

**OA0 OGK-4 AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of the Open Joint-Stock Company "Fourth Power Generating Company on the Wholesale Energy Market" (OAO OGK-4):

1. We have audited the accompanying consolidated financial statements of OAO OGK-4 and its subsidiaries (the 'Group') which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditor's responsibility*

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

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

*ZAO PricewaterhouseCoopers Audit*

1 June 2010

Moscow, Russian Federation

**OAO OGK-4 and subsidiaries**  
**Consolidated Statement of Financial Position as at 31 December 2009**  
(RUB thousand)

	Note	At 31 December 2009	Restated at 31 December 2008	Restated at 31 December 2007
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2, 6	64,709,683	47,324,055	33,665,903
Intangible assets	7	447,679	650,670	454,361
Financial assets		51,333	27,136	-
Other non-current assets	2, 9	34,117	1,063,525	6,774
<b>Total non-current assets</b>		<b>65,242,812</b>	<b>49,065,386</b>	<b>34,127,038</b>
<b>Current assets</b>				
Cash	22	483,368	130,615	4,138,844
Accounts receivable and prepayments	9	7,528,075	2,887,955	1,275,662
Inventories	8	1,699,351	1,803,967	1,947,203
Current income tax prepayments		392,758	-	-
Short-term financial assets	10	17,131,566	30,994,817	35,790,189
<b>Total current assets</b>		<b>27,235,118</b>	<b>35,817,354</b>	<b>43,151,898</b>
<b>TOTAL ASSETS</b>		<b>92,477,930</b>	<b>84,882,740</b>	<b>77,278,936</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital</b>				
Ordinary shares	11	25,219,482	25,219,482	25,206,846
Treasury shares		-	-	(1,250)
Share premium		40,052,405	40,052,405	39,955,090
Other reserves	2, 11	1,166,792	687,981	150,473
Retained earnings	2	17,840,874	11,522,968	5,334,477
<b>Total equity attributable to shareholders of OAO OGK-4</b>		<b>84,279,553</b>	<b>77,482,836</b>	<b>70,645,636</b>
Minority interest		13,868	14,093	-
<b>Total equity</b>		<b>84,293,421</b>	<b>77,496,929</b>	<b>70,645,636</b>
<b>Non-current liabilities</b>				
Deferred income tax liabilities	2, 15	2,347,122	2,602,670	3,830,581
Pension liabilities	2, 12	279,249	496,068	477,280
Other non-current liabilities		-	-	174
<b>Total non-current liabilities</b>		<b>2,626,371</b>	<b>3,098,738</b>	<b>4,308,035</b>
<b>Current liabilities</b>				
Current debt and current portion of non-current debt		-	-	250,290
Accounts payable and accruals	13	4,518,972	2,957,391	1,779,129
Current income tax liabilities		-	709,650	117,587
Other taxes payable	14	1,039,166	620,032	178,259
<b>Total current liabilities</b>		<b>5,558,138</b>	<b>4,287,073</b>	<b>2,325,265</b>
<b>Total liabilities</b>		<b>8,184,509</b>	<b>7,385,811</b>	<b>6,633,300</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92,477,930</b>	<b>84,882,740</b>	<b>77,278,936</b>

General director

Y. Sablukov

Financial director

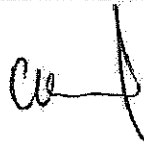
F. Siebert

1 June 2010

**DAO OGK-4 and subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2009**  
(RUB thousand)

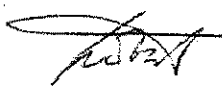
	Note	Year ended 31 December 2009	Restated Year ended 31 December 2008
Revenues	16	42,890,097	38,013,337
Operating expenses	17	(37,160,037)	(35,459,426)
Other operating income	16	598,311	234,304
<b>Operating profit</b>		<b>6,328,371</b>	<b>2,788,215</b>
Finance income	18	1,555,820	5,483,820
Finance expense	18	(670,315)	(984,215)
<b>Profit before income tax</b>		<b>7,213,876</b>	<b>7,287,820</b>
Total income tax charge	15	(1,698,665)	(1,101,063)
<b>Profit for the year</b>		<b>5,515,211</b>	<b>6,186,757</b>
<b>Other comprehensive income</b>			
Fair value gain/(loss) on available-for-sale financial assets		24,197	(62,027)
Actuarial gains, net of tax		151,070	65,153
Cash flow hedges, net of tax		1,087,654	-
<b>Total other comprehensive income for the period</b>		<b>1,262,921</b>	<b>3,126</b>
<b>Total comprehensive income for the period</b>		<b>6,778,132</b>	<b>6,189,883</b>
<b>Profit attributable to:</b>			
Shareholders of DAO OGK-4		5,515,436	6,188,491
Minority interest		(225)	(1,734)
<b>Comprehensive income attributable to:</b>			
Shareholders of DAO OGK-4		6,778,357	6,191,617
Minority interest		(225)	(1,734)
<b>Earnings per ordinary share for profit attributable to the shareholders of DAO OGK-4 – basic and diluted (in Russian roubles)</b>	19	<b>0,087</b>	<b>0,098</b>

General director



Y. Sablukov

Financial director



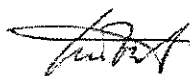
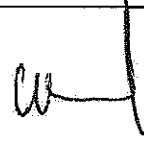
F. Siebert

1 June 2010

**OAO OGK-4 and subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2009**  
(RUB thousand)

	Attributable to the shareholders of OAO OGK-4					Total	Minority interest	Total equity
	Ordinary share capital	Treasury shares	Share premium	Other reserves	Retained earnings			
At 1 January 2008	25,206,846	(1,250)	39,955,090	249,728	3,925,049	69,335,463	-	69,335,463
Change in accounting policy and adjustments	-	-	-	(99,255)	1,409,428	1,310,173	-	1,310,173
At 1 January 2008 as restated	25,206,846	(1,250)	39,955,090	150,473	5,334,477	70,645,636	-	70,645,636
Profit for the year	-	-	-	-	6,188,491	6,188,491	(1,734)	6,186,757
Other comprehensive income:								
Available-for-sale financial assets revaluation	-	-	-	(62,027)	-	(62,027)	-	(62,027)
Actuarial gain, net of tax	-	-	-	65,153	-	65,153	-	65,153
Total comprehensive income for the period	-	-	-	3,126	6,188,491	6,191,617	(1,734)	6,189,883
Takeover of "OGK-4 Holding"	12,636	-	97,315	-	-	109,951	-	109,951
Establishment of subsidiary	-	-	-	-	-	-	15,827	15,827
Sale of treasury shares	-	1,250	-	-	-	1,250	-	1,250
Employee share option plan	-	-	-	534,382	-	534,382	-	534,382
At 31 December 2008	25,219,482	-	40,052,405	687,981	11,522,968	77,482,836	14,093	77,496,929
At 1 January 2009	25,219,482	-	40,052,405	722,083	10,003,790	75,997,760	14,093	76,011,853
Change in accounting policy and adjustments	-	-	-	(34,102)	1,519,178	1,485,076	-	1,485,076
At 1 January 2009 as restated	25,219,482	-	40,052,405	687,981	11,522,968	77,482,836	14,093	77,496,929
Profit for the year	-	-	-	-	5,515,436	5,515,436	(225)	5,515,211
Other comprehensive income:								
Available-for-sale financial assets revaluation	-	-	-	24,197	-	24,197	-	24,197
Actuarial gain, net of tax	-	-	-	151,070	-	151,070	-	151,070
Cash flow hedges, net of tax	-	-	-	1,087,654	-	1,087,654	-	1,087,654
Total comprehensive income for the period	-	-	-	1,262,921	5,515,436	6,778,357	(225)	6,778,132
Employee share option plan	-	-	-	18,360	-	18,360	-	18,360
Employee share option plan cancellation	-	-	-	(802,470)	802,470	-	-	-
At 31 December 2009	25,219,482	-	40,052,405	1,166,792	17,840,874	84,279,553	13,868	84,293,421

General director  
Financial director

Y. Sablukov  
F. Siebert  
1 June 2010

**OA0 OGK-4 and subsidiaries**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December 2009**  
(RUB thousand)

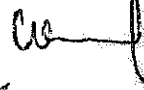
	Note	Year ended 31 December 2009	Year ended 31 December 2008
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		7,213,876	7,287,820
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation	6, 7	2,349,189	2,463,245
Impairment of PPE	6	32,229	-
Impairment of ITA	7	178,683	-
Provision/(Reversal of provision) for the impairment of inventories	8	10,148	(2,136)
Provision for impairment of accounts receivable	9	229,905	241,899
Foreign exchange gain (net)		(57,521)	(2,149,834)
Interest income		(936,326)	(2,400,664)
Interest expense and effect of discounting	18	108,342	50,893
Loss on disposal of property, plant and equipment		3,054	62,123
Employee share option plan		18,360	534,382
Other non-cash items		56,910	40,959
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>9,206,849</b>	<b>6,128,687</b>
<b>Working capital changes:</b>			
Increase in accounts receivable and prepayments	9	(2,080,158)	(1,642,261)
Increase in VAT recoverable	9	(2,821,090)	(1,056,204)
Increase/Decrease in inventories	8	30,474	138,735
Increase in accounts payable and accruals		1,080,581	957,585
Contribution paid to pension fund	12	(102,821)	(53,026)
Increase in taxes payable other than income tax	14	419,134	441,773
Income tax paid		(3,359,499)	(1,765,760)
<b>Net cash generated from operating activities</b>		<b>2,312,522</b>	<b>3,149,527</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and other non-current assets		(17,852,407)	(16,138,672)
Proceeds from sale of property, plant and equipment and other non-current assets		7,307	-
Proceeds from deposits (net)		14,745,981	7,165,576
Loans issued		(1,478,408)	-
Loans returned		1,474,956	-
Interest received		1,115,499	1,935,185
<b>Net cash used in investing activities</b>		<b>(1,987,072)</b>	<b>(7,037,911)</b>

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

**OAO OGK-4 and subsidiaries**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December 2009**  
(RUB thousand)

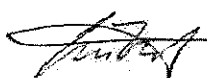
	Note	Year ended 31 December 2009	Year ended 31 December 2008
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Repayment of debt		-	(250,000)
Repayment of finance lease		-	(60)
Sale of treasure shares		-	1,250
Issue of ordinary shares		-	12,636
Interest paid		-	(1,397)
<b>Net cash (used in)/generated from financing activities</b>		-	<b>(237,571)</b>
Effect of exchange rate changes on cash and cash equivalents		27,303	117,726
<b>Net increase/(decrease) in cash</b>		<b>352,753</b>	<b>(4,008,229)</b>
Cash at the beginning of the year		130,615	4,138,844
Cash at the end of the year		483,368	130,615

General director



Y. Sablukov

Financial director



F. Siebert

1 June 2010

**OAOGK-4 and subsidiaries**  
**Notes to Consolidated Financial Statements**  
**for the year ended 31 December 2009**  
(RUB thousand)

**Note 1. The Group and its operations**

Open Joint-Stock Company Fourth Power Generating Company of the Wholesale Energy Market ("OAOGK-4" or the "Company") was established on 4 March 2005 as part of the Russian electric power industry reform.

The Company's primary activities are generation and sale of electricity and thermal power.

OAOGK-4 shares are quoted at "Russian Trading System" stock exchanges and at The Moscow Interbank Currency Exchange.

The Company is registered by the Surgut District Inspectorate of the Russian Federation Ministry of Taxation, Khanty-Mansiysk Autonomous District (Yugra), Tyumen Region. The Company's office is located at Bolshaya Ordynka St. 40/4, Moscow, Russia, 119017.

The Company has been operating five power plants as branches. Currently the Company has two subsidiaries. All the references to the "Group" refer to the Company and its branches and subsidiaries.

The structure of the Group, including all consolidated entities, is presented in the table below:

	Principal activity	Ownership, %	
		At 31 December 2009	At 31 December 2008
<b>Subsidiaries of OAOGK-4</b>			
OOO OGK-4 Finance	Transactions with securities	-	100
OAOGK-4 Avtotransenergo	Transportation services	-	100
OOO Teplosbyt	Transactions with securities	100	100
OAOGK-4 Shaturskaya UK	Municipal services	51	51

OAOGK-4 Avtotransenergo (100% subsidiary of OAOGK-4) has been liquidated on 7 July 2009, assets and activities were transferred to OAOGK-4. OOO OGK-4 Finance (100% subsidiary of OAOGK-4) has been liquidated on 14 December 2009 as a result of cancellation of Group's options program (see also Note 5). The liquidation of these subsidiaries did not result in disposals of the Group's assets and/or settlement of liabilities.

**Operating environment**

Russia continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of Russia and relatively high inflation. Furthermore, Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. The global financial crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the US, Western Europe, Russia and elsewhere.

The Group's management has noticed the reduction of prices and the volumes in the free sector of the wholesale electricity market in November-December 2008 and beginning of 2009. Management believes that it undertakes all necessary actions in order to maintain financial soundness of the Group under the circumstances. Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

**Relations with the state and current regulations**

Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as the RAO UES of Russia), which established OAOGK-4 in 2005, completed all formalities related to reorganization on July 1, 2008 and was liquidated as a legal entity.



**OA O GK-4 and subsidiaries**  
**Notes to Consolidated Financial Statements**  
**for the year ended 31 December 2009**  
(RUB thousand)

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Thereof, "governmental share" as of December 31, 2009 and 2008, makes 0.3% of the voting ordinary shares of OAO OGK-4 (as of December 31, 2007 – 28.8%).

The Group's customer base includes a number of entities controlled by the state. Furthermore, the state controls a number of the Group's fuel and other suppliers.

The Russian government directly influences the Group's operations through Federal Tariff Service ("FTS") regulation of wholesale energy sales and regional tariff services' regulation of heat sales. In order to meet system requirements efficiently, all generating facilities' operations are coordinated by OAO System Operator of Unified Energy System ("SO UES"). SO UES used to be controlled by RAO UES; now it is controlled by the state.

Tariffs for sales of electricity and heat are governed by power industry regulations and by regulations for natural monopolies. Historically, such tariffs have been based on cost-plus pricing, meaning the cost of the service plus a margin. Costs are determined under Russian Accounting Rules ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards. In practice, tariff decisions are significantly affected by social and political considerations, which can result in delays in tariff determinations as well as in tariff increases that fail to compensate for rising costs.

As described in Note 21, the government's economic, social and other policies could materially affect the Group's operations.

***Industry reform***

Tariffs for electricity and capacity in the regulated market are fixed by the Federal Tariff Service, while in the competitive sector prices are determined by supply and demand.

From 1 January 2009 the market's liberalisation level was 30% to 35%, and from 1 July 2009 - up to 50%. Liberalisation levels were fixed by the government in Decision No. 205 of 7 April 2007. The wholesale electricity market is expected to be fully liberalised by the end of the transition period, in 2011.

In 2008 Federal Law No. 35-FZ "On Electric Utilities" was amended, tightening the state's control over power suppliers' dominance and manipulation of prices on the free market.

Russian Government Resolution No. 476, effective from 1 June 2008, was issued on 28 June 2008. The resolution provides for the launch of a capacity market, where "free" capacity is traded at transitional auctions for supplies from 2009 to 2011 and at long-term auctions for 10-year supplies. Free capacity is sold in its respective free flow zone. For the first time, wholesale market agents have the option of concluding non-regulated contracts for capacity supplies.

On 24 February 2010 (effective 20 April 2010) and 13 April 2010 the Government has approved Resolution No. 89 and No. 238 which regulate the final capacity market effective from 2011. The approved long-term capacity market rules stipulate rules for committed new build investments as well as for payments in regard of existing generation capacities. Subject to certain benchmark investment costs, the application of coefficients to adjust for regional and climate-related circumstances, a discount to account for expected profits to be generated in the parallel energy market, certain other coefficients and a capital remuneration these rules provide the remuneration framework for guaranteed new build capacity for the initial 10 years of commercial operation based on a total payback period of 15 years.

***Establishment of the Group***

According to Resolution No. 1254-r of 1 September 2003, which approved the wholesale generating companies' structure, OAO OGK-4 was to consist of the following power stations: OAO Berezovskaya GRES-1, OAO Shaturuskaya GRES-5, OAO Yajvinskaya GRES, OAO Smolenskaya GRES and OAO Surgutskaya GRES-2. These entities had been established as a result of the restructuring, when they were spin off from RAO UES subsidiaries. On 1 July 2006 they merged with OAO OGK-4.

After the merger, RAO UES had an 89.6% share in the Group. RAO UES was liquidated on 1 July 2008. OAO OGK-4 Holding was founded as a result of the RAO UES reorganisation. It was the proprietor of OAO OGK-4 ordinary shares and property previously owned by RAO UES. Shares of the

**OA0 OGK-4 and subsidiaries**  
**Notes to Consolidated Financial Statements**  
**for the year ended 31 December 2009**  
(RUB thousand)

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Company held by minority shareholders of RAO UES were transferred to OAO OGK-4 Holding. After a spin off from RAO UES on 1 July 2008, OAO OGK-4 Holding merged with OAO OGK-4, and its shares were converted into the shares of OAO OGK-4. The Company's treasury shares were used for this conversion, as well as additionally issued shares.

**Note 2. Summary of significant accounting policies**

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Each enterprise within the Group individually maintains its own accounting records and prepares statutory financial statements in accordance with RAR. The accompanying financial statements are based on the statutory records and adjusted and reclassified to meet IFRS disclosure and presentation requirements.

**Functional and presentation currency.** The national currency of Russia is the Russian rouble ("RUB"), which is the functional currency of all of the Group's entities and the currency in which these financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

**Predecessor accounting.** In these financial statements, formation of the Group was accounted for as a business combination of entities under common control. Predecessor accounting method was applied. Accordingly, assets and liabilities of the combined entities (OAO Berezovskaya GRES-1, OAO Shaturuskaya GRES-5, OAO Yajvinskaya GRES, OAO Smolenskaya GRES and OAO Surgutskaya GRES-2) were recorded at their carrying value as reflected in the IFRS consolidated financial statements of RAO UES.

**Accounting for the effects of hyperinflation.** Russia experienced relatively high levels of inflation in the past and was considered to be hyperinflationary as defined by IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The Russian economy is no longer hyperinflationary, and as of 1 January 2003 the Group has not applied provisions of IAS 29. The restatement requirements of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date and affects the property plant & equipment and equity in these financial statements. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

**Principles of consolidation.** These financial statements comprise the financial statements of OAO OGK-4 and the financial statements of those entities whose operations are controlled by OAO OGK-4. Control is presumed to exist when OAO OGK-4 owns, directly or indirectly through subsidiaries, more than 50% of voting rights.

**Subsidiaries.** The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Minority interest has been disclosed as part of equity.

**Transactions eliminated on consolidation.** Inter-Group balances and transactions, and any unrealised gains arising from inter-Group transactions, are eliminated in preparing the consolidated financial statements.

**Transfers of subsidiaries between parties under common control.** Transfers of investments between parties under common control are accounted for using the predecessor accounting method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets and the nominal value of share capital contributed is accounted for in these consolidated financial statements as an adjustment to equity.

**Dividends.** Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared (approved by shareholders) before or on the balance sheet date. Dividends

**OAO OGK-4 and subsidiaries**  
**Notes to Consolidated Financial Statements**  
**for the year ended 31 December 2009**  
(RUB thousand)

are disclosed if they are declared after the balance sheet date but before the financial statements are authorised for issue.

**Property, plant and equipment.** Property, plant and equipment is stated at depreciated cost less impairment. Deemed cost was initially determined by a third party valuation as at 31 December 1997 and restated for the impact of inflation for the period until 31 December 2002. Adjustments were made for additions, disposals and depreciation charges. 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 recognised as an expense (impairment loss) in profit or loss. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

The amounts determined by the third party valuation represent an estimate of depreciated replacement cost. In accordance with paragraph 16 of IAS 29, Financial Reporting in Hyperinflationary Economies, a third party valuation was performed in order to determine a basis for cost because historical accounting records for property, plant and equipment were not readily available. Therefore, this third party valuation was not a recurring feature, since it was intended to determine the initial cost basis of property, plant and equipment and the Group had not adopted a policy of revaluation on subsequent measurement.

Renewals, improvements and major capital maintenance are capitalised and the assets replaced are retired (see section "Modification of initial and comparative data" below). Regular repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in profit or loss as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset once it is available for use. For the property, plant and equipment which was subject to the third party valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives as at the valuation date. Remaining useful lives are reviewed annually. The useful lives, in years, of assets by type of facility are as follows:

Type of facility	Acquired before 31 December 1997	Acquired after 31 December 1997
Electricity and heat generation	7-50	15-50
Electricity distribution	6-32	8-25
Heating network	4-20	12-20
Major capital maintenance	-	4-6
Other	2-8	3-10

Social assets are not capitalised, 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.

**Intangible assets.** Intangible assets are stated at amortised cost less impairment. Amortization of computer software and licences is calculated on a straight-line basis. The useful lives of computer software are 1- 16 years.

At each reporting date management assesses whether there is any indication of impairment of intangible assets. 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 recognised as an expense (impairment loss) in profit or loss. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

Subsequent expenses on an intangible asset after its purchase or put into use and expenses on computer software support are included in operating expenses, except cases when:

- it is probable that these expenses will allow an asset to create future economic benefits beyond what was originally expected;
- the cost of the asset can be measured reliably.

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Amortisation of intangible assets is included into operating expenses. Remaining useful lives are reviewed annually.

**Cash and cash equivalents.** Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash, have a maturity of three months or less from the date of acquisition, and are subject to insignificant changes in value.

**Accounts receivable and prepayments.** Accounts receivable are recorded inclusive of value-added tax. Accounts receivable initially are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of accounts receivable is created if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted at the market interest for similar borrowers at the date the debt arose.

**Classification of financial assets.** The Group classifies its financial assets into the following measurement categories: financial assets at fair value through profit or loss, available for sale, held to maturity, and loans and receivables.

Financial assets at fair value through profit or loss are securities or other financial assets which are either acquired to generate a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio with a rapid turnover rate. The Group classifies financial assets into this category if it intends to sell them soon after acquisition. The Group does not have such assets as of reporting dates.

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.

The held to maturity category includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. The Group does not have such assets as of reporting dates.

All other financial assets are included in the available-for-sale category.

**Classification of financial liabilities.** Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Group does not have liabilities held for trading as of reporting dates.

**Available-for-sale investments.** Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. The Group does not have available-for-sale debt securities as of reporting date. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

**Value-added tax on purchases and sales.** Output VAT on sales is payable to the tax authorities on the earlier of (a) collection of payment from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT if a VAT invoice is provided.

The tax authorities permit VAT settlement on a net basis. VAT on sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT.

**Inventories.** Inventories are valued at the lower of cost and net realisable value. The cost of inventories is assigned by using weighed average cost formula. A provision is created for potential

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losses on obsolete or slow-moving inventories, taking into account their expected use and future realisable value.

**Income tax.** The income tax expense represents the sum of tax currently payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years, as well as items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that were enacted at the balance sheet date.

**Deferred income tax.** Deferred tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as per the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences upon initial recognition of an asset or a liability in a transaction other than a business combination if the initial recognition of this asset or liability does not affect accounting or taxable profit or loss. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or tax loss carry forwards will be utilised. 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 utilised.

Deferred tax movements are recorded in profit and loss unless they are related to items recorded in other comprehensive income or directly in equity. In this case, deferred taxes are recorded as part of other comprehensive income or the shareholders' equity.

**Uncertain tax positions.** 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 less likely than not to be sustained if challenged by the tax authorities based on management's interpretation of tax laws that have been enacted or substantively enacted at the balance sheet date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

**Accounts payable and accrued charges.** Accounts payable are stated inclusive of value-added tax. Accounts payable initially are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

**Borrowing costs.** Interest costs on loans received to fund the construction of fixed assets are capitalised over the period required to build and prepare these fixed assets for operation. All other costs related to loans are treated as expenses. The Group does not have borrowings as of 31 December 2009 and 2008.

**Pension and post-employment benefits.** The Company makes all mandatory payments to the Russian state pension fund on behalf of its employees. Mandatory contributions to the state pension fund are expensed when incurred.

Group entities provide a number of post-employment and other long-term benefits of a defined benefit nature as well as a defined contribution pension benefit plans. Defined benefits include old-age and disability pensions, death in service and death in pension benefits, lump sum payment upon retirement, jubilee benefits to current and former employees retired from the Group as well as financial support after old-age retirement for such former employees.

Defined benefit plans, except for old-age and disability pensions, are unfunded and paid on pay-as-you-go basis, ie cost is met directly by the Group when due. With regard to old-age and disability pensions the Group has an agreement with a non-state pension fund. The defined benefit pension plan defines the pension allowance that an employee will receive upon retiring. The allowance depends on several factors such as age, experience and salary. Pension obligation is settled by the Group via a non-state pension fund when the employee retires.

Defined benefit obligations are calculated using the projected unit credit method. The present value of defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating the terms of the related pension liabilities.

The liability recognised in the statement of financial position for defined benefit plans is the present

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value of the defined benefit obligation at the balance sheet date less plan assets and unrecognised past service cost. In 2009 the Group has changed its accounting policy for recognition of actuarial gains and losses – they are reflected in full in other comprehensive income. Previously such gains and losses in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligations were charged or credited to profit and loss over the employees' expected average remaining working lives. The change was made in order to provide reliable and more relevant information about the effects of the transactions on the entity's financial position and financial performance and align Group's accounting policy with accounting policy of E.ON Group. The new policy was applied retrospectively; see details in section "Modification of initial and comparative data" below.

**Operating leases.** Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

**Finance leases.** Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the lease commencement date at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges in order to achieve a constant rate on the outstanding debt. The corresponding rental obligations, net of future finance charges, are included in debt. The interest expense is charged to the profit and loss over the lease term using the effective interest method. Assets acquired under finance leases are depreciated over their useful lives or over the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

**Hedge accounting.** Hedge accounting was applied by the Group since 1 January 2009 in relation to cash flow hedge of the currency risks related to cash outflows in foreign currencies on investment program. Funds received as a result of additional share issue which took place in 2007 and to be spent on investment program under the contracts concluded in foreign currencies were placed on deposits in the same currencies (hedging instrument). As the amount of hedging instrument matches the amount of hedged item the effectiveness of the hedge is ensured. The Group has applied accounting policy to reclassify associated gains and losses that were recognised in other comprehensive income to profit or loss as a reclassification adjustment in the same periods during which the asset acquired affects profit or loss (that is in the periods when depreciation expense is recognised). In Cash flow statement the cash inflows related to the hedging instrument are classified in the same manner as the cash outflows of the position being hedged.

**Provisions.** Provisions are recorded where the Group has legal or other obligations that have arisen as a result of past events, where it is probable that the Group will need to spend resources to repay the obligation, and the amount of the obligation can be reliably estimated.

**Revenue recognition.** Revenue is recognised when electricity and heat is delivered and when other goods and services are provided during the period. Revenue is presented exclusive of value-added tax.

**Earnings per share.** Earnings per share are determined by dividing the profit attributable to ordinary shareholders of the parent company of the Group (OAO OGK-4) by the weighted average number of ordinary shares outstanding during the reporting period.

**Minority interest.** Minority interest represents minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This is calculated based on the minority interest's ownership in these subsidiaries. For purchases of minority interest, the difference between the carrying amount of a minority interest and the amount paid to acquire it, if any, is recorded as a loss directly in equity.

**Interest.** Interest income and expense are recognised in profit or loss for all debt instruments on an accrual basis using the effective interest method. Interest income includes nominal interest and amortised discount and premium. When loans become doubtful, they are written down to their recoverable amounts, and interest income thereafter is recognised based on the interest that was

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used to discount future cash flows for the purpose of measuring the recoverable amount.

**Share-based payment transactions.** A stock option plan allows Group employees to acquire OAO OGK-4 shares. The fair value of options is measured at the grant date and recognised during the period in which employees become entitled to exercise the options. The fair value of options is measured based on the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. Cancellation of options agreements is accounted for as acceleration of vesting, therefore the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately.

**Fair value measurement.** The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market interest for similar borrowers at the reporting date.

The fair value of financial liabilities and other financial instruments (unless publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of publicly quoted financial instruments is measured based on the current market value at the reporting date.

**Segment reporting.** Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

**Modification of initial and comparative data.** Several balance sheet items at the beginning of 2008 and 2009 were restated from previously reported by adjusting the statement of financial position at the end of 2007 and 2008 due to the change in accounting policy and correction of prior period errors.

The revised IAS 1, Presentation of Financial Statements, which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. The effect of change in accounting policy and correction of the prior period errors was as follows:

Account	Amount before adjustment at 31.12.2007	Adjustment	Adjusted amount at 31.12.2007
Property, plant and equipment	31,839,794	1,826,109	33,665,903
Other non-current assets	98,888	(92,114)	6,774
<b>Total asset</b>	<b>75,544,941</b>	<b>1,733,995</b>	<b>77,278,936</b>
Deferred income tax liabilities	3,445,244	385,337	3,830,581
Pension liabilities	438,795	38,485	477,280
<b>Total liabilities</b>	<b>6,209,478</b>	<b>423,822</b>	<b>6,633,300</b>
Retained earnings	3,925,049	1,409,428	5,334,477
Other reserves	249,728	(99,255)	150,473
<b>Total equity</b>	<b>69,335,463</b>	<b>1,310,173</b>	<b>70,645,636</b>

Account	Amount before adjustment at 31.12.2008	Adjustment	Adjusted amount at 31.12.2008
Property, plant and equipment	45,675,068	1,648,987	47,324,055
<b>Total assets</b>	<b>83,233,753</b>	<b>1,648,987</b>	<b>84,882,740</b>
Deferred income tax liabilities	2,480,291	122,379	2,602,670

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Account	Amount before adjustment at 31.12.2008	Adjustment	Adjusted amount at 31.12.2008
Pension liabilities	454,536	41,532	496,068
<b>Total liabilities</b>	<b>7,221,900</b>	<b>163,911</b>	<b>7,385,811</b>
Retained earnings	10,003,790	1,519,178	11,522,968
Other reserves	722,083	(34,102)	687,981
<b>Total equity</b>	<b>76,011,853</b>	<b>1,485,076</b>	<b>77,496,929</b>

Pension liabilities as at 31 December 2007 were increased by 130,599 thousand roubles due to the change in accounting policy with respect to actuarial gains and the losses and decreased by 92,114 thousand roubles due to classification of pension assets as plan assets. Correspondingly other non-current assets decreased by the same amount (92,114 thousand roubles). The aforementioned changes have led to a decrease in deferred income tax liabilities in amount of 31,344 thousand roubles.

Major capital maintenance is capitalized – previously they were expensed as incurred. As a result Property, plant and equipment as at 31 December 2007 increased by 1,826,109 thousand roubles and deferred tax liabilities increased correspondingly by 438,265 thousand roubles, retained earnings increased by 1,387,844 thousand roubles.

Deferred income tax liabilities were adjusted (decreased) as at 31 December 2007 by 21,584 thousand roubles and as at 31 December 2008 by 198,820 thousand roubles as a result of recognition of deferred tax asset on differences arising from the revaluation of advances paid in foreign currencies for tax purposes in the amount of 89,935 thousand roubles and 994,099 thousand roubles for the corresponding years.

Corresponding changes were made to Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Cash Flow Statement.

**Note 3. Critical accounting estimates and assumptions**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimates, in applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Provision for impairment of accounts receivable.** Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectability of specific customer accounts has deteriorated compared to prior estimates. If there is deterioration (improvement) in a major customer's creditworthiness or actual defaults are higher (lower) than the estimates, the actual results could differ from those estimates reported in these consolidated financial statements (see Note 9).

**Tax contingencies.** Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in these IFRS financial statements.

**Useful lives of property, plant and equipment.** The estimation of the useful lives of an item of property, plant and equipment is a matter of management judgement based on 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.



**Note 4. Adoption of New or Revised Standards and Interpretations**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present all items in the one statement. These financial statements have been prepared under the revised presentation requirements.

- IFRS 2 (amendment), 'Share-based Payment'. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group's accounting for cancellations is in compliance with this amendment.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the General Director (see note 24).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- IAS 23 (amendment), 'Borrowing costs'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- IFRS 1 and IAS 27 (amendment), Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- IFRS 7 (amendment), 'Financial instruments: Disclosures'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'.

Following new standards, amendments to standards and to interpretations have been issued, but are not effective for the financial year beginning on 1 January 2009 and have not been early adopted:

- IFRS 3 ('Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the group. The group does not have any joint ventures and associates.

The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The group will apply IFRS 3 (revised) to all business

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combinations from 1 July 2009.

- IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to owners should be recognised. An entity should measure the dividend payable at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

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

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity settles its debt by issuing its own equity instruments. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. IFRIC 19 is not expected to have any material impact on the Group's consolidated financial statements.

- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its financial statements.

- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group is currently assessing the impact of the amendment on its financial statements.

- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on its financial statements.

- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications, including: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring a measure of total assets and liabilities for each reportable segment under IFRS 8 to be reported only if these amounts are regularly provided to the chief operating decision makers; amending IAS 1 to allow classification of certain liabilities settled by an entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as

investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17, even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to a host contract if upon exercising it the borrower reimburses the economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Group's financial statements.

- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

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**Note 5. Related parties**

E.on AG is ultimate parent and ultimate controlling party of the Group. E.on AG is widely held.

The Group's immediate parent is E.ON Russia Holding GmbH.

The Group had the following transactions and balances with ultimate parent and other entities under common control:

Accounts receivable from related parties:

	At 31 December 2009	At 31 December 2008
E.ON Risk Consulting GmbH	2,566	-
OOO E.ON Russia Power	6,006	-
<b>Total</b>	<b>8,572</b>	<b>-</b>

Accounts payable and accruals to related parties:

	At 31 December 2009	At 31 December 2008
E.ON AG	4,916	2,771
OOO E.ON Russia Power	16,314	-
<b>Total</b>	<b>21,230</b>	<b>2,771</b>

The Group's proceeds from the sales of services to related parties amounted to (VAT excluded):

	Year ended 31 December 2009	Year ended 31 December 2008
OOO E.ON Russia Power	17,047	659
<b>Total</b>	<b>17,047</b>	<b>659</b>

Services and works performed by the related parties for the Group, PPE acquired (VAT excluded):

	Year ended 31 December 2009	Year ended 31 December 2008
E.ON AG	16,569	3,031
E.ON Risk Consulting GmbH	-	3,715
OOO E.ON Russia Power	13,825	2,347
<b>Total</b>	<b>30,394</b>	<b>9,093</b>

On 19 March 2009 the Group provided a loan to E.ON AG in amount of RUB 1,470,000 thousand with pay-back period to 30 December 2009. The contract provides monthly capitalization of interest and monthly specification of the interest rate (not less the refinancing rate of the Central Bank of Russian Federation). During the reporting period interest capitalised amounted to 49,590 thousand roubles. On the 18<sup>th</sup> of June 2009 the loan has been returned ahead of schedule including interest capitalised.

**Directors' compensation**

Members of the Company's Management Board receive compensation for their services in full-time management positions. Compensation is made up of a contractual salary, non-cash benefits and a performance bonus depending on results for the period according to the Russian statutory financial statements.

Members of the Board of Directors receive fees and compensation for their services and for attending board meetings depending on results for the year.

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the year ended 31 December 2009 was RUB 155,574 thousand (31 December 2008: RUB 326,924 thousand):

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	Year ended 31 December 2009	Year ended 31 December 2008
Short-term employee benefits	144,388	150,164
Termination benefits	10,532	130,101
Post-employment benefits	654	46,659
<b>Total</b>	<b>155,574</b>	<b>326,924</b>

On the 10th April 2009, after the approval of the Board of Directors, a 13 % annual rate loan in amount of 8,408 thousand roubles has been given to the General Director of the Company. The loan is to be returned on 9 January 2011.

***Employee remuneration in the form of share purchase options***

On 21 September 2007, the Board of Directors approved the OAO OGK-4 Stock Option Program – the Share Option Plan (the “Plan”), including that 859,785,942 ordinary shares be distributed under the Plan, which comprised 1.75% of the total amount of the Group’s placed ordinary shares.

The Plan assumed for the provision of share purchase options to members of management bodies and employees of OAO OGK-4.

Participation of the Group’s General director, top managers and employees in the Plan as well as the number of shares in their option agreements were determined by Board of Directors resolutions.

The vesting period of share options was three years after grant date.

Ordinary shares for the options issued under the Plan were to be purchased by the Group on the open market via a special Group-controlled company - OOO OGK-4 Finance.

Plan participants who ended their employment with the Group were entitled to an amount of shares proportional to the number of days they were employed. If a Plan participant violated its labour agreement and was fired by the Group, this employee lost its stock option.

The option exercise price was determined as at the date the decision of participants to participate in the Plan was made and was calculated as the weighted average price of ordinary shares of the Group for the 365 days prior to the date of the agreement according to the data of a trading floor determined by the Group’s Board of Directors.

Participants were able to exercise the options within one month after receiving shareholders’ rights.

The fair value of the services received in return for the options was measured at the fair value of the options. The fair value was assessed according to the Black-Scholes model.

Share price (in RUB)	1.80 – 3.80
Option exercise price (in RUB)	2.726
Expected market volatility	26.92%
Option term	1,096 days
Risk-free interest rate	5.8%
Fair value of the option as at the evaluation date (in RUB)	1.0325 – 1.0407

The volatility assumption applied in calculation of the fair value of the options granted was based on historical volatility of the share prices for E.ON Group. The historical volatility was estimated as the annualised standard deviation of the logarithmic price changes where price changes are calculated based on closing prices. Trading period used to estimate historical volatility commensurated with the expected term of the options granted.

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A risk-free interest rate was assumed based on the annual yield on coupon-bearing state treasury bills/federal loan bonds (issue code 25061) issued in 2007 before October with a circulation term equal to the option term.

The fair value price of options issued in 2007 varied from RUB 1.0325 to 1.0407 per share, and the weighted average term before options could be exercised was 1,096 days.

During 2007 43 agreements were concluded with Plan participants, but a number of participants cancelled their agreements in the fourth quarter of 2008. All other agreements were cancelled in the third quarter of 2009.

The changes in the option flow are given below:

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Options issued, opening balance.	210,966,905	854,578,096
Options cancelled during the period	(210,966,905)	(643,611,191)
Options issued, closing balance	-	210,966,905

For the year ended 31 December 2009, the Group recorded the expenses associated with options granted to employees (including accelerated expenses on cancellations) in the amount of RUB 18,360 thousand (for the year ended 31 December 2008: RUB 534,382 thousand).

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**Note 6. Property, plant and equipment**

Cost (restated)	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Opening balance as at 1 January 2009	6,341	32,441,317	647,034	691,651	24,102,503	10,831,365	68,720,211
Additions	-	604,863	-	-	18,916,028	159,965	19,680,856
Transfers	43,885	853,474	12,868	18,836	(1,195,518)	265,455	-
Disposals	-	(4,526)	(423)	-	(4,677)	(41,098)	(50,724)
Closing balance as at 31 December 2009	50,226	33,895,128	659,479	710,487	41,818,336	11,216,687	88,350,343
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 1 January 2009	-	13,088,591	617,741	333,183	-	7,356,641	21,396,156
Charge for the period	-	1,525,856	4,273	44,553	-	673,258	2,245,590
Impairment loss	-	32,229	-	-	-	-	32,229
Disposals	-	(1,754)	(383)	-	-	(31,178)	(33,315)
Closing balance as at 31 December 2009	-	14,644,922	621,631	377,736	-	7,996,371	23,640,660
<b>Net book value as at 31 December 2008</b>	<b>6,341</b>	<b>19,352,726</b>	<b>29,293</b>	<b>358,468</b>	<b>24,102,503</b>	<b>3,474,724</b>	<b>47,324,055</b>
<b>Net book value as at 31 December 2009</b>	<b>50,266</b>	<b>19,250,206</b>	<b>37,848</b>	<b>332,751</b>	<b>41,818,336</b>	<b>3,220,316</b>	<b>64,709,683</b>

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Cost (restated)	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
<b>Opening balance as at 1 January 2008</b>	-	<b>31,462,984</b>	<b>647,034</b>	<b>668,238</b>	<b>9,761,242</b>	<b>10,161,743</b>	<b>52,701,241</b>
Additions	-	658,103	-	10,649	15,169,273	241,202	16,079,227
Transfers	6,341	347,228	-	12,764	(815,277)	448,944	-
Disposals	-	(26,998)	-	-	(12,735)	(20,524)	(60,257)
<b>Closing balance as at 31 December 2008</b>	<b>6,341</b>	<b>32,441,317</b>	<b>647,034</b>	<b>691,651</b>	<b>24,102,503</b>	<b>10,831,365</b>	<b>68,720,211</b>

**Accumulated depreciation (including impairment)**

<b>Opening balance as at 1 January 2008</b>	-	<b>11,577,487</b>	<b>614,308</b>	<b>288,670</b>	-	<b>6,554,873</b>	<b>19,035,338</b>
Charge for the period	-	1,530,108	3,433	44,513	-	826,072	2,404,126
Disposals	-	(19,004)	-	-	-	(24,304)	(43,308)
<b>Closing balance as at 31 December 2008</b>	<b>-</b>	<b>13,088,591</b>	<b>617,741</b>	<b>333,183</b>	<b>-</b>	<b>7,356,641</b>	<b>21,396,156</b>
<b>Net book value as at 31 December 2007</b>	<b>-</b>	<b>19,885,497</b>	<b>32,726</b>	<b>379,568</b>	<b>9,761,242</b>	<b>3,606,870</b>	<b>33,665,903</b>
<b>Net book value as at 31 December 2008</b>	<b>6,341</b>	<b>19,352,726</b>	<b>29,293</b>	<b>358,468</b>	<b>24,102,503</b>	<b>3,474,724</b>	<b>47,324,055</b>



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**Note 6. Property, plant and equipment (continued)**

Construction in progress represents the carrying amount of property, plant and equipment that is not yet available for use in production. The increase of construction in progress in 2009 (and in 2008) is connected with fulfilment of the investment program (primarily building four new blocks on Shaturskaya GRES, Surgutskaya GRES-2, Berezovskaya GRES and Yayvinskaya GRES).

Other property, plant and equipment include auxiliary production equipment, motor vehicles, computer equipment, office fixtures and other equipment.

**Operating lease**

The OA O GK-4 leases a number of pieces of land owned by local governments under operating leases. Land lease payments are determined by lease agreements.

Operating lease charges are payable as follows:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
Less than one year	58,622	122,803	117,365
Between one and five years	226,908	305,135	349,576
More than five years	2,014,526	2,963,086	2,977,604
<b>Total</b>	<b>2,300,056</b>	<b>3,391,024</b>	<b>3,444,545</b>

OA O GK-4 leases the land on which its electric power stations and other assets are located. Leases typically run for an initial period of 1–49 years, with an option to further extend the lease. Lease payments are subject to regular review to reflect market lease rates.

**Impairment provision for property, plant and equipment**

The impairment provision included in the accumulated depreciation balance as at 31 December 2009 was RUB 259,859 thousand (as at 31 December 2008: RUB 258,066 thousand, as at 31 December 2007: RUB 287,793 thousand).

As at 31 December 2009 a loss from the impairment of fixed assets as a result of the global financial crisis was considered possible. The Group has evaluated assets' recoverable amounts. The results of this evaluation showed that the Group did not have any additional losses from impairment of fixed assets apart from impairment of individual asset in amount of RUB 32,229 thousands.

**Note 7. Intangible assets**

	Computer software	Licences	Total
<b>Cost</b>			
Opening balance as at 1 January 2009	741,643	2,398	744,041
Additions	78,153	1,138	79,291
Disposals	(33,109)	(167)	(33,276)
<b>Closing balance as at 31 December 2009</b>	<b>786,687</b>	<b>3,369</b>	<b>790,056</b>
<b>Accumulated amortisation</b>			
Opening balance as at 1 January 2009	92,558	813	93,371
Charge for the period	102,056	1,543	103,599
Impairment	178,683	-	178,683
Disposals	(33,109)	(167)	(33,276)
<b>Closing balance as at 31 December 2009</b>	<b>340,188</b>	<b>2,189</b>	<b>342,377</b>
<b>Net book value as at 31 December 2008</b>	<b>649,085</b>	<b>1,585</b>	<b>650,670</b>
<b>Net book value as at 31 December 2009</b>	<b>446,499</b>	<b>1,180</b>	<b>447,679</b>

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	Computer software	Licences	Total
<b>Cost</b>			
Opening balance as at 1 January 2008	502,685	5,700	508,385
Additions	255,304	124	255,428
Disposals	(16,346)	(3,426)	(19,772)
<b>Closing balance as at 31 December 2008</b>	<b>741,643</b>	<b>2,398</b>	<b>744,041</b>
<b>Accumulated amortisation</b>			
Opening balance as at 1 January 2008	53,053	971	54,024
Charge for the period	55,851	3,268	59,119
Disposals	(16,346)	(3,426)	(19,772)
<b>Closing balance as at 31 December 2008</b>	<b>92,558</b>	<b>813</b>	<b>93,371</b>
<b>Net book value as at 31 December 2007</b>	<b>449,632</b>	<b>4,729</b>	<b>454,361</b>
<b>Net book value as at 31 December 2008</b>	<b>649,085</b>	<b>1,585</b>	<b>650,670</b>

**Note 8. Inventories**

Breakdown of inventories:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
Fuel production supplies	1,271,671	1,193,081	1,327,330
Materials and supplies	316,797	464,444	393,884
Other inventories	185,889	211,300	292,983
Provision for impairment of inventory	(75,006)	(64,858)	(66,994)
<b>Total</b>	<b>1,699,351</b>	<b>1,803,967</b>	<b>1,947,203</b>

**Note 9. Accounts receivable and prepayments**

	At 31 December 2009	At 31 December 2008	At 31 December 2007
<b>Trade and other receivables</b>			
Trade receivables	2,543,571	1,305,323	637,247
Other financial receivables	96,908	298,802	128,709
Less impairment loss provision	(654,572)	(424,666)	(182,765)
<b>Total financial assets within trade and other receivables</b>	<b>1,985,907</b>	<b>1,179,459</b>	<b>583,191</b>
VAT recoverable	5,177,472	1,300,178	25,975
Due from budget (excluding VAT)	8,295	9,084	5,451
Prepayments	356,401	399,234	661,045
<b>Total account receivable and prepayments</b>	<b>7,528,075</b>	<b>2,887,955</b>	<b>1,275,662</b>

Management has determined the impairment provision for accounts receivable based on specific customers' credit history, customer payment trends, the outlook for payments and settlements, and analyses of expected future cash flows. Management believes that Group will be able to realise the net receivable amount through direct collections and other non-cash settlements and that therefore the recorded value approximates the fair value.

The VAT recoverable increased significantly as at 31 December 2009 in comparison with 31 December 2008 due to realisation of investment program. Also VAT recoverable in amount of RUB 1,056,204 thousand held in other non-current assets as of 31 December 2008 was reclassified to account receivable and prepayments as of 31 December 2009 due to estimated date of settlement in 2010.

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The above accounts receivable and prepayments include amounts receivable from related parties (see Note 5).

**Note 10. Short-term financial assets**

During the reporting period the Group has continued to place on deposits cash received as the result of an additional share issue which took place in 2007. Deposits were placed in OAO Sberbank (Moody's credit rating Baa1), OAO Vneshtorgbank (Moody's credit rating Baa1), AB Gazprombank (ZAO) (Moody's credit rating Baa3) and ZAO Unicreditbank (Fitch credit rating A-). The interest on these short-term deposits is fixed and, therefore, exposed to the risk of changes in market interest rates.

During 2009 the Group received as a settlement twenty two non-interest banking promissory notes of OAO Alfa-bank with nominal value of RUB 148,236 thousand, due in 2010. These promissory notes were received as a settlement of customer debt for electricity and capacity sold in 2007–2008 (OAO Kalmenergosbyt, OAO Karachayevo-Cherkesskenergo, OAO Kabbalkenergo, OAO Sevkvkazenergo, OAO Dagestan ESK and OAO Ingushenergo).

These promissory notes are reflected in the statements at their fair value as at the date of purchase. The fair values of these promissory notes were determined based on repayment dates and discount rates (using the average rate received on RUB deposits opened during 2009). The effect of discounting of these promissory notes reduced revenues by RUB 11,970 thousand in 2009 (in 2008 – by RUB 12,272 thousand). The interest income from unwinding of the discounting is reflected in finance income. In 2009 the related finance income was RUB 7,492 thousand (in 2008 – RUB 23,318 thousand).

Name	Effective interest rate, %	Closing balance as at 31 December 2009 (hard currency, thousand)	Closing balance as at 31 December 2009 (RUB, thousand)	Closing balance as at 31 December 2008 (hard currency, thousand)	Closing balance as at 31 December 2008 (RUB, thousand)	Closing balance as at 31 December 2007 (RUB, thousand)
<b>Total short-term deposits</b>			<b>16,997,102</b>		<b>30,866,143</b>	<b>35,543,280</b>
Short-term deposits in US Dollar	0,10-6,88	68,725	2,078,520	221,716	6,514,094	-
Short-term deposits in Euro	0,06-6,80	201,798	8,755,683	422,516	17,509,500	-
Short-term deposits in Rouble	3,60-11,10	-	6,162,899	-	6,842,549	35,543,280
<b>Total promissory notes</b>		-	<b>134,464</b>	-	<b>128,674</b>	<b>246,909</b>
<b>Total short-term financial assets</b>		-	<b>17,131,566</b>	-	<b>30,994,817</b>	<b>35,790,189</b>

**Note 11. Equity**

The Group was formed through the combination of a number of businesses under common control. Because the predecessor basis of accounting (see Note 2) was applied, the majority of the net equity recognised for the Group is based on the historic carrying value of the net assets contributed, as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those assets. Since the Group was formed as a result of a series of share issues, the equity statement reflects additions to the share capital equal to the statutory nominal value of the shares issued. As a result of application of the predecessor basis of accounting, the effect of these additions to equity was offset by corresponding decrease in minority interest or change of the merger reserve.

Based on the application of predecessor accounting (see Note 2), a difference of RUB 31,406,171 thousand between the value of share capital issued, the IFRS carrying values of the contributed assets and the minority interest was recorded as a merger reserve in equity in other reserves. In accordance with legal requirements, the Group reduced the share capital to an amount not exceeding its contributed assets in May 2007, eliminating the merger reserve in the process.

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In the third quarter of 2008, as a result of the takeover of OGK-4 Holding, the Group received OA O Rusgidro shares and classified them as financial assets available for sale. Those shares are reflected at the fair value based on market quotation. Changes in fair value are reflected in other comprehensive income.

The actuarial gains, cash flow hedges and fair value loss on available for sale financial assets are reflected in other reserves. For details of cash flow hedge applied by the Group starting from 1 January 2009, see Note 2 and Note 22.

Other reserves consist of the following:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
Available-for-sale financial assets revaluation	(37,830)	(62,027)	-
Actuarial gains / (losses)	116,968	(34,102)	(99,255)
Cash flow hedges	1,087,654	-	-
Share option plan	-	784,110	249,728
<b>Total</b>	<b>1,166,792</b>	<b>687,981</b>	<b>150,473</b>

Reserve related to share option plan was added to retained earnings upon cancellation of share option program in 2009 (see also Note 1 and 5).

**Share capital**

	Ordinary shares at 31 December 2009	Ordinary shares at 31 December 2008	Ordinary shares at 31 December 2007
Number of issued shares	63,048,706,145	63,048,706,145	63,017,115,839
Nominal (in RUB)	0,40	0,40	0,40
The amount of share capital	25,219,482	25,219,482	25,206,846

**Dividends**

The Group's annual statutory accounts form the basis for profit distribution and other appropriations. Russian law identifies as net profit the basis of distribution. The annual statutory accounts are placed on the Company's web site. However, this legislation and other statutory laws and regulations on distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount for distributable reserves in these financial statements.

**Note 12. Pension liabilities**

The tables below provide information on defined benefit obligations, pension expense, plan assets and actuarial assumptions used for the twelve months ended 31 December 2009 and 31 December 2008. Amounts recognised in the Consolidated Statement of Financial Position:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
Present value of funded obligations	534,222	720,566	510,821
Fair value of plan assets	(83,620)	(85,703)	(92,114)
Funded status	450,602	634,863	418,707
Present value of unfunded obligations	220,180	317,148	311,682
Unrecognised past service cost	(391,534)	(455,944)	(253,109)
<b>Net liability in the Consolidated Statement of Financial Position</b>	<b>279,249</b>	<b>496,068</b>	<b>477,280</b>

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	<b>At 31 December 2009</b>	<b>At 31 December 2008</b>	<b>At 31 December 2007</b>
Employees' average remaining working life (years)	12	12	12

Amounts recognised as income and expense in the Consolidated Statement of Comprehensive Income:

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Current service cost	52,226	43,565
Interest cost	91,973	55,903
Expected return on plan assets	(6,796)	(7,217)
Amortisation of past service cost	7,438	50,622
Curtailement gain	(70,000)	-
Immediate recognition of vested prior service cost	-	26,718
Other	-	(9,805)
<b>Net expense recognised in profit and loss</b>	<b>74,840</b>	<b>159,787</b>

Movements in the net liability recognized in the Consolidated Statement of Financial Position are as follows:

	<b>At 31 December 2009</b>	<b>At 31 December 2008</b>	<b>At 31 December 2007</b>
Net liability at start of period	496,068	477,280	346,350
Net expense recognized in profit and loss	74,840	159,787	44,932
Contributions	(102,821)	(53,026)	(44,601)
Actuarial (gain)/loss recognised in other comprehensive income	(188,839)	(87,972)	130,599
<b>Net liability at end of period</b>	<b>279,249</b>	<b>496,068</b>	<b>477,280</b>

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

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Present value of defined benefit obligations (DBO) at the beginning of the year	1,037,715	822,503
Current service cost	52,226	43,565
Interest cost	91,973	55,903
Actuarial gain	(164,502)	(126,323)
Past service cost	(56,972)	280,175
Benefits paid	(136,037)	(38,108)
Curtailement gain	(70,000)	-
<b>Present value of defined benefit obligations (DBO) at the end of the year</b>	<b>754,402</b>	<b>1,037,715</b>

Experience adjustments arose due to experience being different from the assumed:

	<b>At 31 December 2009</b>	<b>At 31 December 2008</b>	<b>At 31 December 2007</b>	<b>At 31 December 2006</b>	<b>At 31 December 2005</b>
Present value of defined benefit obligations (DBO)	754,402	1,037,715	822,503	1,056,910	778,353
Fair value of plan assets	(83,620)	(85,703)	(92,114)	-	-
Deficit in plan	670,782	952,012	730,389	1,056,910	778,353

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	At 31 December 2009	At 31 December 2008	At 31 December 2007	At 31 December 2006	At 31 December 2005
(Gains)/losses arising of experience adjustments on plan liabilities	(42,272)	(8,148)	(49,088)	285,462	13,460
(Gains)/losses arising of experience adjustments on plan assets	(24,337)	38,351	-	-	-

Principal actuarial assumptions are as follows:

	At 31 December 2009	At 31 December 2008
Discount rate at 31 December	9.50%	9.00%
Expected return on plan assets at 31 December	10.16%	9.84%
Future salary increase	7.96%	10.24%
Future financial support increases	6.36%	6.00%
Staff turnover	2.50%	2.50%
Mortality	Russian population table for 1998	Russian population table for 1998

The movements in the plan assets are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
At 1 January	85,703	92,114
Correction of the value of plan assets at the beginning of the period	-	9,804
Expected return on plan assets	6,796	7,217
Actuarial gain/(loss)	24,337	(38,350)
Contributions by employer	102,821	53,026
Payments	(136,037)	(38,108)
<b>At 31 December</b>	<b>83,620</b>	<b>85,703</b>

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date equals to RUB 47,942 thousand.

The structure of the plan assets:

	At 31 December 2009	At 31 December 2008
Corporate bonds	43,5%	44,2%
Bank deposits	18,9%	19,5%
Share and mutual funds	13,9%	17,8%
Government bonds	10,4%	8,7%
Cash	4,5%	1,6%
Other	8,8%	8,2%

To determine the expected return on plan assets for 2009 the Group assumed that investment return on bonds and bank deposits will be equal to 9% pa and investment return on shares and other investments will be equal to 12% pa over long term.

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**Note 13. Accounts payable and accruals**

	At 31 December 2009	At 31 December 2008	At 31 December 2007
<b>Financial liabilities</b>	<b>3,871,537</b>	<b>2,402,439</b>	<b>1,250,950</b>
Trade payables	1,881,449	942,133	982,367
Accounts payable to capital construction contractors	1,810,207	1,273,803	69,594
Other creditors	171,575	178,093	187,770
Dividends payable	8,306	8,410	11,219
<b>Non- financial liabilities</b>	<b>647,435</b>	<b>554,952</b>	<b>528,179</b>
Advances from customers	55,503	52,454	50,002
Staff payables	591,932	502,498	478,177
<b>Total</b>	<b>4,518,972</b>	<b>2,957,391</b>	<b>1,779,129</b>

**Note 14. Taxes payable other than income tax**

	At 31 December 2009	At 31 December 2008	At 31 December 2007
VAT	879,556	456,860	12,252
Property tax	85,549	85,738	84,107
Employee taxes	13,505	20,185	22,651
Other	60,556	57,249	59,249
<b>Total</b>	<b>1,039,166</b>	<b>620,032</b>	<b>178,259</b>

**Note 15. Income tax**

Income tax charge

	Year ended 31 December 2009	Year ended 31 December 2008
Current income tax charge	(1,991,976)	(2,351,795)
Deferred income tax benefit	293,311	1,250,732
<b>Total</b>	<b>(1,698,665)</b>	<b>(1,101,063)</b>

During the year ended 31 December 2009 most Group entities were subject to a 20% income tax rate on taxable profits. The Group applies a preferential income tax rate of 15.5 % for Yajvinskaya GRES branch.

On 20 November 2008 the Russian Government approved a tax rate reduction to 20%, and for Yajvinskaya GRES branch to 15.5%. The effect of the reduced tax rate was recognised in 2008 by recalculating the deferred tax balance as at 31 December 2008 and accounted as income on deferred tax under the income tax section.

Reconciliation between the expected and the actual tax charge is provided below:

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	Year ended 31 December 2009	Year ended 31 December 2008
<b>Profit before income tax</b>	<b>7,213,876</b>	<b>7,287,820</b>
Theoretical tax charge at the statutory tax rate (20% for the year ended 31 December 2009 and 24% for the year ended 31 December 2008)	(1,442,775)	(1,749,077)
Effect of tax rate reduction to 20%	-	522,238
Tax effect of items that are not tax deductible or subject to taxation	(255,890)	125,776
<b>Total income tax charge</b>	<b>(1,698,665)</b>	<b>(1,101,063)</b>

**Deferred income tax.** Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets and liabilities are measured at the rate applicable when the temporary differences reverse, 20% as of 31 December 2009 and 31 December 2008.

Deferred tax assets/(liabilities) calculated on the temporary differences for balance sheet items are as follows:

	At 31 December 2009	Movement for the year 2009 recognised in profit and loss	Movement for the year 2009 recognised in other comprehensive income	At 31 December 2008
Property, plant and equipment	(2,525,380)	282,790	-	(2,808,170)
Accounts payable and other accruals	119,859	50,162	-	69,697
Pension liabilities	55,850	(5,893)	(37,763)	99,506
Trade receivables	(14,984)	(57,542)	-	42,558
Other	17,533	23,794	-	(6,261)
<b>Net deferred tax liability at the end of the year</b>	<b>(2,347,122)</b>	<b>293,311</b>	<b>(37,763)</b>	<b>(2,602,670)</b>

	At 31 December 2008	Movement for the year 2008 recognised in profit and loss	Movement for the year 2008 recognised in other comprehensive income	At 31 December 2007
Property, plant and equipment	(2,808,170)	1,367,161	-	(4,175,331)
Pension liabilities	99,506	7,781	(22,821)	114,546
Accounts payable and other accruals	69,697	(56,131)	-	125,828
Trade receivables	42,558	(69,491)	-	112,049
Other	(6,261)	1,420	-	(7,673)
<b>Net deferred tax liability at the end of the year</b>	<b>(2,602,670)</b>	<b>1,250,732</b>	<b>(22,821)</b>	<b>(3,830,581)</b>



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**Note 16. Revenues and other operating income**

**Revenues**

	Year ended 31 December 2009	Year ended 31 December 2008
Electricity and capacity	41,218,741	36,908,834
Heat	942,241	733,437
Other	729,115	371,066
<b>Total</b>	<b>42,890,097</b>	<b>38,013,337</b>

**Other operating income**

	Year ended 31 December 2009	Year ended 31 December 2008
Penalties from other market participants	246,536	132,252
Insurance reimbursement	185,087	8,444
Gain on VAT reimbursement	94,672	-
Other	72,016	93,608
<b>Total</b>	<b>598,311</b>	<b>234,304</b>

**Note 17. Operating expenses**

	Year ended 31 December 2009	Year ended 31 December 2008
Fuel	22,770,914	21,631,108
Purchased power and electricity	3,546,150	2,416,709
Employee benefits	3,490,181	4,021,787
Depreciation and amortisation	2,349,189	2,463,245
Repairs and maintenance	1,076,729	1,462,216
Operational dispatch management	741,251	611,476
Taxes other than income tax	521,754	399,579
Provision for impairment of accounts receivable	276,252	241,964
Security	250,718	271,402
Raw materials and supplies	238,399	166,149
Water usage expenses	213,221	213,225
Impairment of fixed assets and intangible assets	210,913	-
Lease payments, including rent expenses	201,463	183,829
Insurance cost	125,472	97,828
Transportation expenses	92,944	253,307
Sponsoring	18,852	39,205
Bank services	9,149	26,382
Other expenses	1,026,486	960,015
<b>Total</b>	<b>37,160,037</b>	<b>35,459,426</b>

Employee benefits expenses comprise the following:

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	Year ended 31 December 2009	Year ended 31 December 2008
Salaries and wages, payroll taxes	3,021,005	2,835,472
Pension costs - Defined contributions plans (including state plan)	278,884	308,891
Termination benefits	112,268	153,185
Pension costs - defined benefit plans	59,664	120,904
Share options granted to directors and employees	18,360	534,382
<b>Employee benefits</b>	<b>3,490,181</b>	<b>4,021,787</b>

**Note 18. Finance income and expense**

**Finance income**

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income (deposits and cash)	928,403	2,376,799
Foreign exchange gains	619,494	3,083,156
Other interest income	7,923	23,865
<b>Total</b>	<b>1,555,820</b>	<b>5,483,820</b>

**Finance expense**

	Year ended 31 December 2009	Year ended 31 December 2008
Foreign exchange losses	561,973	933,322
Effect of liability discounting	87,279	49,726
Interest expense	21,063	1,167
<b>Total</b>	<b>670,315</b>	<b>984,215</b>

**Note 19. Basic and diluted earnings per share payable to shareholders of OAO OGK-4**

Basic earning per share is calculated by dividing the net profit attributable to the Group's shareholders by the weighted average amount of ordinary shares in circulation, excluding treasury stock.

	Year ended 31 December 2009	Year ended 31 December 2008
Net weighted average number of ordinary shares issued during the year	63,048,706,145	63,032,669,419
Profit attributable to the shareholders of OAO OGK-4 (RUB thousand)	5,515,436	6,188,491
<b>Earnings per ordinary share for profit attributable to the shareholders of OAO OGK-4 – basic (in RUB)</b>	<b>0.087</b>	<b>0.098</b>

Diluted earnings per share is calculated by dividing the net profit attributable to the Group's shareholders by the weighted average number of shares issued, increased by the number of additional ordinary shares that would be issued if all contracts with a dilutive effect were converted into ordinary shares. In 2009 and 2008 contracts with a potential dilutive effect relate to share purchase options that the Group provided to employees (see Note 5). In 2009 and 2008 these options did not

have a dilutive effect, as the exercise price of the options exceeded the market price of the ordinary shares.

#### **Note 20. Commitments**

**Sales commitments.** The Group sells electricity in the two wholesale market sectors: the free trading sector and the regulated trading sector.

The Group has entered into a number of annual electricity sales agreements with ZAO Centre for Financial Settlements and retail companies.

**Fuel commitments.** The Group concluded a number of contracts for fuel commitments (natural gas, fuel oil and coal).

The principal suppliers of natural gas: OAO Surgutneftegaz, OAO Novatek, OOO Smolenskregiongaz, OOO Permregiongaz, OOO Mosregiongaz and OOO Gazenergoprom. Agreements with these suppliers were concluded for a term of five years. The principal supplier of brown coal is OAO Siberian Coal and Energy Group. Agreements with this supplier were concluded for a term from one to three years.

The price of fuel is determined for one year, the total amount of contracts concluded with gas suppliers for 2010 near 2009 year end is RUB 24,297,570 thousand (for 2009 near 2008 year end – RUB 20,113,286 thousand), with coal suppliers – RUB 3,477,520 thousand (for 2009 – RUB 2,429,861 thousand), with fuel oil suppliers – RUB 18,710 thousand (for 2009 – RUB 43,453 thousand, all VAT exclusive).

**Capital commitments** At 31 December 2009 the Group has contractual capital expenditures commitments in respect of property, plant and equipment totalling RUB 17,781,000 thousand (2008: RUB 35,581,330 thousand). A significant part of contractual capital expenditures commitments in respect of property, plant and equipment as of 31 December 2009 is expressed in US dollars and euro. Also in accordance with signed contracts on the supply of electric capacity on the wholesale market OAO OGGK-4 has to conclude a number of additional contracts for the finalisation of the investment program. The total amount of the capital expenditure commitments expected to be concluded for finalisation of investment program is assessed to be approximately RUB 35,000,000 thousand.

#### **Note 21. Contingencies**

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

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

**Social obligations.** The Group has a responsibility to the regions where it operates to contribute to the development of favourable living conditions, create jobs and minimise harm to the environment. It also has a responsibility to the public and governmental authorities to pay taxes, support important public initiatives, and participate in the social and economic development of the regions.

Following the principles of corporate citizenship, the Group believes it is important to make a contribution to the development of the regions where it has a presence. To this end, the Group actively participates in funding social and charity programmes to support vulnerable segments of society – first and foremost, children and pensioners. Particular attention is paid to the development of educational programmes for schoolchildren and students. Various sporting events are also supported.

The Group continues the traditions of the power plants which came under its control: aiding different organisations, public associations and individuals in the regions in which they operate. The Group spent RUB 5,531 thousand on these programmes in 2009 (in 2008 - RUB 5,134 thousand).

**Legal proceedings.** Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, the current legal proceedings and claims listed

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below could not have a material effect on the financial position of the Group.

The Group entered into joint liability agreements with the predecessor entities from which the Smolenskaya GRES, Yajvinskaya GRES, Shaturskaya GRES and Surgutskaya GRES-2 power plants were spun off. These agreements were finalised with OAO Mosenergo, OAO Tumenenergo, OAO Smolenskenergo, OAO Permenergo and their spin-offs. These agreements stipulate joint liability for these companies' debts, which were not reflected in the separation balance sheets during their reorganisation. There are risks associated with the Group's potential liability for these debts. As of 31 December 2009 a reserve in amount of RUB 20,532 thousands was created in relation to these lawsuits which have been filed against the Group (as of 31 December 2008 - in the amount of RUB 37,427 thousands).

Also the Group has created a provision in relation to other lawsuits where the risk of negative outcome is assessed as high in amount of RUB 49,925 thousands as of 31 December 2009 (nil as of 31 December 2008).

As at the date of issuing these consolidated financial statements, management believes that it has adequately provided for all significant potential losses that may result from any lawsuits being asserted and contested.

**Tax contingencies.** Russian tax, currency and customs law is subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the regional and federal authorities. In particular, the method for accounting of water tax and also operations with a number of counterparties of the Group in years 2008-2009 may be challenged. In addition, tax and other legislation do not specifically address all of the aspects of the Group's reorganisation resulting from power industry reform. As such, there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

Tax authorities may be taking a more assertive position in their interpretation of the law and their assessments and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods for three calendar years proceeding the year of review remain open to review by the tax authorities. Under certain circumstances a review may cover longer periods.

No detailed disclosure has been made regarding the above contingencies and possible financial effect of potential claims or disputes on these matters, so as not to prejudice seriously the position of the Group.

As of 31 December 2009, management believes that its interpretation of the relevant law is appropriate and that the Group's position is sustainable as it relates to application of tax, currency and customs legislation.

In October 2009 OAO OGK-4 received a decision from the tax authorities as a result of a tax inspection for the years 2006-2007. In accordance with this decision the Company accrued additional RUB 178 millions of income tax and RUB 82 million in VAT in the fourth quarter 2009.

**Environmental matters.** The Group's entities and their predecessor entities have operated in the Russian electric power industry for many years. The enforcement of Russian environmental regulation is evolving, and the position of government authorities on enforcing these regulations is continually being reconsidered.

The Group understands its responsibility for environmental protection and the rational use of natural resources. The Group's operations are directly related to the exploitation of natural resources and have a direct impact on the environment. The Group endeavours to fully understand the impact of its operations on the environment and to minimise any negative effects. The Group periodically evaluates its obligations according to environmental regulations. Any environmental costs related to power generation are assumed by the power plants.

The Group has a large-scale investment programme for new generation facilities using state-of-the-art steam gas technology. The Group intends to keep its impact on the environment to a minimum in implementing its investment programmes.

Potential liabilities might arise as a result of changes in regulations or civil litigation. The impact of these potential changes cannot be reliably estimated but could be material. In the current enforcement

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climate and under the existing laws, management believes that there are no significant unaccrued liabilities for damage to the environment.

**Note 22. Financial instruments and financial risk factors**

The risk management control function within the Group is carried out by Risk and Finance Committee under the Board of Directors in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

**Market risks**

**Interest rate risk.** The Group is largely not exposed to fair value interest rate risk as the Group does not have significant financial assets and liabilities with fixed interest rates. However the group has interest bearing assets which are exposed to cash flow interest rate risk, The Group's significant interest bearing assets are disclosed in Note 10.

**Currency risk.** Profit and cash flows from the Group's current operations are largely not dependent on changes in the rouble's exchange rate. Electric and thermal power produced by the Group is sold in Russia and is paid for in roubles, further the associated operational expenditure are to a large extent purchased and paid for in roubles.

The Group does however have commitments in foreign currency as part of its investment program. A hedging strategy was developed and implemented in 2008 against financial risks related to currency purchases for future investments. The Group also has commitments that are not hedged. The total capital commitments of the Group are disclosed in Note 20.

Hedge accounting was applied by the Group since 1 January 2009 in relation to cash flow hedge of the currency risks related to cash outflows in foreign currencies on investment program. The amount of foreign exchange gain on hedging instrument recognised in other comprehensive income during the period ended 31 December 2009 equals to 1,087,652 thousand roubles (net of income tax). No amounts were reclassified from other comprehensive income to profit or loss during the reporting period and it is expected that profit or loss will be affected starting from October 2010. The cash outflows under the corresponding contracts in foreign currencies are expected to occur till August 2010. The cash flow hedge was effective and correspondingly no ineffectiveness was recognised in profit or loss during the reporting period.

The table below summarises the Group's exposure to foreign currency exchange rate risk:

	At 31 December 2009			At 31 December 2008		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Russian Roubles	8,766,638	(2,238,288)	6,528,350	8,258,867	(1,147,079)	7,111,788
US Dollars	2,078,520	(1,579,548)	498,972	6,536,520	(1,168,254)	5,368,266
Euros	8,755,683	(53,701)	8,701,982	17,509,504	(87,106)	17,422,398
<b>Total</b>	<b>19,600,841</b>	<b>(3,871,537)</b>	<b>15,729,304</b>	<b>32,304,891</b>	<b>(2,402,439)</b>	<b>29,902,452</b>

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

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

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	At 31 December 2009		At 31 December 2008
	Impact on profit or loss	Impact on other comprehensive income	Impact on profit or loss
Incremental (loss) / profit from US Dollar strengthening by 30%	(473,864)	623,556	1,610,480
Incremental profit / (loss) from US Dollar weakening by 30%	473,864	(623,556)	(1,610,480)
Incremental (loss) / profit Euro strengthening by 30%	(16,110)	2,626,705	5,226,719
Incremental profit / (loss) Euro weakening by 30%	16,110	(2,626,705)	(5,226,719)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group. The Group's exposure to currency risk at the balance sheet date is not representative of the typical exposure during the year. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied to the average exposure to currency risk during the year, with all other variables held constant:

	Average exposure during 2009		Average exposure during 2008
	Impact on profit or loss	Impact on other comprehensive income	Impact on profit or loss
Incremental (loss) / profit from US Dollar strengthening by 30%	(412,782)	1,472,161	886,944
Incremental profit / (loss) from US Dollar weakening by 30%	412,782	(1,472,161)	(886,944)
Incremental (loss) / profit from Euro strengthening by 30%	(30,060)	4,326,608	3,415,155
Incremental profit / (loss) from Euro weakening by 30%	30,060	(4,326,608)	(3,415,155)

In 2008 there was no impact on other comprehensive income.

**Price risk.** The Group has identified the following risks relating to price:

- the risk of the price for electric power decreasing due to market mechanisms or state intervention;
- the risk of a significant increase in the price of fuel due to macroeconomic conditions or market monopolisation.

Unless otherwise described above, the Group does not hedge the aforementioned financial risks.

**Credit risk.** The financial assets that potentially subject the Group to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, consist principally of trade receivables (in the amount of RUB 2,543,571 thousand), other receivables (in the amount of RUB 96,908 thousand), bank deposits (in the amount of RUB 16,997,102 thousand), debt securities (in the amount of RUB 134,464 thousand) and cash (in the amount of RUB 483,368 thousand), in total of RUB 19,600,841 thousand as of 31 December 2009.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the impairment provision already recorded.

*Trade and other receivables*

Management believes that the majority of customers whose balances are included in trade receivables comprise a single class, as they bear the same characteristics. Those customers belong to the same wholesale electric power market (NOREM), which is regulated by NP ATS (Administrator of Trade System Non-commercial Partnership).

Due to the absence of an independent evaluation of buyers' and customers' solvency, credit risk is evaluated at the conclusion of an agreement with a potential debtor. The Group evaluates the financial

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position and credit history of the counteragent. The existing receivables are monitored in the Group's divisions, and collection measures are taken regularly.

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

The Group tested trade and other receivables for impairment, the results are as follows:

	<b>At 31 December 2009</b>	<b>At 31 December 2008</b>	<b>At 31 December 2007</b>
Current	1,256,293	817,829	430,049
Overdue but not impaired	729,614	361,630	153,142
Impaired	654,572	424,666	182,765
<b>Total trade and other receivables</b>	<b>2,640,479</b>	<b>1,604,125</b>	<b>765,956</b>

As at 31 December 2009 trade and other receivables of RUB 729,614 thousand (as at 31 December 2008: RUB 361,630 thousand, at 31 December 2007: RUB 153,142 thousand) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The aging analysis of these trade receivables is given in the table below:

	<b>Between 1 and 3 months</b>	<b>Between 3 and 12 months</b>	<b>More than 12 months</b>
As at 31 December 2009	333,999	304,637	90,078
As at 31 December 2008	160,718	183,141	17,990
As at 31 December 2007	-	249,714	4,812

The movement in trade receivables impairment reserve is given in the table below:

	<b>2009</b>	<b>2008</b>
Balance as at 1 January	424,666	182,765
Additional trade receivables impairment reserve accrued	445,782	242,220
Write off	(46,347)	(319)
Release of unused reserve	(169,529)	-
<b>Balance as at 31 December</b>	<b>654,572</b>	<b>424,666</b>

An impairment provision in the amount of RUB 445,782 thousand has been created, as the Group's management considers the collection of some debts to be doubtful. An impairment provision in the amount RUB 169,529 thousand has been reversed in connection with the collection of past-due receivables.

*Cash*

The Group's Board of Directors approved a list of banks in which deposits can be placed as well as rules governing bank deposits. In addition, the Group continuously assesses the financial position of these banks as well as ratings prepared by independent agencies, past practice and other factors.

Funds are placed in financial institutions which are considered at the time of the deposit to be at minimal risk of default.

The Group placed cash in the following banks (ratings are given as of 31 December 2009):

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Name	Rating	Rating agency	At 31 December 2009	At 31 December 2008	At 31 December 2007
OAO Sberbank	Baa1	Moody's	354,672	4,765	284
OAO Alfa-Bank	Ba1	Moody's	111,407	15,254	-
ZAO AB Gazprombank	Baa3	Moody's	17,060	83,457	3
OAO KB Agroimpuls	B3	Moody's	-	9,004	4,083,304
Other banks and cash in hand			229	18,135	55,253
<b>Total funds</b>			<b>483,368</b>	<b>130,615</b>	<b>4,138,844</b>

**Liquidity risk.** Reasonable management of liquidity risk includes having sufficient funds and access to sufficient credit resources to support the Group's continued operations. In most cases, the Group's financial obligations are of a short-term nature.

In 2008 the Group repaid short-term loans that amounted to RUB 250,290 thousand as at 31 December 2007. No new loans have been taken out within the reporting period.

The Majority of the Group's accounts payable are of a short-term nature (less than one month) and stem from the Group's agreements with fuel suppliers and providers of production-related services.

The Group has significant commitments as part of its investment program and is planning to fund the associated expenditure from funds placed on deposits, cash flows from its own operating activity and from the receipt of external financing in 2010.

**Fair values.** Management believes that the fair value of its financial assets and liabilities approximates their carrying amount.

**Note 23. Risks associated with capital (capital management)**

Management of the Group's capital provides for: 1) meeting legal requirements to ensure the Group's ability to continue its operations and provide income to shareholders; 2) implementing a corresponding borrowing policy to support the optimal capital structure and reduce costs of attracting capital.

Russian law states the following requirements for capital:

- The share capital must be at least 1,000 minimal monthly wages as at the date of the company's registration;
- If the company's share capital exceeds its net assets, the company must decrease its share capital to a value not exceeding its net assets;
- If the minimum approved share capital exceeds the company's net assets, the company will be subject to liquidation.

As at 31 December 2009, the OAO OGK-4's capital complied with the aforementioned requirements.

The Group's capital ensures the Group's ability to continue its operations and provide income to shareholders and remunerations to other stakeholders, as well as to maintain the optimal structure for increasing returns on capital.

To support or adjust the capital structure, the Group can regulate the amount of dividends that have been paid out, return capital to shareholders, issue new shares or sell assets to repay debts.

The Group manages capital structure using the debt factor.

The debt factor is calculated as the value of net debt compared to the EBITDA amount. The value of net debt is determined as the sum of total financial and pension liabilities represented in the consolidated balance sheet less total financial assets.

During 2009 the strategy of the Group provides for maintaining the debt factor at a level not exceeding 3. The debt factor as at 31 December 2009, 2008 and 2007 is represented below:



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	At 31 December 2009	At 31 December 2008	At 31 December 2007
Trade and other receivables (Note 9)	1,985,907	1,179,459	1,275,662
Short-term financial assets (Note 10)	17,131,566	30,994,817	35,790,189
Cash	483,368	130,615	4,138,844
Long-term financial assets	51,333	27,136	-
<b>Total financial assets</b>	<b>19,652,174</b>	<b>32,332,027</b>	<b>41,204,695</b>
<b>Total financial liabilities (Note 13)</b>	<b>(3,871,537)</b>	<b>(2,402,439)</b>	<b>(1,250,950)</b>
<b>Pension liabilities</b>	<b>(279,249)</b>	<b>(496,068)</b>	<b>(477,280)</b>
Excess of financial assets over financial and pension liabilities	15,501,388	29,433,520	39,476,465
EBITDA	8,634,662	7,374,266	3,158,517
Debt factor	-	-	-

Nil debt factor demonstrates low dependence on external financing at the reporting date.

**Reconciliation of classes of financial instruments with measurement categories**

Under IAS 39 the Group classifies its financial assets into the following categories for measurement purposes: (a) loans and receivables, (b) available-for-sale financial assets. The following table provides a reconciliation of the classes of financial assets with these measurement categories as at 31 December 2009, 2008 and 2007:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
<b>ASSETS</b>			
<b>Loans and receivables</b>			
Accounts receivables and prepayments (Note 9)	1 985 907	1,179,459	1,275,662
Trade receivables	1,888,999	880,657	454,482
Other financial receivables	96,908	298,802	821,180
Short-term financial assets (Note 10)	17,131,566	30,994,817	35,790,189
Bank deposits	16,997,102	30,866,143	35,543,280
Promissory notes	134,464	128,674	246,909
Cash (Note 23)	483,368	130,615	4,138,844
<b>Total loans and receivables</b>	<b>19,600,841</b>	<b>32,304,891</b>	<b>41,204,695</b>
<b>Available for sale financial assets</b>			
Long-term financial assets	51,333	27,136	-
<b>Total available for sale financial assets</b>	<b>51,333</b>	<b>27,136</b>	<b>-</b>
<b>Total financial assets</b>	<b>19,652,174</b>	<b>32,332,027</b>	<b>41,204,695</b>

All of the Group's financial liabilities as at 31 December 2009 and as at 31 December 2008 are carried at an amortised cost.

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**Note 24. Segment information**

The chief operating decision-maker has been identified as General Director. The General Director reviews the Group's internal reporting prepared in accordance with Russian accounting regulation in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The General Director considers the business from the power plants perspective, ie the performance of each of the 5 power plants (Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Yayvinskaya GRES and Smolenskaya GRES) is assessed. Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Yayvinskaya GRES are aggregated into a single operating segment, that comprised more than 90% of Group's external revenue, as they have similar economic and other characteristics. The operating segment Smolenskaya GRES comprised not more than 6% of the total external revenue and 2% of total assets. Other services are provided by the group including communal services in Shatura district Moscow region. These sales have not been included within the reportable operating segments, as they are not included within the reports provided to the General Director.

The General Director assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement basis excludes foreign exchange differences.

Depreciation, income tax and also reconciliation of total adjusted EBIT in accordance with Russian accounting regulation to total profit before income tax is provided as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Information provided for 5 power plants:		
Depreciation	(1,132,082)	(1,034,434)
Income tax	(1,904,264)	(1,975,730)
Adjusted EBIT in accordance with Russian accounting regulation	8,197,387	5,213,765
Other services and other operating income and expenses	(999,387)	(1,220,318)
Operating profit	7,198,000	3,993,447
Finance income	6,147,830	5,458,299
Finance costs	(3,823,829)	(934,489)
IFRS translation adjustments*	(2,308,126)	(1,229,436)
<b>Profit before income tax</b>	<b>7,213,874</b>	<b>7,287,821</b>

Reconciliation of revenue from external customers for all 5 power plants to total revenue:

	Year ended 31 December 2009	Year ended 31 December 2008
Revenue of 5 power plants	42,062,006	37,680,332
Other revenue	828,091	335,005
<b>Total revenues</b>	<b>42,890,097</b>	<b>38,013,337</b>

The Group's revenues are analysed by products and services in Note 16.

Revenues from customers which represent 10% or more of the total revenues are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
OA O CFR	13,203,405	11,615,068
OOO Tyumenskaya energosbytovaya company	9,735,231	11,599,281
Others (mainly distribution companies, less than 10% each)	19,951,461	14,798,988
<b>Total revenues</b>	<b>42,890,097</b>	<b>38,013,337</b>

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After reorganization of RAO UES OAO "Tyumenskaya energosbytovaya company" and a number of other distribution companies continue to be controlled by the state.

Reconciliation of total assets in accordance with Russian accounting regulation to total assets in these financial statements is provided in the table below:

	<b>At 31 December 2009</b>	<b>At 31 December 2008</b>	<b>At 31 December 2007</b>
Total assets in accordance with Russian accounting regulation	86,055,259	77,676,674	69,423,704
IFRS translation adjustments*	6,422,671	7,206,066	7,855,232
<b>Total assets in these financial statements</b>	<b>92,477,930</b>	<b>84,882,740</b>	<b>77,278,936</b>

\*IFRS translation adjustments relate mainly to higher PPE value (as a consequence of applying IAS 29) and correspondingly higher depreciation in these financial statements and also hedge accounting in 2009.