Joint Stock Company
Territorial Generating Company №1
and its subsidiaries

Brief Intermediate Consolidated Financial Statements
prepared in accordance with
International Financial Reporting Standards
for NINE MONTHS ended 30 September 2011

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011
(in thousands of Russian Roubles)

	Notes	30 September 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	116 259 593	99 019 521
Long-term investments	7	50 910	48 310
Deferred tax assets		599 709	592 472
Other non-current assets	8	485 756	592 174
Total non-current assets		**117 395 968**	**100 252 477**
Current assets			
Cash and cash equivalents	9	153 858	277 218
Short-term investments	10	9 186	6 201
Accounts receivable and prepayments	12	12 992 593	10 762 658
Inventories	13	2 855 199	2 538 368
Total current assets		**16 010 836**	**13 584 445**
Assets held for sale	11	25 857	184 324
TOTAL ASSETS		**133 432 661**	**114 021 246**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	38 543 414	38 543 414
Share premium		22 913 678	22 913 678
Merger reserve		(6 086 949)	(6 086 949)
Fair value reserve		-	-
Retained earnings		22 900 228	20 075 786
Equity attributable to the shareholders of TGC-1		**78 270 371**	**75 445 929**
Non-controlling interest		(150 149)	(141 705)
TOTAL EQUITY		**78 120 222**	**75 304 224**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		8 530 260	5 897 255
Long-term borrowings	15	28 066 073	16 294 201
Post-employment benefits obligations		980 812	891 661
Other non-current liabilities	16	34 209	-
Total non-current liabilities		**37 611 354**	**23 083 117**
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	17	2 050 664	6 905 720
Accounts payable and accrued liabilities	18	14 397 749	7 711 142
Current income tax payable		158 216	444 950
Other taxes payable	19	1 094 456	572 093
Total current liabilities		**17 701 085**	**15 633 905**
TOTAL LIABILITIES		**55 312 439**	**38 717 022**
TOTAL EQUITY AND LIABILITIES		**133 432 661**	**114 021 246**

General Director — Filippov A.N.

Chief Accountant — Stanishevskaya R.V.

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Russian Roubles)

	Notes	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Revenue			
Sales of electricity		27 540 524	21 670 737
Sales of heat		15 789 060	14 737 870
Other sales		378 367	440 726
Total revenue		**43 707 951**	**36 849 333**
Operating expenses, net	20	(37 915 324)	(33 678 835)
Total operating expenses		**(37 915 324)**	**(33 678 835)**
Operating profit		**5 792 627**	**3 170 498**
Finance income	21	11 685	76 506
Finance costs	21	(493 432)	(247 845)
Finance costs, net		**(481 747)**	**(171 339)**
Profit before income tax		**5 310 880**	**2 999 159**
Income tax charge		(2 314 535)	(538 071)
Profit for the year		**2 996 345**	**2 461 088**
Other comprehensive income			
Net change in fair value of available-for-sale investments	10	-	(201 815)
Income tax on other comprehensive income		-	40 363
Other comprehensive income for the year, net of tax		**-**	**(161 452)**
Total comprehensive income for the year, net of tax		**2 996 345**	**2 299 636**
Profit for the year attributable to:			
Shareholders of TGC-1		3 004 789	2 461 088
Non-controlling interests		(8 444)	-
Profit for the year		**2 996 345**	**2 461 088**
Total comprehensive income attributable to:			
Shareholders of TGC-1		3 004 789	2 299 636
Non-controlling interests		(8 444)	-
Total comprehensive income		**2 996 345**	**2 299 636**

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Russian Roubles)

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Cash flows from operating activities		
Profit before income tax	5 310 880	2 999 159
Adjustments to non-cash items	3 824 896	2 213 503
Operating cash flows before working capital changes	**9 135 776**	**5 212 662**
Capital changes	(1 947 137)	1 153 482
Cash generated from operations	**7 188 639**	**6 366 144**
Income tax paid and interest paid	(3 175 229)	(2 475 438)
Total cash generated from operations	**4 013 410**	**3 890 706**
Net cash used in investing activities	**(10 947 248)**	**(8 319 571)**
Net cash (used in)/from financing activities	**6 810 478**	**4 286 021**
Net (decrease)/increase in cash and cash equivalents	**(123 360)**	**(142 844)**
Cash and cash equivalents at the beginning of the period	**277 218**	**579 574**
Cash and cash equivalents at the end of the period	**153 858**	**436 730**

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED 30 SEPTEMBER 2011
(in thousands of Russian Roubles)

	Equity attributable to the shareholders of TGC-1								
	Share capital	Treasury shares	Share premium	Merger reserve	Fair value reserve	Retained earnings	Total	Non - controlling interest	Total equity
Balance at 31 December 2008	38 543 414	(2)	22 913 678	(6 086 949)	-	4 581 594	59 951 735	-	59 951 735
Comprehensive income for the year									
Profit for the year	-	-	-	-	-	8 350 276	8 350 276	-	8 350 276
Other comprehensive income									
Net change in fair value of available-for-sale investments	-	-	-	-	201 815	-	201 815	-	201 815
Income tax on other comprehensive income	-	-	-	-	(40 363)	-	(40 363)	-	(40 363)
Total other comprehensive income	-	-	-	-	*161 452*	-	*161 452*	-	*161 452*
Total comprehensive income for the year	-	-	-	-	161 452	8 350 276	8 511 728	-	8 511 728
Transactions with owners									
Sale of treasury shares	-	2	-	-	-	-	2	-	2
Change in non - controlling interest in subsidiary	-	-	-	-	-	(2 653)	(2 653)	-	(2 653)
Total transactions with owners	-	2	-	-	-	(2 653)	(2 651)	-	(2 651)
Balance at 31 December 2009	38 543 414	-	22 913 678	(6 086 949)	161 452	12 929 217	68 460 812	-	68 460 812
Comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	7 201 814	7 201 814	(28 636)	7 173 178
Other comprehensive income									
Net change in fair value of available-for-sale investments	-	-	-	-	(201 815)	-	(201 815)	-	(201 815)
Income tax on other comprehensive income	-	-	-	-	40 363	-	40 363	-	40 363
Total other comprehensive income	-	-	-	-	*(161 452)*	-	*(161 452)*	-	*(161 452)*
Total comprehensive income for the year	-	-	-	-	(161 452)	7 201 814	7 040 362	(28 636)	7 011 726
Transactions with owners									
Recognition of cumulative loss at 1 January 2010, which is attributable to non-controlling interest	-	-	-	-	-	113 069	113 069	(113 069)	-
Dividends	-	-	-	-	-	(168 314)	(168 314)	-	(168 314)
Total transactions with owners	-	-	-	-	-	(55 245)	(55 245)	(113 069)	(168 314)
Balance at 31 December 2010	38 543 414	-	22 913 678	(6 086 949)	-	20 075 786	75 445 929	(141 705)	75 304 224

JSC TERRITORIAL GENERATING COMPANY №1 AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED 30 SEPTEMBER 2011
(in thousands of Russian Roubles)

Comprehensive income									
Profit/(loss)						3 004 789	3 004 789	(8 444)	2 996 345
Other comprehensive income	-	-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	3 004 789	3 004 789	(8 444)	2 996 345
Transactions with owners									
Dividends	-	-	-	-	-	(180 347)	(180 347)	-	(180 347)
Total transactions with owners	-	-	-	-	-	(180 347)	(180 347)	-	(180 347)
Balance at 30 September 2011	38 543 414	-	22 913 678	(6 086 949)	-	22 900 228	78 270 371	(150 149)	78 120 222

Note 1. The Group and its operations

Joint-Stock Company (JSC) Territorial Generating Company № 1 (hereinafter "TGC-1", or the "Company") was established on 25 March 2005 within the framework of the Russian electricity sector restructuring in accordance with Resolution No. 181 adopted by the Board of directors of RAO UES of Russia (hereinafter "RAO UES") on 26 November 2004. The structure and principles of foundation of TGC-1 were adopted by the Board of Directors of RAO UES on 23 April 2004 (Resolution No. 168).

In May 2007, the Company issued additional ordinary shares in order to exchange them for the shares of OJSC Murmanskaya Thermal Power Plant (hereinafter "Murmanskaya TPP") held by RAO UES and certain non - controlling shareholders. After completion of the share exchange, the Company owns 84.06% of Murmanskaya TPP. In April 2009, the Group increased its share in Murmanskaya TPP from 84,06% to 90,34% in accordance with the resolution of Board of Directors (minute № 6 from 15 September 2009 and № 15 from 26 February 2009).

On 1 February 2010, the Group founded OJSC "Saint-Petersburg Heating Grid" (hereinafter "Saint-Petersburg Heating Grid") in accordance with Resolution adopted by the Board of Directors on 21 December 2009. The Group is the only founder of the company. On 17 June 2011 LLC "Kolskaya heating company" (hereinafter "Kolskaya heating company") was founded in accordance with Resolution adopted by the Board of Directors «TGC-1» on 30.05.2011 and "Murmanskaya TPP" on 08.06.2011. "Murmanskaya TPP" is the only founder of the company. "TGC-1" together with "Murmanskaya TPP", "Saint-Petersburg Heating Grid" and "Kolskaya heating company" hereinafter is referred to as the Group.

The Company and its subsidiaries (hereinafter the "Group") operates 55 power plants and its principal activity is electricity and heat generation. The Group's generating assets are located in the North-West of Russia, in particular, St. Petersburg, Leningrad region, Murmansk region and Karelia.

The Company's registered office is located at 6, Bronevaya street, 198188, Saint-Petersburg, Russia.

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects. Also, the customers of the Group may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Group.

Relations with the State and current regulation

As at 30 September 2011 the Group is controlled by Gazprom Group (51.79%) via its subsidiary LLC "Gazprom energoholding". Other significant shareholder of the Group as at 30 September 2011 is Fortum Power and Heat Oy (25.7%). Gazprom Group, in its turn, is controlled by the Russian Federation; therefore, the Russian Government is the ultimate controlling party of the Group as at 30 September 2011.

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

The government of the Russian Federation directly affects the Group's operations through regulation by the Federal Service on Tariffs ("FST"), with respect to its wholesale energy purchases, and by the St. Petersburg and Leningrad Oblast Regional Services on Tariffs ("RSTs"), with respect to its retail electricity and heat sales. The operations of all generating facilities are coordinated by OAO System Operator of Unified Energy System, the State controlled company.

Tariffs which the Group may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies. Historically, such tariffs have been based on a "cost-plus" system, meaning cost of service plus a margin, where costs are determined based on the information taken from the Regulations on Accounting and Reporting of the Russian Federation, a basis of accounting which significantly differs from International Financial Reporting Standards.

The government's economic, social and other policies could have material effects on the operations of the Group.

Financial condition

As at 30 September 2011, the Group's current liabilities exceeded its current assets by RUB 1 690 249 (as at 30 September 2010 the Group's current liabilities exceeded its current assets by RUB 2 845 275 thousand).

Note 2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except as described below. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Group 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 (RAR). These consolidated financial statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of each of the entity of the Group and the currency in which these consolidated financial statements are presented.

Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

Note 3. Critical Accounting Estimates and assumption

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities and carrying amounts of assets and liabilities within the next financial year. 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. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements, and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Provision for impairment of property, plant and equipment

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

The recoverable amount of property, plant and equipment and assets under construction is the higher of an asset's fair value less costs to sell and its value in use. When such recoverable amount has declined below the carrying value, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of comprehensive income in the period in which the reduction is identified. If conditions change and management determines that the value of property, plant and equipment and assets under construction has increased, the impairment provision will be fully or partially reversed. See effect of these critical accounting estimates and assumptions in Note 7.

Useful lives of property, plant and equipment

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

Recoverability of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibles of specific customer accounts worsened compared to previous period estimates. If there is a deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

Note 4. Summary of significant accounting polices

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and the financial statements of those entities, in which the Company has control. Control is presumed to exist when the Company has the right to control entities directly or indirectly through subsidiaries.

Subsidiaries are those companies and other entities (including special purpose entities) in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless the cost cannot be recovered. The Company and its subsidiary use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. The non-controlling interest forms a separate component of the Group's equity.

Foreign currency

Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the balance sheet date, are translated into Russian Roubles at the official exchange rates of the Central Bank of the Russian Federation prevailing at the respective balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the other comprehensive income or losses. Translation at year-end rates does not apply to non-monetary items that are measured at historical costs.

As at 30 September 2011, the official rate of exchange, as determined by the Central Bank of the Russian Federation, between the Russian Rouble and the US Dollar ("USD") was RUB 31.8751 (31 December 2010 RUB 30.4769: USD 1), between the Russian Rouble and Euro: RUB 43.3979 (31 December 2010 RUB 40.3331: EURO 1).

The Russian Rouble is not freely convertible in most countries outside of the Russian Federation.

Property, plant and equipment

Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

At the time of the Group's foundation in 2005 property, plant and equipment were recorded at the carrying values determined in accordance with the IFRS at the date of their transfer to the Group by the Predecessor (RAO UES).

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognized as an expense (impairment loss) in the profit or losses. An impairment loss recognized in prior periods is reversed if there has been a positive change in the estimates used to determine an asset's recoverable amount.

(in thousands of Russian Roubles)

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired. Gains and losses arising from disposal of property, plant and equipment are included in profit or losses.

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.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. Depreciation commences on the date of acquisition, or in respect of internally constructed assets, from the time the asset is completed and ready for use.

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

Type of facility	Acquired prior to 1 January 2007*	Acquired subsequent to 1 January 2007
Production buildings	4-50	50
Hydrotechnical buildings	3-50	50
Generating equipment	6-30	20-30
Heating networks	3-20	25
Other	3-25	10-25

** remaining useful lives as at the date of assessment*

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

Inventories

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

Value added tax on purchases and sales

Output value added tax ("VAT") related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Long-term input VAT is recognized upon initial recognition at nominal amount. Any IAS36 type impairment indicator, which would include a delay in cash flows beyond those initial expected, would result in impairment. The impairment would be the difference between carrying amount (nominal) and the present value of the latest expected cash flows.

Accounts receivable

Accounts receivable are recorded inclusive of VAT. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of provision for impairment account. When a trade receivable is uncollectible, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the profit or losses. The primary factors that the

Group considers whether a receivable is impaired is its overdue status and realizability of related collateral, if any. The following are the other principal criteria used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced in the financial information that the Group obtains;
- the counterparty undergoes bankruptcy or a financial reorganization;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty;
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Prepayments

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

Classification, recognition and measurement of financial assets

The Group classifies its financial assets into the following measurement categories available-for-sale and loans and receivables.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

All other financial assets are included in the available-for-sale category. Available-for-sale investments are carried at fair value. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognized or impaired at which time the cumulative gain or loss is transferred from equity to profit or loss.

Impairment losses for available-for-sale investments are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through current period's profit or loss.

Classification of financial liabilities

The Group classifies its financial liabilities into other financial liabilities which are carried at amortized cost.

Initial recognition of financial instruments

Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Accounts payable and accrued liabilities

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

Borrowings

Borrowings are recognized initially at its' fair value. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between the fair value at initial recognition (net of transaction costs) and the redemption amount is recognized as an interest expense over the period of the borrowing obligation. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Non-controlling interest

Non-controlling interest represents the non-controlling shareholders' proportionate share of the equity and results of operations of the Company's subsidiaries. This has been calculated based upon the non-controlling interests' ownership percentage of these subsidiaries. In purchases of non-controlling interest, difference, if any, between the carrying amount of a non-controlling interest and the amount paid to acquire it is recorded directly in equity.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Pension and post-employment benefits

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

The Group also operates defined benefit plans. In respect of some of these plans the Group has a contract with a non-governmental pension fund, whilst the other plans are operated by the Group without engaging pension funds.

Cash paid by the Group to the solidarity account with the non-governmental pension fund is refundable to the Group until it is allocated to individual pensioners' bank accounts, and, on that basis, is accounted for by the Group as an asset (accounts receivable from the pension fund).

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

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

Income tax

Income taxes have been provided for in these consolidated financial statements in accordance with the Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognized in the profit or losses unless it relates to transactions that are recognized, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Provisions for undeclared taxes, and related interest and penalties, are recognized when the Group has a present legal obligation, and a reliable estimate of the amount can be made. A provision is recognized for undeclared taxes and interest when they become payable according to law. The provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax and customs authorities, being 3 years from the year of filing. Upon expiry of the review period, the provisions are released and disclosed as a contingent liability until the accounting documentation maintenance period expires, being an additional 2 years (i.e. 5 years in total).

Liabilities for undeclared taxes, interest and penalties are calculated based on management's best estimate of the obligations, in accordance with rates set out in the respective laws in effect at the balance sheet date.

The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

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

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

Revenue recognition

Revenue is recognized on the delivery of electricity and heat and on the dispatch of non-utility goods and services during the period. Revenue amounts are presented exclusive of VAT. Revenues are measured at the fair value of the consideration received or receivable.

Operating lease

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or losses on a straight-line basis over the period of the lease. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Equity

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded in equity as share premium.

Merger reserve. Any difference between the carrying value of the net assets merged into the Group as a result of a transaction under common control, and the nominal value of any shares issued is recorded in equity, as a merger reserve.

Dividends. Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorized for issue.

Environmental liabilities

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

Earnings per share

Earnings per share are determined by dividing the profit attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the reporting period.

Segment reporting

Operating segments are defined as types of operations that generate revenue and incur expenses that are covered by separate financial information regularly submitted to the decision-making body which is represented by the Company's Management Board. Primary activity of the Group is production of electric and heat power and capacity. The Group generates its revenues from the generation of electricity and heat in Russian Federation, so the Group holds assets in the same geographical area - the Russian Federation. The technology of electricity and heat production does not allow segregation of electricity and heat segments.

Seasonality

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

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form are part of the cost of that asset.

The Group capitalizes borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalization is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalization ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Interest or other investment income is not deducted in arriving at the amount of borrowing costs available for capitalization, except where the Group obtains specific borrowings for the purpose of acquiring a qualifying asset and has investment income on the temporary investment of funds obtained through such specific borrowings.

Other borrowing costs are recognized as an expense on an accrual basis using the effective interest method. Interest income includes nominal interest and accrued discount and premium.

Note 5. Adoption of new and revised International Financial Reporting Standards

A number of New and Revised Standards and Interpretations has been adopted in these financial statements. The adoption of the following revised standard has significant impact on these financial statements:

> ***Revised IAS 27 Consolidated and Separate Financial Statements*** requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Adoption of other New and Revised Standards has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, 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 (as revised in 2009)*** modifies the definition of a related party and simplifies disclosures for government-related entities. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group will need to disclose any transactions between its subsidiaries and its associates.

> ***IFRS 9 Financial Instruments*** issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Group is yet to assess IFRS 9's full impact.

(in thousands of Russian Roubles)

Note 6. Property, Plant and Equipment

Cost	Production buildings	Hydrotechnical buildings	Generating equipment	Heating networks	Construction in progress	Other	Total
Balance as at 31 December 2010	**17 576 894**	**16 644 373**	**28 521 382**	**31 453 991**	**31 415 949**	**20 414 722**	**146 027 311**
Effect of reclassifications	(70 178)	(1)	2 726 936	(186 256)	4	(2 470 505)	-
Balance as at 31 December 2010 including reclassifications	**17 506 716**	**16 644 372**	**31 248 318**	**31 267 735**	**31 415 953**	**17 944 217**	**146 027 311**
Additions	632 265	-	90 924	6 900 039	12 690 758	417 396	20 731 382
Transfers	1 972 348	5 537	7 585 375	344 601	(14 437 408)	4 529 547	-
Disposals	(29 026)	(2 552)	(18 926)	(672)	(104 252)	(57 051)	(212 479)
Reclassification to assets held for sale	(30 245)	-	-	-	-	(18 724)	(48 969)
Balance as at 30 September 2011	**20 052 058**	**16 647 357**	**38 905 691**	**38 511 703**	**29 565 051**	**22 815 385**	**166 497 245**
Accumulated depreciation							
Balance as at 31 December 2010	**(5 271 431)**	**(6 972 277)**	**(8 083 841)**	**(15 244 018)**	**(46 946)**	**(11 389 277)**	**(47 007 790)**
Effect of reclassifications	1 081	(1)	(2 433 252)	31 745	-	2 400 427	-
Balance as at 31 December 2010 including reclassifications	**(5 270 350)**	**(6 972 278)**	**(10 517 093)**	**(15 212 273)**	**(46 946)**	**(8 988 850)**	**(47 007 790)**
Charge for the year	(583 425)	(208 302)	(976 801)	(796 772)	-	(756 204)	(3 321 504)
Disposals	6 300	1 887	16 495	635	-	43 213	68 530
Reclassification to assets held for sale	6 465	-	-	-	-	16 647	23 112
Balance as at 30 September 2011	**(5 841 010)**	**(7 178 693)**	**(11 477 399)**	**(16 008 410)**	**(46 946)**	**(9 685 194)**	**(50 237 652)**
Net book value as at 31 December 2010 including reclassifications	**12 236 366**	**9 672 094**	**20 731 225**	**16 055 462**	**31 369 007**	**8 955 367**	**99 019 521**
Net book value as at 30 September 2011	**14 211 048**	**9 468 664**	**27 428 292**	**22 503 293**	**29 518 105**	**13 130 191**	**116 259 593**

(in thousands of Russian Roubles)

Cost	Production buildings	Hydrotechnical buildings	Generating equipment	Heating networks	Construction in progress	Other	Total
Balance as at 31 December 2009	**15 028 980**	**16 632 842**	**19 071 275**	**30 269 991**	**34 727 285**	**17 933 131**	**133 663 504**
Additions	3 482	-	26 875	-	9 284 041	71 845	9 386 243
Transfers	99 657	-	1 355 953	594 594	(3 088 123)	1 037 919	-
Disposals	(726)	-	(15 135)	(871 743)	(66 745)	(193 660)	(1 148 009)
Balance as at 30 September 2010	**15 131 393**	**16 632 842**	**20 438 968**	**29 992 842**	**40 856 458**	**18 849 235**	**141 901 738**

Balance as at 31 December 2009	**(4 789 906)**	**(6 499 637)**	**(7 398 212)**	**(18 963 038)**	**(56 439)**	**(10 993 634)**	**(48 700 866)**
Charge for the year	(530 158)	(354 460)	(531 922)	(504 299)	-	(527 715)	(2 448 554)
Disposals	242	-	12 627	745 104	-	113 545	871 520
Balance as at 30 September 2010	**(5 319 822)**	**(6 854 097)**	**(7 917 507)**	**(18 722 233)**	**(56 439)**	**(11 407 804)**	**(50 277 900)**
Net book value as at 31 December 2009	**10 239 074**	**10 133 205**	**11 673 063**	**11 306 953**	**34 670 846**	**6 939 497**	**84 962 638**
Net book value as at 30 September 2010	**9 811 571**	**9 778 745**	**12 521 461**	**11 270 609**	**40 800 019**	**7 441 431**	**91 623 838**

(in thousands of Russian Roubles)

Construction in progress represents the carrying amount of property, plant and equipment that has not yet been made available for use in production, including generating stations under construction.

Other property, plant and equipment include electricity transmission equipment, motor vehicles, computer equipment, office fixtures and other equipment.

As at 30 September 2011 the advances given to contractors, which amounted to RUB 4 294 239 thousand, net of VAT (as at 31 December 2010: 2 749 378 RUB thousand), are recognized within construction in progress balance. The respective input VAT is recognized within other non-current assets balance (see Note 8) and within accounts receivable and prepayments (see Note 11).

As at 30 September 2011 The Group has no property, plant and equipment pledged as collateral according to loan agreements (as at 31 December 2010 The Group had no property, plant and equipment pledged as collateral according to loan agreements).

Total amount of capitalized interests for nine months ended 30 September 2011 is RUB 693 723 thousand (for the year ended 31 December 2010: RUB 1 893 917 thousand).

Note 7. Long-term Investments

		30 September 2011	31 December 2010
Investments in OJSC "Hibinskaya TK"	50%	48 300	48 300
Investments in OJSC "TGC-1 Service"	26%	2 600	-
Other		10	10
Total investments		**50 910**	**48 310**

Note 8. Other Non-Current Assets

	30 September 2011	31 December 2010
Long-term receivables (interest free)	4 316	7 479
Loan issued	20 010	24 003
Promissory notes	2 673	8 892
Total financial receivables	**26 999**	**40 374**
Intangible assets	396 411	458 420
VAT in prepayments on capital construction	62 346	93 380
Total other non-current assets	**485 756**	**592 174**

Intangible assets mainly represent information and accounting systems purchased by the Company from third party vendors.

Note 9. Cash and Cash Equivalents

	30 September 2011	31 December 2010
Cash in bank and in hand in RUB	62 004	179 629
Foreign currency accounts in Euro	91 854	97 589
Total cash and cash equivalents	**153 858**	**277 218**

Note 10. Short-term Investments

	30 September 2011	31 December 2010
Loan issued	9 186	6 201
Total short-term investments	**9 186**	**6 201**

As at 31 December 2010 the shares of OJSC "Inter RAO UES" were sold for the total amount of RUB 456 477 thousand. As the result of this transaction the fair value reserve previously recognized in other comprehensive income for the total amount of RUB 201 815 thousand was reclassified to other operating income. The financial result of RUB 212 411 thousand was reflected as a gain from disposal of investments.

(in thousands of Russian Roubles)

Note 11. Assets held for sale

As at 30 September 2011 the property, plant and equipment in the total amount of net book value RUB 25 857 thousand were classified as assets held for sale (see Note 6). According to Resolution adopted by the Board of directors 01.08.2011 these assets are planned for selling for RUB 703 000 thousand.

Note 12. Accounts Receivable and Prepayments

	30 September 2011	31 December 2010
Trade receivables, net of provision for impairment of RUB 441 867 thousand (31 December 2010: RUB 476 029 thousand)	8 429 270	9 157 203
Other receivables, net of provision for impairment of RUB 0 thousand (31 December 2010: RUB 30 400 thousand)	367 720	213 531
Total financial receivables	**8 796 990**	**9 370 734**
Value-added tax receivables	2 284 957	1 293 818
Advances to suppliers	233 399	55 828
Other taxes receivable	1 677 247	42 278
Total accounts receivable and prepayments	**12 992 593**	**10 762 658**

Note 13. Inventories

	30 September 2011	31 December 2010
Fuel	1 834 440	1 710 532
Spare parts	510 206	388 318
Raw materials and other supplies	510 553	439 518
Total inventories	**2 855 199**	**2 538 368**

Raw materials and other supplies are recorded net of provision for impairment in the amount of RUB 5 430 thousand (31 December 2010: RUB 34 248 thousand).

Note 14. Equity

Share capital

The Group's share capital as at 30 September 2011 and as at 30 September 2010 was RUB 38 543 414 thousand comprising 3 854 341 417 ordinary shares with a par value of RUB 0.01. All shares authorized are issued and fully paid.

Dividends

In accordance with the Russian legislation, the Group distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit

(in thousands of Russian Roubles)

Note 15. Long-term Borrowings

	Currency	Effective interest rate	Maturity	30 September 2011	31 December 2010
Long-term bonds	RUB	6.7%	2014	2 894 187	5 000 000
Long-term bonds	RUB	8.5%	2014	927 083	923 126
NORDIC Investment Bank	Euro	EURIBOR + 3%	2014	500 745	651 535
Nordic Environment Finance Corporation	Euro	EURIBOR + 2.00%	2015	75 947	90 750
AB Russia	RUB	7.0%	2013	1 200 000	1 200 000
TransCreditBank	RUB	6.5%	2014	3 087 303	1 969 405
Barclays bank	RUB	6.9%	2011	-	1 000 000
VTB	RUB	6.7%	2012-2016	4 881 300	4 700 600
Sberbank RF	RUB	6.7%	2012-2013	7 200 000	3 700 000
Unicreditbank	RUB	6.7%	2012	2 804 505	1 124 505
Alfabank	RUB	6.7%	2012	2 000 000	2 000 000
AKB MBRR	RUB	6.7%	2013	600 000	-
Rosbank	RUB	5.9%	2013	3 000 000	-
				29 171 070	**22 359 921**
Less: current portion					
Long-term bonds issued				-	(5 000 000)
NORDIC Investment Bank				(200 298)	(186 153)
Nordic Environment Finance Corporation				(21 699)	(20 167)
VTB		5.7%-6.7%		(881 300)	(859 400)
Rosbank		5.9%		(1 700)	-
Total long-term borrowings				**28 066 073**	**16 294 201**

On 7 July 2009 Group issued 5 000 000 bonds at a nominal value of RUB 1 000 per bond, with coupon rate of 16.99%, maturing in 2014. As a result of the offer on 11 July 2011 Group redeemed 2 105 813 issued bonds at a nominal value of RUB 1 000 per bond. Therefore the total amount of bonds outstanding as at 30 September 2011 was equal to 2 894 187 with coupon rate of 6.7% .

Compliance with covenants

In accordance with the long-term borrowings facility agreements, the Group is required to comply with certain financial and non-financial covenants. The most significant and most important covenants are:

- to maintain certain ratios: EBITDA to Finance Charges, total debt to equity and Current Ratio;
- to maintain certain liquidity and debt-to-assets ratio.

In case of breach of these covenants the schedule of repayment can be changed by the respective lender, up to immediate repayment. Management does not believe that the Group is in danger of breaching the covenants imposed.

Note 16. Other non-current liabilities

	30 September 2011	31 December 2010
Finance lease liabilities (long-term portion)	34 209	-
Total other non-current liabilities	**34 209**	**-**

(in thousands of Russian Roubles)

Note 17. Short-Term Borrowings and Current Portion of Long-Term Borrowings

Name of lender	Currency	Effective interest rate	30 September 2011	31 December 2010
VTB	RUB	6.21-11.6%	794 222	840 000
VBRR	RUB	3.75%	150 000	-
Mosenergo	RUB	1.5%	1 445	-
Current portion of long-term borrowings:				
Long-term bonds issued	Рубли		-	5 000 000
Nordic Environment Finance Corporation	Евро	EURIBOR+2.00%	21 699	20 167
NORDIC Investment Bank	Евро	EURIBOR+3%	200 298	186 153
VTB	Рубли	5.7-6.7%	881 300	859 400
Rosbank	Рубли	5.9%	1 700	-
Total short-Term Borrowings			**2 050 664**	**6 905 720**

Note 18. Accounts Payable and Accrued Liabilities

	30 September 2011	31 December 2010
Trade accounts payable	3 118 146	3 403 848
Accounts payable for capital construction	1 576 679	2 428 919
Finance lease liabilities (short-term portion)	51 053	
Accrued liabilities and other payables	8 175 992	364 329
Interest accrued on loans	88 355	56 445
Total financial payables	**13 010 225**	**6 253 541**
Advances from customers	1 097 604	1 115 330
Employee benefits	289 920	342 271
Total accounts payable and accrued liabilities	**14 397 749**	**7 711 142**

Note 19. Other Taxes Payable

	30 September 2011	31 December 2010
Property tax	204 855	174 375
Water usage tax	13 886	13 643
Employee taxes	88 903	54 429
VAT provision	698 692	233 811
Other taxes	88 120	95 835
Total taxes Payable	**1 094 456**	**572 093**

(in thousands of Russian Roubles)

Note 20. Operating Expenses, net

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Fuel	17 672 621	14 676 050
Employee benefits	4 844 668	4 378 500
Electricity and heat purchases	5 270 342	5 786 036
Depreciation of property, plant and equipment and intangible assets	3 422 640	2 448 554
Repairs and maintenance	1 633 780	1 345 716
Water usage expenses	1 564 179	1 494 950
Heat distribution	371 135	348 936
Taxes other than income tax	832 536	771 652
Dispatcher's fees	587 170	477 724
Other materials	372 101	262 225
Lease expenses	171 458	360 639
Insurance cost	145 711	165 395
Provision for impairment of accounts receivable	(61 649)	(3 857)
(Gain)/Loss from sale of investments	-	(212 411)
Subsidies	(328 356)	-
Other operating income	(498 733)	(235 298)
Other operating expenses	1 916 031	1 614 024
Total operating expenses, net	**37 915 324**	**33 678 835**

Note 21. Finance income and finance costs

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Interest expense	462 216	101 751
Interest income	(421)	(7 353)
Effect of discounting	(11 264)	146 094
Exchange differences	31 216	(69 153)
Finance costs	**481 747**	**171 339**

Note 22. Events after the reporting period

Loans

For the period from 1 October 2011 till 28 November 2011 the Group repaid its short-term borrowings outstanding as at 30 September 2011 for the total amount of RUB 354 800 thousand.