

OJSC Territorial Generation Company №11

**Condensed consolidated interim financial statements
for the six months ended 30 June 2010**

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Independent Auditors' Report

To the Board of Directors of Open Joint-Stock Company Territorial Generation Company №11 (OJSC TGC-11)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of OJSC TGC-11 (the "Company") and its subsidiaries (the "Group") as at 30 June 2010 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of selected explanatory notes (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

We were unable to satisfy ourselves as to the recoverability of the trade receivables for the heat supplied to individuals in the amount of RUR 271 058 thousand as at 30 June 2010 due to substantial uncertainty in relation to their settlement under current regulation. Accordingly, we were unable to determine whether any adjustments might be necessary to trade receivables, deferred tax liabilities, income tax, net profit and retained earnings as at and for the six-month period ended 30 June 2010.

Qualified Conclusion

Based on our review, except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to complete our review of trade receivables as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30



June 2010 and for the six-month period then ended is not prepared, in all material respects in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG
20 September 2010

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of financial position as at 30 June 2010
(in '000 RUR)

	<i>Note</i>	30 June 2010 (unaudited)	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	7	15 072 876	15 127 849
Prepayments		107 816	30 065
Intangible assets		149 234	149 234
Trade and other receivables		37 690	61 786
Total non-current assets		15 367 616	15 368 934
Current assets			
Inventories		850 918	969 498
Trade and other receivables		2 231 131	2 184 397
Prepayments		248 635	121 478
Income tax receivable		75 389	14 650
VAT recoverable		7 445	7 534
Loan given	10	-	250 000
Cash and cash equivalents		32 950	7 076
Total current assets		3 446 468	3 554 633
Total assets		18 814 084	18 923 567

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of financial position as at 30 June 2010
(in '000 RUR)

	<i>Note</i>	30 June 2010 (unaudited)	31 December 2009
EQUITY			
Share capital	8	5 128 277	5 128 277
Treasury shares		(20 671)	(20 671)
Additional paid-in capital		125 590	125 590
Retained earnings		7 892 559	7 407 147
Total equity		13 125 755	12 640 343
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	1 008 956	1 002 794
Employee benefits		281 188	279 024
Provisions		90 035	79 048
Deferred tax liabilities		1 257 013	1 096 718
Total non-current liabilities		2 637 192	2 457 584
Current liabilities			
Loans and borrowings	9	1 477 287	2 121 052
Trade and other payables		761 691	960 184
Income tax payable		5 715	4 653
Other taxes payable		258 944	202 006
Advances from customers		106 912	195 594
Employee payables		126 072	121 197
Provisions		314 516	220 954
Total current liabilities		3 051 137	3 825 640
Total liabilities		5 688 329	6 283 224
Total equity and liabilities		18 814 084	18 923 567

General Director

Kozhemyako S.A.

Chief Accountant

Chizhenko



20 September 2010

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2010
(in '000 RUR)

	<i>Note</i>	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
Revenue		10 609 696	9 073 663
Other operating income		82 432	66 759
Operating expenses		(9 906 477)	(8 041 617)
Results from operating activities		785 651	1 098 805
Finance income		11 794	71 041
Finance costs	10	(136 141)	(781 044)
Net finance costs		(124 347)	(710 003)
Profit before income tax		661 304	388 802
Income tax	6	(175 892)	366 709
Profit for the period		485 412	755 511
Total comprehensive income for the period		485 412	755 511
Earnings per ordinary share, basic and diluted (in RUR per share)		0.0009	0.0015

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 20.

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of cash flows for the six months ended 30 June 2010
(in '000 RUR)

<i>Note</i>	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	661 304	388 802
<i>Adjustments for:</i>		
Depreciation	577 802	495 923
Loss/(profit) on disposal of property, plant and equipment	520	(1 083)
Allowance for impairment of accounts receivable	158 710	72 381
Other provisions	93 562	(23 999)
Net finance costs	124 347	710 003
Adjustments for other non-cash transactions	25 357	(90 290)
Operating profit before changes in working capital, income taxes and interest paid	1 641 602	1 551 737
<i>Changes in working capital:</i>		
Increase in trade and other receivables	(181 826)	(656 503)
Decrease/(increase) in inventories	118 191	(124 389)
Increase in prepayments	(127 157)	(306 075)
Decrease /(increase) in VAT recoverable	89	(35 875)
(Decrease)/increase in trade and other payables	(207 478)	203 233
Increase/(decrease) in other taxes payable	56 938	(191 382)
Increase in employee payables	4 875	27 971
(Decrease)/increase in employee benefits	(6 791)	2 774
Decrease in advances from customers	(88 682)	(117 970)
Cash flows from operating activities before income taxes and interest paid	1 209 761	353 521
Interest paid	(130 815)	(144 348)
Income taxes (paid)/reimbursed	(81 666)	141 542
Net cash flows from operating activities	997 280	350 715

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of cash flows for the six months ended 30 June 2010
(in '000 RUR)

	<i>Note</i>	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(583 038)	(1 025 420)
Proceeds from disposal of property, plant and equipment		247	4 238
Repayment of loan given	10	250 000	-
Other		412	2 685
Net cash flows used in investing activities		(332 379)	(1 018 497)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		9 346 143	4 245 648
Repayment of loans and borrowings		(9 970 944)	(3 488 665)
Dividends paid		(332)	(212)
Other		(13 894)	(19 913)
Net cash (outflows)/inflows from financing activities		(639 027)	736 858
Net increase in cash and cash equivalents		25 874	69 076
Cash and cash equivalents at beginning of period		7 076	22 137
Cash and cash equivalents at end of period		32 950	91 213

Attributable to equity holders of TGC-11					
<i>Note</i>	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total equity
At 1 January 2009	5 128 277	(20 671)	125 590	6 558 935	11 792 131
Total comprehensive income for the period (unaudited)	-	-	-	755 511	755 511
Shares transferred to LLC Neft-Aktiv (unaudited)				(109 963)	(109 963)
8					
At 30 June 2009 (unaudited)	5 128 277	(20 671)	125 590	7 204 483	12 437 679
At 1 January 2010	5 128 277	(20 671)	125 590	7 407 147	12 640 343
Total comprehensive income for the period (unaudited)	-	-	-	485 412	485 412
At 30 June 2010 (unaudited)	5 128 277	(20 671)	125 590	7 892 559	13 125 755

1 Background

(a) The Group and its operations

OJSC Territorial Generation Company №11 (hereinafter – the “Company” or “TGC-11”) was established on 26 August 2005 in the framework of the reform of the Russian power industry. The reorganization of TGC-11 was completed on 1 November 2007 as a result of the merger of OJSC Omsk Electricity Generation Company (hereinafter - “OEGC”) and JSC Tomskenergo (hereinafter – “Tomskenergo”) with TGC-11.

The registered office of TGC-11 is located at 5 Sovetskaya, Novosibirsk, 630007, Russia.

As at 30 June 2010 and 31 December 2009 OJSC Territorial Generation Company №11 Group (hereinafter - the “Group”) comprises TGC-11 and its subsidiaries:

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

The Group’s main operating activity is electricity and heat generation.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 are available upon request from TGC-11’s registered office or at website <http://www.tgk11.com>.

(b) 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 contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. These condensed consolidated interim financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

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

The government affects financial and business activities of the Group by controlling tariffs for electricity and heat energy. The Federal Tariff Agency or Regional Energy Commissions do not always approve increase of tariffs in line with the increase of the Group's expenses; therefore, certain tariffs may not be sufficient to cover all the Group's power generation expenses. Tariffs are determined based on the expenses calculated in accordance with Russian Accounting Standards.

Produced electricity in excess of volumes sold at regulated tariffs is realized at market prices on non-regulated market.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements for the six months ended 30 June 2010 (hereinafter “Financial Statements”) have been prepared in accordance with International Financial Reporting Standard 34 (IAS 34) *Interim Financial Reporting*.

These Financial Statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

(b) Basis of measurement

These Financial Statements are prepared on the historical cost basis except for the property, plant and equipment acquired before 1 January 2006 stated at the fair value at the date of transition to IFRS as their deemed cost.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble (RUR), which is the Group companies’ functional currency and the currency in which these Financial Statements are presented.

All financial information in these Financial Statements presented in RUR has been rounded to the nearest thousand.

(d) Use of professional judgment, estimates and assumptions

For the purposes of preparing these Financial Statements, the Group management made a number of estimates and judgments in respect of assets, liabilities, income, expenses and contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The eventual actual amounts could differ from such estimates.

Judgments, estimates and assumptions made by the Group’s management to prepare these Financial Statements correspond to the judgments, estimates and assumptions made in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

3 Significant accounting policies

The accounting policies applied by the Group in these Financial Statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

4 Operating segments

The Group determined the following operating segments:

- Generation (heat and energy production) in Omsk region;
- Generation (heat and energy production) in Tomsk region.

Based on the decision of the Board of Directors with the effect from 1 January 2010 gross profit adjusted for depreciation was determined as segment results for the Group's internal reporting purposes. Comparative information for the six months ended 30 June 2009 has been re-presented accordingly.

Information of the Group's segments results is presented in the tables below:

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

	Omsk	Tomsk	Total
External revenue	7 242 976	3 334 338	10 577 314
Inter-group revenue	9 782	527	10 309
Depreciation	(315 782)	(225 183)	(540 965)
Segment results	950 974	739 226	1 690 200

For the six months ended 30 June 2009 (unaudited):

	Omsk	Tomsk	Total
External revenue	6 625 437	2 450 785	9 076 222
Inter-group revenue	5 555	-	5 555
Depreciation	(301 759)	(204 176)	(505 935)
Segment results	1 064 485	557 228	1 621 713

Segment results that are reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards.

Information of the Group's segments assets is presented in the table below:

	Omsk	Tomsk	Total
30 June 2010 (unaudited)	9 972 866	8 762 020	18 734 886
31 December 2009	9 707 293	8 816 625	18 523 918

The reconciliation of segment results determined in accordance with Russian Accounting Standards and profit before income tax determined based on IFRS amounts is presented in the table below (unaudited):

	Six months ended 30 June 2010	Six months ended 30 June 2009
Segment results	1 690 200	1 621 713
Unallocated	(86 640)	(144 918)
Reversal of over-accrued repair and maintenance expenses	75 111	185 380
Change in provisions for unused vacation and bonuses	(25 865)	58 499
Change in other provisions	(67 697)	3 479
Allowance for impairment of accounts receivable	(158 710)	(72 381)
Depreciation	(577 802)	(495 923)
Other	(62 946)	(57 044)
Results from operating activities per IFRS	785 651	1 098 805
Net finance costs	(124 347)	(710 003)
Profit before income tax	661 304	388 802

The reconciliation of total assets determined in accordance with Russian Accounting Standards and total assets determined based on IFRS amounts is presented in the table below:

	30 June 2010 (unaudited)	31 December 2009
Total segment assets	18 734 886	18 523 918
Unallocated	1 430 845	1 227 651
Difference in PPE net book value	(441 460)	(415 941)
Inter-group balances	(604 679)	(235 500)
Interest income: effect on discounting	(7 367)	(17 124)
Allowance for impairment of accounts receivable	(32 486)	(31 501)
Investments in subsidiaries	(187 434)	(187 434)
Other	(78 221)	59 498
Total assets per IFRS	18 814 084	18 923 567

Unallocated items comprise mainly corporate assets (primarily the TGC-11's headquarters), head office expenses, income tax assets and liabilities, and income, expenses and assets of TGC-11 subsidiaries.

For the six months ended 30 June 2010 the amount of revenue from its major customer, CJSC Financial Settlement Center is equal to RUR 2 424 737 thousand (for the six months ended 30 June 2009: RUR 879 210 thousand).

5 Seasonality of operations

Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power.

Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

6 Income tax

Income tax rate in Russian federation is 20%.

For the six months ended 30 June 2010 the effective income tax rate differs from official income tax rate mainly as a result of the correction of the tax value of property, plant and equipment of Tomsk branch, which resulted in increase of deferred tax liabilities of the Group in the amount of RUR 38 446 thousand.

For the six months ended 30 June 2009 the effective income tax rate differs from official income tax rate as a result of the tax effect of items which are not deductible for taxation purposes in the amount of RUR 179 251 thousand, reversal of overprovided in prior periods income tax for RUR 262 426 thousand and the matters disclosed in the following paragraphs.

On 23 March 2009 the Western Siberia Federal District Arbitration Court made a decision in favour of TGC-11 on litigation with tax authorities in relation to deductibility of the amount of the operating expenses taken for tax purposes by OEGK in 2005 and 2006, including accelerated depreciation of property, plant and equipment operated in aggressive environment.

Therefore, during the six months ended 30 June 2009 the Group recognized tax losses carry forward in the amount of RUR 1 093 890 thousand, which resulted in the income tax benefit in the amount of RUR 218 778 thousand. Also the Group corrected the tax value of property, plant and equipment, which resulted in reduction of deferred tax liabilities of the Group in the amount of RUR 142 516 thousand.

7 Property, plant and equipment

During the six months ended 30 June 2010, the Group acquired assets with a cost of RUR 523 623 thousand (for the six months ended 30 June 2009 - RUR 1 147 033 thousand).

8 Equity

(a) Share capital

As at 30 June 2010 and 31 December 2009 the Company had authorized, issued and fully paid share capital of 512 827 729 472 ordinary shares with a par value of RUR 0.01.

(b) Treasury shares

In September 2008 the Group repurchased 725 282 150 of its ordinary shares for the total amount of RUR 20 671 thousand. These shares are held by one of the subsidiaries and are carried at the acquisition cost.

(c) Additional paid-in capital

Additional paid-in capital represents the amount of cash received by the Group in 2007 from the sale of 100% shares of subsidiaries owned by Tomskenergo and OEGC, made before the merger of Tomskenergo and OEGC with TGC-11.

(d) Shares transferred to LLC Neft-Aktiv

In February 2008 TGC-11 received a claim from LLC Neft-Aktiv, a minority shareholder of Tomskenergo, on the validity of the reorganization of Tomskenergo on the form of merging with TGC-11 due to improper notification of LLC Neft-Aktiv about the extraordinary general meeting of Tomskenergo's shareholders on 24 August 2007. On 4 July 2008 the Moscow Arbitration Court took a decision to satisfy the claim of LLC Neft-Aktiv in full. The resolution of the Ninth Arbitration Appellation Court of Moscow on 8 December 2008 left the above decision unchanged. In February 2009 TGC-11 filed cessation for an appeal to the Moscow Federal District Arbitration Court.

TGC-11 and LLC Neft-Aktiv have reached a mutual agreement on the amicable settlement of the above dispute that was approved by the Moscow District Federal Arbitration Court on 15 July 2009. According to the mutual agreement TGC-11 should transfer 7 657 430 027 of its ordinary shares to LLC Neft-Aktiv. Due to the fact that the mutual agreement represents settlement with LLC Neft-Aktiv in its capacity as the former owner of interest in Tomskenergo as a result of reorganization of TGC-11, the cost of shares transferred was recorded in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2009 as decrease of retained earnings.

In September 2009, 7 657 430 027 of TGC-11 ordinary shares transferred to LLC Neft-Aktiv.

9 Loans and borrowings

The tables below provide summarized financial information about the Group's loans and borrowings.

	Currency	Effective interest rate (annual)	Maturity	31 December 2009
<i>Non-current liabilities</i>				
Long-term bank loan	RUR	14.2%	2012	1 000 000
Finance lease	RUR	12.6%	2011	2 794
				1 002 794
<i>Current liabilities</i>				
Short-term bank loans	RUR	9.7-24.4%	2010	2 095 885
Finance lease	RUR	12.6%	2010	25 167
				2 121 052

	Currency	Effective interest rate (annual)	Maturity	30 June 2010 (unaudited)
<i>Non-current liabilities</i>				
Long-term bank loan	RUR	9.4-9.9%	2013	1 008 499
Finance lease	RUR	12.6%	2011	457
				1 008 956
<i>Current liabilities</i>				
Short-term bank loans	RUR	6.7-8.5%	2010	1 463 677
Finance lease	RUR	12.6%	2010	13 610
				1 477 287

Bank loans

Bank loans are mainly represented by the credit lines obtained for financing of operating activities, and bear fixed interest rate.

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

The amount of long-term bank loan as at 31 December 2009 was fully repaid during the six months ended 30 June 2010. During the six months ended 30 June 2010 the following new long-term bank loans in the form of credit lines facilities were obtained:

- OJSC “AB “Rossia” - RUR 500 000 thousand, interest rate – 9.9%;
- CJSC “UniCredit Bank” - RUR 500 000 thousand, interest rate – 9.4%.

10 Impairment provision for loan given

During the six months ended 30 June 2009 the Group recorded impairment provision for loan given in June 2008 and the maturity date in September 2009 in the amount of RUR 606 255 thousand

(including interest accrued in the amount of RUR 106 255 thousand). The impairment provision for loan given was recorded in finance costs.

In December 2009 the Group obtained repayment of the loan given in the amount of RUR 250 000 thousand and recorded a reversal of the impairment provision.

The outstanding balance of the loan given as at 31 December 2009 of RUR 250 000 thousand was settled in cash in the first quarter 2010.

11 Financial instruments and financial risks

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not hedge its exposure to such risks.

During the six months ended 30 June 2010 there were no material changes in these risks and in the Group's financial risk management policies which are disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

12 Contingencies and commitments

(a) Insurance

As at 30 June 2010 and 31 December 2009 the Group had insurance coverage for its production facilities and equipment in the amount of RUR 13 481 534 thousand and for liabilities to third parties in respect of damage to the environment and life and health injury arising from accidents on the Group's property in the amount of RUR 185 172 thousand. Nevertheless, the Group is exposed to a risk of negative impact on the Group's performance and financial position in case of a loss or damage to assets which have no or partial insurance coverage.

(b) Legal proceedings

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

(c) Taxation

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

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements

and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these Financial Statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Environmental liabilities

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

(e) Contingencies related to compliance with directions of state authorities for monitoring technical conditions of the production assets

State authorities monitor the technical condition of the Group's production equipment on a regular basis. As a result of such reviews the Group may be required to perform modernization or repairs of its plant and equipment. Given that the volume, estimates and timing of such works are now under consideration by the Group's management, it is impracticable to estimate the total amount of capital expenditure necessary to fulfil government authorities' requirements as at 30 June 2010.

13 Related-party disclosures

As at 30 June 2010 and 31 December 2009 TGC-11 was not controlled by other legal entities and individuals. Several companies had significant influence on TGC-11. During the second half of 2009 the structure of TGC-11 shareholders changed. As a result, as at 30 June 2010 and 31 December 2009 the part of the TGC-11 shareholders which had significant influence on the Group were controlled by the Government.

The Group's related party transactions were with the shareholders, companies owned or controlled by the same entities as the Group and state controlled entities.

The following tables summarize the Group's transactions with the related parties, except for the transactions with state controlled entities (unaudited):

<u>Related parties</u>	<u>Sales/ purchases from related parties</u>	<u>Sales to related parties for the six months ended 30 June 2010</u>	<u>Purchases from related parties for the six months ended 30 June 2010</u>	<u>Sales to related parties for the six months ended 30 June 2009</u>	<u>Purchases from related parties for the six months ended 30 June 2009</u>
	Coal	-	-	-	44 188
	Interest accrued on loan given	-	-	55 519	-
Parties controlled by the shareholders of TGC-11:	Impairment provision for loan given	-	-	-	606 255

<u>Related parties</u>	<u>Type of operation</u>	<u>Liabilities of related parties as at 30 June 2010 (unaudited)</u>	<u>Liabilities of related parties as at 31 December 2009</u>	<u>Liabilities to related parties as at 30 June 2010 (unaudited)</u>	<u>Liabilities to related parties as at 31 December 2009</u>
Key management personnel	Salary and other benefits	117	-	6 537	6 520

For the six months ended 30 June 2010 the Group sold large portion of heat and electric power to state controlled entities. Conditions of these agreements were similar to those to third parties. Order of settlement of tariffs on electricity and heat is disclosed in the Note 1 (c).

For the six months ended 30 June 2010 all the Group's gas purchases in the amount of RUR 2 947 240 thousand were from state controlled entities (Gasprom related entities) based on contractual prices. The accounts payables of the Group to state controlled entities for gas supply as at 30 June 2010 amounted to RUR 76 503 thousand (31 December 2009 – RUR 172 224 thousand).

For the six months ended 30 June 2010 the Group obtained loans from state controlled banks based on market interest rates. The liability of the Group to state controlled banks as at 30 June 2010 amounted to RUR 453 476 thousand (31 December 2009 – RUR 706 110 thousand).

Other purchases from state controlled entities represented the small portion of the total Group other purchases.

Terms and conditions of related-party transactions

Outstanding balances at the end of reporting periods are unsecured, interest free, except for loans, and settlement occurs mainly in cash.

Management remuneration

	<u>Six months ended 30 June 2010 (unaudited)</u>	<u>Six months ended 30 June 2009 (unaudited)</u>
Salaries and bonuses	22 646	42 279
Termination benefits	-	35 374
	<u>22 646</u>	<u>77 653</u>

14 Service concession arrangement

The Group uses public heating system facilities for providing services of heat supply to customers. The right to use the infrastructure is received from municipal authorities of Tomsk region (Property Department of Tomsk administration and Tomsk Property Treasury Department local authority, the "Grantor" – hereinafter) under service concession agreement.

In accordance with the arrangement, the contract period starts 1 June 2007 and set for indefinite period. The arrangement can be cancelled upon mutual agreement of the parties or unilaterally with the preliminary notification of a party.

The Group as an operator of the service concession has the obligation for maintenance and repair of the infrastructure as agreed with the Grantor on a regular basis.

For the six months ended 30 June 2010 rent payments for use of public heating system that are recorded in operating expenses of the Group amounted to RUR 223 thousand (for the six months ended 30 June 2009 – RUR 233 thousand), repair expenses - RUR 39 089 thousand (for the six months ended 30 June 2009 – RUR 22 215 thousand).

In addition under the service concession arrangement the Group has the right to make improvement (upgrades) of the facilities upon approval by the Grantor. The Group does not possess the right of ownership over the infrastructure or upgrades at the end of concession arrangement. Until present the Group did not perform any improvements (upgrades) of the facilities and did not have any capital construction commitments for these facilities.