otherwise stated

(iii) 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 all owner changes in equity in the consolidated statement of 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

From 1 January 2009 the Group changed its accounting policy to measuring its property, plant and equipment at cost less accumulated depreciation and impairment losses.

Management believes that the transition from the revaluation model to cost model results in a more meaningful presentation of the Group's financial position and financial performance as the cost model is adopted by Enel S.p.A. entities and widely used in generation industry.

Management commissioned an independent appraiser to determine the deemed cost for individual items of property, plant and equipment as at 1 January 2006 and redesign the Group's accounting records for property, plant and equipment. Property, plant and equipment in the Group's first set of consolidated IFRS financial statements as at and for the year ended 31 December 2005 were originally measured at the carrying amounts included in the consolidated IFRS financial statements of RAO UES and were determined as part of that RAO UES's transition to IFRS. These values were based on accounting records designed for the RAO UES's consolidation purposes, rather than designed for the Group's own financial reporting purposes.

As a result of this change in accounting policy, management transferred the revaluation reserve of RR 31,102,610 thousand related to previous revaluations to retained earnings.

Furthermore, management also made a decision to transfer the merger reserve resulted from formation of the Group of RR 15,537,266 thousand to retained earnings.

The net impact of the restatement on the opening balances as at 1 January 2008 was as follows:

	As previously reported	**Restatement**	**As restated 1 January 2008**
Property, plant and equipment	63,983,270	(8,036,209)	55,947,061
Reserves	14,017,044	(14,007,919)	9,125
Retained earnings	5,435,747	7,900,400	13,336,147
Deferred tax liabilities	8,787,792	(1,928,690)	6,859,102

The impact of the restatement on the statement of comprehensive income for the year ended 31 December 2008 and statement of financial position as at 31 December 2008 was as follows:

	As previously reported	**Restatement**	**As restated 31 December 2008**
Statement of financial position			
Property, plant and equipment	74,024,524	(8,154,218)	65,870,306
Reserves	15,565,415	(15,563,545)	1,870
Retained earnings	7,034,448	9,040,171	16,074,619
Deferred tax liabilities	7,535,362	(1,630,844)	5,904,518
Statement of comprehensive income			
Operating expenses	(40,363,597)	(118,009)	(40,481,606)
Profit before tax	2,416,130	(118,009)	2,298,121
Income tax expense	(786,466)	23,602	(762,864)
Profit for the period	1,629,664	(94,407)	1,535,257
Earnings per share	0.0464	(0.0026)	0.0438

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), 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 year ended 31 December 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

From 1 January 2009, the Group changed its accounting policy to measuring its property, plant and equipment at cost less accumulated depreciation and impairment losses.

This change was accounted for retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", therefore comparative information presented in these financial statements was restated (see Note 5).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) 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 transmission 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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on investment grade bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan 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, such as items recognised in equity at preparing the Group's first set of consolidated IFRS financial statements, 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.

(r) New financial reporting standards

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 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.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have an impact on Group’s consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

- 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 purposes, 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.

Thousands of Russian Roubles, unless otherwise stated

5 PROPERTY, PLANT AND EQUIPMENT

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Cost						
At 1 January 2009	**40,432,528**	**3,095,918**	**590,526**	**12,436,272**	**16,203,406**	**72,758,650**
Additions	1,057	40	-	92,739	15,448,856	15,542,692
Transfers from construction in progress	2,503,193	296,571	9,115	598,749	(3,407,628)	-
Disposals	(567)	(18,528)	-	(62,667)	(118,332)	(200,094)
At 31 December 2009	**42,936,211**	**3,374,001**	**599,641**	**13,065,093**	**28,126,302**	**88,101,248**
Accumulated depreciation						
At 1 January 2009	**4,045,634**	**714,612**	**63,644**	**2,064,454**	**-**	**6,888,344**
Depreciation charge	1,551,689	279,242	16,684	769,231	-	2,616,846
Disposal	(238)	(2,995)	-	(19,990)	-	(23,223)
At 31 December 2009	**5,597,085**	**990,859**	**80,328**	**2,813,695**	**-**	**9,481,967**
Net book value at 1 January 2009	**36,386,894**	**2,381,306**	**526,882**	**10,371,818**	**16,203,406**	**65,870,306**
Net book value at 31 December 2009	**37,339,126**	**2,383,142**	**519,313**	**10,251,398**	**28,126,302**	**78,619,281**

Thousands of Russian Roubles, unless otherwise stated

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Cost						
At 1 January 2008	**37,674,725**	**2,814,026**	**600,019**	**11,513,867**	**8,066,980**	**60,669,617**
Additions	259,156	913	1,758	194,737	12,320,995	12,777,559
Transfers from construction in progress	2,519,882	283,290	4,627	1,278,870	(4,086,669)	-
Disposals	(21,235)	(2,311)	(15,878)	(551,202)	(97,900)	(688,526)
At 31 December 2008	**40,432,528**	**3,095,918**	**590,526**	**12,436,272**	**16,203,406**	**72,758,650**
Accumulated depreciation						
At 1 January 2008	**2,695,385**	**465,758**	**49,358**	**1,512,055**	**-**	**4,722,556**
Depreciation charge	1,353,579	249,472	16,519	649,551	-	2,269,121
Disposal	(3,330)	(618)	(2,233)	(97,152)	-	(103,333)
At 31 December 2008	**4,045,634**	**714,612**	**63,644**	**2,064,454**	**-**	**6,888,344**
Net book value at 1 January 2008	**34,979,340**	**2,348,268**	**550,661**	**10,001,812**	**8,066,980**	**55,947,061**
Net book value at 31 December 2008	**36,386,894**	**2,381,306**	**526,882**	**10,371,818**	**16,203,406**	**65,870,306**

As described in the note 2(f), from 1 January 2009 the Group changed its accounting policy to measuring its property, plant and equipment at cost less accumulated depreciation and impairment losses.

This change of accounting policy was applied retrospectively and, thus, prior periods presented in these financial statements were restated.

The adjustments applied to restate the prior year consolidated financial statements are described in the Note 2(f).

At 31 December 2009 construction in progress includes prepayments for property, plant and equipment of RR 12,508,540 thousand (31 December 2008: RR 10,195,558 thousand, 31 December 2007: RR 3,750,163 thousand).

During the year ended 31 December 2009 the Group capitalized borrowing costs in the amount RR 438,769 thousand into property, plant or equipment (31 December 2008: RR 416,139 thousand, 31 December 2007: nil).

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

(a) Operating leases

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 with local governments.

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.

Thousands of Russian Roubles, unless otherwise stated

Non-cancellable operating lease rentals are payable for land plots as follows:

	31 December 2009	31 December 2008	31 December 2007
Not later than one year	25,269	17,722	5,260
Later than one year and not later than five years	88,355	60,720	1,485
Later than five years	10,149	10,814	7,438
Total	**123,773**	**89,256**	**14,183**

The Group leases out at the short-term base a number of items of property, plant and equipment of the following value. Estimated amount of lease payment for 2009 is RR 48,332 thousand. Estimated amount of lease payments for the period after one year can not be determined reliably.

	Heat and electricity generation	Electricity transmission	Heating networks	Other	Total
Cost at 31 December 2008	209,160	1,390	479	710,863	921,892
Accumulated depreciation at 31 December 2008	(21,246)	(163)	(75)	(65,121)	(86,605)
Net book value at 31 December 2008	**187,914**	**1,227**	**404**	**645,742**	**835,287**
Cost at 31 December 2009	809,343	3,783	479	489,870	1,303,475
Accumulated depreciation at 31 December 2009	(140,065)	(1,555)	(102)	(56,836)	(198,558)
Net book value at 31 December 2009	**669,278**	**2,228**	**377**	**433,034**	**1,104,917**

6 INTANGIBLE ASSETS

	Patents and licenses	Software	Total
Cost			
At 1 January 2009	**7,503**	**80,073**	**87,576**
Additions	35,504	266,636	302,140
At 31 December 2009	**43,007**	**346,709**	**389,716**
Accumulated amortisation			
At 1 January 2009	**3,027**	**36,397**	**39,424**
Amortisation charge	5,822	34,876	40,698
At 31 December 2009	**8,849**	**71,273**	**80,122**
Net book value at 1 January 2009	**4,476**	**43,676**	**48,152**
Net book value at 31 December 2009	**34,158**	**275,436**	**309,594**

Intangible assets mostly represent the costs associated with SAP/R3 implementation.

Thousands of Russian Roubles, unless otherwise stated

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:

	31 December 2009
EBRD	15,897
ABN AMRO	318,128
Total	**334,025**

8 EQUITY ACCOUNTED INVESTEES

Investment in equity accounted investees is presented by 43.48% investment in OJSC "Energeticheskaya Severnaya Companiya" (OJSC "ESC").

Financial information for OJSC "ESC", not adjusted for the percentage ownership held by the Group, is follows:

	31 December 2009	31 December 2008	31 December 2007
Total assets	177,036	470,813	106,514
Total liabilities	1,288	360,553	503

	31 December 2009	31 December 2008	31 December 2007
Revenue	21,430	6,604	8,253
Profit for the period	(294,516)	4,249	5,239

At 31 December 2008 the Group recognised impairment charge of RR 134,067 thousand in relation to investment in OJSC "ESC" accounted for by the equity method.

At 31 December 2009 this investment was reduced to zero due to the recognition of losses based on the share of the Company participation. Board of Directors of OJSC "ESC" held on 1 December 2009 approved the liquidation of the entity.

9 OTHER NON-CURRENT ASSETS

	31 December 2009	31 December 2008	31 December 2007
Advances issued to fuel suppliers	137,431	103,254	-
Value added tax deposit paid to customs	1,591,950	401,110	-
Long-term trade and other receivables	56,925	90,776	71,749
Other	236,924	220,976	165,390
Total	**2,023,230**	**816,116**	**237,139**

VAT deposit paid to customs relates to the imported equipment for Sredneuralskaya SDPP new combined cycle gas turbine construction. The estimated period of VAT recovery is the first quarter 2011.

Long-term trade and other receivables include the non-current portion of loans given to the Group's employees and long-term notes received by customers.

Thousands of Russian Roubles, unless otherwise stated

10 TRADE AND OTHER RECEIVABLES

	31 December 2009	31 December 2008	31 December 2007
Trade receivables (net of impairment allowance of RR 194,094 at 31 December 2009, RR 110,410 at 31 December 2008 and RR 599,242 at 31 December 2007)	3,149,352	2,025,481	1,029,218
Interest receivable	1,334	1,318	67,417
Advances issued to suppliers	1,288,819	690,840	1,690,306
Value added tax recoverable	1,537,366	792,374	23,027
Other receivables (net of impairment allowance of RR 81,930 at 31 December 2009 and 31 December 2008 and RR 5,516 thousand at 31 December 2007)	783,159	788,460	919,030
Total	**6,760,030**	**4,298,473**	**3,728,998**

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 year ended 31 December 2009 RR 185,768 thousand of the Group's total accounts receivable was settled via non-cash settlements, mostly by promissory notes (during the year ended 31 December 2008: RR 188,611 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 year ended 31 December 2009	For the year ended 31 December 2008
At 1 January	192,340	604,758
Accruals	83,684	-
Reversals	-	(376,585)
Write-offs	-	(35,833)
At 31 December	**276,024**	**192,340**

Thousands of Russian Roubles, unless otherwise stated

11 INVENTORIES

	31 December 2009	31 December 2008	31 December 2007
Fuel supplies	1,375,874	1,740,631	1,307,323
Materials and supplies	300,986	286,105	252,195
Spare parts and other inventories	407,111	335,835	394,609
Total inventories	2,083,971	2,362,571	1,954,127
Less: Provisions for obsolescence of inventories	(18,557)	(6,351)	(9,595)
Total	**2,065,414**	**2,356,220**	**1,944,532**

As at 31 December 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

	31 December 2009	31 December 2008	31 December 2007
Bank balances	85,890	63,518	155,608
Call deposits	925,529	793,827	-
Letter of credit	-	-	670,958
Total	**1,011,419**	**857,345**	**826,566**

The currency of cash is the Russian Roubles, EUR and US dollars.

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 31 December 2009, 2008 and 2007 was RR 35,371,898 thousand comprising 35,371,898,370 ordinary shares with a par value of RR 1.00. All shares authorised are issued and 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) Treasury shares

In 2006 the Group acquired ordinary treasury shares in order to realize the Group share option plan (see Note 27).

Nominal value of treasury shares as at 31 December 2009 was RR 160,100 thousand (as at 31 December 2008 – RR 296,692 thousand, as at 31 December 2007 – RR 351,770 thousand).

(c) 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 31 December 2009 the Company had retained earnings, including the profit for the current year, of RR 6,292,229 thousand (2008: RR 3,651,944 thousand).

(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 year ended 31 December 2009	For the year ended 31 December 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	(285,309)	(308,183)
Weighted average number of shares outstanding, in thousands	35,086,589	35,063,715
Profit attributable to shareholders of OJSC Enel OGK-5	3,201,410	1,536,021
Profit per share – basic and diluted (RR per share)	0.0912	0.0438

14 INCOME TAXES

	For the year ended 31 December 2009	For the year ended 31 December 2008
Current income tax expense	532,536	481,471
Deferred tax expense	486,596	281,393
Total income tax expense	**1,019,132**	**762,864**

During the year ended 31 December 2009, the Group entities were subject to 20% income tax rate on taxable profits (during the year ended 31 December 2008: 24%). With effect from 1 January 2009 the income tax rate for Russian companies has been reduced to 20%. This rate was used for the calculation of the deferred tax assets and liabilities for the year ended 31 December 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 year ended 31 December 2009		For the year ended 31 December 2008	
	’000 RUR	%	’000 RUR	%
Profit before income tax	**4,219,409**	**100**	**2,298,121**	**100**
Income tax at applicable tax rate	(843,882)	20	(551,549)	24
Non-deductible expenses	(175,250)	4	(158,564)	7
Change in tax rate	-		(52,751)	2
	(1,019,132)	**24**	**(762,864)**	**33**

Thousands of Russian Roubles, unless otherwise stated

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

	1 January 2009	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Recognised directly in equity**	**31 December 2009**
Tax effect of deductible temporary differences					
Trade and other receivables	189,697	(42,757)	-	-	146,940
Non-current loans and borrowings	-	15,507	-	-	15,507
Trade and other payables	157,682	20,171	-	-	177,853
Employee benefits	88,836	(42,093)	-	-	46,743
Inventories	8,204	(3,872)	-	-	4,332
Other	59,237	(26,653)	-	-	32,584
Deferred tax assets	**503,656**	**(79,697)**	**-**	**-**	**423,959**
Tax effect of taxable temporary differences					
Property, plant and equipment	(6,391,756)	(289,558)	-	-	(6,681,314)
Trade and other receivables	(15,335)	(49,908)	-	-	(65,243)
Other	(1,083)	(67,433)	(7,688)	-	(76,204)
Deferred tax liabilities	**(6,408,174)**	**(406,899)**	**(7,688)**	**-**	**(6,822,761)**
Net deferred tax liabilities	**(5,904,518)**	**(486,596)**	**(7,688)**	**-**	**(6,398,802)**

	1 January 2008	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Recognised directly in equity**	**31 December 2008**
Tax effect of deductible temporary differences					
Unused tax loss carried forward	196,846	(196,846)	-	-	-
Trade and other receivables	109,821	79,876	-	-	189,697
Trade and other payables	197,819	(40,137)	-	-	157,682
Employee benefits	90,991	(2,155)	-	-	88,836
Inventories	12,393	(4,189)	-	-	8,204
Other	25,118	34,119	-	-	59,237
Deferred tax assets	**632,988**	**(129,332)**	**-**	**-**	**503,656**
Tax effect of taxable temporary differences					
Property, plant and equipment	(7,488,325)	(137,609)	-	1,234,178	(6,391,756)
Trade and other receivables	-	(15,335)	-	-	(15,335)
Other	(3,765)	883	1,799	-	(1,083)
Deferred tax liabilities	**(7,492,090)**	**(152,061)**	**1,799**	**1,234,178**	**(6,408,174)**
Net deferred tax liabilities	**(6,859,102)**	**(281,393)**	**1,799**	**1,234,178**	**(5,904,518)**

Thousands of Russian Roubles, unless otherwise stated

15 LOANS AND BORROWINGS

	Currency	Maturity	31 December 2009		31 December 2008	
			Carrying value	Face value	Carrying value	Face value
Non-current borrowings						
ABN AMRO	EUR	2023	5,578,822	5,578,822	-	-
EBRD	EUR	2021	3,859,660	3,859,660	-	-
Bonds	RR	2011	5,000,000	5,000,000	-	-
Total non-current borrowings			**14,438,482**	**14,438,482**	**-**	**-**

	Currency	31 December 2009		31 December 2008	
Current borrowings and current portion of non-current borrowings		Carrying value	Face value	Carrying value	Face value
Bonds	RR	-	-	5,000,000	5,000,000
Commercial papers	RR	4,000,000	4,000,000	-	-
JSB Banca Intesa	EUR	-	-	1,864,850	1,864,850
Total current borrowings		**4,000,000**	**4,000,000**	**6,864,850**	**6,864,850**

All the Group’s borrowings are either in EUR or in RR. The interest rate varies from 5.04% to 12%. All loans and borrowings are unsecured.

In October 2006 the Company issued 5 million non-convertible bonds with a face value of 1,000 rubles each. The bonds have a half year coupon period and bear interest at 7.5% per annum. As at 31 December 2008 the bonds were classified as current as the Prospectus included an early redemption option in October 2009. This option was not exercised and hence at 31 December 2009 the bonds were reclassified as non-current borrowings.

In July 2009 the Company issued two series of commercial papers, 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.

16 EMPLOYEE BENEFITS

The tables below provide information about the employee benefit obligations and actuarial estimations used for the year ended 31 December 2009 and for the year ended 31 December 2008. Amounts recognised in the Group’s consolidated statement of financial position are as follows:

	31 December 2009	31 December 2008	31 December 2007
Present value of defined benefit obligation	1,398,466	1,451,398	1,214,960
Unrecognised actuarial (losses)/gains	(531,528)	(221,056)	59,771
Unrecognised past service costs	(633,224)	(786,160)	(895,603)
Net pension liabilities in the statement of financial position	**233,714**	**444,182**	**379,128**

Thousands of Russian Roubles, unless otherwise stated

Amounts recognised in profit or loss are as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008
Current service cost	74,747	72,862
Interest cost	118,462	77,647
Amortisation of prior service cost	120,588	109,442
Net actuarial loss/(gain) recognised in the period	11,051	(4,469)
Curtailment gain	(18,631)	-
Total expense recognised in profit or loss	**306,217**	**255,482**

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

	For the year ended 31 December 2009	For the year ended 31 December 2008
Present value of defined benefit obligations at the beginning of year	**1,451,398**	**1,214,960**
Current service cost	74,747	72,862
Interest cost	118,462	77,646
Past service cost	11,146	-
Benefits paid	(516,685)	(190,428)
Actuarial loss on obligation	334,342	276,358
Curtailment effect	(74,944)	-
Present value of defined benefit obligation at the end of period	**1,398,466**	**1,451,398**

Principal actuarial assumptions are as follows:

	31 December 2009	31 December 2008
Nominal discount rate	9.75%	9%
Future salary increase	8.8%	8%
Future pensions increase and inflation rate	6.5%	6%

Historical information

	31 December 2009	31 December 2008	31 December 2007	31 December 2006
Present value of defined benefit obligation	1,398,466	1,451,398	1,214,960	1,222,179
Deficit in plan	1,398,466	1,451,398	1,214,960	1,222,179
Losses arising from experience adjustments on plan liabilities	(321,358)	(382,401)	(12,323)	(51,736)

Expected benefit payments under the schemes during the year ended 31 December 2010 are RR 74,775 thousand.

17 TRADE AND OTHER PAYABLES

	31 December 2009	31 December 2008	31 December 2007
Trade payables	3,029,531	2,383,561	2,159,350
Accrued liabilities and other payables	346,656	74,567	410,308
Interest payable	457,406	101,048	87,767
Advances received	33,265	17,324	32,799
Dividends payable	4,485	5,020	19,944
Total	**3,871,343**	**2,581,520**	**2,710,168**

Thousands of Russian Roubles, unless otherwise stated

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

	31 December 2009	31 December 2008	31 December 2007
Value added tax	411,311	104,756	105,791
Property tax	178,133	173,223	161,197
Payroll taxes	13,418	1,352	23,649
Fines and interest	3,631	22,813	16,049
Other taxes	177,159	187,978	238,357
Total	**783,652**	**490,122**	**545,043**

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	230,340	-	359,355	589,695
Unwinding of discount	84,509	46,232	-	130,741
Provisions used during the period	(133,057)	(57,322)	(325,577)	(515,956)
Balance at 31 December 2009	**492,624**	**154,894**	**242,019**	**889,537**
Non-current	406,338	81,699	-	488,037
Current	86,286	73,195	242,019	401,500
Total	**492,624**	**154,894**	**242,019**	**889,537**

(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 to employees and provision for unused vacation.

Thousands of Russian Roubles, unless otherwise stated

20 REVENUE

	For the year ended 31 December 2009	For the year ended 31 December 2008
Electricity	40,719,894	40,528,597
Heating	2,400,063	2,016,902
Water for heating network	225,261	124,470
Rent	62,800	57,716
Water circulation	37,306	40,019
Other	60,084	45,264
Total	**43,505,408**	**42,812,968**

Approximately 9% of sales of electricity for the year ended 31 December 2009 relates to resale of purchased power on wholesale market NOREM (for the year ended 31 December 2008: 15%).

21 OPERATING EXPENSES

	For the year ended 31 December 2009	For the year ended 31 December 2008 (restated)
Fuel cost	22,946,363	22,787,501
Purchased electricity	3,938,445	6,785,758
Employee benefits	3,085,677	2,854,544
Depreciation and amortisation of property, plant and equipment and intangible assets	2,657,544	2,308,545
Repairs and technical maintenance	1,373,246	1,630,602
Taxes other than income tax and payroll taxes	803,959	752,115
Fees to Trade System Administrator, Centre of financial settlements and System Operator	699,941	570,421
Water usage	671,439	665,984
Advisory, legal and information services	450,635	145,210
Insurance	294,235	298,678
Raw materials and supplies	203,181	139,270
Security	198,176	193,149
Loss on disposal of property, plant and equipment	176,871	440,794
Lease costs	127,957	96,929
Transport cost	106,451	133,009
Accrual/(reversal) of allowance for impairment of accounts receivable	83,684	(376,585)
Social expenses	32,590	27,922
Loss on sale of trade receivable	8,765	311,140
Other	709,840	716,620
Total	**38,568,999**	**40,481,606**

Thousands of Russian Roubles, unless otherwise stated

Employee benefits expenses comprise the following:

	For the year ended 31 December 2009	For the year ended 31 December 2008
Wages and other benefits to employees and related taxes	2,904,378	2,698,304
Share option plan	4,595	(26,063)
Non-governmental pension fund expenses (Note 16)	176,704	182,303
Total	**3,085,677**	**2,854,544**

22 FINANCE ITEMS

	For the year ended 31 December 2009	For the year ended 31 December 2008
Interest income	96,924	173,177
Exchange differences	84,874	-
Other financial income	1,328	-
Finance income	**183,126**	**173,177**
Interest expense	(909,396)	(77,647)
Effect of discounting, net	(69,939)	(95,793)
Exchange differences	-	(227,207)
Other financial expenses	-	(60,705)
Finance expenses	**(979,335)**	**(461,352)**

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.

In the course of 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.

Thousands of Russian Roubles, unless otherwise stated

(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 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.

Majority 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 reliable 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:

	31 December 2009	31 December 2008
Available-for-sale financial assets	63,653	24,733
Trade and other receivables	3,933,845	2,815,259
Cash and cash equivalents	1,011,419	857,345
Long-term trade and other receivables	56,925	90,776
Total	**5,065,842**	**3,788,113**

Thousands of Russian Roubles, unless otherwise stated

The aging of trade and other receivables at the reporting date was:

	31 December 2009		**31 December 2008**	
	Gross	**Impairment allowance**	**Gross**	**Impairment allowance**
Not past due	2,756,552	-	2,452,358	-
Past due for less than 3 months	885,754	27,944	230,276	-
Past due for 3 to 12 months	345,329	60,343	43,043	-
Past due for more than one year	222,234	187,737	281,922	192,340
Total	**4,209,869**	**276,024**	**3,007,599**	**192,340**

For the year ended 31 December 2009 the Group has revenues of RR 13,249,350 thousand from transactions with a single external customer (2008: RR 12,179,760 thousand).

(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 following are the contractual maturities of financial liabilities, excluding estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

	Less than 1 year	**1-5 years**	**More than 5 years**
At 31 December 2009			
Bank loans	-	2,922,877	6,515,605
Commercial papers	4,000,000	5,000,000	-
Trade and other payables	3,871,343	-	-
Total	**7,871,343**	**7,922,877**	**6,515,605**
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:

	31 December 2009		31 December 2008	
	USD	**EUR**	**USD**	**EUR**
Bank loans	-	(9,438,482)	-	(1,864,850)
Trade and other payables	(336)	(165,643)	-	(120,683)
Net exposure	**(336)**	**(9,270,100)**	**-**	**(1,985,533)**

The following significant exchange rates applied during the period:

RUR	Average rate		Reporting date spot rate	
	For the year ended 2009	**For the year ended 2008**	**31 December 2009**	**31 December 2008**
USD	31.7231	24.8553	30.2442	29.3804
EUR	44.132	36.4291	43.3883	41.4411

Sensitivity analysis

A strengthening of the Russian rouble, as indicated below, against the USD and EUR at 31 December 2009 and 2008 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 31 December 2009	
EUR (10 percent strengthening)	949,859
USD (10 percent strengthening)	2
At 31 December 2008	
EUR (10 percent strengthening)	198,500
USD (10 percent strengthening)	-

A weakening of the Russian rouble against the above currencies at 31 December 2009 and 2008 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.

Thousands of Russian Roubles, unless otherwise stated

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

	Carrying amount	
	31 December 2009	**31 December 2008**
Fixed rate instruments		
Financial assets	925,529	793,827
Financial liabilities	(14,578,822)	(5,000,000)
	(13,653,293)	**(4,206,173)**
Variable rate instruments		
Financial liabilities	(3,859,660)	(1,864,850)
	(3,859,660)	**(1,864,850)**

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, and the entire interest expense is recognised in profit or loss.

	Profit or loss	
	100 bp increase	**100 bp decrease**
At 31 December 2009		
Variable rate instruments	(17,407)	17,407
Cash flow sensitivity (net)	**(17,407)**	**17,407**

(e) Fair value of financial instruments

Management believes that the fair value of the Group's financial assets and liabilities at 31 December 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, if not rectified within 6 months after the year end.

As at 31 December 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.

Thousands of Russian Roubles, unless otherwise stated

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.

	31 December 2009	31 December 2008
Total borrowings (Note 15)	18,438,482	6,864,850
Less: Cash and cash equivalents (Note 12)	(1,011,419)	(857,345)
Net debt	17,427,063	6,007,505
Equity	61,068,812	57,517,895
Debt to equity ratio	**28.54%**	**10.44%**

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 13,159,132 thousand at 31 December 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.

Thousands of Russian Roubles, unless otherwise stated

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.

In the normal course of business the Group enters into transactions with related parties.

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

Transactions with Enel Group

For the year ended 31 December 2009 the Group had the following transactions with Enel Group entities:

	For the year ended 31 December 2009	**For the year ended 31 December 2008**
Sale of electricity	933,739	407,915
Other revenue	8,729	14,531

As at 31 December 2009 the Group had the following balances with Enel Group entities:

	31 December 2009	**31 December 2008**
Trade and other receivables	63,254	13,154
Advances issued for capital construction	1,225,133	-
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.

Thousands of Russian Roubles, unless otherwise stated

For the year ended 31 December 2009 the Group had the following transactions with state controlled entities:

	For the year ended 31 December 2009	For the year ended 31 December 2008
Sale of electricity	2,237,928	3,991,748
Sale of heat	210,558	185,859
Other revenue	104,551	8,766
Purchase of fuel	(8,745,580)	(7,678,892)
Purchase of raw materials and supplies	(4,417)	(757)
Purchase of property, plant and equipment	(528,422)	-
Other expenses	(1,914,310)	(326,527)
Finance income	-	97,788
Finance expense	(135,615)	7,933

As at 31 December 2009 the Group had the following balances with state controlled entities:

	31 December 2009	31 December 2008
Trade and other receivables (net of allowance for impairment of receivables)	2,411,300	825,699
Trade and other payables	660,775	72,227

Transactions with other related parties

Transactions with other related parties represent transactions with the pension fund of energy industry (NPF Electroenergetiki).

	For the year ended 31 December 2009	For the year ended 31 December 2008
Other sales	140	437
Other expense	597,000	171,000

As at 31 December 2009 and 2008 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 year ended 31 December 2009 and 2008 was as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008
Remuneration	22,375	36,838

There were no loans provided to key management personnel during the year ended 31 December 2009.

At 31 December 2009 there were 11 members of the Board of Directors and 5 members of the Management Board.

Thousands of Russian Roubles, unless otherwise stated

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 31 December 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 31 December 2009	(4,870,751)	2.30
Options exercised as at 1 December 2009	(136,591,952)	2.30
Options lapsed	(20,198,087)	2.30
Options outstanding at 31 December 2009	**8,417,297**	**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 year ended 31 December 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 year ended 31 December 2009, the Group recognised expenses of RR 4,595 thousand relating to the options (during the year ended 31 December 2008 the Group recognised an income of RR 26,063 thousand).

In December 2009 the share option plan for the majority of participants was exercised according to the schedule. Shares were purchased in quantity of 136,591,952, at exercise price – RR 2.30 per share. The weighted average share price at the date of exercise was RR 2.29 per share.